

Year-end report 2017

Another successful year closes with strong growth

October – December 2017

- » Total revenue increased 11 per cent to SEK 744m (672).
- » Items affecting comparability totalled SEK 59m excluding tax.
- » Profit before tax excluding items affecting comparability¹⁾ amounted to SEK 169m.
- » Profit before tax decreased 29 per cent to SEK 110m (155).
- » Diluted earnings per share amounted to SEK 0.92 (1.38).

Figures in brackets refer to fourth quarter 2016.

Q4

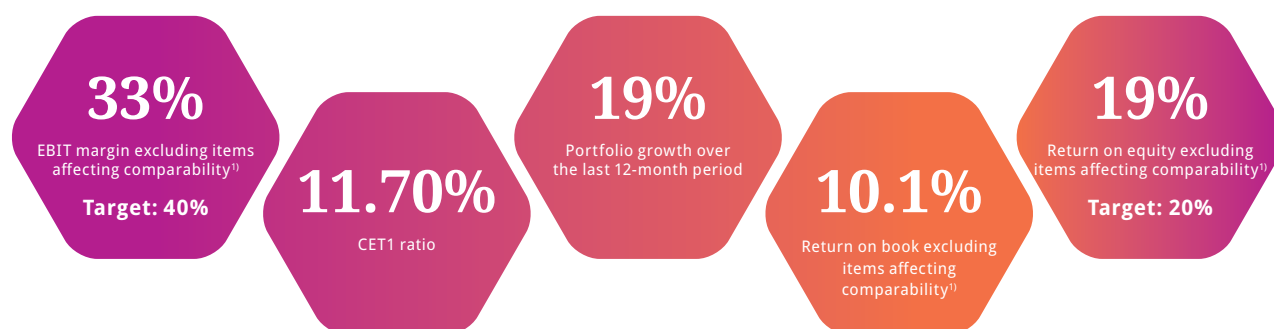
Full-year 2017

- » Total revenue increased 7 per cent to SEK 2,811m (2,627).
- » Items affecting comparability totalled SEK 118m excluding tax.
- » Profit before tax excluding items affecting comparability¹⁾ amounted to SEK 699m.
- » Profit before tax increased 9 per cent to SEK 581m (533).
- » Diluted earnings per share amounted to SEK 5.09 (4.97).
- » Return on equity excluding items affecting comparability¹⁾ was 19 per cent.
- » Return on equity was 15 per cent (17).
- » Carrying value of acquired loan portfolios totalled SEK 15,024m (12,658).
- » The total capital ratio was 17.71 per cent (16.76) and the CET1 capital ratio was 11.70 per cent (12.46).
- » The Board of Directors proposes a dividend distribution of SEK 1.90 (1.30) per share.

Figures in brackets refer to 31 December 2016.

Events during the quarter

- » Hoist Finance reported its largest acquisition volumes for a single quarter, totalling SEK 2,075m.
- » Hoist Finance decided to centralise its German operations in Duisburg and its Belgian and Dutch operations in Amsterdam.
- » Hoist Finance AB (publ) was granted permission to merge with subsidiary Hoist Kredit AB (publ). The merger was finalised on 2 January 2018.



1) Key figures have been adjusted to show underlying earnings excluding items affecting comparability which arose in connection with the repurchase of subordinated debt and outstanding bonds during second quarter 2017 and with restructuring costs and an adjustment of previous cost accruals during the fourth quarter 2017. For the fourth quarter, these items totalled SEK 59m excluding tax, SEK 58m including tax. For the full year 2017 the corresponding figures were SEK 118m excluding tax, SEK 102m including tax.

Hoist Finance AB (publ) (the "Company" or the "Parent") is the parent company of the Hoist Finance group of companies ("Hoist Finance"). The Company 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 includes items that have been reclassified relative to the statutory income statement, although valuations and earnings measurements for the two income statements do not differ.

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 13 February 2018 at 8:00 AM CET.

Strong growth in the final quarter

We have now closed 2017 and summarise a year with high acquisition volumes. Our pan-European presence, combined with our strong position, resulted in significant business during the year. During the last quarter alone we reached the highest acquisition volumes during a single quarter. This leads to a portfolio growth of 19 per cent seen over the last 12 months.

Market players are consolidating, while existing players are broadening their geographic presence. Taken together, this results in healthy – yet tougher – competition and margin contraction. In such a market, it is important to navigate correctly by making well-founded and long-term investments, both in terms of portfolio acquisitions and in investments to develop the company. It is also important to increase focus on cost efficiency in order to be competitive and offer a stronger comprehensive offer to our bank partners.

We therefore decided to restructure the business to reduce our cost base. We also accelerated our digital initiative during the quarter and strengthened our expertise in other asset classes. We are doing this to improve our cost efficiency as we prepare to meet the strong market growth ahead of us.

Profit for the quarter was therefore weaker than we previously planned. This is mainly due to the restructuring of our German and Belgian operations. Our office in Bremen will be closed, with our German operations centralised in Duisburg. We will also be closing our office in Brussels and centralising our presence in Belgium and the Netherlands in Amsterdam. These changes make us more flexible while also adjusting costs as we move forward. During the fourth quarter, restructuring costs totalled SEK 36 million. Profit for the quarter was also charged with an SEK 24 million item affecting comparability for the adjustment of previous cost accruals in Italy.

Adjusted for these items, underlying operating profit is somewhat lower year-on-year, mainly due to a mix of increased revenues but also to the increase in our investments.

“A leading debt restructuring partner to international banks and financial institutions”

**Strong investment volumes in all regions**

On a regional level the fourth quarter was a strong quarter for acquisitions, with investments exceeding the same quarter last year in all regions. In Italy we continued our expansion in the SME loan market, with another acquisition from Banco BMP.

Operating profit (EBIT) improved in Region West driven by strong portfolio growth and greater cost efficiency. Regions Mid and Central East are reporting comparatively lower operating profit. The negative development in Region Mid is due to the above-referenced cost accruals adjustment, and in Region Central East to the fact that portfolio growth took place late in the year and therefore contributed only marginally to the year's profit.

Outlook

We continue to build a company for the future. Banks will have even greater need for support when it comes to non-performing loans and our goal is to be their partner of choice. As I mentioned above, we will increase our focus in the coming year on building the company for the future. We will accelerate investments in digital processes to improve cost efficiency and to expand our customers' self-service options. We will also invest in the expertise needed to manage and expand in other asset classes, including SME loans and secured loans.

These investments, most of which will contribute to profit in 2019 and onwards, also entail costs in 2018. Our assessment is that this will result in return on equity falling short of our target, in the range of 17–18 per cent range for full-year 2018.

This is my final interim report as Hoist Finance's CEO, and I will soon be handing over to Klaus-Anders Nysteen. I would like to take this opportunity to extend our warmest welcome to him. I know he is looking forward to continue the work with our ambitious agenda, and that he will be sharing his views on the future once he has joined us and had the opportunity to form an opinion.

Finally, I would like to express my deepest thanks to all of the group's employees, partners and investors with whom I have had the pleasure of sharing this journey. Together, we have made Hoist Finance the strong, stable company it is today. Onward and upward!

Jörgen Olsson
CEO
Hoist Finance AB (publ)

Key ratios

SEK million	Quarter 4 2017	Quarter 4 2016	Change, %	Full-year 2017	Full-year 2016	Change, %
Total revenue	744	672	11	2,811	2,627	7
EBITDA, adjusted	863	748	15	3,251	2,921	11
EBIT	190	242	-22	951	935	2
EBIT margin, %	25	36	-11 pp	34	36	-2 pp
Profit before tax	110	155	-29	581	533	9
Net profit for the period	85	118	-28	453	417	9
Basic earnings per share, SEK	0.92	1.41	-35	5.10	5.07	1
Diluted earnings per share, SEK ⁽¹⁾	0.92	1.38	-33	5.09	4.97	2
Portfolio acquisitions	2,075	1,568	32	4,253	3,329	28

SEK million	31 Dec 2017	31 Dec 2016	Change, %
Carrying value on acquired loan portfolios ⁽²⁾	15,024	12,658	19
Gross 120-month ERC ⁽³⁾	23,991	21,375	12
Return on equity, % ⁽⁴⁾	15	17	-2 pp
Total capital ratio, %	17.71	16.76	0.9 pp
CET1 ratio, %	11.70	12.46	-0.8 pp
Liquidity reserve	6,800	5,789	17
Number of employees (FTEs)	1,335	1,285	4

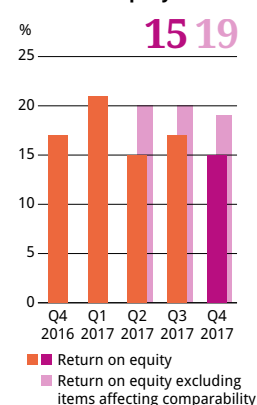
1) Includes effect of outstanding warrants. Following the 1:3 share split conducted in 2015, each warrant entitles the holder to subscribe for three new shares.

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

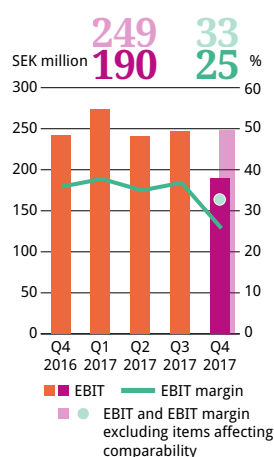
3) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture.

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.

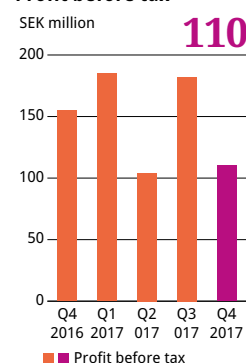
Return on equity



EBIT and EBIT margin



Profit before tax



Fourth quarter 2017

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

Revenues

Net revenue from acquired loan portfolios increased 13 per cent to SEK 701m (620), with the change (after adjustments for portfolio revaluations) mainly attributable to growth in Spain, Italy and Poland.

Gross collections on acquired loan portfolios increased to SEK 1,359m (1,105) and include SEK 111m received through the divestment of part of a Polish loan portfolio during the quarter. Adjusted for this divestment, gross cash collections increased 13 per cent.

