

# Interim report Q3 2017

## Solid portfolio acquisitions and strong earnings trend

### July – September 2017

- » Total revenue was unchanged at SEK 666m (665).
- » Profit before tax increased 40 per cent to SEK 182m (130).
- » Diluted earnings per share amounted to SEK 1.68 (1.25).

Figures in brackets refer to third quarter 2016.

### January – September 2017

- » Total revenue increased 6 per cent to SEK 2,067m (1,955).
- » Profit before tax increased 25 per cent to SEK 471m (378).
- » Diluted earnings per share amounted to SEK 4.17m (3.61).
- » Return on equity excluding items affecting comparability<sup>1)</sup> was 20 per cent.
- » Return on equity was 17 per cent (16).
- » Carrying value of acquired loan portfolios totalled SEK 13,170m (12,658).
- » The total capital ratio was 19.43 per cent (16.76) and the CET1 capital ratio was 12.72 per cent (12.46).

Figures in brackets refer to January-September 2016 for income statement comparisons and to 31 December 2016 closing balance for balance sheet items.

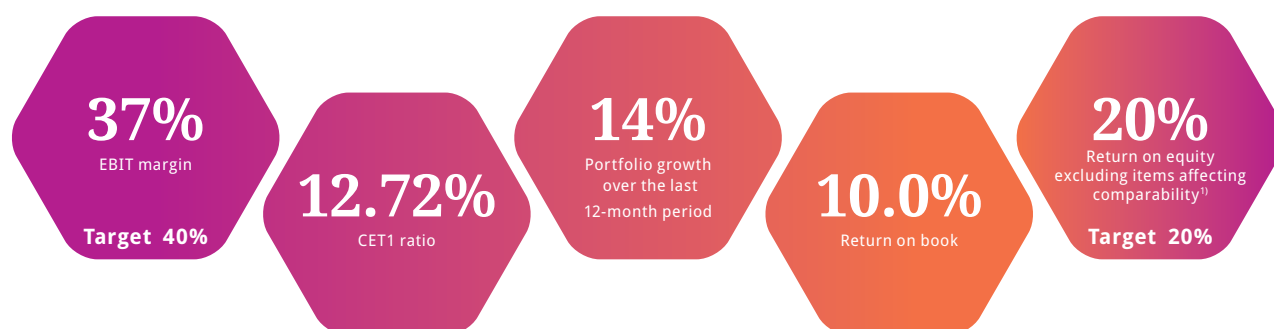
Q3

### Events during the quarter

- » Hoist Finance launched euro-denominated personal savings accounts in Germany.
- » Hoist Finance repurchased EUR 100m of senior unsecured debt and simultaneously issued EUR 250m with longer maturities. The transaction's settlement date was set at 4 October.
- » Hoist Finance introduced a self-service portal for customers in the UK.

99 Thanks to our strong financial position and long experience as leading debt restructuring partner to international banks, we are well positioned to capture future market growth.

Jörgen Olsson  
CEO



1) Key figures have been adjusted to show underlying earnings excluding items affecting comparability, totalling SEK 63m including tax, which arose in connection with the repurchase of subordinated loans and outstanding bonds during second quarter 2017.

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 has been published pursuant to the EU's Financial Instruments Trading Act and Securities Market Act. This information was submitted for publication on 26 October 2017 at 8:00 AM CET.

**Solid portfolio acquisitions and strong earnings trend**

Our operations continue to perform well, at the same time we continue to build the company in line with our strategy and towards our vision – a leading partner to international banks and financial institutions. The portfolio growth totalled 14 per cent over the last 12-month period, and we continue to approach our financial targets.

Progress also continued according to plan during the third quarter. Net revenue from acquired loan portfolios increased 5 per cent, total revenue however remained unchanged year-on-year due to lower service revenues and lower profit from shares and participations in joint ventures, which is in line with our communication from the beginning of the year. Profit before tax increased 40 per cent year-on-year, despite the fact that the quarter was charged with restructuring expenses in Region West and expenses for strategic projects amounting to SEK 7m.

We continue to grow in the countries where we operate, we continue to increase our operational efficiency and we continue to improve our funding structure. Therefore we are able to report a solid and stable trend of strong growth, stable margins and improved efficiency – quarter after quarter.

**Continued work to diversify and broaden funding**

During the quarter we continued our long-term strategy to broaden and diversify our funding. We launched a deposit offer for retail customers in Germany, thereby complementing deposits in Swedish kronor with deposits in euro. In early October, EUR 100m of senior unsecured debt was repurchased and EUR 250m with longer maturity was issued. The issue was oversubscribed and closed at attractive levels. With the launch in Germany and the issue of senior unsecured debt, we reach a better match between our assets and liabilities and also an improved funding structure in relation to our assets.

**Regulatory changes an additional catalyst for growth**

During our capital markets day just over a year ago, we presented statistics showing that only one-third of non-performing loans in the European banking system were being sold. The trend since then has been to our advantage, with

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

more and more banks now choosing to divest non-performing loans to companies like Hoist Finance – companies that are specialised and considerably more efficient in managing non-performing loans.

We are confident that this trend will continue. A new accounting standard for financial instruments, IFRS 9, comes into effect at the turn of the year. There is also a far-reaching proposal from the ECB on loan loss allowances.

The new accounting standard entails changed principles regarding loan loss allowances and write-downs. Simplified, banks will provide for estimated credit losses of non-performing loans at an earlier stage than they currently do. Under the ECB's proposal a bank will need to make provision for 100 per cent of an unsecured non-performing loan within two years, and within seven years for secured non-performing loans.

Both of these changes will increase the capital tied up in banks' non-performing loans while also making it easier for a bank's decision to divest the asset at an earlier stage.

**Good results on the regional level and launch of self-service portal in the UK**

On the regional level, Region West and Region Mid reported improved year-on-year operating profit. Results for Region Central East were somewhat lower than last year due to lower portfolio growth over the past 12-month

period and decreased fee and commission income.

A self-service portal for our customers in the UK was launched during the quarter. The launch is part of our digital initiative and will facilitate our customers' selection of communication channel. The self-service website has gathered momentum quickly and is already delivering significant value. The proportion of plans set up on web compared to call centre has increased rapidly and is currently over 30 per cent. Coupled with this we also see that breakage rates are lower for web plans. Initial results are thus very encouraging and provide further confidence that our customers want to engage with us across digital media.

**Outlook**

Developments during the quarter and the first nine months of the year confirm our growth objectives and our ambitious yet attainable targets for the full year and beyond. Thanks to our strong financial position and long experience as leading debt restructuring partner to international banks, we are well positioned to capture future market growth opportunities.



Jörgen Olsson  
CEO  
Hoist Finance AB (publ)

# Key ratios

SEK million	Quarter 3 2017	Quarter 3 2016	Change, %	Jan-Sep 2017	Jan-Sep 2016	Change, %
Total revenue	666	665	0	2,067	1,955	6
EBITDA, adjusted	764	716	7	2,387	2,173	10
EBIT	247	233	6	761	694	10
EBIT margin, %	37	35	2 pp	37	35	2 pp
Profit before tax	182	130	40	471	378	25
Net profit for the period	145	103	41	368	299	23
Basic earnings per share, SEK	1.68	1.27	32	4.18	3.69	13
Diluted earnings per share, SEK <sup>(1)</sup>	1.68	1.25	34	4.17	3.61	16
Portfolio acquisitions	781	607	29	2,178	1,762	24

SEK million	30 Sep 2017	31 Dec 2016	Change, %
Carrying value on acquired loan portfolios <sup>(2)</sup>	13,170	12,658	4
Gross 120-month ERC <sup>(3)</sup>	21,421	21,375	0
Return on equity, % <sup>(4)</sup>	17	16	1 pp
Total capital ratio, %	19.43	16.76	2.7 pp
CET1 ratio, %	12.72	12.46	0.3 pp
Liquidity reserve	5,702	5,789	-1
Number of employees (FTEs)	1,308	1,285	3

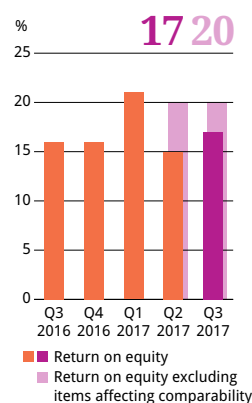
1) Includes effect of outstanding warrants. Following the 1:3 share split conducted in 2015, each warrant entitles the holder to subscribe for three new shares.

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

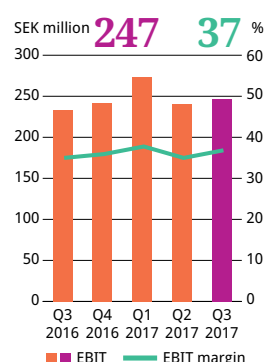
3) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture.

4) In conjunction with the December 2016 issue of Additional Tier 1 capital, the definition of ROE was changed to exclude accrued, unpaid interest on AT1 capital and the carrying value of AT1 capital in equity.

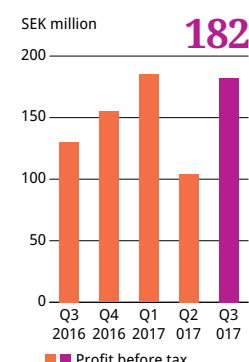
## Return on equity



## EBIT and EBIT margin



## Profit before tax



# Third quarter 2017

Unless otherwise specified, all market, financial and operational comparisons refer to third quarter 2016. The analysis below follows the operating income statement.

## Revenue

Net revenue from acquired loan portfolios increased 5 per cent to SEK 635m (606), due mainly to growth and successful collection activities in Italy. Gross collections on acquired loan portfolios increased to SEK 1,134m (1,075). Portfolio amortisation and revaluation increased to SEK 499m (467), with portfolio revaluations accounting for SEK 8m (-8) of that amount. Portfolio acquisitions totalled SEK 781m (607) during the quarter, mainly attributable to the UK. Due to these and other previous acquisitions, portfolio growth was 14 per cent calculated over a 12-month period. Profit for participations in joint ventures totalled SEK 11m (27), with the 2016 comparative

figure affected by changes in value in the Polish joint venture in which Hoist Finance has been participating since 2011. Fee and commission income decreased 40 per cent to SEK 17m (28). The decline is mainly attributable to Poland, where a major service contract was terminated in early 2017. Total revenue was unchanged at SEK 666m (665).

## Operating expenses

Total operating expenses decreased to SEK 419m (432), due mainly to high legal collection costs in the UK and Poland during Q3 2016. The change was somewhat mitigated by the development in Italy, where legal collection costs increased year-on-year. These

factors also account for the development in collection costs, which totalled SEK 143m (171). Personnel expenses increased 8 per cent to SEK 171m (158) due to strengthening in Spain, Italy and within Central Functions as well as restructuring expenses. Other operating expenses, which totalled SEK 90m (90), also reflect the relatively high costs for change initiatives taken during the third quarter, including advisory services associated with the transition to new accounting standards and expenses for strategic projects. Depreciation and amortisation of tangible and intangible assets totalled SEK 14m (13).

### Financial items

Total financial items as per Hoist Finance's operating income statement were SEK –65m (–102).

Interest income totalled SEK –4m (–1) due to the prevailing interest rate scenario, under which government bonds and similar securities that comprise the greater part of Hoist Finance's liquidity portfolio no longer offer positive returns. Interest expenses, which totalled SEK –68m (–77), mainly include deposit-related interest expenses and interest expenses from debt instruments issued. The deposit-related expense is mainly unchanged, as there was no material change in either deposit volumes or margins. Interest expenses for the deposit offer recently launched in Germany were negligible during the third quarter. The decrease in total interest expense is accordingly attributable to issued debt instruments, with expenses for subordinated liabilities significantly reduced following the buy-back in May 2017 of an issued subordinated debt instrument carrying a high coupon rate and the issue of a new subordinated debt instrument carrying a significantly lower coupon rate. Net financial income totalled SEK 7m (–24), with year-on-year results and changes for both quarters mainly attributable to profit/loss from FX hedging. The application of hedge accounting was expanded starting in 2017 and, accordingly, most earnings from currency fluctuations are reported as other comprehensive income. Changes in value for interest rate hedging instruments were limited during the quarter. The same applies to changes in market value for bonds in the liquidity portfolio.

