Hoist Finance

Interim report Q3 2019

Shaping our sustainable future

Q3

July – September 2019

- Total operating income decreased –5 per cent to SEK 698m (731).
- Items affecting comparability before tax amounted to SEK –47m and pertain to restructuring costs for the French operations, to the IT organisation and to interest rate swaps.
- Profit before tax totalled SEK 146m (243).
- Profit before tax excluding items affecting comparability totalled SEK 194m (202).
- Basic and diluted earnings per share amounted to SEK 1.39 (1.87).
- Return on equity was 12 per cent (20).
- Return on equity excluding items affecting comparability was 15 per cent (16).
- Carrying value of acquired loan portfolios amounted to SEK 22,394m (20,605).
- The total capital ratio was 14.87 per cent (14.14) and the CET1 ratio was 10.29 per cent (9.66).

Figures in brackets refer to third quarter 2018 for profit/loss comparisons and to the closing balance at 31 December 2018 for balance sheet items.

Events during the quarter

- Site consolidation in France in order to improve efficiency. By closing the contact centre in Bayonne, Hoist Finance will have a streamlined organisation with specialist teams in Lille and Paris, enabling continued growth in a promising market.
- By outsourcing the IT infrastructure to one of the market leaders, Larsen & Toubro Infotech Ltd, Hoist Finance will be able to both deliver on the strategy to become the digital leader in the industry, as well as reduce costs over time.
- Hoist Finance expands its Shared Service Centre in Poland, and completes initial establishment of a nearshoring centre in Romania.

Subsequent events

- Hoist Finance has received investor commitment for a rated securitisation from the global asset manager CarVal Investors, an important step in adapting to the changing regulatory landscape.

10.29%
CET1 ratio

17%
Portfolio growth over the last 12-month period

73%
C/I ratio excluding items affecting comparability
Target 65%

15%
Return on equity excluding items affecting comparability
Target 15%

Hoist Finance AB (publ) (the "Company" or the "Parent") is the parent company of the Hoist Finance group of companies ("Hoist Finance"). As a regulated credit market company, Hoist Finance produces financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

This information is information that Hoist Finance AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication by Andreas Lindblom at 07:30 AM CET on 5 November 2019.

Shaping our sustainable future

> Helping people keep their commitments

Eighteen months ago, we established a new strategy for Hoist Finance. Our ambitions were to become the digital leader in the industry, to improve operations, to broaden our products and services and to increase our market-share in our prioritised markets. This strategy is firmly grounded in our values and our vision of finding the best possible way for our customers to keep their commitments.

Now, taking stock of what we have delivered and looking ahead, I see very good reasons to be optimistic. The winners in the industry will be those companies with access to low cost funding, great operations and a holistic and sustainable customer approach. In Hoist Finance we are well underway.

Long-term strategic efforts

The focus of the third quarter was to look beyond the recent regulatory challenges and take decisive actions to reduce future costs and significantly improve operational efficiency. The results of the third quarter, however, only show the costs and not the benefits of these investments. Collection performance slipped to 101 per cent, lower than our ambitions, but we are confident that our initiatives will have material and positive impact going forward.

Becoming the digital leader in our industry has been a top priority for us. Focusing on strong market positions in fewer rather than many markets, tailoring our offering towards banks rather than several client segments and the introduction of one operating model, harmonised across markets, are the key success factors in this journey. We are happy to have chosen Larsen & Toubro Infotech Ltd (“LTI”) as our IT outsourcing partner. LTI has an established presence in Europe and the right experience to help increase stability, improve security and significantly reduce our costs over time.

Becoming the digital leader in our industry

Being #DigitalByDefault is of course more than improving internal IT, it is rather about the customer interaction and journey. The share of digital collection is increasing in all markets, and we are now at 12 per cent. We are currently livetesting chat-bots, voice-bots and innovative payment solutions in our omni-channel approach. The purpose is to offer greater customer flexibility and find new ways to interact with customers to find the right solutions. Going digital will consequently increase collections and improve efficiency.