Portfolio amortisation and revaluation increased to SEK 659m (468), with SEK 108m attributable to the above-referenced divestment. Portfolio revaluations alone accounted for SEK -3m (23). Portfolio acquisitions totalled

SEK 2,075m (1,568) during the quarter, mainly attributable to Italy. Due to these and other previous acquisitions during the year, portfolio growth was 19 per cent calculated over a 12-month period.

Profit for participations in joint ventures totalled SEK 21m (15) and includes a performance-based remuneration of SEK 13m taken up as revenue and based on successful collections during 2017 by Hoist Finance's Greek joint venture.

Fee and commission income decreased 43 per cent to SEK 17m (30). The decline is mainly attributable to Poland, where a major service contract was terminated in early 2017. Total revenue totalled SEK 744m (672).

Operating expenses

Total operating expenses increased to SEK 554m (431). The current quarter includes SEK 36m in restructuring costs related to the decision to coordinate Hoist Finance's operations in Germany, as well as in Belgium and the Netherlands, in fewer offices. These restructuring costs are allocated between personnel expenses (SEK 32m) and other operating expenses (SEK 4m). After adjustments for restructuring costs, personnel expenses increased 5 per cent and were mainly related to strengthening in Central Functions and to Spain and Italy, where staff levels were adapted to strong growth.

Collection costs totalled SEK 203m (146), with the increase mainly attributable to Italy, Spain and Poland. Previous cost accruals were adjusted in Italy (where the largest share of the increase was seen), which increased the figure for the current quarter by SEK 24m.

Other operating expenses totalled SEK 118m. After adjustments for the above-referenced restructuring costs this figure totals SEK 114m, as compared with SEK 93 for the fourth quarter 2016. The higher figure reflects continued high costs for change initiatives, including advisory services regarding potential portfolio acquisitions, during the eventful fourth quarter of 2017. Hoist Finance increased its investment rate in 2017, including in new collection systems. These are not yet fully operational, however, and expenses for depreciation and amortisation of tangible and intangible assets accordingly remained unchanged at SEK 14m (14).

Financial items

Total financial items as per Hoist Finance's operating income statement were SEK –80m (–87). Interest income totalled SEK –5m (1) due to the prevailing interest rate scenario coupled with the low risk level of Hoist Finance's liquidity portfolio.

Interest expenses, which totalled SEK –75m (–79), mainly include interest expenses from debt instruments issued and deposit-related interest expenses. Although there was a significant increase in the volume of debt instruments issued in 2017 (in terms of both senior unsecured debt and subordinated debt), interest expenses for market debt decreased somewhat year-on-year. The decrease is due to Hoist Finance's restructuring of outstanding market debt in 2017, with a strong credit rating and favourable market enabling the issuance of new debt at attractive levels. The deposit-related interest expense is essentially unchanged, as volume growth (mainly within the German deposit offer) was offset by lower average interest rates (mainly on fixed deposits in Sweden).

Net financial income totalled SEK 0m (–8). The result for the three main components – changes in value for interest rate hedging instruments, changes in market value for bonds in the liquidity portfolio, and profit/loss from FX hedging – was limited, with the individual components also producing limited results. However, the year-on-year comparison is affected by Hoist Finance's expanded application of hedge accounting as from 2017, which resulted in the reporting of most earnings from currency fluctuations as other comprehensive income.

Balance sheet

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

Assets

Total assets increased SEK 3,387m year-on-year to SEK 22,537m (19,150). The change is mainly due to an SEK 2,380m increase in acquired loan portfolios, primarily attributable to acquisitions in Italy and UK. Bonds and other securities increased SEK 1,150m and lending to credit institutions increased SEK 620m, while treasury bills and treasury bonds decreased SEK –784m.

Liabilities

Total liabilities amounted to SEK 19,308m (16,225). Deposits from the public increased SEK 1,378m. Senior unsecured debt increased SEK 1,229m due to the issuance of bonds. Subordinated debts increased net SEK 462m due to the issue of Tier 2 capital in the amount of EUR 80m and the repurchase of previously subordinated debts.

Funding and capital debt

SEK million	31 Dec 2017	31 Dec 2016	Change, %
Cash and interest-bearing securities	6,861	5,877	17
Other assets ¹⁾	15,676	13,273	18
Total assets	22,537	19,150	18
Deposits from the public	13,227	11,849	12
Senior unsecured debt	4,355	3,126	39
Subordinated debts	803	342	>100
Total interest-bearing liabilities	18,386	15,317	20
Other liabilities ¹⁾	923	908	2
Equity	3,228	2,925	10
Total liabilities and equity	22,537	19,150	18
CET1 ratio, %	11.70	12.46	–0.8 pp
Total capital ratio, %	17.71	16.76	0.9 pp
Liquidity reserve	6,800	5,789	17
Acquired loans			
Carrying value of acquired loans ²⁾	15,024	12,658	19
Gross 120-month ERC ³⁾	23,991	21,375	12

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 totalled SEK 13,277m (11,849) as at 31 December 2017. Deposits from the public in Sweden, which are carried out under the HoistSpar brand, totalled SEK 12,242m (11,849). Of this amount, SEK 4,569m (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 985m as at 31 December 2017. Of this amount, SEK 78m is attributable to fixed term deposits of 12- and 24-month durations.

As at 31 December 2017 outstanding bond debt totalled SEK 5,158m (3,468), of which SEK 4,355m (3,126) was senior unsecured debt. During the quarter Hoist Finance, through Hoist Kredit AB (publ), issued EUR 250m in new senior unsecured debt with a 4-year duration under the Company's EMTN programme. The bond carries a fixed annual coupon rate of 1.125 per cent and is listed on the Dublin stock exchange. In conjunction with the issue, EUR 100m in previously issued senior bonds maturing in December 2019 were repurchased through a public offering. All repurchased bonds have been cancelled.

Group equity totalled SEK 3,228m (2,925). The increase is mainly due to net profit for the period.

The total capital ratio was 17.71 per cent (16.76) and the CET1 ratio was 11.70 per cent (12.46). Hoist Finance is therefore well capitalised for further expansion.

Hoist Finance's liquidity reserve, presented in accordance with the Swedish Bankers' Association's template, totalled SEK 6,800m (5,789).

Basic earnings per share totalled SEK 0.92 (1.41). Accrued, unpaid interest on AT1 capital is included in the calculation.

Cash flow

Comparative figures refer to fourth quarter 2016.

SEK million	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Cash flow from operating activities	819	1,003	2,495	2,977
Cash flow from investing activities	-2,637	-2,065	-5,439	-4,605
Cash flow from financing activities	2,333	-154	2,751	1,032
Cash flow for the period	515	-1,217	-193	-597

Cash flow from operating activities totalled SEK 819m (1,003). Gross cash collections from acquired loan portfolios continued to increase in relation to acquired loan portfolios and totalled SEK 1,359m (1,105).

Cash flow from investing activities totalled SEK -2 637m (-2,065). Portfolio acquisitions increased during the quarter as compared with Q4 2016, totalling SEK 2,075m (1,568). A net total of SEK -550m was invested in bonds and other securities during the quarter due to the inflow of cash from the new issue conducted during the quarter and the inflow from deposits from the public.

Cash flow from financing activities totalled SEK 2,333m (-154) and is attributable to issued bonds and the inflow from deposits from the public. The newly started deposits in Germany accounted for SEK 842m of the inflow.

Total cash flow for the quarter amounted to SEK 515m, as compared with SEK -1,217m for fourth 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 risk

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. Hoist Finance improved its liquidity position during the quarter with the issuance of EUR 150m in bond loans. The launch of deposits from the public in Germany during the quarter also did well during the quarter and contributed to a strong funding base. 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 78m (168) for fourth 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 40m (62) during the fourth quarter. Earnings are attributable to management fees within the Group, and the year-on-year decrease is due to the adjustment of expenses charged to Group subsidiaries. Operating expenses totalled SEK 126m (74). The year-on-year increase is attributable to increased internal expenses related to management fees and advisory services regarding forthcoming new IFRS regulations.

Tax adjustments were carried out via the receipt of a SEK 180m group contribution from subsidiary Hoist Kredit AB (publ) and the allocation of SEK 24m to the tax allocation reserve.

The balance sheet total decreased somewhat year-on-year to SEK -57m. The decrease is mainly due to intra-group receivables and liabilities that were settled during the year. The SEK 39m increase in intangible assets is attributable to major investments in the Group's IT environment, which is scheduled for operational implementation during 2018.

Related-party transactions

The nature and scope of related-party transactions are described in the Annual Report.

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.

See the 2016 Annual Report and the Subsequent events section for details on the Group's legal structure.

The share and shareholders

The number of shares totalled 81,184,546 at 31 December 2017, as compared with 80,719,567 at 31 December 2016.

The share price closed at SEK 92.25 on 29 December 2017. A breakdown of the ownership structure is presented in the table below. As at 31 December 2017 the Company had 3,248 shareholders, compared with 3,298 at 31 December 2016.

Ten largest shareholders, 31 December 2017	Share of capital and votes, %
Carve Capital AB	9.7
Zeres Capital	8.6
Swedbank Robur Funds	8.1
Handelsbanken Funds	6.1
Didner & Gerge Funds	4.5
Jörgen Olsson privately and through companies	4.1
Carnegie Funds	3.6
AFA Insurance	3.2
Danske Invest Funds	3.0
Costas Thoupou	3.0
Ten largest shareholders	53.9
Other shareholders	46.1
Total	100.0

Sources: Modular Finance AB, 31 December 2017; ownership statistics from Holdings, Euroclear Sweden AB; and changes confirmed and 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 Funds. 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.

Proposed dividend

The Board of Directors proposes that the 2018 AGM approve the distribution of a dividend of SEK 1.90 (1.30) per share, for a maximum total of SEK 154m (105), and a record date for the dividend of 18 May 2018.

The proposed dividend payment date is 23 May 2017.

Review

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

Annual General Meeting

The AGM will be held on Wednesday, 16 May 2018, in Stockholm.