### Balance sheet

Unless otherwise specified, comparisons regarding balance sheet items refer to 31 December 2016.

#### Assets

Total assets increased SEK 688m as compared with 31 December 2016, totalling SEK 19,838m (19,150). The change is due to an SEK –784m decrease in treasury bills and treasury bonds, which was offset by an SEK 593m increase in bonds and other securities. Acquired loan portfolios increased SEK 531m, due primarily to acquisitions in the UK and Italy.

#### Liabilities

Total liabilities amounted to SEK 16,721m (16,225). Deposits from the public increased SEK 452m. Other liabilities decreased SEK –219m, due mainly to the settlement of previous debt through the repayment of collateral received to derivative counterparties. Senior unsecured debt decreased due to the repurchase of all outstanding bonds in respect of a bond loan issued in 2014. Subordinated liabilities increased net SEK 431m due to the issue of Tier 2 capital in the amount of EUR 80m and the repurchase of previously subordinated liabilities.

### Funding and capital debt

SEK million	30 Sep 2017	31 Dec 2016	Change, %
Cash and interest-bearing securities	5,760	5,877	–2
Other assets <sup>1)</sup>	14,078	13,273	6
<b>Total assets</b>	<b>19,838</b>	<b>19,150</b>	<b>4</b>
Deposits from the public	12,301	11,849	4
Subordinated liabilities	2,930	3,126	–6
Senior unsecured debt	773	342	>100
<b>Total interest-bearing liabilities</b>	<b>16,004</b>	<b>15,317</b>	<b>4</b>
Other liabilities <sup>1)</sup>	718	908	–21
Equity	3,116	2,925	7
<b>Total liabilities and equity</b>	<b>19,838</b>	<b>19,150</b>	<b>4</b>
CET1 ratio, %	12.72	12.46	0.3 pp
Total capital ratio, %	19.43	16.76	2.7 pp
Liquidity reserve	5,702	5,789	–1
<b>Acquired loans</b>			
Carrying value of acquired loans <sup>2)</sup>	13,170	12,658	4
Gross 120-month ERC <sup>3)</sup>	21,421	21,375	0

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

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

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

Hoist Finance funds its operations through deposits in Sweden and Germany and through the bond market. Deposits from the public in Sweden, which are carried out under the Hoist Finance brand, totalled SEK 12,159m (11,849). Of this amount, SEK 4,369m (4,266) is attributable to fixed term deposits of 12-, 24- and 36-month durations. Since September 2017, deposits for retail customers have been offered in Germany under the Hoist Finance name. Deposits in Germany totalled SEK 142m as at 30 September 2017. Of this amount, SEK 17m is attributable to fixed term deposits of 12- and 24-month durations.

As at 30 September 2017 outstanding bond debt totalled SEK 3,703m (3,468), of which SEK 2,930m (3,126) was senior unsecured debt. Hoist Finance, through Hoist Kredit AB (publ), issued new Tier 2 capital during the second quarter in order to refinance a similar outstanding subordinated bond loan, which was repurchased in connection with the transaction. A total of EUR 80m of Tier 2 capital was issued under the Hoist Finance EMTN programme. The previously issued subordinated bond loan of SEK 350m was repurchased in its entirety through a public offering in conjunction with the issue. All repurchased bonds have been cancelled.

Group equity totalled SEK 3,116m (2,925). The increase is mainly due to net profit for the period.

The total capital ratio improved to 19.43 per cent (16.76) and the CET1 ratio to 12.72 per cent (12.46). 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 5,702m (5,789).

Basic earnings per share totalled SEK 1.68 (1.27). Accrued, unpaid interest on AT1 capital is included in the calculation.

**Cash flow**

Comparative figures refer to third quarter 2016.

SEK million	Quarter 3 2017	Quarter 3 2016	Full year 2016
Cash flow from operating activities	583	302	2,977
Cash flow from investing activities	-1,202	-674	-4,605
Cash flow from financing activities	321	89	1,032
<b>Cash flow for the period</b>	<b>-298</b>	<b>-708</b>	<b>-597</b>

Cash flow from operating activities totalled SEK 583m (302). Gross cash collections from acquired loan portfolios continued to increase in relation to acquired loan portfolios and totalled SEK 1,134m (1,075).

Cash flow from investing activities totalled SEK -1,202m (-674). Portfolio acquisitions increased during the quarter as compared with Q3 2016, totalling SEK 781m (607). A net total of SEK -415m was invested in bonds and other securities during the quarter as a result from inflow from deposits from the public and positive result from operating activities.

Cash flow from financing activities totalled SEK 321m (89) and is entirely attributable to deposits from the public. Of this amount, SEK 142m is attributable to the newly started deposit operations in Germany.

Total cash flow for the quarter amounted to SEK -298m, as compared with SEK 708m for third quarter 2016.

**Significant risks and uncertainties**

Hoist Finance is exposed to a number of uncertainties through its business operations and due to its broad geographic presence. New and amended bank and credit market company regulations may affect Hoist Finance directly (e.g., via Basel IV capital and liquidity regulations) and indirectly through the impact of similar regulations on the market's supply of loan portfolios. Hoist Finance's cross-border operations entail consolidated tax issues relating to subsidiaries in several jurisdictions. The Group is therefore exposed to potential tax risks arising from varying interpretation and application of existing laws, treaties, regulations, and guidance.

**Development of risks**

Credit risk for Hoist Finance's loan portfolios is deemed to be largely unchanged during the quarter. Credit risk in the liquidity portfolio remains low, as investments are made in government, municipal and covered 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 FX risks in the short and medium term.

Capitalisation for Hoist Finance remains strong, with a CET1 ratio that exceeds regulatory requirements by a good margin. Hoist Finance is therefore better able to absorb unanticipated events without jeopardising its solvency, and is well capitalised for continued growth.

Liquidity risk was low during the quarter. During the quarter, Hoist Finance issued additional bonds and launched deposits from the public in Germany. These two initiatives improved the Company's funding diversification and further reduced liquidity risk. Hoist Finance's liquidity reserve exceeds the Group's target by a good margin. Due to its strong

liquidity position, Hoist Finance is well equipped for future acquisitions and growth.

**Other information****Parent Company**

Parent Company Hoist Finance AB (publ) reported a profit before tax of SEK 9m (-10) for third quarter 2017. Income and expenses are related to the Parent Company's function as a holding and purchasing company in the Hoist Finance Group.

The Parent Company's net sales totalled SEK 72m (46) during the third quarter. Earnings are attributable to management fees within the Group. Operating expenses totalled SEK 69m (59). The year-on-year increase is attributable to expenses related to internal businesses processes and to advisory services regarding forthcoming new IFRS regulations.

Hoist Finance has set up a cash pool structure to centralise Group liquidity. This affects the Company's consolidated liabilities and bank balances. The Company's cash pool has increased since the turn of the year due to the addition of subsidiaries and the new deposit operations in Germany in subsidiary Hoist Kredit AB (publ). The majority of the Group's subsidiaries are connected to the cash pool structure as of the third quarter. Interest income and interest expense are also impacted by the establishment of the cash pool, resulting in increased interest income for subsidiaries with negative bank balances.

Intangible assets increased SEK 24m due to major investments in the Group's IT environment, which is scheduled for operational implementation during 2018. Previous intra-group receivables and intra-group loans to subsidiaries were settled during the first six months of 2017 via group contributions.

**Related-party transactions**

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

**Group structure**

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

The merger of Hoist Finance AB (publ) and Hoist Kredit AB (publ) has been initiated and is expected to be completed in early 2018. As part of this process, Hoist Finance applied for and was granted a licence to conduct financing operations. See the 2016 Annual Report for details on the Group's legal structure.

**The share and shareholders**

The number of shares totalled 80,719,567 at 30 September 2017, unchanged from the number of shares at 31 December 2016.

The share price closed at SEK 84.00 on 30 September 2017. A breakdown of the ownership structure is presented in the table below. As at 30 September 2017 the Company had 2,826 shareholders, compared with 3,298 at 31 December 2016.

The ten largest shareholders, 30 Sep 2017	Share of capital and votes, %
Carve Capital AB	9.7
Zeres Capital	8.7
Swedbank Robur Funds	8.5
Handelsbanken Funds	5.5
Jörgen Olsson privately and through companies	4.1
Toscafund Asset Management Llp	4.1
Carnegie Funds	3.8
Didner & Gerge Funds	3.4
AFA Insurance	3.2
SEB Funds incl. Lux	3.1
<b>Ten largest shareholders</b>	<b>54.1</b>
Other shareholders	45.9
<b>Total</b>	<b>100.0</b>

Sources: Modular Finance AB, 30 September 2017; ownership statistics from Holdings, Euroclear Sweden AB; and changes confirmed/registered by the Company.

In accordance with adopted instructions, the Nomination Committee shall be comprised of the three largest shareholders and the Chairman of the Board of Directors. The Nomination Committee is currently comprised of the Chair of the Board and members designated by Carve Capital AB, Zeres Capital and Swedbank Robur Fonder. The Committee's mandate period extends until a new Nomination Committee is appointed. For the period preceding the 2018 Annual General Meeting, the composition of the Nomination Committee has been based on shareholder statistics as at the final business day of August 2017.

### Review

This interim report has not been reviewed by the Company's auditors.

### Subsequent events

Hoist Finance repurchased EUR 100m of senior unsecured debt and simultaneously issued EUR 250m with longer maturities. The transaction's settlement date was set at 4 October.

Hoist Finance Services AB (the "Company"), a subsidiary of Hoist Kredit AB (publ), has received a negative tax ruling from the Administrative Court in a tax case in which the Company is a party. The matter concerns additional tax and surtax of approximately SEK 44 million for the financial years 2012-2014. Hoist Finance maintains that laws in force governing taxation of the Company and the Group's business operations were complied with, and will be appealing to the Administrative Court of Appeal. The Company considers there to be a predominant probability that the Administrative Court of Appeal will decide in Hoist Finance's favour. This assessment is supported by the Company's expert adviser. Hoist Finance will analyse the court ruling and provide its opinion on the judgment and its consequences. In light of this, no amount has been provided for.

# Quarterly review

## Segment reporting

SEK thousand	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016
Gross collections on acquired loan portfolios	1,133,761	1,198,123	1,186,339	1,104,772	1,074,719
Portfolio amortisation and revaluation	-499,280	-552,499	-522,624	-485,532	-467,240
Interest income from run-off consumer loan portfolio	518	1,021	1,845	1,153	-1,092
<b>Net revenue from acquired loan portfolios</b>	<b>634,999</b>	<b>646,645</b>	<b>665,560</b>	<b>620,393</b>	<b>606,387</b>
Fee and commission income	16,986	18,396	21,145	29,513	28,451
Profit from shares and participations in joint ventures	11,326	16,188	27,662	15,222	27,479
Other income	2,240	1,562	4,640	7,110	2,437
<b>Total revenue</b>	<b>665,551</b>	<b>682,791</b>	<b>719,007</b>	<b>672,238</b>	<b>664,754</b>
Personnel expenses	-171,165	-170,987	-168,463	-177,988	-157,894
Collection costs <sup>1)</sup>	-142,782	-157,200	-169,008	-145,560	-171,319
Other operating expenses <sup>1)</sup>	-90,347	-99,543	-94,160	-93,170	-90,130
Depreciation and amortisation of tangible and intangible assets	-14,258	-14,173	-13,919	-13,891	-12,812
<b>Total operating expenses</b>	<b>-418,552</b>	<b>-441,903</b>	<b>-445,550</b>	<b>-430,609</b>	<b>-432,155</b>
<b>EBIT</b>	<b>246,999</b>	<b>240,888</b>	<b>273,457</b>	<b>241,629</b>	<b>232,599</b>
Interest income excl. run-off consumer loan portfolio	-3,542	-3,154	-3,048	700	-1,074
Interest expense	-68,106	-85,100	-76,579	-79,474	-77,071
Net financial income <sup>2)</sup>	6,859	-48,572	-8,682	-7,987	-24,183
<b>Total financial items</b>	<b>-64,789</b>	<b>-136,826</b>	<b>-88,309</b>	<b>-86,761</b>	<b>-102,328</b>
<b>Profit before tax</b>	<b>182,210</b>	<b>104,062</b>	<b>185,148</b>	<b>154,868</b>	<b>130,271</b>

1) Comparative figures have been adjusted due to the reclassification of non-deductible VAT related to collection costs in 2016 as collection costs (Region Mid Europe).