Subsequent events

Hoist Finance AB (publ) and Hoist Kredit AB (publ) were merged on 2 January 2018. Through the merger, all of Hoist Kredit's assets and liabilities were transferred to Hoist Finance and Hoist Kredit was dissolved. Consequently, the company has simplified its corporate structure as previously announced and Hoist Finance has moved from being a holding company to being the Group's operating parent company. The merger does not entail any material financial effects for Hoist Finance. Like Hoist Kredit, Hoist Finance is a credit market company under the supervision of the Swedish Financial Supervisory Authority.

Quarterly review

Segment reporting

SEK thousand	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016
Gross collections on acquired loan portfolios	1,358,948	1,133,761	1,198,123	1,186,339	1,104,772
Portfolio amortisation and revaluation	-658,741	-499,280	-552,499	-522,624	-485,532
Interest income from run-off consumer loan portfolio	1,156	518	1,021	1,845	1,153
Net revenue from acquired loan portfolios	701,363	634,999	646,645	665,560	620,393
Fee and commission income	16,774	16,986	18,396	21,145	29,513
Profit from shares and participations in joint ventures	20,962	11,326	16,188	27,662	15,222
Other income	4,837	2,240	1,562	4,640	7,110
Total revenue	743,936	665,551	682,791	719,007	672,238
Personnel expenses	-219,390	-171,165	-170,987	-168,463	-177,988
Collection costs	-203,118	-142,782	-157,200	-169,008	-145,560
Other operating expenses	-118,297	-90,374	-99,543	-94,160	-93,170
Depreciation and amortisation of tangible and intangible assets	-13,593	-14,258	-14,173	-13,919	-13,891
Total operating expenses	-554,398	-418,552	-441,903	-445,550	-430,609
EBIT	189,538	246,999	240,888	273,457	241,629
Interest income excl. run-off consumer loan portfolio	-4,602	-3,542	-3,154	-3,048	700
Interest expense	-75,281	-68,106	-85,100	-76,579	-79,474
Net financial income ¹⁾	71	6,859	-48,572	-8,682	-7,987
Total financial items	-79,812	-64,789	-136,826	-88,309	-86,761
Profit before tax	109,726	182,210	104,062	185,148	154,868

1) Including financing costs.

Key ratios

SEK million	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016
EBIT margin, %	25	37	35	38	36
EBIT margin, adjusted for items affecting comparability, % ¹⁾	33	-	-	-	-
Return on book, % ²⁾	8.4	10.0	10.3	11.3	11.1
Return on book, adjusted for items affecting comparability, % ¹⁾	10.1	-	-	-	-
Portfolio acquisitions	2,075	781	786	611	1,568

SEK million	31 Dec 2017	30 Sep 2017	30 June 2017	31 Mar 2017	31 Dec 2016
Carrying value of acquired loans ³⁾	15,024	13,170	13,079	12,783	12,658
Gross 120-month ERC ⁴⁾	23,991	21,421	21,417	21,297	21,375
Return on equity, % ⁵⁾	15	17	15	21	17
Total capital ratio, %	17.71	19.43	19.73	16.79	16.76
CET1 ratio, %	11.70	12.72	12.99	12.51	12.46
Liquidity reserve	6,800	5,702	5,605	5,671	5,789
Number of employees (FTEs)	1,335	1,308	1,267	1,268	1,285

1) Key figures have been adjusted due to restructuring costs and an adjustment of previous cost accruals during the fourth quarter 2017.

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

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

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

5) 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 4, 2017

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Net revenue from acquired loan portfolios	261,059	237,854	202,450	–	701,363
Total revenue	274,306	252,045	209,863	7,722	743,936
Total operating expenses	–148,959	–154,167	–145,386	–105,886	–554,398
EBIT	125,347	97,878	64,477	–98,164	189,538
EBIT margin, %	46	39	31	–	25
EBIT margin, adjusted for items affecting comparability, % ¹⁾	–	50	46	–	33
Carrying value of acquired loan portfolios, SEKm ²⁾	5,658	5,262	3,867	237	15,024
Gross 120-month ERC, SEKm ³⁾	9,233	8,268	6,490	–	23,991

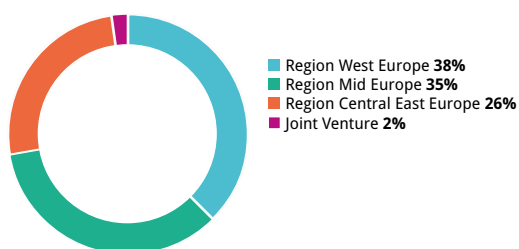
1) Key figures have been adjusted due to restructuring costs and adjustment of previous cost accruals during the fourth quarter 2017.

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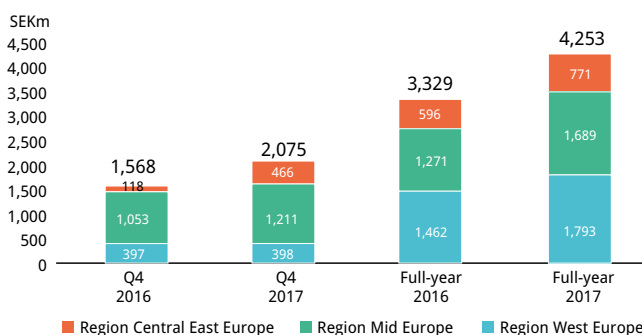
3) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture. For information on the calculation of key ratios, see Definitions.

Distribution by segment

Carrying value, acquired loan portfolios,
31 December 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 30 per cent to SEK 452m (346), attributable to strong portfolio growth in the UK and Spain. Portfolio amortisation and revaluation totalled SEK -191m (-158) during the quarter, due mainly to the above-referenced portfolio growth and to major negative revaluations during the comparative quarter. Portfolio revaluations totalled SEK -7m (-38) during the quarter and were mainly attributable to an adjusted collection forecast. 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 increased 15 per cent during the quarter, driven by the portfolio growth in the UK and Spain. These expenses are related to the increased collection level in the region and development of the Spanish collection management operations.

Profitability

EBIT

The region's EBIT increased 71 per cent to SEK 125m (73) for the quarter with a corresponding EBIT margin of 46 per cent (36). The improvement is in line with portfolio growth and cost efficiency improvements during the year. The comparative quarter was impacted by the negative revaluations.

Return on book

The region's return on book increased during the quarter to 9.1 per cent (6.7). The comparative quarter was impacted by the negative revaluations.

Acquisitions

The acquisition volume during the fourth quarter was SEK 398m (397) and is mainly attributable to acquisitions in the UK and Spain. The acquisition volume for full-year 2017 was SEK 1,793m (1,462). The carrying value of acquired loan portfolios increased 25 per cent to SEK 5,658m (4,522) since the turn of the year. Gross ERC increased to SEK 9,233m (7,927) over the same period.

Earnings trend*

TSEK	Quarter 4 2017	Quarter 4 2016	Change, %	Full-year 2017	Full-year 2016	Change, %
Gross cash collections on acquired loan portfolios	451,860	346,275	30	1,588,291	1,296,766	22
Portfolio amortisation and revaluation	-190,801	-157,845	21	-668,970	-487,587	37
Net revenue from acquired loan portfolios	261,059	188,430	39	919,321	809,179	14
Fee and commission income	13,101	14,083	-7	54,387	65,629	-17
Other income	146	-	>100	154	-	>100
Total revenue	274,306	202,513	35	973,862	874,808	11
Personnel expenses	-59,040	-57,771	2	-231,925	-231,502	0
Collection costs	-57,557	-45,304	27	-204,900	-246,005	-17
Other operating expenses	-29,405	-23,551	25	-112,823	-112,356	0
Depreciation and amortisation of tangible and intangible assets	-2,957	-2,581	15	-11,294	-11,977	-6
Total operating expenses	-148,959	-129,207	15	-560,942	-601,840	-7
EBIT	125,347	73,306	71	412,920	272,968	51
EBIT margin, %	46	36	10 pp	42	31	11 pp
Return on book, %	9,1	6,7	2,4 pp	8,2	6,5	1,7 pp
Expenses/Gross cash collections on acquired loan portfolios, %	30	33	-3 pp	32	41	-9 pp
Carrying value of acquired loan portfolios, SEKm	5,658	4,522	25	5,658	4,522	25
Gross 120-month ERC, SEKm	9,233	7,927	16	9,233	7,927	16

*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 13 per cent to SEK 473m (418), attributable to higher gross collections in Italy where there was solid portfolio growth during the year. Portfolio amortisation and revaluation increased 16 per cent due mainly to portfolio growth in the region. Portfolio revaluations totalled SEK 5m (5) during the fourth quarter and are attributable to minor cash flow adjustments. Profit from shares and participations in joint ventures refers to the Greek operations, which took up a performance-based payment as revenue due to successful collections during 2017.

Operating expenses

Total operating expenses increased 35 per cent, attributable mainly to an adjustment of previous cost accruals in Italy. The quarter also includes restructuring costs in Belgium and the Netherlands attributable to a merger of operations in Amsterdam conducted to improve cost efficiency.

Profitability

EBIT

The region's EBIT totalled SEK 125m (103) for the quarter with a corresponding EBIT margin of 50 per cent (48), excluding items affecting comparability.

Return on book

The region's return on book for fourth quarter 2017 was 10.7 per cent (10.6), excluding items affecting comparability.

Acquisitions

The acquisition volume during the quarter totalled SEK 1,211m (1,053) and was almost exclusively attributable to the Italian market. The acquisition volume for full-year 2017 was SEK 1,689m (1,271). The carrying value of acquired loan portfolios increased to SEK 5,262m (4,331) since the turn of the year. Gross ERC increased to SEK 8,268m (7,117) over the same period.