2) Including financing costs.

## Key ratios

SEK million	Quarter 3 2017	Quarter 4 2017	Quarter 1 2016	Quarter 2 2016	Quarter 3 2016
EBIT margin, %	37	35	38	36	35
Return on book, % <sup>1)</sup>	10.0	10.3	11.3	11.1	10.8
Portfolio acquisitions	781	786	611	1,568	607

SEK million	30 sep 2017	31 jun 2017	31 mar 2017	31 dec 2016	30 sep 2016
Carrying value of acquired loans <sup>2)</sup>	13,170	13,079	12,783	12,658	11,658
Gross 120-month ERC <sup>3)</sup>	21,421	21,417	21,297	21,375	19,450
Return on equity, % <sup>4)</sup>	17	15	21	16	16
Total capital ratio, %	19.43	19.73	16.79	16.76	15.45
CET1 ratio, %	12.72	12.99	12.51	12.46	12.63
Liquidity reserve	5,702	5,605	5,671	5,789	6,520
Number of employees (FTEs)	1,308	1,267	1,268	1,285	1,341

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) Comparative figures have been adjusted for all periods in 2016.

# Segment overview

Hoist Finance purchases and manages non-performing loans in ten European countries, all of which have different legislative frameworks, shifting traditions for providing financial services and varying attitudes with respect to repayment patterns.

Operations in Europe are divided into three segments – Region West Europe, Region Mid Europe and Region Central East Europe.

## Quarter 3, 2017

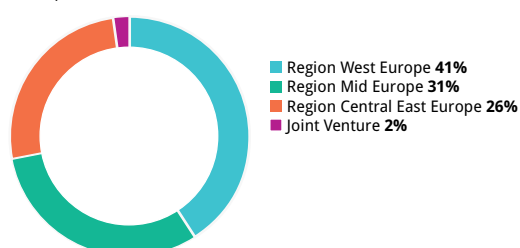
SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Net revenue from acquired loan portfolios	202,039	243,890	189,070	–	634,999
Total revenue	215,512	245,196	193,233	11,610	665,551
Total operating expenses	–130,432	–107,270	–98,219	–82,631	–418,552
EBIT	85,080	137,926	95,014	–71,021	246,999
EBIT margin, %	39	56	49	–	37
Carrying value of acquired loan portfolios, SEKm <sup>1)</sup>	5,328	4,141	3,470	231	13,170
Gross 120-month ERC, SEKm <sup>2)</sup>	8,764	6,687	5,970	–	21,421

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

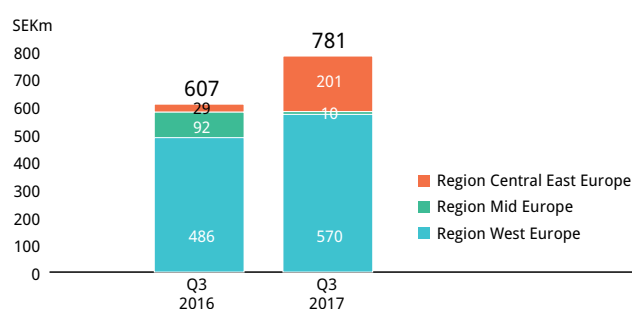
2) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture. For information on the calculation of key ratios, see Definitions.

### Distribution by segment

Carrying value, acquired loan portfolios,  
30 September 2017



### 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 collections on acquired loan portfolios increased 19 per cent, due primarily to strong portfolio growth in the UK. Portfolio amortisation and revaluation totalled SEK 192m (111) during the quarter, with the low comparative figure from 2016 a result of high legal collection costs in the UK. Portfolio revaluations totalled SEK -16m (-11) during the quarter and were mainly attributable to revaluation of a Spanish portfolio for which collections were somewhat delayed. Fee and commission income continued to decrease in line with the previously communicated strategy of focusing on the acquisition and management of loan portfolios.

## Operating expenses

Total operating expenses decreased 19 per cent during the third quarter, with the decrease dependent primarily by improved operational efficiency and a lower level of legal collection activities as compared with Q3 2016. The decrease is somewhat offset by increased investments in Spain and restructuring expenses in the region that were charged to the quarterly result.

## Profitability

## EBIT

The region's EBIT increased 11 per cent to SEK 85m (77) for the quarter with a corresponding EBIT margin of 39 per cent (32). The improvement was driven mainly by strong portfolio growth in the UK in combination with operational efficiency improvements.

## Return on book

The region's return on book for third quarter 2017 decreased somewhat to 6.6 per cent (7.5). The comparative figure was affected mainly by portfolio revaluations and investments made to strengthen the Spanish operations and position it well for future portfolio acquisitions, and by the restructuring costs mentioned above.

## Acquisitions

The acquisition volume during the third quarter was SEK 570m (486) and is mainly attributable to acquisitions in the UK, where the market remained active.

The carrying value of acquired loan portfolios increased 18 per cent to SEK 5,328m (4,522) since the turn of the year. Gross ERC increased to SEK 8,764m (7,927) over the same period.

## Earnings trend\*

SEK thousand	Quarter 3 2017	Quarter 3 2016	Change, %	Jan-Sep 2017	Jan-Sep 2016	Change, %	Full year 2016
Gross collections on acquired loan portfolios	394,338	332,199	19	1,136,431	950,491	20	1,296,766
Portfolio amortisation and revaluation	-192,299	-110,562	74	-478,169	-329,742	45	-487,587
<b>Net revenue from acquired loan portfolios</b>	<b>202,039</b>	<b>221,637</b>	<b>-9</b>	<b>658,262</b>	<b>620,749</b>	<b>6</b>	<b>809,179</b>
Fee and commission income	13,473	15,217	-11	41,286	51,546	-20	65,629
Other income	0	0	-	8	0	>100	-
<b>Total revenue</b>	<b>215,512</b>	<b>236,854</b>	<b>-9</b>	<b>699,556</b>	<b>672,295</b>	<b>4</b>	<b>874,808</b>
Personnel expenses	-58,925	-52,526	12	-172,885	-173,731	0	-231,502
Collection costs	-41,608	-76,041	-45	-147,343	-200,701	-27	-246,005
Other operating expenses	-27,124	-28,850	-6	-83,418	-88,805	-6	-112,356
Depreciation and amortisation of tangible and intangible assets	-2,775	-2,687	3	-8,337	-9,396	-11	-11,977
<b>Total operating expenses</b>	<b>-130,432</b>	<b>-160,104</b>	<b>-19</b>	<b>-411,983</b>	<b>-472,633</b>	<b>-13</b>	<b>-601,840</b>
<b>EBIT</b>	<b>85,080</b>	<b>76,750</b>	<b>11</b>	<b>287,573</b>	<b>199,662</b>	<b>44</b>	<b>272,968</b>
EBIT margin, %	39	32	7 pp	41	30	11 pp	31
Return on book, %	6.6	7.5	-0.9 pp	7.7	6.5	1.2 pp	6.5
Expenses/Gross collections on acquired loan portfolios, %	30	44	-14 pp	33	44	-11 pp	41
Carrying value of acquired loan portfolios, SEKm	5,328	4,281	24	N/A	N/A	-	4,522
Gross 120-month ERC, SEKm	8,764	7,461	17	N/A	N/A	-	7,927

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

# Region Mid Europe

Belgium, Greece, Italy and the Netherlands

## Revenues

Gross collections on acquired loan portfolios increased 12 per cent, driven primarily by strong portfolio growth in Italy. Portfolio amortisation and revaluation decreased 7 per cent due mainly to positive portfolio revaluations, which totalled SEK 40m (2) during the third quarter. The increase is attributable to Italian portfolios, which have outperformed anticipated collection rates over time. Profit from shares and participations in joint ventures refers to the Greek operations.

## Operating expenses

Total operating expenses increased 20 per cent, with the increase attributable to portfolio growth and higher legal collection activities in Italy.

## Profitability

### EBIT

The region's EBIT totalled SEK 138m (96) for the quarter with a corresponding EBIT margin of 56 per cent (52). The comparative figure was affected by the previously mentioned portfolio revaluations in the region and by strong portfolio growth in Italy. The improvement was offset by lower acquisition activity in Belgium and the Netherlands.

### Return on book

The region's return on book for third quarter 2017 was 13.0 per cent (11.0), with the change related to the above-named effect on the comparative figures.

## Acquisitions

The acquisition volume during the quarter totalled SEK 10m (92) and was attributable to acquisitions in Belgium. The carrying value of acquired loan portfolios decreased since the turn of the year and totalled SEK 4,141m (4,331). Gross ERC decreased to SEK 6,687m (7,117) over the same period.

## Other

The operation in Greece continues to strengthen its position in order to enable future portfolio acquisitions.

## Earnings trend\*

SEK thousand	Quarter 3 2017	Quarter 3 2016	Change, %	Jan-Sep 2017	Jan-Sep 2016	Change, %	Full year 2016
Gross collections on acquired loan portfolios	416,785	370,495	12	1,349,077	1,157,029	17	1,574,731
Portfolio amortisation and revaluation	-172,895	-186,872	-7	-669,345	-560,715	19	-763,410
<b>Net revenue from acquired loan portfolios</b>	<b>243,890</b>	<b>183,623</b>	<b>33</b>	<b>679,732</b>	<b>596,314</b>	<b>14</b>	<b>811,321</b>
Fee and commission income	829	1,380	-40	3,632	3,606	1	5,006
Profit from shares and participations in joint venture	-408	-211	93	12,691	227	>100	616
Other income	885	303	>100	1,703	1,177	45	1,769
<b>Total revenue</b>	<b>245,196</b>	<b>185,095</b>	<b>32</b>	<b>697,758</b>	<b>601,324</b>	<b>16</b>	<b>818,712</b>
Personnel expenses	-29,071	-27,028	8	-89,609	-79,381	13	-111,301
Collection costs <sup>1)</sup>	-64,271	-48,956	31	-206,213	-149,350	38	-221,228
Other operating expenses <sup>1)</sup>	-11,790	-11,462	3	-36,214	-45,741	-21	-53,821
Depreciation and amortisation of tangible and intangible assets	-2,138	-1,770	21	-5,900	-5,178	14	-7,210
<b>Total operating expenses</b>	<b>-107,270</b>	<b>-89,216</b>	<b>20</b>	<b>-337,936</b>	<b>-279,650</b>	<b>21</b>	<b>-393,560</b>
<b>EBIT</b>	<b>137,926</b>	<b>95,879</b>	<b>44</b>	<b>359,822</b>	<b>321,674</b>	<b>12</b>	<b>425,152</b>
EBIT margin, %	56	52	4 pp	52	53	-1 pp	52
Return on book, %	13.0	11.0	2.0 pp	11.1	12.0	-0.9 pp	10.7
Expenses/Gross collections on acquired loan portfolios, %	25	24	1 pp	25	24	1 pp	25
Carrying value of acquired loan portfolios, SEKm	4,141	3,491	19	N/A	N/A	-	4,331
Gross 120-month ERC, SEKm	6,687	5,840	15	N/A	N/A	-	7,117

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

1) Comparative figures have been adjusted due to the reclassification of non-deductible VAT related to collection costs in 2016 as collection costs.

# Region Central East Europe

Poland, Germany and Austria

## Revenues

Gross collections on acquired loan portfolios decreased 13 per cent to SEK 323m (372) during the third quarter, with the decrease mainly attributable to a lower acquisition rate in the region as compared with last year. The decrease in gross collections on acquired loan portfolios is also the reason portfolio amortisation and revaluations decreased 21 per cent year-on-year. Portfolio revaluations totalled SEK -16m (1) during the quarter and are attributable to Poland, where portfolios collected earlier than anticipated were adjusted with respect to future collections. Fee and commission income decreased 77 per cent to SEK 3m (12), with the decrease attributable to the termination of a service contract in Poland earlier during the year.