Earnings trend*

SEK thousand	Quarter 4 2017	Quarter 4 2016	Change, %	Full-year 2017	Full-year 2016	Change, %
Gross cash collections on acquired loan portfolios	472,515	417,702	13	1,821,592	1,574,731	16
Portfolio amortisation and revaluation	-234,661	-202,695	16	-904,006	-763,410	18
Net revenue from acquired loan portfolios	237,854	215,007	11	917,586	811,321	13
Fee and commission income	1,164	1,400	-17	4,796	5,006	-4
Profit from shares and participations in joint venture	12,663	389	>100	25,354	616	>100
Other income	364	592	-39	2,067	1,769	17
Total revenue	252,045	217,388	16	949,803	818,712	16
Personnel expenses	-35,922	-31,920	13	-125,531	-111,301	13
Collection costs	-102,742	-71,878	43	-308,955	-221,228	40
Other operating expenses	-13,613	-8,080	68	-49,827	-53,821	-7
Depreciation and amortisation of tangible and intangible assets	-1,890	-2,032	-7	-7,790	-7,210	8
Total operating expenses	-154,167	-113,910	35	-492,103	-393,560	25
EBIT	97,878	103,478	-5	457,700	425,152	8
EBIT margin, %	39	48	-9 pp	48	52	-4 pp
EBIT margin, adjusted for items affecting comparability, % ¹⁾	50	-	-	50	-	-
Return on book, %	8.3	10.6	-2.3 pp	10.1	10.7	-0.6 pp
Return on book, adjusted for items affecting comparability, % ¹⁾	10.7	-	-	10.6	-	-
Expenses/Gross cash collections on acquired loan portfolios, %	32	27	5 pp	27	25	2 pp
Carrying value of acquired loan portfolios, SEKm	5,262	4,331	21	5,262	4,331	21
Gross 120-month ERC, SEKm	8,268	7,117	16	8,268	7,117	16

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

1) Key figures have been adjusted due to restructuring costs and an adjustment of previous cost accruals, totalling SEK 27m, during the fourth quarter 2017.

Region Central East Europe

Poland, Germany and Austria

Revenues

Gross collections on acquired loan portfolios increased 28 per cent to SEK 435m (341) during the fourth quarter, with the increase attributable to Poland where part of a portfolio was divested during the quarter for strategic reasons. The divestment also affects portfolio amortisation and revaluation, which increased 87 per cent year-on-year due to the divestment and to major positive revaluations during Q4 2016. Portfolio revaluations totalled SEK -1m (55) during the quarter. Fee and commission income decreased 82 per cent to SEK 3m (14), with the decrease attributable to the termination of a major service contract in Poland in early 2017.

Operating expenses

Total operating expenses increased 56 per cent during the quarter to SEK 145m (93), due primarily to restructuring costs in Germany. The increase was enhanced by a cost-intensive period in Poland where collection activities were adapted based on anticipated regulatory changes. The restructuring in

Germany refers to the decision to centralise operations in Duisburg to improve efficiency.

Profitability

EBIT

EBIT for the fourth quarter totalled SEK 96m (145) with a corresponding EBIT margin of 46 per cent (61), excluding items affecting comparability. The lower EBIT and EBIT margin are due to major positive revaluations during the comparative period.

Return on book

The region's return on book for fourth quarter 2017 was 10.5 per cent (16.1), excluding items affecting comparability, with the

decrease mainly due to the items affecting comparability mentioned above.

Acquisitions

The acquisition volume during the fourth quarter totalled SEK 466m (118) and is attributable to Poland. The acquisition volume for full-year 2017 was SEK 771m (596). The carrying value of acquired loan portfolios increased since the turn of the year, totalling SEK 3,867m (3,564). Gross ERC increased to SEK 6,490m (6,331) over the same period.

Earnings trend*

SEK thousand	Quarter 4 2017	Quarter 4 2016	Change, %	Full-year 2017	Full-year 2016	Change, %
Gross cash collections on acquired loan portfolios	434,573	340,795	28	1,467,288	1,439,665	2
Portfolio amortisation and revaluation	-233,279	-124,992	87	-660,168	-655,210	1
Interest income from run-off consumer loan portfolio	1,156	1,153	0	4,540	5,841	-22
Net revenue from acquired loan portfolios	202,450	216,956	-7	811,660	790,296	3
Fee and commission income	2,509	14,030	-82	14,118	46,182	-69
Other income	4,904	6,957	-29	12,762	14,502	-12
Total revenue	209,863	237,943	-12	838,540	850,980	-1
Personnel expenses	-76,161	-48,016	59	-208,484	-181,875	15
Collection costs	-42,819	-28,378	51	-158,248	-128,682	23
Other operating expenses	-24,498	-14,667	67	-64,730	-49,924	30
Depreciation and amortisation of tangible and intangible assets	-1,908	-1,851	3	-7,516	-7,299	3
Total operating expenses	-145,386	-92,912	56	-438,978	-367,780	19
EBIT	64,477	145,031	-56	399,562	483,200	-17
EBIT margin, %	31	61	-30 pp	48	57	-9 pp
EBIT margin, adjusted for items affecting comparability, % ¹⁾	46	-	-	51	-	-
Return on book, %	7.0	16.1	-9.1 pp	11.2	13.6	-2.4 pp
Return on book, adjusted for items affecting comparability, % ¹⁾	10.5	-	-	12.1	-	-
Expenses/Gross cash collections on acquired loan portfolios, %	32	21	11 pp	28	21	7 pp
Carrying value of acquired loan portfolios, SEKm ²⁾	3,867	3,564	9	3,867	3,564	9
Gross 120-month ERC, SEKm ³⁾	6,490	6,331	3	6,490	6,331	3

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

1) Key figures have been adjusted due to restructuring costs of SEK 32m during the fourth quarter 2017.

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.

Financial statements

Consolidated income statement

SEK thousand	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Net revenue from acquired loan portfolios	700,207	619,240	2,644,027	2,404,955
Interest income	-3,446	1,853	-9,806	2,558
Interest expense	-75,281	-79,474	-305,066	-300,288
Net interest income	621,480	541,619	2,329,155	2,107,225
Fee and commission income	16,774	29,513	73,301	116,817
Net financial income	71	-6,727	-50,324	-97,529
Other income	4,837	7,110	13,279	13,651
Total operating income	643,162	571,515	2,365,411	2,140,164
General administrative expenses				
Personnel expenses	-219,390	-177,988	-730,005	-672,355
Other operating expenses	-321,415	-238,730	-1,074,455	-966,697
Depreciation and amortisation of tangible and intangible assets	-13,593	-13,891	-55,943	-52,796
Total operating expenses	-554,398	-430,609	-1,860,403	-1,691,848
Profit before credit losses	88,764	140,906	505,008	448,316
Net credit losses	-	-1,260	-	-1,260
Profit from shares and participations in joint ventures	20,962	15,222	76,138	86,042
Profit before tax	109,726	154,868	581,146	533,098
Income tax expense	-24,500	-36,758	-128,386	-115,949
Net profit for the period	85,226	118,110	452,760	417,149
Profit attributable to:				
Owners of Hoist Finance AB (publ)	85,226	118,110	452,760	417,149
Basic earnings per share, SEK ¹⁾	0.92	1.41	5.10	5.07
Diluted earnings per share, SEK ^{1) 2)}	0.92	1.38	5.09	4.97

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

2) Includes effect of 5,000 outstanding warrants.

Consolidated statement of comprehensive income

SEK thousand	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Net profit for the period	85,226	118,110	452,760	417,149
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation of defined benefit pension plan	927	-1,941	927	-1,941
Revaluation of remuneration after terminated employment	-782	-617	-782	-617
Tax attributable to items that will not be reclassified to profit or loss	-204	654	-204	654
Total items that will not be reclassified to profit or loss	-59	-1,904	-59	-1,904
Items that may be reclassified subsequently to profit or loss				
Translation difference, foreign operations	76,898	-21,068	89,611	-21,872
Translation difference, joint venture	14,573	-5,956	18,215	1,489
Hedging of currency risk in foreign operations	-97,491	-	-179,855	-
Hedging of currency risk in joint venture	-15,484	5,075	-26,592	-7,421
Transferred to the income statement during the year	1,986	-	7,444	-
Tax attributable to items that may be reclassified to profit or loss	24,855	-1,116	45,418	4,803
Total items that may be reclassified subsequently to profit or loss	5,337	-23,065	-45,759	-23,001
Other comprehensive income for the period	5,278	-24,969	-45,818	-24,905
Total comprehensive income for the period	90,504	93,141	406,942	392,244
Profit attributable to:				
Owners of Hoist Finance AB (publ)	90,504	93,141	406,942	392,244

Consolidated balance sheet

SEK thousand	31 Dec 2017	31 Dec 2016
ASSETS		
Cash	202	3,073
Treasury bills and Treasury bonds	1,490,152	2,273,903
Lending to credit institutions	1,681,458	1,061,285
Lending to the public	37,455	35,789
Acquired loan portfolios	14,765,989	12,385,547
Bonds and other securities	3,689,021	2,538,566
Participations in joint ventures	237,586	241,276
Intangible assets	287,038	243,340
Tangible assets	42,394	40,815
Other assets	198,832	193,470
Deferred tax assets	21,241	47,269
Prepayments and accrued income	85,196	85,593
Total assets	22,536,564	19,149,926
LIABILITIES AND EQUITY		
Liabilities		
Deposits from the public	13,227,450	11,848,956
Tax liabilities	84,091	52,887
Other liabilities	393,370	432,865
Deferred tax liabilities	147,523	163,264
Accrued expenses and deferred income	210,541	203,442
Provisions	87,027	55,504
Senior debt	4,355,000	3,125,996
Subordinated debts	803,257	341,715
Total liabilities	19,308,259	16,224,629
Equity		
Share capital	27,061	26,906
Other contributed equity	2,101,668	2,073,215
Reserves	-112,854	-67,095
Retained earnings including profit for the period	1,212,430	892,271
Total equity	3,228,305	2,925,297
Total liabilities and equity	22,536,564	19,149,926

Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2017	26,906	2,073,215	-67,095	892,271	2,925,297
Comprehensive income for the period					
Profit for the period				452,760	452,760
Other comprehensive income			-45,759	-59	-45,818
Total comprehensive income for the period			-45,759	452,701	406,942
Transactions reported directly in equity					
Dividend				-104,935	-104,935
New share issue	155	28,675		28,830	28,830
Warrants, repurchased and cancelled		-222			-222
Interest paid on capital contribution				-27,607	-27,607
Total transactions reported directly in equity	155	28,453		-132,542	-103,934
Closing balance 31 Dec 2017	27,061	2,101,668	-112,854	1,212,430	3,228,305

SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2016	26,178	1,755,676	-44,094	551,000	2,288,760
Comprehensive income for the period					
Profit for the period				417,149	417,149
Other comprehensive income			-23,001	-1,904	-24,905
Total comprehensive income for the period			-23,001	415,245	392,244
Transactions reported directly in equity					
Dividend				-58,974	-58,974
New share issue	728	34,568			35,296
Additional Tier 1 capital instruments		283,335 ¹⁾			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
Total transactions reported directly in equity	728	317,539		-73,974	244,293
Closing balance 31 Dec 2016	26,906	2,073,215	-67,095	892,271	2,925,297

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

Consolidated cash flow statement

SEK thousand	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
OPERATING ACTIVITIES				
Profit/loss before tax	109,726	154,867	581,146	533,097
<i>of which, paid-in interest</i>	1,156	1,154	4,540	5,841
<i>of which, interest paid</i>	-184,572	-132,596	-356,255	-288,713
Adjustment for items not included in cash flow				
Portfolio amortisation and revaluation	658,740	485,532	2,233,144	1,906,208
Other non-cash items	-353,979	-12,202	-208,654	232,902
Realised profit from divestment of shares and participations in joint ventures	-14,458	-13,859	-62,410	-42,546
Income tax paid	-14,194	-23,327	-51,995	-49,000
Total	385,835	591,011	2,491,231	2,580,661
Increase/decrease in lending to the public	-5,638	8,868	-1,666	42,681
Increase/decrease in other assets	281,694	206,115	10,566	221,233
Increase/decrease in other liabilities	157,700	196,546	-4,814	131,956
Total	433,756	411,529	4,086	395,870
Cash flow from operating activities	819,591	1,002,540	2,495,317	2,976,531
INVESTING ACTIVITIES				
Acquired loan portfolios	-2,074,879	-1,567,520	-4,252,869	-3,329,382
Investments in intangible assets	-24,489	-9,389	-71,431	-35,756
Investments in tangible assets	-4,567	-7,392	-16,398	-18,360
Investments in/divestments of bonds and other securities	-549,627	-481,615	-1,149,630	-1,232,503
Investments in subsidiaries	-	-15,584	-21,815	-40,788
Acquired shares and participations in joint ventures	-	-	-	-74
Divested shares and participations in joint ventures	16,618	16,672	72,942	51,891
Cash flow from investing activities	-2,636,944	-2,064,828	-5,439,201	-4,604,972
FINANCING ACTIVITIES				
Deposits from the public	961,318	-403,680	1,407,244	-957,707
Issued bonds	1,350,022	-7,518	1,350,022	2,771,876
Repurchase of issued bonds	-	-286	-276,867	-976,570
Buy-back of issued bonds	-	-58,000	-	-58,000
Issued Tier 2 capital	-	-	781,328	-
Repurchase of subordinated debt	-	-	-399,550	-
Issued Additional Tier 1 capital	-	285,396	-	285,396
Interest paid on AT1 capital	-7,500	-	-35,107	-7,500
New share issue	28,830	30,408	28,830	35,296
Warrants, repurchased and cancelled	-	-700	-222	-2,066
Dividend paid	-	-	-104,935	-58,974
Cash flow from financing activities	2,332,670	-154,380	2,750,743	1,031,751
Cash flow for the period	515,317	-1,216,668	-193,141	-596,690
Cash at beginning of the period	2,628,241	4,563,409	3,338,261	3,936,624
Translation difference	28,254	-8,480	26,692	-1,673
Cash at end of the period*	3,171,812	3,338,261	3,171,812	3,338,261

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

Parent Company income statement

SEK thousand	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Net sales	40,130	62,308	242,544	195,846
Other external expenses	-123,224	-71,085	-331,102	-219,855
Personnel expenses	-1,409	-1,192	-5,282	-7,100
Depreciation and amortisation	-1,252	-1,276	-5,538	-4,891
Total operating expenses	-125,885	-73,553	-341,922	-231,846
Operating profit	-85,755	-11,245	-99,378	-36,000
Other interest income	9,160	7,063	31,916	10,555
Interest expense and similar costs	-1,894	-889	-4,731	-1,602
Total income from financial items	7,266	6,174	27,185	8,953
Earnings from participations in Group companies	180,000	210,000	180,000	210,000
Appropriations (tax allocation reserve)	-24,000	-36,483	-24,000	-36,483
Profit/loss before tax	77,511	168,446	83,807	146,470
Income tax expense	-17,297	-33,118	-18,801	-29,150
Net profit for the period¹⁾	60,214	135,328	65,006	117,320

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

Parent Company balance sheet

SEK thousand	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets		
Licences and software	64,329	25,169
Total intangible assets	64,329	25,169
Equipment	1,403	2,417
Total tangible assets	1,403	2,417
Shares and participations in subsidiaries	1,687,989	1,687,989
Total financial assets	1,687,989	1,687,989
Total non-current assets	1,753,721	1,715,575
Current assets		
Receivables, Group companies	193,239	257,501
Other receivables	23,543	402
Prepaid expenses and deferred income	8,570	8,506
Total current receivables	225,352	266,409
Cash and bank balances	274,833	328,457
Total current assets	500,185	594,866
Total assets	2,253,906	2,310,441

Parent Company balance sheet, continued

SEK thousand	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	27,061	26,906
Statutory reserve	3,098	3,098
Development expenditure fund	6,131	1,215
Total restricted equity	36,290	31,219
Non-restricted equity		
Other contributed equity	1,722,091	1,693,638
Retained earnings	6,197	-1,272
Profit/loss for the period	65,006	117,320
Total non-restricted equity	1,793,294	1,809,686
Total shareholders' equity	1,829,584	1,840,905
Untaxed reserves	83,995	59,995
Provisions		
Pension provisions	34	24
Total provisions	34	24
Non-current liabilities		
Intra-Group loans	-	65,000
Total non-current liabilities	-	65,000
Current liabilities		
Accounts payable	20,822	12,863
Tax liabilities	34,680	27,157
Liabilities, Group companies	280,496	298,153
Other current liabilities	-	3,506
Accrued expenses and deferred income	4,295	2,838
Total current liabilities	340,293	344,517
Total equity, provisions and liabilities	2,253,906	2,310,441

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 accounts of Parent Company Hoist Finance AB (publ) 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. 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.

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 below.

Effects of new standards, amendments and interpretations that have not yet been applied

IFRS 9 FINANCIAL INSTRUMENTS

GROUP

IASB has finalised the new standard for financial instruments, IFRS 9 "Financial Instruments". The

standard is endorsed by the EU Commission. IFRS 9 "Financial Instruments" covers the reporting of financial assets and liabilities (classification and valuation, impairment and general hedge accounting), and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9, like IAS 39, will classify financial assets into different categories but will also introduce new categories, with valuation at amortised cost, fair value through profit or loss, or fair value through comprehensive income. Classification and measurement are determined by the characteristics of the contractual cash flow generated by the assets and are also dependent on the company's business model.

IFRS 9 also introduces a new model for impairment of financial assets. The aim of the new model is to recognise expected credit losses at an earlier stage.

Upon transitioning to IFRS 9, the Group has the option of continuing to apply IAS 39 for hedge accounting or applying IFRS 9 hedging rules, and has decided to continue applying IAS 39 hedge accounting.

IFRS 9 "Financial Instruments" is effective as from annual periods beginning on or after 1 January 2018. Hoist Finance will apply the standard in the Parent Company and the Group as from 1 January 2018. Comparative figures will not be restated.

During 2017, Hoist Finance evaluated the effects of applying IFRS 9 on its accounting. In total, no significant impact in monetary terms on the Group's financial statements or capital adequacy is anticipated.

IFRS 9 also includes increased disclosure requirements under IFRS 7, which will expand the content of note disclosure. The assessments of effects described below are based on information that is currently known or anticipated, but may change due to information that becomes available during 2018.

Effects on the Balance sheet

Classification and valuation

All financial assets currently classified at fair value are expected to remain so classified, with the exception of acquired loan portfolios reclassified at amortised cost.

Liquidity portfolio

Hoist Finance's surplus liquidity is invested in a liquidity portfolio comprised of Bonds and other securities and Treasury bills and treasury bonds. The liquidity portfolio will continue to be valued at fair value through profit or loss. Consequently, there will be no transition effect.

Acquired loan portfolios

Hoist Finance's acquired loan portfolios are classified at amortised cost under IFRS 9.

The acquired loan portfolios currently measured at fair value are reclassified and measured at amortised cost under IFRS 9. As it is impracticable to retrospectively recalculate the portfolios to amortised cost, the fair value at year-end 2017 will be the initial amortised cost amount under IFRS 9. The run-off consumer loan portfolio, SEK 21 million at year-end, will be included in Acquired loan portfolios.

Other assets

The Group has concluded that trade receivables and other current and non-current receivables meet the criteria to be classified at amortised cost. Derivatives remain recognised at fair value.

Impairments

Under IFRS 9, impairments follow an impairment model based on anticipated credit losses rather than on actual losses (as under the current model). Hoist Finance will report a loss provision for anticipated credit losses on financial assets valued at amortised cost.

Lending to credit institutions

Lending to credit institutions is comprised of cash at bank and, under IFR 9, is subject to loss allowances. The anticipated credit loss is not material, however, and a loss allowance will therefore not be reported.

Acquired loan portfolios

Hoist Finance's acquired loan portfolios are defined under IFRS 9 as Purchased Credit-Impaired financial assets. Under the standard, a loss allowance is reported which corresponds to anticipated credit losses for the entire remaining duration at first recognition.

The portfolios are recognised at amortised cost according to the effective interest method. The credit-adjusted effective interest rate, established at inception, is determined based on expected future cash flows for the remaining duration.

Prior to the introduction of IFRS 9, the portfolios' carrying value was based on expected cash flows and revaluation effects were reported under income statement item Net revenue from acquired loans. This method corresponds in large part with the calculation of loss allowance under IFRS 9; consequently, the transition impact in the opening balance is immaterial. However, some changes have been made, as described below.