## Operating expenses

Total operating expenses decreased 7 per cent during the quarter to SEK 98m (105). The decrease is mainly attributable to lower collection costs in Poland due to somewhat lower legal collection costs as compared with the comparative quarter.

## Profitability

### EBIT

EBIT for the third quarter totalled SEK 95m (111) with a corresponding EBIT margin of 49 per cent (51). The somewhat lower EBIT and EBIT margin are primarily due portfolio revaluations and decreased fee and commission income.

### Return on book

The region's return on book for third quarter 2017 was 10.9 per cent (12.1), with the decrease attributable to portfolio revaluations and to decreased fee and commission income.

## Acquisitions

The acquisition volume during the third quarter totalled SEK 201m (29) and is attributable to Germany and Poland. The carrying value of acquired loan portfolios decreased somewhat since the turn of the year, totalling SEK 3,470m (3,564). Gross ERC decreased to SEK 5,970m (6,331) over the same period.

## Earnings trend\*

SEK thousand	Quarter 3 2017	Quarter 3 2016	Change, %	Jan-Sep 2017	Jan-Sep 2016	Change, %	Full year 2016
Gross collections on acquired loan portfolios	322,638	372,025	-13	1,032,715	1,098,870	-6	1,439,665
Portfolio amortisation and revaluation	-134,086	-169,806	-21	-426,889	-530,218	-19	-655,210
Interest income from run-off consumer loan portfolio	518	-1,092	>-100	3,384	4,688	-28	5,841
<b>Net revenue from acquired loan portfolios</b>	<b>189,070</b>	<b>201,127</b>	<b>-6</b>	<b>609,210</b>	<b>573,340</b>	<b>6</b>	<b>790,296</b>
Fee and commission income	2,684	11,854	-77	11,609	32,152	-64	46,182
Other income	1,479	3,028	-51	7,858	7,545	4	14,502
<b>Total revenue</b>	<b>193,233</b>	<b>216,009</b>	<b>-11</b>	<b>628,677</b>	<b>613,037</b>	<b>3</b>	<b>850,980</b>
Personnel expenses	-44,544	-45,134	-1	-132,323	-133,859	-1	-181,875
Collection costs	-37,051	-46,322	-20	-115,429	-100,304	15	-128,682
Other operating expenses	-14,828	-11,811	26	-40,232	-35,257	14	-49,924
Depreciation and amortisation of tangible and intangible assets	-1,796	-1,843	-3	-5,608	-5,448	3	-7,299
<b>Total operating expenses</b>	<b>-98,219</b>	<b>-105,110</b>	<b>-7</b>	<b>-293,592</b>	<b>-274,868</b>	<b>7</b>	<b>-367,780</b>
<b>EBIT</b>	<b>95,014</b>	<b>110,899</b>	<b>-14</b>	<b>335,085</b>	<b>338,169</b>	<b>-1</b>	<b>483,200</b>
EBIT margin, %	49	51	-2 pp	53	55	-2 pp	57
Return on book, %	10.9	12.1	-1.2 pp	12.8	12.6	0.2 pp	13.6
Expenses/Gross collections on acquired loan portfolios, %	29	24	5 pp	26	21	5 pp	21
Carrying value of acquired loan portfolios, SEK <sup>m1)</sup>	3,470	3,638	-5	N/A	N/A	-	3,564
Gross 120-month ERC, SEK <sup>m2)</sup>	5,970	6,239	-4	N/A	N/A	-	6,331

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

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.

# Financial statements

## Consolidated income statement

SEK thousand	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Net revenue from acquired loan portfolios	634,481	607,479	1,943,820	1,785,715	2,404,955
Interest income	-3,024	-2,166	-6,360	705	2,558
Interest expense	-68,106	-77,071	-229,785	-220,814	-300,288
<b>Net interest income</b>	<b>563,351</b>	<b>528,242</b>	<b>1,707,675</b>	<b>1,565,606</b>	<b>2,107,225</b>
Fee and commission income	16,986	28,451	56,527	87,304	116,817
Net financial income	6,859	-24,183	-50,395	-90,802	-97,529
Other income	2,240	2,437	8,442	6,541	13,651
<b>Total operating income</b>	<b>589,436</b>	<b>534,947</b>	<b>1,722,249</b>	<b>1,568,649</b>	<b>2,140,164</b>
General administrative expenses					
Personnel expenses	-171,165	-157,894	-510,615	-494,367	-672,355
Other operating expenses	-233,129	-261,449	-753,040	-727,967	-966,697
Depreciation and amortisation of tangible and intangible assets	-14,258	-12,812	-42,350	-38,905	-52,796
<b>Total operating expenses</b>	<b>-418,552</b>	<b>-432,155</b>	<b>-1,306,005</b>	<b>-1,261,239</b>	<b>-1,691,848</b>
<b>Profit before credit losses</b>	<b>170,884</b>	<b>102,792</b>	<b>416,244</b>	<b>307,410</b>	<b>448,316</b>
Net credit losses	-	-	-	-	-1,260
Profit from shares and participations in joint ventures	11,326	27,479	55,176	70,820	86,042
<b>Profit before tax</b>	<b>182,210</b>	<b>130,271</b>	<b>471,420</b>	<b>378,230</b>	<b>533,098</b>
Income tax expense	-36,819	-26,906	-103,886	-79,191	-115,949
<b>Net profit for the period</b>	<b>145,391</b>	<b>103,365</b>	<b>367,534</b>	<b>299,039</b>	<b>417,149</b>
<b>Profit attributable to:</b>					
Owners of Hoist Finance AB (publ)	145,391	103,365	367,534	299,039	417,149
Basic earnings per share, SEK <sup>1)</sup>	1.68	1.27	4.18	3.69	5.07
Diluted earnings per share, SEK <sup>1) 2)</sup>	1.68	1.25	4.17	3.61	4.97

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

2) Includes effect of 159,993 outstanding warrants.

## Consolidated statement of comprehensive income

SEK thousand	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
<b>Net profit for the period</b>	<b>145,391</b>	<b>103,365</b>	<b>367,534</b>	<b>299,039</b>	<b>417,149</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
Revaluation of remuneration after terminated employment	-	-	-	-	-617
Tax attributable to items that will not be reclassified to profit or loss	-	-	-	-	654
<b>Total items that will not be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,904</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Translation difference, foreign operations	-5,908	22,738	12,711	-804	-21,872
Translation difference, joint venture	-7,696	9,868	3,642	7,445	1,489
Hedging of currency risk in foreign operations	-25,956	-	-82,364	-	-
Hedging of currency risk in joint venture	6,199	-19,915	-10,637	-12,495	-7,421
Transferred to the income statement during the year	433	-	2,211	-	-
Tax attributable to items that may be reclassified to profit or loss	4,177	4,381	23,341	5,919	4,803
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>-28,751</b>	<b>17,072</b>	<b>-51,096</b>	<b>65</b>	<b>-23,001</b>
<b>Other comprehensive income for the period</b>	<b>-28,751</b>	<b>17,072</b>	<b>-51,096</b>	<b>65</b>	<b>-24,905</b>
<b>Total comprehensive income for the period</b>	<b>116,640</b>	<b>120,437</b>	<b>316,438</b>	<b>299,104</b>	<b>392,244</b>
<b>Profit attributable to:</b>					
Owners of Hoist Finance AB (publ)	116,640	120,437	316,438	299,104	392,244

## Consolidated balance sheet

SEK thousand	30 Sep 2017	31 Dec 2016	30 Sep 2016
<b>ASSETS</b>			
Cash	2,998	3,073	262
Treasury bills and Treasury bonds	1,490,273	2,273,903	3,470,642
Lending to credit institutions	1,134,970	1,061,285	1,092,503
Lending to the public	31,817	35,789	44,181
Acquired loan portfolios	12,916,637	12,385,547	11,370,976
Bonds and other securities	3,131,696	2,538,566	2,059,714
Participations in joint ventures	229,862	241,276	248,683
Intangible assets	261,505	243,340	248,682
Tangible assets	40,759	40,815	39,597
Other assets	507,903	193,470	432,753
Deferred tax assets	33,248	47,269	68,394
Prepayments and accrued income	55,942	85,593	75,870
<b>Total assets</b>	<b>19,837,610</b>	<b>19,149,926</b>	<b>19,152,257</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from the public	12,300,661	11,848,956	12,292,877
Tax liabilities	84,663	52,887	76,785
Other liabilities	213,683	432,865	248,383
Deferred tax liabilities	164,248	163,264	183,733
Accrued expenses and deferred income	201,577	203,442	199,485
Provisions	53,417	55,504	58,557
Senior unsecured debt	2,930,360	3,125,996	3,227,048
Subordinated liabilities	772,530	341,715	340,477
<b>Total liabilities</b>	<b>16,721,139</b>	<b>16,224,629</b>	<b>16,627,345</b>
<b>Equity</b>			
Share capital	26,906	26,906	26,276
Other contributed equity	2,072,993	2,073,215	1,759,100
Reserves	-118,191	-67,095	-44,029
Retained earnings including profit for the period	1,134,763	892,271	783,565
<b>Total equity</b>	<b>3,116,471</b>	<b>2,925,297</b>	<b>2,524,912</b>
<b>Total liabilities and equity</b>	<b>19,837,610</b>	<b>19,149,926</b>	<b>19,152,257</b>

## Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
<b>Opening balance 1 Jan 2017</b>	<b>26,906</b>	<b>2,073,215</b>	<b>-67,095</b>	<b>892,271</b>	<b>2,925,297</b>
<b>Comprehensive income for the period</b>					
Profit for the period				367,534	367,534
Other comprehensive income			-51,096		-51,096
<b>Total comprehensive income for the period</b>			<b>-51,096</b>	<b>367,534</b>	<b>316,438</b>
<b>Transactions reported directly in equity</b>					
Dividend				-104,935	-104,935
Warrants, repurchased and cancelled		-222			-222
Interest paid on capital contribution				-20,107	-20,107
<b>Total transactions reported directly in equity</b>		<b>-222</b>		<b>-125,042</b>	<b>-125,264</b>
<b>Closing balance 30 Sep 2017</b>	<b>26,906</b>	<b>2,072,993</b>	<b>-118,191</b>	<b>1,134,763</b>	<b>3,116,471</b>

SEK thousand	Share capital	Other contributed capital	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	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				299,039	299,039
Other comprehensive income			65		65
<b>Total comprehensive income for the period</b>			<b>65</b>	<b>299,039</b>	<b>299,104</b>
<b>Transactions reported directly in equity</b>					
Dividend				-58,974	-58,974
New share issue	98	4,790			4,888
Warrants, repurchased and cancelled		-1,366			-1,366
Interest paid on capital contribution				-7,500	-7,500
<b>Total transactions reported directly in equity</b>	<b>98</b>	<b>3,424</b>		<b>-66,474</b>	<b>-62,952</b>
<b>Closing balance 30 Sep 2016</b>	<b>26,276</b>	<b>1,759,100</b>	<b>-44,029</b>	<b>783,565</b>	<b>2,524,912</b>

## Consolidated cash flow statement

SEK thousand	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
<b>OPERATING ACTIVITIES</b>					
Profit/loss before tax	182,210	130,271	421,420	378,230	533,097
<i>of which, paid-in interest</i>	518	-1,093	3,384	4,687	5,841
<i>of which, interest paid</i>	-50,271	-30,437	-171,683	-156,117	-288,713
<b>Adjustment for items not included in cash flow</b>					
Portfolio amortisation and revaluation	499,281	467,241	1,574,404	1,420,676	1,906,208
Other non-cash items	222,807	-35,053	145,325	245,104	232,902
Realised profit from divestment of shares and participations in joint ventures	-13,445	-24,896	-47,952	-28,687	-42,546
Income tax paid	6,780	674	-37,801	-25,673	-49,000
<b>Total</b>	<b>897,633</b>	<b>538,237</b>	<b>2,105,396</b>	<b>1,989,650</b>	<b>2,580,661</b>
Increase/decrease in lending to the public	-5,008	20,524	3,972	33,813	42,681
Increase/decrease in other assets	-276,806	-121,202	-271,129	15,118	221,233
Increase/decrease in other liabilities	-32,989	-135,226	-162,513	-64,590	131,956
<b>Total</b>	<b>-314,803</b>	<b>-235,904</b>	<b>-429,670</b>	<b>-15,659</b>	<b>395,870</b>
<b>Cash flow from operating activities</b>	<b>582,830</b>	<b>302,333</b>	<b>1,675,726</b>	<b>1,973,991</b>	<b>2,976,531</b>
<b>INVESTING ACTIVITIES</b>					
Acquired loan portfolios	-781,320	-606,677	-2,177,990	-1,761,862	-3,329,382
Investments in intangible assets	-19,360	-14,912	-46,942	-26,366	-35,756
Investments in tangible assets	-1,712	-1,948	-11,831	-10,969	-18,360
Investments in/divestments of bonds and other securities	-415,085	-80,002	-600,003	-750,888	-1,232,503
Investments in subsidiaries	-	-	-21,815	-25,204	-40,788
Acquired shares and participations in joint ventures	-	-	-	-74	-74
Divested shares and participations in joint ventures	15,650	29,065	56,324	35,220	51,891
<b>Cash flow from investing activities</b>	<b>-1,201,827</b>	<b>-674,474</b>	<b>-2,802,257</b>	<b>-2,540,143</b>	<b>-4,604,972</b>
<b>FINANCING ACTIVITIES</b>					
Deposits from the public	321,312	-413,278	445,926	-554,027	-957,707
Issued bonds	-	501,033	-	2,779,393	2,771,876
Repurchase of issued bonds	-	-	-276,867	-976,284	-976,570
Buy-back of issued bonds	-	-	-	-	-58,000
Issued Tier 2 capital	-	-	781,328	-	-
Repurchase of subordinated loan	-	-	-399,550	-	-
Issued Additional Tier 1 capital	-	-	-	-	285,396
Interest paid on AT1 capital	-	-	-27,607	-7,500	-7,500
New share issue	-	108	-	4,888	35,296
Warrants, repurchased and cancelled	-	640	-222	-1,366	-2,066
Dividend paid	-	-	-104,935	-58,974	-58,974
<b>Cash flow from financing activities</b>	<b>321,312</b>	<b>88,503</b>	<b>418,073</b>	<b>1,186,130</b>	<b>1,031,751</b>
<b>Cash flow for the period</b>	<b>-297,685</b>	<b>-283,638</b>	<b>-708,458</b>	<b>619,978</b>	<b>-596,690</b>
Cash at beginning of the period	2,933,900	4,830,538	3,338,261	3,936,624	3,936,624
Translation difference	-7,974	16,507	-1,562	6,805	-1,673
<b>Cash at end of the period*</b>	<b>2,628,241</b>	<b>4,563,407</b>	<b>2,628,241</b>	<b>4,563,407</b>	<b>3,338,261</b>

\*Comprised of cash, Treasury bills/bonds and lending to credit institutions.

## Parent Company income statement

SEK thousand	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
<b>Net sales</b>	<b>72,214</b>	<b>46,006</b>	<b>202,414</b>	<b>133,538</b>	<b>195,846</b>
Other external expenses	-66,004	-56,259	-207,879	-148,769	-219,855
Personnel expenses	-1,991	-1,736	-3,873	-5,909	-7,100
Depreciation and amortisation	-1,412	-1,240	-4,285	-3,615	-4,891
<b>Total operating expenses</b>	<b>-69,407</b>	<b>-59,235</b>	<b>-216,037</b>	<b>-158,293</b>	<b>-231,846</b>
<b>Operating profit</b>	<b>2,807</b>	<b>-13,229</b>	<b>-13,623</b>	<b>-24,755</b>	<b>-36,000</b>
Other interest income	7,035	3,698	22,756	3,492	10,555
Interest expense and similar costs	-694	-391	-2,837	-713	-1,602
<b>Total income from financial items</b>	<b>6,341</b>	<b>3,307</b>	<b>19,919</b>	<b>2,779</b>	<b>8,953</b>
Earnings from participations in Group companies	-	-	-	-	210,000
Appropriations (tax allocation reserve)	-	-	-	-	-36,483
<b>Profit/loss before tax</b>	<b>9,148</b>	<b>-9,922</b>	<b>6,296</b>	<b>-21,976</b>	<b>146,470</b>
Income tax expense	-2,087	1,322	-1,503	3,968	-29,150
<b>Net profit for the period<sup>1)</sup></b>	<b>7,061</b>	<b>-8,600</b>	<b>4,793</b>	<b>-18,008</b>	<b>117,320</b>

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

## Parent Company balance sheet

SEK thousand	30 Sep 2017	31 Dec 2016	30 Sep 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Licences and software	48,733	25,169	21,628
<b>Total intangible assets</b>	<b>48,733</b>	<b>25,169</b>	<b>21,628</b>
Equipment	1,612	2,417	2,703
<b>Total tangible assets</b>	<b>1,612</b>	<b>2,417</b>	<b>2,703</b>
Shares and participations in subsidiaries	1,687,989	1,687,989	1,687,989
Deferred tax asset	–	–	3,968
<b>Total financial assets</b>	<b>1,687,989</b>	<b>1,687,989</b>	<b>1,691,957</b>
<b>Total non-current assets</b>	<b>1,738,334</b>	<b>1,715,575</b>	<b>1,716,288</b>
<b>Current assets</b>			
Receivables, Group companies	41,713	257,501	51,131
Other receivables	35	402	3,657
Prepaid expenses and deferred income	7,120	8,506	5,608
<b>Total current receivables</b>	<b>48,868</b>	<b>266,409</b>	<b>60,396</b>
Cash and bank balances	409,095	328,457	496,619
<b>Total current assets</b>	<b>457,963</b>	<b>594,866</b>	<b>557,015</b>
<b>Total assets</b>	<b>2,196,297</b>	<b>2,310,441</b>	<b>2,273,303</b>

## Parent Company balance sheet, continued

SEK thousand	30 Sep 2017	31 Dec 2016	30 Sep 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	26,906	26,906	26,276
Statutory reserve	3,098	3,098	3,098
Development expenditure fund	4,871	1,215	–
<b>Total restricted equity</b>	<b>34,875</b>	<b>31,219</b>	<b>29,374</b>
<b>Non-restricted equity</b>			
Other contributed equity	1,693,416	1,693,638	1,664,560
Retained earnings	7,457	–1,272	–57
Profit/loss for the period	4,793	117,320	–18,008
<b>Total non-restricted equity</b>	<b>1,705,666</b>	<b>1,809,686</b>	<b>1,646,495</b>
<b>Total shareholders' equity</b>	<b>1,740,541</b>	<b>1,840,905</b>	<b>1,675,869</b>
<b>Untaxed reserves</b>	<b>59,995</b>	<b>59,995</b>	<b>23,512</b>
<b>Provisions</b>			
Pension provisions	36	24	27
<b>Total provisions</b>	<b>36</b>	<b>24</b>	<b>27</b>
<b>Non-current liabilities</b>			
Intra-Group loans	–	65,000	65,000
<b>Total non-current liabilities</b>	<b>–</b>	<b>65,000</b>	<b>65,000</b>
<b>Current liabilities</b>			
Accounts payable	7,563	12,863	7,093
Tax liabilities	19,464	27,157	15,616
Liabilities, Group companies	361,016	298,153	481,449
Other current liabilities	2,698	3,506	–
Accrued expenses and deferred income	4,984	2,838	4,737
<b>Total current liabilities</b>	<b>395,725</b>	<b>344,517</b>	<b>508,895</b>
<b>Total equity, provisions and liabilities</b>	<b>2,196,297</b>	<b>2,310,441</b>	<b>2,273,303</b>

# Accounting principles

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. The 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 Reporting 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 Reporting Board's RFR 2, Accounting for Legal Entities, was also applied.

No IFRS or IFRIC amendments that became effective in 2017 have had any material impact on the Group's financial statements or capital adequacy.

Hoist Finance has chosen to expand hedge accounting as from 1 January 2017 to include currency hedges used to hedge net investments in foreign operations. Under this expanded hedge accounting, a larger share of exchange rate fluctuations previously reported as 'Net financial income' will be reported as 'Other comprehensive income'.

Hoist Finance has chosen to present cash flow statements using the indirect method as from first quarter 2017, as this format better reflects the way in which the Group monitors cash flow. Comparative figures for third quarter and full-year 2016 have been adjusted accordingly.

A number of new or amended IFRS that will come into effect during the coming financial years were not applied in advance as at the issuance of this interim report. Hoist Finance does not intend to apply new or amended standards in advance. For detailed information see the Annual report 2016.

In all other material respects, the Group's and Parent Company's accounting policies and bases for calculation and presentation remain unchanged from those applied in the 2016 annual report.

	Quarter 3 2017	Quarter 3 2016	Full-year 2016
<b>1 EUR = SEK</b>			
Income statement (average)	9.5803	9.3682	9.4622
Balance sheet (at end of the period)	9.5668	9.6320	9.5669
<b>1 GBP = SEK</b>			
Income statement (average)	10.9844	11.6989	11.5849
Balance sheet (at end of the period)	10.8669	11.1681	11.1787
<b>1 PLN = SEK</b>			
Income statement (average)	2.2460	2.1494	2.1688
Balance sheet (at end of the period)	2.2189	2.2318	2.1662

# Notes

## Note 1 Segment reporting

Consolidated income statement SEK thousand	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Revenues from acquired loan portfolios	634,481	607,479	1,943,820	1,785,715	2,404,955
<i>of which, gross cash collections</i>	1,133,761	1,074,719	3,518,223	3,206,390	4,311,162
<i>of which, portfolio amortisation and revaluation</i>	-499,280	-467,240	-1,574,403	-1,420,675	-1,906,207
Interest income	-3,024	-2,166	-6,360	705	2,558
<i>of which, interest income from run-off consumer loan portfolio</i>	518	-1,092	3,384	4,688	5,841
<i>of which, interest income excl. run-off consumer loan portfolio<sup>1)</sup></i>	-3,542	-1,074	-9,744	-3,983	-3,283
Interest expense	-68,106	-77,071	-229,785	-220,814	-300,288
<b>Net interest income</b>	<b>563,351</b>	<b>528,242</b>	<b>1,707,675</b>	<b>1,565,606</b>	<b>2,107,225</b>
Fee and commission income	16,986	28,451	56,527	87,304	116,817
Net financial income <sup>1)</sup>	6,859	-24,183	-50,395	-90,802	-97,529
Other income	2,240	2,437	8,442	6,541	13,651
<b>Total operating income</b>	<b>589,436</b>	<b>534,947</b>	<b>1,722,249</b>	<b>1,568,649</b>	<b>2,140,164</b>
<b>General administrative expenses</b>					
Personnel expenses	-171,165	-157,894	-510,615	-494,367	-672,355
Other operating expenses	-233,129	-261,449	-753,040	-727,967	-966,697
Depreciation and amortisation of tangible and intangible assets	-14,258	-12,812	-42,350	-38,905	-52,796
<b>Total operating expenses</b>	<b>-418,552</b>	<b>-432,155</b>	<b>-1,306,005</b>	<b>-1,261,239</b>	<b>-1,691,848</b>
<b>Profit before loan losses</b>	<b>170,884</b>	<b>102,792</b>	<b>416,244</b>	<b>307,410</b>	<b>448,316</b>
Net credit losses	-	-	-	-	-1,260
Profit from shares and participations in joint ventures	11,326	27,479	55,176	70,820	86,042
<b>Profit before tax</b>	<b>182,210</b>	<b>130,271</b>	<b>471,420</b>	<b>378,230</b>	<b>533,098</b>