Under IFRS 9, Hoist Finance will determine the credit-adjusted effective interest rate and calculate future expected credit losses based on an anticipated 15-year lifetime. Currently, a 10-year lifetime

is applied for portfolio valuations. Hoist Finance does not include any collection costs in the calculation of the initial credit-adjusted effective interest rate under IFRS 9.

Projected cash flows and the credit-adjusted effective interest have been recalculated for all acquired loan portfolios as a result of the changes made.

Other assets

Trade receivables and other current and non-current receivables are subject to loss allowance under IFRS 9. The Group will apply the simplified method for calculating expected credit losses on trade receivables. The expected credit loss is not material, however, and a credit loss allowance will therefore not be reported.

Other adjustments

In addition to the above-mentioned amendments, other reported items in the financial reports may be affected, including taxes, participation in joint ventures and translation differences.

Liabilities

Hoist Finance has remeasured the modified senior unsecured liabilities according to the initial effective interest rate with consideration to transaction costs. This has led to a lower amortised cost on the liability.

The Group assumes that IFRS 9 does not have any other effects on the classification and measurements of financial liabilities as at 1 January 2018.

Transition effects to IFRS 9

Effects on the opening balance in consolidated equity on 1 January 2018 is estimated to SEK +20m at the issuance of this report.

Effects on capital adequacy

The current assessment is that the transition effects of IFRS 9 will not have any significant impact on capital adequacy or large exposures for the Hoist Finance consolidated situation or for Hoist Kredit AB (publ).

Effects on the Income statements

Following the transition to IFRS 9, Hoist Finance will report interest income in accordance with the effective interest method, under which interest income essentially refers to all income from acquired loan portfolios reported at amortised cost.

In reporting acquired loan portfolios in accordance with the effective interest method, Hoist Finance will calculate the period's interest income based on recognised amortised cost in the opening balance multiplied by the credit-adjusted effective interest. Recognised amortised cost is the gross carrying amount, less the loss allowance. Changes in the loss allowance are reported in a separate income statement item, Impairment gains and losses. This represents a change to previous reporting practices, under which profit/loss from changes in acquired loan portfolios was reported under income statement item Net revenue from acquired loans.

PARENT COMPANY

The Parent Company will apply IFRS 9 in its entirety as of 1 January 2018. However, the RFR 2 exception will be applied with respect to guarantee agreements benefiting subsidiaries.

The Parent Company's financial assets will continue to be classified at amortised cost and, accordingly, the transition to IFRS 9 will have no effect.

The Parent Company's financial assets recognised at amortised cost are subject to a loss allowance. The calculated credit loss for Hoist Finance is not significant and no loss allowance is presented.

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

GROUP

IASB has published a new standard, IFRS 15 "Revenue from Contracts with Customers".

The new standard specifies a single comprehensive reporting model for revenues from customer contracts, and replaces all previously published standards and interpretations for revenue reporting under IFRS. The purpose of the standard is to have one single principle-based standard for all businesses to replace existing standards for revenue recognition. The standard does not apply to financial instruments, insurance contracts or lease contracts.

The new standard is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard will be applied by the Hoist Finance Group and the Parent Company as from 1 January 2018.

The new revenue standard specifies the accounting treatment for all revenue arising from contracts with customers, and is based on recognising the revenue when or as the entity satisfies a performance obligation by transferring control of a promised good or service to a customer, which can be satisfied over time or at a specific point in time.

The revenue comprises the amount the company expects to receive as compensation for the good or service transferred. Variable remuneration is recognised as revenue to the extent it is highly likely that there will not be a significant reversal of previously reported accumulated revenue in a later period. Consequently, comparable figures will not be restated.

The principles in IFRS 15 will be applied using the following five steps:

- » Identify the contract(s) with a customer
- » Identify the performance obligations in the contract
- » Determine the transaction price
- » Allocate the transaction price to the performance obligations in the contract
- » Recognise revenue when (or as) the entity satisfies a performance obligation.

There are three transition methods: full retrospective approach, modified retrospective approach and retrospectively with a cumulative effect. Existing contracts which follow the old regulation (IAS 11/IAS 18) are subject to an adjustment to the opening balance of retained earnings for the annual reporting period that includes the date of initial application.

Hoist Finance has completed its analysis of the impact IFRS 15 will have on its accounting and deems that the new standard will not have any significant impact on Hoist Finance's accounting, financial reporting, capital adequacy or large exposures during the initial application period.

The assessments of effects described below are based on information that is currently known or anticipated.

Within the Hoist Finance Group, fee and commission income will be affected by the new standard.

Companies in the Hoist Finance Group provide collection services for third parties. In such agreements the counterparty selects the receivables to be included in the contract and transfers those to the Group, while retaining ownership of the receivables. In such contracts the Group is generally entitled to remuneration corresponding to a fixed percentage of the successful collections.

The assessment is that the transfer of existing services and revenue recognition essentially occurs as services are performed, and this does not entail any change to the way in which revenues were reported in previous periods. To date, variable remuneration based on results not yet known at the close of the reporting period represents only an insignificant amount. There are, therefore, no effects on reported revenues for 2017. Variable remuneration of uncertain amounts at the

close of the reporting period will likely also be insignificant in 2018, for which period the choice of transition method is also insignificant.

Finally, IFRS 15 includes increased disclosure requirements regarding revenue, which will expand the content of note disclosures.

IFRS 16 LEASES

IASB has published a new standard, IFRS 16 "Leases". The standard was endorsed by the EU Commission in 2017. The new standard replaces existing IFRS (including IAS 17 and IFRIC 4 "Determining Whether an Arrangement Contains a Lease") related to the reporting of lease contracts. IFRS 16 primarily affects reporting requirements for lessees. All lease contracts will initially be reported as an asset with right of use and a liability (i.e. future lease payments) in the lessee's balance sheet. Asset depreciation is reported in the income statement, with lease payments allocated as interest expense in the income statement and as amortisation in the balance sheet. However, the standard includes two recognition exemptions for reporting the lease as an asset and a liability respectively – short-term leases (i.e. leases with a lease terms of 12 months or less) and leases of low-value assets.

Reporting requirements for lessors remain mostly unchanged. The new standard includes increased disclosure requirements, which will expand the content of note disclosures. The new standard is effective as from annual periods beginning on or after 1 January 2019. Earlier application is permitted. Hoist Finance does not intend to apply IFRS 16 in advance. The standard is to be applied using either the full

retrospective approach, which requires entities to retrospectively apply the new standard to each prior reporting period, or the modified retrospective approach, recognising the cumulative effect as an adjustment to the opening balance of equity. The Group intends to apply the modified retrospective approach, i.e. recognising the cumulative effect of IFRS 16 in retained earnings in the opening balance of equity as at 1 January 2019. There will be no restatement of comparative figures.

Hoist Finance is in the process of analysing the financial effects of the new standard. Calculations of the monetary effect of IFRS 16 have not been conducted. The final transition effect of IFRS 16 in the financial reports will be affected by future economic conditions, including the funding rate in the Group as at 1 January 2019, the composition of the lease portfolio at that date and the Group's latest assessment of whether options prolonging a lease contract will be used. Hoist Finance's assessment is that the new standard will entail changes to accounting and that the Group will account for new assets and liabilities for leases.

The information provided in Note 28 on operating leases in the 2016 annual report is an indication of the type and scope of current agreements.

No other IFRS or IFRIC interpretations that are not yet effective are expected to have any significant impact on Hoist Finance's accounting, capital adequacy or large exposures at initial recognition.

	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
1 EUR = SEK				
Income statement (average)	9.6331	9.4622	9.6331	9.4622
Balance sheet (at end of the period)	9.8497	9.5669	9.8497	9.5669
1 GBP = SEK				
Income statement (average)	10.9991	11.5849	10.9991	11.5849
Balance sheet (at end of the period)	11.1045	11.1787	11.1045	11.1787
1 PLN = SEK				
Income statement (average)	2.2629	2.1688	2.2629	2.1688
Balance sheet (at end of the period)	2.3606	2.1662	2.3606	2.1662

Notes

Note 1 Segment reporting

Consolidated income statement

SEK thousand	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Revenues from acquired loan portfolios	700,207	619,240	2,644,027	2,404,955
<i>of which, gross cash collections</i>	1,358,948	1,104,772	4,877,171	4,311,162
<i>of which, portfolio amortisation and revaluation</i>	-658,741	-485,532	-2,233,144	-1,906,207
Interest income	-3,446	1,853	-9,806	2,558
<i>of which, interest income from run-off consumer loan portfolio</i>	1,156	1,153	4,540	5,841
<i>of which, interest income excl. run-off consumer loan portfolio¹⁾</i>	-4,602	700	-14,346	-3,283
Interest expense	-75,281	-79,474	-305,066	-300,288
Net interest income	621,480	541,619	2,329,155	2,107,225
Fee and commission income	16,774	29,513	73,301	116,817
Net financial income ¹⁾	71	-6,727	-50,324	-97,529
Other income	4,837	7,110	13,279	13,651
Total operating income	643,162	571,515	2,365,411	2,140,164
General administrative expenses				
Personnel expenses	-219,390	-177,988	-730,005	-672,355
Other operating expenses	-321,415	-238,730	-1,074,455	-966,697
Depreciation and amortisation of tangible and intangible assets	-13,593	-13,891	-55,943	-52,796
Total operating expenses	-554,398	-430,609	-1,860,403	-1,691,848
Profit before loan losses	88,764	140,906	505,008	448,316
Net credit losses	-	-1,260	-	-1,260
Profit from shares and participations in joint ventures	20,962	15,222	76,138	86,042
Profit before tax	109,726	154,868	581,146	533,098

Operating income statement based on segment reporting

SEK thousand	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Gross cash collections on acquired loan portfolios	1,358,948	1,104,772	4,877,171	4,311,162
Portfolio amortisation and revaluation	-658,741	-485,532	-2,233,144	-1,906,207
Interest income from run-off consumer loan portfolio	1,156	1,153	4,540	5,841
Net revenue from acquired loan portfolios	701,363	620,393	2,648,567	2,410,796
Fee and commission income	16,774	29,513	73,301	116,817
Profit from shares and participations in joint ventures	20,962	15,222	76,138	86,042
Other income	4,837	7,110	13,279	13,651
Total revenue	743,936	672,238	2,811,285	2,627,306
Personnel expenses	-219,390	-177,988	-730,005	-672,355
Collection costs	-203,118	-145,560	-672,108	-595,915
Other operating expenses	-118,297	-93,170	-402,347	-370,782
Depreciation and amortisation of tangible and intangible assets	-13,593	-13,891	-55,943	-52,796
Total operating expenses	-554,398	-430,609	-1,860,403	-1,691,848
EBIT	189,538	241,629	950,882	935,458
Interest income excl. run-off consumer loan portfolio	-4,602	700	-14,346	-3,283
Interest expense	-75,281	-79,474	-305,066	-300,288
Net financial income ²⁾	71	-7,987	-50,324	-98,789
Total financial items	-79,812	-86,761	-369,736	-402,360
Profit/loss before tax	109,726	154,868	581,146	533,098

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 4 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	451,860	472,515	434,573	–	1,358,948
Portfolio amortisation and revaluation	–190,801	–234,661	–233,279	–	–658,741
Interest income from run-off consumer loan portfolio	–	–	1,156	–	1,156
Net revenue from acquired loan portfolios	261,059	237,854	202,450	–	701,363
Fee and commission income	13,101	1,164	2,509	–	16,774
Profit from shares and participations in joint ventures	–	12,663	–	8,299	20,962
Other income	146	364	4,904	–577	4,837
Total revenue	274,306	252,045	209,863	7,722	743,936
Personnel expenses	–59,040	–35,922	–76,161	–48,267	–219,390
Collection costs	–57,557	–102,742	–42,819	–	–203,118
Other operating expenses	–29,405	–13,613	–24,498	–50,781	–118,297
Depreciation and amortisation of tangible and intangible assets	–2,957	–1,890	–1,908	–6,838	–13,593
Total operating expenses	–148,959	–154,167	–145,386	–105,886	–554,398
EBIT	125,347	97,878	64,477	–98,164	189,538
Interest income excl. run-off consumer loan portfolio	–	1	459	–5,062	–4,602
Interest expense	–	–33	–506	–74,742	–75,281
Net financial income ¹⁾	–68,643	–56,260	–45,852	170,826	71
Total financial items	–68,643	–56,292	–45,899	91,022	–79,812
Profit/loss before tax	56,704	41,586	18,587	–7,142	109,726

1) Including financing costs.

Note 1 Segment reporting, cont.

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

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 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	1,588,291	1,821,592	1,467,288	–	4,877,171
Portfolio amortisation and revaluation	–668,970	–904,006	–660,168	–	–2,233,144
Interest income from run-off consumer loan portfolio	–	–	4,540	–	4,540
Net revenue from acquired loan portfolios	919,321	917,586	811,660	–	2,648,567
Fee and commission income	54,387	4,796	14,118	–	73,301
Profit from shares and participations in joint ventures	–	25,354	–	50,784	76,138
Other income	154	2,067	12,762	–1,704	13,279
Total revenue	973,862	949,803	838,540	49,080	2,811,285
Personnel expenses	–231,925	–125,531	–208,484	–164,065	–730,005
Collection costs	–204,900	–308,955	–158,248	–5	–672,108
Other operating expenses	–112,823	–49,827	–64,730	–174,967	–402,347
Depreciation and amortisation of tangible and intangible assets	–11,294	–7,790	–7,516	–29,343	–55,943
Total operating expenses	–560,942	–492,103	–438,978	–368,380	–1,860,403
EBIT	412,920	457,700	399,562	–319,300	950,882
Interest income excl. run-off consumer loan portfolio	–	–	1,291	–15,637	–14,346
Interest expense	–	–112	–520	–304,434	–305,066
Net financial income ¹⁾	–250,874	–218,741	–176,083	595,374	–50,324
Total financial items	–250,874	–218,853	–175,312	275,303	–369,736
Profit/loss before tax	162,046	238,847	224,250	–43,997	581,146

1) Including financing costs.

Income statement, Full-year 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	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
Net revenue from acquired loan portfolios	809,179	811,321	790,296	–	2,410,796
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
Total revenue	874,808	818,712	850,980	82,806	2,627,306
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
Total operating expenses	–601,840	–393,560	–367,780	–328,668	–1,691,848
EBIT	272,968	425,152	483,200	–245,862	935,458
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 ¹⁾	–207,219	–182,721	–181,453	472,604	–98,789
Total financial items	–207,121	–182,823	–179,287	166,871	–402,360
Profit/loss before tax	65,847	242,329	303,913	–78,991	533,098

1) Including financing costs.

Note 1 Segment reporting, cont.

Acquired loans, 31 Dec 2017

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Run-off consumer loan portfolio			21,325		21,325
Acquired loan portfolios	5,658,134	5,262,229	3,845,626		14,765,989
Shares and participations in joint ventures ¹⁾				236,635	236,635
Acquired loans	5,658,134	5,262,229	3,866,951	236,635	15,023,949

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 ¹⁾				240,580	240,580
Acquired loans	4,522,429	4,331,437	3,563,875	240,580	12,658,321

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.

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, 31 December 2017

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		1,490,152	1,490,152	1,490,152	1,490,152		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	939,812		939,812	939,812			939,812
<i>of which, carried at amortised cost</i>	13,826,177		13,826,177	13,425,810			13,425,810
Bonds and other securities		3,689,021	3,689,021	3,689,021	3,689,021		
Derivatives		10,546	10,546	10,546		10,546	
Total assets	14,765,989	5,189,719	19,955,708	19,555,341	5,179,173	10,546	14,365,622
Additional purchase price liability		26,718	26,718	26,718			26,718
Derivatives		10,392	10,392	10,392		10,392	
Senior debts		4,355,000	4,355,000	4,532,397		4,532,397	
Subordinated debts		803,257	803,257	810,885		810,885	
Total liabilities		5,195,367	5,195,367	5,380,392		5,353,674	26,718

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	
Total assets	12,385,547	4,841,636	17,227,183	17,345,861	4,748,752	29,167	12,567,942
Additional purchase price liability		46,808	46,808	46,808			46,808
Derivatives		5,397	5,397	5,397		5,397	
Senior debt		3,125,996	3,125,996	3,291,549		3,291,549	
Subordinated debts		341,715	341,715	398,125		398,125	
Total liabilities		3,519,916	3,519,916	3,741,879		3,695,071	46,808

Note 2 Financial instruments, cont.

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 debts 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	
	31 Dec 2017	31 Dec 2016
SEK thousand		
Opening balance	12,385,547	11,014,699
Acquisitions	4,252,869	3,329,382
Adjustment of acquisition analysis	–	–29,536
Translation differences	360,717	–22,785
Changes in value		
Based on opening balance forecast (amortisation)	–2,244,134 ¹⁾	–1,911,916
Based on revised estimates (revaluation)	10,990	5,703
Carrying value	14,765,989	12,385,547
Changes in carrying value reported in the income statement	–2,233,144	–1,906,213

Of which, designated at fair value	Group	
	31 Dec 2017	31 Dec 2016
SEK thousand		
Opening balance	1,044,660	1,177,808
Translation differences	28,067	52,874
Changes in value		
Based on opening balance forecast (amortisation)	–119,616	–186,090
Based on revised estimates (revaluation)	–13,299	68
Carrying value	939,812	1,044,660
Changes in carrying value reported in the income statement	–132,915	–186,022

1) Including SEK -108m related to a partial disposal of a Polish loan portfolio.

Note 2 Financial instruments, cont.

Sensitivity analysis

While Hoist Finance considers the assumptions made in assessing fair value to be reasonable, the application of other methods and assumptions may produce a different fair value. For Level 3 fair value,

a reasonable change in one or several assumptions would have the following impact on earnings:

SEK thousand	Group	
	31 Dec 2017	31 Dec 2016
Carrying value of loan portfolios	14,765,989	12,385,547
A 5% increase in estimated cash flow over the 10-year forecast period would increase the carrying value by:	721,425	558,977
<i>of which, valued at fair value</i>	46,994	51,685
A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by:	-721,425	-558,977
<i>of which, valued at fair value</i>	-46,994	-51,685
Carrying value of loan portfolios acquired prior to 1 July 2011	939,812	1,044,660
A 1% decrease in the market rate of interest would increase the carrying value by:	28,304	31,174
A 1% increase in the market rate of interest would reduce the carrying value by:	-26,770	-29,483
Shortening the forecast period by 1 year would reduce the carrying value by:	-26,700	-26,534
Lengthening the forecast period by 1 year would increase the carrying value by:	21,324	20,938

Portfolios valued at fair value through profit or loss

The Group has chosen to categorise portfolios acquired prior to 1 July 2011 as designated at fair value through profit or loss, as these financial assets are managed and their performance is evaluated on a fair value basis in accordance with the Group's risk management policies. Information on the portfolios is provided internally to Group Management on this basis. The underlying concept for valuation at fair value is to assess the carrying value of an asset by using the best available price for the asset. Loan portfolios are typically not traded publicly and, consequently, there are no market prices available. Most participants in the industry, however, apply similar pricing methods for portfolio acquisitions and calculate the present value of cash flows that correspond to the market value of a portfolio.

The three main influencing factors in calculating fair value are: (i) the gross collections forecast, (ii) the cost level, and (iii) the market discount rate. Each month, the Group looks at the forward ten years'

net collection forecasts for all portfolios and discounts the forecasts to present value, which serves as the basis for calculating the reported fair value for each portfolio.

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

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

Note 3 Capital adequacy

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

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

Own funds

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

Own funds, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Capital instruments and related share premium accounts	1,286,805	1,286,805	482,963	482,963
Retained earnings	744,837	472,965	402,218	307,205
Accumulated comprehensive income and other reserves	282,494	331,293	1,081,441	1,081,949
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	298,510	292,004	183,089	267,191
Intangible assets (net of related tax liability)	-287,038	-243,340	-44,343	-37,647
Deferred tax assets that rely on future profitability	-21,241	-47,268	-2,581	-2,734
Common Equity Tier 1	2,304,367	2,092,459	2,102,787	2,098,927
Capital instruments and the related share premium accounts	379,577	379,577	379,577	379,577
Additional Tier 1 capital	379,577	379,577	379,577	379,577
Tier 1 capital	2,683,944	2,472,036	2,482,364	2,478,504
Capital instruments and the related share premium accounts	803,257	341,715	803,257	341,715
Tier 2 capital	803,257	341,715	803,257	341,715
Total own funds for capital adequacy purposes	3,487,201	2,813,751	3,285,621	2,820,219

1) Dividend deduction is calculated based on the year's proposed dividend.