Operating income statement based on segment reporting SEK thousand	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Gross cash collections on acquired loan portfolios	1,133,761	1,074,719	3,518,223	3,206,390	4,311,162
Portfolio amortisation and revaluation	-499,280	-467,240	-1,574,403	-1,420,675	-1,906,207
Interest income from run-off consumer loan portfolio	518	-1,092	3,384	4,688	5,841
<b>Net revenue from acquired loan portfolios</b>	<b>634,999</b>	<b>606,387</b>	<b>1,947,204</b>	<b>1,790,403</b>	<b>2,410,796</b>
Fee and commission income	16,986	28,451	56,527	87,304	116,817
Profit from shares and participations in joint ventures	11,326	27,479	55,176	70,820	86,042
Other income	2,240	2,437	8,442	6,541	13,651
<b>Total revenue</b>	<b>665,551</b>	<b>664,754</b>	<b>2,067,349</b>	<b>1,955,068</b>	<b>2,627,306</b>
Personnel expenses	-171,165	-157,894	-510,615	-494,367	-672,355
Collection costs <sup>1)</sup>	-142,782	-171,319	-468,990	-450,355	-595,915
Other operating expenses <sup>1)</sup>	-90,347	-90,130	-284,050	-277,612	-370,782
Depreciation and amortisation of tangible and intangible assets	-14,258	-12,812	-42,350	-38,905	-52,796
<b>Total operating expenses</b>	<b>-418,552</b>	<b>-432,155</b>	<b>-1,306,005</b>	<b>-1,261,239</b>	<b>-1,691,848</b>
<b>EBIT</b>	<b>246,999</b>	<b>232,599</b>	<b>761,344</b>	<b>693,829</b>	<b>935,458</b>
Interest income excl. run-off consumer loan portfolio	-3,542	-1,074	-9,744	-3,983	-3,283
Interest expense	-68,106	-77,071	-229,785	-220,814	-300,288
Net financial income <sup>2)</sup>	6,859	-24,183	-50,395	-90,802	-98,789
<b>Total financial items</b>	<b>-64,789</b>	<b>-102,328</b>	<b>-289,924</b>	<b>-315,599</b>	<b>-402,360</b>
<b>Profit/loss before tax</b>	<b>182,210</b>	<b>130,271</b>	<b>471,420</b>	<b>378,230</b>	<b>533,098</b>

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

2) Including financing costs.

## Note 1 Segment reporting, cont.

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

- » Revenue includes income from
  - acquired loan portfolios
  - run-off consumer loan portfolio
  - fee and commission income from third parties
  - profit from shares and participations in joint ventures
  - other income
- » Total financial items include interest income from sources other than acquired loan portfolios, interest expense and net 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 3 2017

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	394,338	416,785	322,638	–	1,133,761
Portfolio amortisation and revaluation	–192,299	–172,895	–134,086	–	–499,280
Interest income from run-off consumer loan portfolio	–	–	518	–	518
<b>Net revenue from acquired loan portfolios</b>	<b>202,039</b>	<b>243,890</b>	<b>189,070</b>	<b>–</b>	<b>634,999</b>
Fee and commission income	13,473	829	2,684	–	16,986
Profit from shares and participations in joint ventures	–	–408	–	11,734	11,326
Other income	0	885	1,479	–124	2,240
<b>Total revenue</b>	<b>215,512</b>	<b>245,196</b>	<b>193,233</b>	<b>11,610</b>	<b>665,551</b>
Personnel expenses	–58,925	–29,071	–44,544	–38,625	–171,165
Collection costs	–41,608	–64,271	–37,051	148	–142,782
Other operating expenses	–27,124	–11,790	–14,828	–36,605	–90,347
Depreciation and amortisation of tangible and intangible assets	–2,775	–2,138	–1,796	–7,549	–14,258
<b>Total operating expenses</b>	<b>–130,432</b>	<b>–107,270</b>	<b>–98,219</b>	<b>–82,631</b>	<b>–418,552</b>
<b>EBIT</b>	<b>85,080</b>	<b>137,926</b>	<b>95,014</b>	<b>–71,021</b>	<b>246,999</b>
Interest income excl. run-off consumer loan portfolio	–	–	275	–3,817	–3,542
Interest expense	–	–25	–6	–68,075	–68,106
Net financial income <sup>1)</sup>	–65,168	–52,195	–43,125	167,347	6,859
<b>Total financial items</b>	<b>–65,168</b>	<b>–52,220</b>	<b>–42,856</b>	<b>95,455</b>	<b>–64,789</b>
<b>Profit/loss before tax</b>	<b>19,912</b>	<b>85,706</b>	<b>52,158</b>	<b>24,434</b>	<b>182,210</b>

1) Including financing costs.

## Note 1 Segment reporting, cont.

### Income statement, Quarter 3 2016

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	332,199	370,495	372,025	–	1,074,719
Portfolio amortisation and revaluation	–110,562	–186,872	–169,806	–	–467,240
Interest income from run-off consumer loan portfolio	–	–	–1,092	–	–1,092
<b>Net revenue from acquired loan portfolios</b>	<b>221,637</b>	<b>183,623</b>	<b>201,127</b>	<b>–</b>	<b>606,387</b>
Fee and commission income	15,217	1,380	11,854	–	28,451
Profit from shares and participations in joint ventures	–	–211	–	27,690	27,479
Other income	0	303	3,028	–894	2,437
<b>Total revenue</b>	<b>236,854</b>	<b>185,095</b>	<b>216,009</b>	<b>26,796</b>	<b>664,754</b>
Personnel expenses	–52,526	–27,028	–45,134	–33,206	–157,894
Collection costs <sup>1)</sup>	–76,041	–48,956	–46,322	–	–171,319
Other operating expenses <sup>1)</sup>	–28,850	–11,462	–11,811	–38,007	–90,130
Depreciation and amortisation of tangible and intangible assets	–2,687	–1,770	–1,843	–6,512	–12,812
<b>Total operating expenses</b>	<b>–160,104</b>	<b>–89,216</b>	<b>–105,110</b>	<b>–77,725</b>	<b>–432,155</b>
<b>EBIT</b>	<b>76,750</b>	<b>95,879</b>	<b>110,899</b>	<b>–50,929</b>	<b>232,599</b>
Interest income excl. run-off consumer loan portfolio	101	–	525	–1,700	–1,074
Interest expense	–	–21	–8	–77,042	–77,071
Net financial income <sup>2)</sup>	–53,096	–43,202	–45,377	117,492	–24,183
<b>Total financial items</b>	<b>–52,995</b>	<b>–43,223</b>	<b>–44,860</b>	<b>38,750</b>	<b>–102,328</b>
<b>Profit/loss before tax</b>	<b>23,755</b>	<b>52,656</b>	<b>66,039</b>	<b>–12,179</b>	<b>130,271</b>

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

2) Including financing costs.

## Note 1 Segment reporting, cont.

### Income statement, Jan-Sep 2017

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	1,136,431	1,349,077	1,032,715	–	3,518,223
Portfolio amortisation and revaluation	–478,169	–669,345	–426,889	–	–1,574,403
Interest income from run-off consumer loan portfolio	–	–	3,384	–	3,384
<b>Net revenue from acquired loan portfolios</b>	<b>658,262</b>	<b>679,732</b>	<b>609,210</b>	<b>–</b>	<b>1,947,204</b>
Fee and commission income	41,286	3,632	11,609	–	56,527
Profit from shares and participations in joint ventures	–	12,691	–	11,734	55,176
Other income	8	1,703	7,858	–124	8,442
<b>Total revenue</b>	<b>699,556</b>	<b>697,758</b>	<b>628,677</b>	<b>11,610</b>	<b>2,067,349</b>
Personnel expenses	–172,885	–89,609	–132,323	–38,625	–510,615
Collection costs	–147,343	–206,213	–115,429	148	–468,990
Other operating expenses	–83,418	–36,214	–40,232	–36,605	–284,050
Depreciation and amortisation of tangible and intangible assets	–8,337	–5,900	–5,608	–7,549	–42,350
<b>Total operating expenses</b>	<b>–411,983</b>	<b>–337,936</b>	<b>–293,592</b>	<b>–82,631</b>	<b>–1,306,005</b>
<b>EBIT</b>	<b>287,573</b>	<b>359,822</b>	<b>335,085</b>	<b>–71,021</b>	<b>761,344</b>
Interest income excl. run-off consumer loan portfolio	–	–1	832	–3,817	–9,744
Interest expense	–	–79	–14	–68,075	–229,785
Net financial income <sup>1)</sup>	–182,231	–162,481	–130,231	167,347	–50,395
<b>Total financial items</b>	<b>–182,231</b>	<b>–162,561</b>	<b>–129,413</b>	<b>95,455</b>	<b>–289,924</b>
<b>Profit/loss before tax</b>	<b>105,342</b>	<b>197,261</b>	<b>205,672</b>	<b>24,434</b>	<b>471,420</b>

1) Including financing costs.

## Note 1 Segment reporting, cont.

### Income statement, Jan-Sep 2016

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	950,491	1,157,029	1,098,870	–	3,206,390
Portfolio amortisation and revaluation	–329,742	–560,715	–530,218	–	–1,420,675
Interest income from run-off consumer loan portfolio	–	–	4,688	–	4,688
<b>Net revenue from acquired loan portfolios</b>	<b>620,749</b>	<b>596,314</b>	<b>573,340</b>	<b>–</b>	<b>1,790,403</b>
Fee and commission income	51,546	3,606	32,152	–	87,304
Profit from shares and participations in joint ventures	–	227	–	70,593	70,820
Other income	0	1,177	7,545	–2,181	6,541
<b>Total revenue</b>	<b>672,295</b>	<b>601,324</b>	<b>613,037</b>	<b>68,412</b>	<b>1,955,068</b>
Personnel expenses	–173,731	–79,381	–133,859	–107,396	–494,367
Collection costs <sup>1)</sup>	–200,701	–149,350	–100,304	–	–450,355
Other operating expenses <sup>1)</sup>	–88,805	–45,741	–35,257	–107,809	–277,612
Depreciation and amortisation of tangible and intangible assets	–9,396	–5,178	–5,448	–18,883	–38,905
<b>Total operating expenses</b>	<b>–472,633</b>	<b>–279,650</b>	<b>–274,868</b>	<b>–234,088</b>	<b>–1,261,239</b>
<b>EBIT</b>	<b>199,662</b>	<b>321,674</b>	<b>338,169</b>	<b>–165,676</b>	<b>693,829</b>
Interest income excl. run-off consumer loan portfolio	101	–	1,253	–5,337	–3,983
Interest expense	–3	–56	–27	–220,728	–220,814
Net financial income <sup>2)</sup>	–152,196	–133,210	–135,017	329,621	–90,802
<b>Total financial items</b>	<b>–152,098</b>	<b>–133,266</b>	<b>–133,791</b>	<b>103,556</b>	<b>–315,599</b>
<b>Profit/loss before tax</b>	<b>47,564</b>	<b>188,408</b>	<b>204,378</b>	<b>–62,120</b>	<b>378,230</b>

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

2) Including financing costs.

## Note 1 Segment reporting, cont.

Income statement, Full-year 2016	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
SEK thousand					
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>1)</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) Including financing costs.

## Note 1 Segment reporting, cont.

### Acquired loans, 30 Sep 2017

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Run-off consumer loan portfolio			22,941		22,941
Acquired loan portfolios	5,328,348	4,140,792	3,447,497		12,916,637
Shares and participations in joint ventures <sup>1)</sup>				230,382	230,382
<b>Acquired loans</b>	<b>5,328,348</b>	<b>4,140,792</b>	<b>3,470,438</b>	<b>230,382</b>	<b>13,169,960</b>

### 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 <sup>1)</sup>				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>

1) Refers to the value of shares and participations in joint ventures in Poland with acquired loan portfolios and is therefore not equivalent to corresponding item in the balance sheet.

### Acquired loans, 30 Sep 2016

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Run-off consumer loan portfolio			38,929		38,929
Acquired loan portfolios	4,281,071	3,491,015	3,598,890		11,370,976
Shares and participations in joint ventures				248,375	248,375
<b>Acquired loans</b>	<b>4,281,071</b>	<b>3,491,015</b>	<b>3,637,819</b>	<b>248,375</b>	<b>11,658,280</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

#### Level 3)

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.

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, 30 September 2017

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		1,490,273	1,490,273	1,490,273	1,490,273		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	947,325		947,325	947,325			947,325
<i>of which, carried at amortised cost</i>	11,969,312		11,969,312	11,881,983			11,881,983
Bonds and other securities		3,131,696	3,131,696	3,131,696	3,131,696		
Derivatives		42,196	42,196	42,196		42,196	
<b>Total assets</b>	<b>12,916,637</b>	<b>4,664,165</b>	<b>17,580,802</b>	<b>17,493,473</b>	<b>4,621,969</b>	<b>42,196</b>	<b>12,829,308</b>
Additional purchase price liability		25,736	25,736	25,736			25,736
Derivatives		2,612	2,612	2,612		2,612	
Senior unsecured debt		2,930,360	2,930,360	3,097,753		3,097,753	
Subordinated liabilities		772,530	772,530	779,977		779,977	
<b>Total liabilities</b>		<b>3,731,238</b>	<b>3,731,238</b>	<b>3,906,078</b>		<b>3,880,342</b>	<b>25,736</b>

#### 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>

## Note 2 Financial instruments, cont.

Group, 30 September 2016

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		3,470,642	3,470,642	3,470,642	3,470,642		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,087,881		1,087,881	1,087,881			1,087,881
<i>of which, carried at amortised cost</i>	10,283,095		10,283,095	10,640,057			10,640,057
Bonds and other securities		2,059,714	2,059,714	2,059,714	1,979,421		80,293
Derivatives		4,754	4,754	4,754		4,754	
<b>Total assets</b>	<b>11,370,976</b>	<b>5,535,110</b>	<b>16,906,086</b>	<b>17,263,048</b>	<b>5,450,063</b>	<b>4,754</b>	<b>11,808,231</b>
Additional purchase price liability		48,261	48,261	48,261			48,261
Derivatives		23,395	23,395	23,395		23,395	
Senior unsecured debt		3,227,048	3,227,048	3,336,422		3,336,422	
Subordinated liabilities		340,477	340,477	405,125		405,125	
<b>Total liabilities</b>		<b>3,639,181</b>	<b>3,639,181</b>	<b>3,813,203</b>		<b>3,764,942</b>	<b>48,261</b>

Cash flow forecasts are discounted at the market rate when calculating the carrying value of acquired loan portfolios recorded at amortised cost. As regards the market rate, IRR is calculated based on an established WACC (Weighted Average Cost of Capital) model with a final conservative adjustment. For acquired loan portfolios recorded at fair value, the valuation approach, key input data and valuation sensitivity for material changes thereto are described in the Accounting Principles in the annual report 2016.

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

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

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

Carrying values for accounts receivable and accounts payable are deemed approximations of fair value. The fair value of current loans corresponds to their carrying value due to the limited impact of discounting.

Acquired loan portfolios	Group		
	30 Sep 2017	31 Dec 2016	30 Sep 2016
SEK thousand			
<b>Opening balance</b>	<b>12,385,547</b>	<b>11,014,699</b>	<b>11,014,699</b>
Acquisitions	2,177,990	3,329,382	1,761,862
Adjustment of acquisition analysis	–	–29,536	–29,826
Translation differences	–72,496	–22,785	44,921
<b>Changes in value</b>			
Based on opening balance forecast (amortisation)	–1,588,254	–1,911,916	–1,403,722
Based on revised estimates (revaluation)	13,850	5,703	–16,958
<b>Carrying value</b>	<b>12,916,637</b>	<b>12,385,547</b>	<b>11,370,976</b>
<b>Changes in carrying value reported in the income statement</b>	<b>–1,574,404</b>	<b>–1,906,213</b>	<b>–1,420,680</b>

Of which, designated at fair value	Group		
	30 Sep 2017	31 Dec 2016	30 Sep 2016
SEK thousand			
<b>Opening balance</b>	<b>1,044,660</b>	<b>1,177,808</b>	<b>1,177,808</b>
Translation differences	116	52,874	59,872
<b>Changes in value</b>			
Based on opening balance forecast (amortisation)	–90,527	–186,090	–147,925
Based on revised estimates (revaluation)	–6,924	68	–1,874
<b>Carrying value</b>	<b>947,325</b>	<b>1,044,660</b>	<b>1,087,881</b>
<b>Changes in carrying value reported in the income statement</b>	<b>–97,451</b>	<b>–186,022</b>	<b>–149,799</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		
	30 Sep 2017	31 Dec 2016	30 Sep 2016
<b>Carrying value of loan portfolios</b>	<b>12,916,637</b>	<b>12,385,547</b>	<b>11,370,976</b>
A 5% increase in estimated cash flow over the 10-year forecast period would increase the carrying value by:	636,096	558,977	555,126
<i>of which, valued at fair value</i>	<i>47,372</i>	<i>51,685</i>	<i>53,854</i>
A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by:	-636,096	-558,977	-555,126
<i>of which, valued at fair value</i>	<i>-47,372</i>	<i>-51,685</i>	<i>-53,854</i>
<b>Carrying value of loan portfolios acquired prior to 1 July 2011</b>	<b>947,325</b>	<b>1,044,660</b>	<b>1,087,881</b>
A 1% decrease in the market rate of interest would increase the carrying value by:	28,572	31,174	30,517
A 1% increase in the market rate of interest would reduce the carrying value by:	-27,038	-29,483	-28,940
Shortening the forecast period by 1 year would reduce the carrying value by:	-21,437	-26,534	-8,323
Lengthening the forecast period by 1 year would increase the carrying value by:	16,787	20,938	5,998

### 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)		
	30 Sep 2017	31 Dec 2016	30 Sep 2016	30 Sep 2017	31 Dec 2016	30 Sep 2016
Capital instruments and related share premium accounts	1,286,805	1,286,805	1,286,805	482,963	482,963	482,963
Retained earnings	755,132	472,965	478,943	552,622	307,205	481,032
Accumulated comprehensive income and other reserves	279,976	331,293	358,106	1,080,620	1,081,949	1,063,454
Independently reviewed interim profits net of any foreseeable charge or dividend <sup>1)</sup>	155,500	292,004	136,972	0	267,191	105,191
Intangible assets (net of related tax liability)	-261,505	-243,340	-248,682	-42,972	-37,647	-38,854
Deferred tax assets that rely on future profitability	-33,248	-47,268	-68,394	-3,845	-2,734	-2,621
<b>Common Equity Tier 1</b>	<b>2,182,660</b>	<b>2,092,459</b>	<b>1,943,750</b>	<b>2,069,388</b>	<b>2,098,927</b>	<b>2,091,165</b>
Capital instruments and the related share premium accounts	379,577	379,577	93,000	379,577	379,577	93,000
<b>Additional Tier 1 capital</b>	<b>379,577</b>	<b>379,577</b>	<b>93,000</b>	<b>379,577</b>	<b>379,577</b>	<b>93,000</b>
<b>Tier 1 capital</b>	<b>2,562,237</b>	<b>2,472,036</b>	<b>2,036,750</b>	<b>2,448,965</b>	<b>2,478,504</b>	<b>2,184,165</b>
Capital instruments and the related share premium accounts	772,530	341,715	340,477	772,530	341,715	340,477
<b>Tier 2 capital</b>	<b>772,530</b>	<b>341,715</b>	<b>340,477</b>	<b>772,530</b>	<b>341,715</b>	<b>340,477</b>
<b>Total own funds for capital adequacy purposes</b>	<b>3,334,767</b>	<b>2,813,751</b>	<b>2,377,227</b>	<b>3,221,495</b>	<b>2,820,219</b>	<b>2,524,642</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)		
	30 Sep 2017	31 Dec 2016	30 Sep 2016	30 Sep 2017	31 Dec 2016	30 Sep 2016
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	335,135	261,882	289,428	137,487	78,060	69,184
<i>of which, counterparty credit risk</i>	57,051	29,036	23,429	57,051	29,036	23,429
Exposures to corporates	153,872	199,920	285,195	9,259,830	10,238,303	9,335,214
Retail exposures	17,206	24,146	29,197	17,206	24,146	29,197
Exposures in default	13,556,550	13,270,498	11,765,445	2,473,404	2,646,432	2,726,792
Exposures in the form of covered bonds	313,170	247,485	197,942	313,170	247,485	197,942
Equity exposures	-	-	-	1,923,786	570,038	570,038
Other items	104,339	132,315	120,664	26,355	6,116	154,384
<b>Credit risk (standardised approach)</b>	<b>14,480,272</b>	<b>14,136,246</b>	<b>12,687,871</b>	<b>14,151,238</b>	<b>13,810,580</b>	<b>13,082,752</b>
<b>Market risk (foreign exchange risk – standardised approach)</b>	<b>21,766</b>	<b>28,858</b>	<b>93,699</b>	<b>21,766</b>	<b>28,858</b>	<b>93,699</b>
<b>Operational risk (basic indicator approach)</b>	<b>-</b>	<b>-</b>	<b>2,600,728</b>	<b>-</b>	<b>-</b>	<b>755,709</b>
<b>Operational risk (standardised approach)</b>	<b>2,622,890</b>	<b>2,622,373</b>	<b>-</b>	<b>893,024</b>	<b>893,024</b>	<b>-</b>
<b>Credit valuation adjustment (standardised approach)</b>	<b>35,978</b>	<b>0</b>	<b>2,047</b>	<b>35,978</b>	<b>0</b>	<b>2,047</b>
<b>Total risk-weighted exposure amount</b>	<b>17,160,906</b>	<b>16,787,477</b>	<b>15,384,345</b>	<b>15,102,006</b>	<b>14,732,462</b>	<b>13,934,207</b>

## Note 3 Capital adequacy, cont.

Capital requirements, SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	30 Sep 2017	31 Dec 2016	30 Sep 2016	30 Sep 2017	31 Dec 2016	30 Sep 2016
<b>Pillar 1</b>						
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	26,811	20,951	23,154	10,999	6,245	5,535
<i>of which, counterparty credit risk</i>	4,564	2,323	1,874	4,564	2,323	1,874
Exposures to corporates	12,310	15,994	22,816	740,786	819,064	746,817
Retail exposures	1,376	1,932	2,336	1,376	1,932	2,336
Exposures in default	1,084,524	1,061,640	941,236	197,872	211,715	218,143
Exposures in the form of covered bonds	25,054	19,799	15,835	25,054	19,799	15,835
Equity exposures	–	–	–	153,903	45,603	45,603
Other items	8,347	10,583	9,653	2,109	489	12,351
<b>Credit risk (standardised approach)</b>	<b>1,158,422</b>	<b>1,130,899</b>	<b>1,015,030</b>	<b>1,132,099</b>	<b>1,104,847</b>	<b>1,046,620</b>
<b>Market risk (foreign exchange risk-standardised approach)</b>	<b>1,741</b>	<b>2,309</b>	<b>7,496</b>	<b>1,741</b>	<b>2,309</b>	<b>7,496</b>
<b>Operational risk (basic indicator approach)</b>	<b>–</b>	<b>–</b>	<b>208,058</b>	<b>–</b>	<b>–</b>	<b>60,457</b>
<b>Operational risk (standardised approach)</b>	<b>209,831</b>	<b>209,790</b>	<b>–</b>	<b>71,442</b>	<b>71,442</b>	<b>–</b>
<b>Credit valuation adjustment (standardised approach)</b>	<b>2,878</b>	<b>0</b>	<b>164</b>	<b>2,878</b>	<b>0</b>	<b>164</b>
<b>Total own funds requirement – Pillar 1</b>	<b>1,372,872</b>	<b>1,342,998</b>	<b>1,230,748</b>	<b>1,208,160</b>	<b>1,178,598</b>	<b>1,114,737</b>
<b>Pillar 2</b>						
Concentration risk	131,554	101,991	90,499	131,554	101,991	90,499
Interest rate risk in the banking book	36,685	30,000	27,897	36,685	30,000	27,897
Pension risk	3,000	4,106	4,106	3,000	–	–
Other Pillar 2 risks	22,978	794	835	22,978	794	1,600
<b>Total own funds requirement – Pillar 2</b>	<b>194,217</b>	<b>136,891</b>	<b>123,337</b>	<b>194,217</b>	<b>132,785</b>	<b>119,996</b>
<b>Capital buffers</b>						
Capital conservation buffer	429,023	419,686	384,609	377,550	368,312	348,355
Countercyclical buffer	8,382	6,370	6,994	11,005	10,770	10,321
<b>Total own funds requirement – Capital buffers</b>	<b>437,405</b>	<b>426,056</b>	<b>391,603</b>	<b>388,555</b>	<b>379,082</b>	<b>358,676</b>
<b>Total own funds requirements</b>	<b>2,004,494</b>	<b>1,905,945</b>	<b>1,745,688</b>	<b>1,790,932</b>	<b>1,690,465</b>	<b>1,593,409</b>

The own funds for the Company's consolidated situation totalled SEK 3,335m (2,814) as at 30 September 2017, 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 0.05 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.