Risk-weighted exposure amounts and capital requirements

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

Risk-weighted exposure amounts, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	380,984	261,882	150,270	78,060
<i>of which, counterparty credit risk</i>	54,333	29,036	54,333	29,036
Exposures to corporates	135,760	199,920	10,934,711	10,238,303
Retail exposures	15,994	24,146	15,994	24,146
Exposures in default	15,348,907	13,270,498	2,496,093	2,646,432
Exposures in the form of covered bonds	368,902	247,485	368,902	247,485
Equity exposures	-	-	2,142,880	570,038
Other items	145,310	132,315	44,323	6,116
Credit risk (standardised approach)	16,395,857	14,136,246	16,153,173	13,810,580
Market risk (foreign exchange risk – standardised approach)	113,090	28,858	113,090	28,858
Operational risk (standardised approach)	3,158,430	2,622,373	1,127,520	893,024
Credit valuation adjustment (standardised approach)	27,430	0	27,430	0
Total risk-weighted exposure amount	19,694,807	16,787,477	17,421,213	14,732,462

Note 3 Capital adequacy, cont.

Capital requirements, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Pillar 1				
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	30,479	20,951	12,022	6,245
<i>of which, counterparty credit risk</i>	4,347	2,323	4,347	2,323
Exposures to corporates	10,861	15,994	874,777	819,064
Retail exposures	1,279	1,932	1,279	1,932
Exposures in default	1,227,913	1,061,640	199,687	211,715
Exposures in the form of covered bonds	29,512	19,799	29,512	19,799
Equity exposures	–	–	171,430	45,603
Other items	11,625	10,583	3,546	489
Credit risk (standardised approach)	1,311,669	1,130,899	1,292,253	1,104,847
Market risk (foreign exchange risk-standardised approach)	9,047	2,309	9,047	2,309
Operational risk (standardised approach)	252,674	209,790	90,203	71,442
Credit valuation adjustment (standardised approach)	2,194	0	2,194	0
Total own funds requirement – Pillar 1	1,575,584	1,342,998	1,393,697	1,178,598
Pillar 2				
Concentration risk	130,774	101,991	130,774	101,991
Interest rate risk in the banking book	36,203	30,000	36,203	30,000
Pension risk	3,000	4,106	3,000	–
Other Pillar 2 risks	25,909	794	25,909	794
Total own funds requirement – Pillar 2	195,886	136,891	195,886	132,785
Capital buffers				
Capital conservation buffer	492,370	419,686	435,530	368,312
Countercyclical buffer	10,569	6,370	8,459	10,770
Total own funds requirement – Capital buffers	502,939	426,056	443,989	379,082
Total own funds requirements	2,274,409	1,905,945	2,033,572	1,690,465

The own funds for the Company's consolidated situation totalled SEK 3,487m (2,814) as at 31 December 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.

	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Capital ratios and capital buffers, %				
Common Equity Tier 1 capital ratio	11.70	12.46	12.07	14.25
Tier 1 capital ratio	13.63	14.73	14.25	16.82
Total capital ratio	17.71	16.76	18.86	19.14
Institution-specific buffer requirements for CET1 capital	7.05	7.04	7.05	7.07
of which, capital conservation buffer requirement	2.50	2.50	2.50	2.50
of which, countercyclical capital buffer requirement	0.05	0.04	0.05	0.07
Common Equity Tier 1 capital available to meet buffers¹⁾	7.20	7.96	7.57	9.75

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 1,771m (1,480) at 31 December 2017, of which SEK 196m (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 debt and own funds instruments, as well as equity. The majority of deposits from the public are payable on demand (variable deposits – "floating"), while about 35 per cent (36) of the Group's deposits from the public are tied to longer maturities ("fixed deposits") ranging from 12 to 36 months. About 99 per cent of deposits are backed by the deposit guarantee scheme.

Funding	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
SEK thousand				
Current account deposits	8,580,487	7,582,909	8,580,487	7,582,909
Fixed-term deposits	4,646,963	4,266,047	4,646,963	4,266,047
Senior debts	4,355,000	3,125,996	4,355,000	3,125,996
Convertible debt instruments	379,577	379,577	379,577	379,577
Subordinated debts	803,257	341,715	803,257	341,715
Equity	2,848,728	2,545,719	2,100,176	2,077,009
Other	922,552	907,963	612,823	695,522
Balance sheet total	22,536,564	19,149,926	21,478,283	18,468,775

The Group's treasury policy stipulates limits on how much liquidity is to be available and the nature of such liquidity. As at 31 December 2017, available liquidity totalled SEK 6,800m (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	31 Dec 2017	31 Dec 2016
Cash and holdings in central banks	202	3,073
Deposits in other banks available overnight	1,620,581	1,036,749
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,060,775	1,528,116
Securities issued or guaranteed by municipalities or other public sector entities	429,377	745,786
Covered bonds	3,689,021	2,474,849
Securities issued by non-financial corporates	–	–
Securities issued by financial corporates	–	–
Other	–	–
Total	6,799,956	5,788,573

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	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	246	478	–	–

Note 6 Contingent liabilities

SEK thousand	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Commitments	697,816	1,565,944	–	–

Note 7 Reconciliation alternative performance measures

Return on book

SEK thousand	Quarter 4 2017	Quarter 4 2016	Full year 2017	Full year 2016
EBIT	189,538	241,629	950,882	935,458
+ Operating expenses in Central Functions	105,886	94,580	368,380	328,668
EBIT excl operating expenses in Central Functions ¹⁾	1,181,695	1,344,835	1,319,262	1,264,126
Average carrying value of acquired loans ²⁾	14,096,694	12,158,301	13,342,942	11,968,471
Return on book, %	8.4	11.1	9.9	10.6

1) Calculated on an annualised basis (quarterly).

2) Calculated as average on previous period.

Note 7 Reconciliation alternative performance measures, cont.

EBITDA, adjusted	Quarter 4 2017	Quarter 4 2016	Full year 2017	Full year 2016
SEK thousand				
Profit for the period	85,226	118,110	452,760	417,149
+ Income tax expense	24,500	36,758	128,386	115,949
+ Portfolio revaluations	2,860	-22,662	-10,990	-5,703
- Interest income (excl. Interest from run-off performing portfolio)	4,602	-699	14,345	3,283
+ Interest expense	75,281	79,474	305,066	300,288
+/- Net result from financial transactions, incl. Net credit losses	-71	7,987	50,324	98,789
+ Depreciation and amortisation of tangible and intangible assets	13,593	13,891	55,943	52,796
EBITDA	205,991	232,859	995,834	982,551
+ Amortisation on run-off portfolio	1,616	6,735	10,869	26,171
+ Amortisation on acquired loan portfolios	655,881	508,193	2,244,134	1,911,916
EBITDA, adjusted	863,488	747,787	3,250,837	2,920,638
Book value of run-off consumer loan portfolio	21,325	32,194	21,325	32,194

Return on equity, adjusted for items affecting comparability

SEK thousand	Full year 2017
Equity	3,228,305
Additional Tier 1 capital	-379,577
Reversal of interest expense paid for AT1 capital	27,605
Reversal of items affecting comparability ¹⁾	102,191
Total equity	2,978,524
Total equity (quarterly average)	2,751,606
Profit for the period	452,760
Reversal of items affecting comparability ¹⁾	102,191
Estimated annual profit	554,951
Adjustment of interest on AT1 capital	-40,486
Adjusted annual profit	514,465
Return on equity, %	19

1) Items affecting comparability refer to costs which arose in connection with the repurchase of subordinated debts and outstanding bonds during second quarter 2017 and with restructuring costs and adjustment of previous cost accruals during fourth 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, February 12, 2018

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 4 2017	Quarter 4 2016
Gross cash collections on acquired loan portfolios	1,358,948	1,104,772
Portfolio amortisation and revaluation	-658,741	-485,532
Interest income from run-off consumer loan portfolio	1,156	1,153
Net revenue from acquired loan portfolios	701,363	620,393
Fee and commission income	16,774	29,513
Profit from shares and participations in joint ventures	20,962	15,222
Other income	4,837	7,110
Total revenue	743,936	672,238
Personnel expenses	-219,390	-177,988
Collection costs	-203,118	-145,560
Other operating expenses	-118,297	-93,170
Depreciation and amortisation of tangible and intangible assets	-13,593	-13,891
Total operating expenses	-554,398	-430,609
Operating profit (EBIT)	189,538	241,629
Funding		
Interest income excl. run-off consumer loan portfolio	-4,602	700
Interest expense	-75,281	-79,474
Net financial income	71	-7,987
Total financial items	-79,812	-86,761
Profit before tax	109,726	154,868

Statutory income statement, Group

SEK thousand	Quarter 4 2017	Quarter 4 2016
Revenue from acquired loan portfolios	700,207	619,240
Interest income	-3,446	1,853
Interest expense	-75,281	-79,474
Net interest income	621,480	541,619
Fee and commission income	16,774	29,513
Net financial income	71	-6,727
Other income	4,837	7,110
Total operating income	643,162	571,515
General administrative expenses		
Personnel expenses	-219,390	-177,988
Other operating expenses	-321,415	-238,730
Depreciation and amortisation of tangible and intangible assets	-13,593	-13,891
Total operating expenses	-554,398	-430,609
Profit before credit losses	88,764	140,906
Net credit losses	-	-1,260
Profit from shares and participations in joint ventures	20,962	15,222
Profit before tax	109,726	154,868

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 period and closing amount at the end of the period. For the full year the carrying value is calculated as an average for the year based on a quarterly basis.

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

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

Financial calendar

Annual report 2017	11 April 2018
Interim report Q1 2018	15 May 2018
Annual General Meeting	16 May 2018
Interim report Q2 2018	27 July 2018
Interim report Q3 2018	25 October 2018

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