Capital ratios and capital buffers, %	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	30 Sep 2017	31 Dec 2016	30 Sep 2016	30 Sep 2017	31 Dec 2016	30 Sep 2016
Common Equity Tier 1 capital ratio	12.72	12.46	12.63	13.70	14.25	15.01
Tier 1 capital ratio	14.93	14.73	13.24	16.22	16.82	15.67
Total capital ratio	19.43	16.76	15.45	21.33	19.14	18.12
Institution-specific buffer requirements for CET1 capital	7.05	7.04	7.05	7.07	7.07	7.07
of which, capital conservation buffer requirement	2.50	2.50	2.50	2.50	2.50	2.50
of which, countercyclical capital buffer requirement	0.05	0.04	0.05	0.07	0.07	0.07
<b>Common Equity Tier 1 capital available to meet buffers<sup>1)</sup></b>	<b>8.22</b>	<b>7.96</b>	<b>7.24</b>	<b>9.20</b>	<b>9.75</b>	<b>9.67</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 1,567m (1,480) at 30 September 2017, of which SEK 194m (137) 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)		
	30 Sep 2017	31 Dec 2016	30 Sep 2016	30 Sep 2017	31 Dec 2016	30 Sep 2016
<b>SEK thousand</b>						
Deposits from the public, floating	7,914,735	7,582,909	8,014,226	7,914,735	7,582,909	8,014,226
Deposits from the public, fixed	4,385,926	4,266,047	4,278,651	4,385,926	4,266,047	4,278,651
Senior unsecured debt	2,930,360	3,125,996	3,227,048	2,930,360	3,125,996	3,227,048
Convertible debt instruments	379,577	379,577	93,000	379,577	379,577	93,000
Subordinated liabilities	772,530	341,715	340,477	772,530	341,715	340,477
Equity	2,736,894	2,545,719	2,431,912	2,199,184	2,139,996	2,245,996
Other	717,588	907,963	766,943	325,305	632,535	289,821
<b>Balance sheet total</b>	<b>19,837,610</b>	<b>19,149,926</b>	<b>19,152,257</b>	<b>18,907,617</b>	<b>18,468,775</b>	<b>18,489,219</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 2017, available liquidity totalled SEK 5,702m (5,789), 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	30 Sep 2017	31 Dec 2016	30 Sep 2016
Cash and holdings in central banks	2,998	3,073	262
Deposits in other banks available overnight	1,077,119	1,036,749	1,069,470
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,361,384	1,528,116	1,666,712
Securities issued or guaranteed by municipalities or other public sector entities	128,889	745,786	1,803,931
Covered bonds	3,131,696	2,474,849	1,979,420
Securities issued by non-financial corporates	–	–	–
Securities issued by financial corporates	–	–	–
Other	–	–	–
<b>Total</b>	<b>5,702,086</b>	<b>5,788,573</b>	<b>6,519,795</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.

## Note 5 Pledged assets

SEK thousand	Group			Parent Company		
	30 Sep 2017	31 Dec 2016	30 Sep 2016	30 Sep 2017	31 Dec 2016	30 Sep 2016
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	748	478	482	–	–	–

## Note 6 Contingent liabilities

SEK thousand	Group			Parent Company		
	30 Sep 2017	31 Dec 2016	30 Sep 2016	30 Sep 2017	31 Dec 2016	30 Sep 2016
Commitments	1,042,229	1,565,944	487,943	–	–	–

## Note 7 Reconciliation alternative performance measures

### Return on book

SEK thousand	Quarter 3 2017	Quarter 3 2016	Full year 2016
EBIT	246,999	232,599	935,458
+ Operating expenses in Central Functions	82,631	77,725	328,668
EBIT excl operating expenses in Central Functions <sup>1)</sup>	1,318,520	1,241,297	1,264,126
Average carrying value of acquired loans <sup>2)</sup>	13,124,497	11,509,178	11,968,471
<b>Return on book, %</b>	<b>10.0</b>	<b>10.8</b>	<b>10.6</b>

1) Calculated on an annualised basis (quarterly).

2) Calculated as average on previous period.

## Note 7 Reconciliation alternative performance measures, cont.

EBITDA, adjusted	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
SEK thousand					
<b>Profit for the period</b>	145,391	103,365	367,534	299,039	417,149
+ Income tax expense	36,819	26,906	103,886	79,191	115,949
+ Portfolio revaluations	-8,378	8,416	-13,850	16,959	-5,703
- Interest income (excl. Interest from run-off performing portfolio)	3,541	1,074	9,743	3,982	3,283
+ Interest expense	68,106	77,071	229,785	220,814	300,288
+/- Net result from financial transactions, incl. Net credit losses	-6,859	24,183	50,395	90,802	98,789
+ Depreciation and amortisation of tangible and intangible assets	14,258	12,812	42,350	38,905	52,796
<b>EBITDA</b>	<b>252,878</b>	<b>253,827</b>	<b>789,843</b>	<b>749,692</b>	<b>982,551</b>
+ Amortisation on run-off portfolio	3,868	7,545	9,253	19,436	26,171
+ Amortisation on acquired loan portfolios	507,658	454,332	1,588,254	1,403,722	1,911,916
<b>EBITDA, adjusted</b>	<b>764,404</b>	<b>715,704</b>	<b>2,387,350</b>	<b>2,172,850</b>	<b>2,920,638</b>
Book value of run-off consumer loan portfolio	22,941	38,929	22,941	38,929	32,194

### Return on equity, adjusted for items affecting comparability

SEK thousand	30 Sep 2017
Equity	3,116,467
Additional Tier 1 capital	-379,577
Reversal of interest expense paid for AT1 capital	20,107
Reversal of items affecting comparability <sup>1)</sup>	63,348
Total equity	2,820,347
<b>Total equity (quarterly average)</b>	<b>2,694,876</b>
Profit for the period	367,534
Reversal of items affecting comparability <sup>1)</sup>	63,348
Estimated annual profit	574,509
Adjustment of interest on AT1 capital	-39,754
<b>Adjusted annual profit</b>	<b>534,755</b>
Return on equity, %	20

1) Items affecting comparability refer to costs which arose in connection with the restructuring of subordinated liabilities and outstanding bonds during the second quarter 2017, including tax.

# 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, 25 October 2017

**Ingrid Bonde**  
Chair of the Board

**Cecilia Daun Wennborg**  
Board member

**Malin Eriksson**  
Board member

**Liselotte Hjorth**  
Board member

**Joakim Rubin**  
Board member

**Costas Thoupou**  
Board member

**Gunilla Wikman**  
Board member

**Jörgen Olsson**  
CEO  
Board member

# A guide to our interim report

## Operating income statement, Group

SEK thousand	Quarter 3 2017	Quarter 3 2016
Gross cash collections on acquired loan portfolios	1,133,761	1,074,719
Portfolio amortisation and revaluation	-499,280	-467,240
Interest income from run-off consumer loan portfolio	518	-1,092
<b>Net revenue from acquired loan portfolios</b>	<b>634,999</b>	<b>606,387</b>
Fee and commission income	16,986	28,451
Profit from shares and participations in joint ventures	11,326	27,479
Other income	2,240	2,437
<b>Total revenue</b>	<b>665,551</b>	<b>664,754</b>
Personnel expenses	-171,165	-157,894
Collection costs	-142,782	-171,319
Other operating expenses	-90,347	-90,130
Depreciation and amortisation of tangible and intangible assets	-14,258	-12,812
<b>Total operating expenses</b>	<b>-418,552</b>	<b>-432,155</b>
<b>Operating profit (EBIT)</b>	<b>246,999</b>	<b>232,599</b>
<b>Funding</b>		
Interest income excl. run-off consumer loan portfolio	-3,542	-1,074
Interest expense	-68,106	-77,071
Net financial income	6,859	-24,183
<b>Total financial items</b>	<b>-64,789</b>	<b>-102,328</b>
<b>Profit before tax</b>	<b>182,210</b>	<b>130,271</b>

## Statutory income statement, Group

SEK thousand	Quarter 3 2017	Quarter 3 2016
Revenue from acquired loan portfolios	634,481	607,479
Interest income	-3,024	-2,166
Interest expense	-68,106	-77,071
<b>Net interest income</b>	<b>563,351</b>	<b>528,242</b>
Fee and commission income	16,986	28,451
Net financial income	6,859	-24,183
Other income	2,240	2,437
<b>Total operating income</b>	<b>589,436</b>	<b>534,947</b>
General administrative expenses		
Personnel expenses	-171,165	-157,894
Other operating expenses	-233,129	-261,449
Depreciation and amortisation of tangible and intangible assets	-14,258	-12,812
<b>Total operating expenses</b>	<b>-418,552</b>	<b>-432,155</b>
<b>Profit before credit losses</b>	<b>170,884</b>	<b>102,792</b>
Net credit losses	-	-
Profit from shares and participations in joint ventures	11,326	27,479
<b>Profit before tax</b>	<b>182,210</b>	<b>130,271</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. Furthermore, during the period, Hoist Finance has opted to present Return on equity, excluding items affecting comparability, as alternative performance measure. 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.

## Basic earnings per share

Net profit for the year, adjusted for interest on capital instruments recorded in equity, 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.

## Diluted earnings per share

Net profit for the year, adjusted for interest on capital instruments recorded in equity, divided by the weighted average number of outstanding shares after full dilution.

## EBITDA, adjusted

EBIT (operating earnings), less depreciation/impairments and amortisation for run-off consumer loan portfolio and depreciation of acquired loan portfolios.

## EBIT

Earnings Before Interest and Tax. Operating profit before financial items and tax.

## EBIT margin

EBIT (operating earnings) divided by total revenue.

## Expenses/Gross collections on acquired loan portfolios

Operating expenses less fee and commission income, 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 costs related to other income and actual profit margin.

## Fee and commission income

Fees for providing debt management services to third parties.

## Gross ERC 120 months

"Estimated Remaining Collections" – the company's estimate of the gross amount that can be collected on the loan portfolios currently owned by the company. The assessment is based on estimates for each loan portfolio and extends from the following month through the coming 120 months. The estimate for each loan portfolio is based on the company's extensive experience in processing and collecting over the portfolio's entire economic life.

## Gross cash collections

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

## Items affecting comparability

Items that interfere with comparison due to the irregularity of their occurrence and/or size as compared with other items.

## Legal collection

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 growth

Change in carrying value of acquired loans over the last twelve months.

## 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 (FTEs)

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

## Return on book

EBIT (operating profit) for the period calculated on annualised basis, exclusive of Central Functions operating expenses, divided by average carrying value of acquired loan portfolios. In the financial statements, calculation of average carrying value is based on opening amount at the beginning of the year and closing amount at the end of the year.

## Return on equity

Net profit for the period adjusted for accrued unpaid interest on AT1 capital calculated on annualised basis, divided by equity adjusted for AT1 capital reported in equity, calculated as an average for the year based 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 turnover of EUR 50million 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 or loss 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

Under normal conditions, the CET1 ratio should be 2.5 – 4.5 percentage points above the overall CET1 requirements specified by the Swedish Financial Supervisory Authority.

### 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>Year-end report 2017</b>	13 February 2018
<b>Annual report 2017</b>	11 April 2018
<b>Interim report Q1 2018</b>	15 May 2018
<b>Interim report Q2 2018</b>	27 July 2018
<b>Interim report Q3 2018</b>	25 October 2018

## 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)