Operational efficiency is key

Another important action made during the quarter that will reduce costs over time is the consolidation of our operations in France, where we closed the contact centre in Bayonne. Lille and Paris will be the two sites where we continue to develop the business in this promising market. The expansion of our Shared Service Centre in Wroclaw, Poland, and the initiation of establishing a nearshoring centre in Bucharest, Romania, are two other initiatives made during the quarter. These steps will increase benefits of scale and skills and help implement standardised and harmonised processes across markets.

On track to a sustainable business model

We understand and in principle support the aim of the recent regulatory changes introducing the NPL backstop, being to encourage banks in Europe to deal with their Non-Performing Exposures more decisively and to foster a well-functioning secondary market for acquisition of Non-Performing Loans. Although Hoist Finance, as a debt resolution partner to individuals, companies and banks, has been serving that very purpose by being an active acquirer on the secondary market, the consequences of the changed regulations have been challenging. With that said, I am proud of the work my team has delivered in order to find ways to adapt our business model to this new environment. Having received investor commitment on our second securitisation transaction, this time with an investment grade rating, represents an important milestone showing that we are a flexible and agile company. I also believe that the positive feedback that we have received from investors and rating agencies is a strong underwriting of the Hoist Finance assets, investment procedures, servicing capabilities and our professional and competent teams. Although these structures increase our average cost of funding somewhat, we are very confident that the banking model still offers the most sustainable and competitive funding model. Our access to low cost funding is simply the best there is in the industry.

Fit for the future

The market outlook is positive. There is a strong pipeline across all asset classes, and margins have developed favourably. I am confident we are on the right track to a sustainable and competitive post-NPL backstop business model in which we are able to continue helping people keep their commitments and find a path forward.

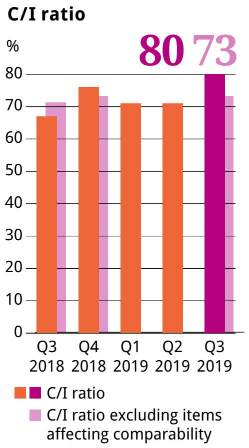
Klaus-Anders Nysteen
CEO

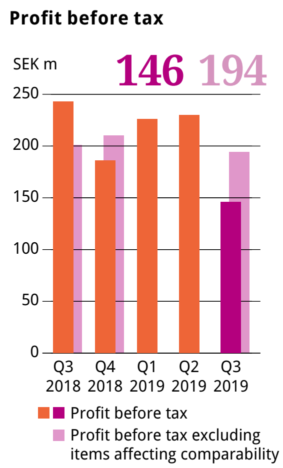
Key ratios[1)]

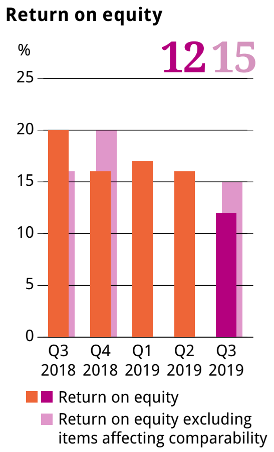
SEK m	Quarter 3 2019	Quarter 3 2018	Change, %	Jan-Sep 2019	Jan-Sep 2018	Change, %	Full-year 2018
Net operating income	698	731	–5	2,269	2,063	10	2,829
Profit before tax	146	243	–40	602	569	6	755
Net profit	140	182	–23	495	425	16	590
Basic and diluted earnings per share, SEK	1.39	1.87	–26	5.01	4.33	16	6.29
Net interest income margin, %	13	14	–1 pp	13	14	–1 pp	14
C/I ratio, %	80	67	13 pp	74	73	1 pp	74
Return on equity, %	12	20	–8 pp	15	16	–1 pp	16
Portfolio acquisitions	689	2,546	–73	2,964	5,791	–49	8,048

SEK m	30 Sep 2019	31 Dec 2018	Change, %
Acquired loans	22,604	20,834	8
Gross 180-month ERC[2)]	36,595	33,602	9
Total capital ratio, %	14.87	14.14	0.73 pp
CET1 ratio, %	10.29	9.66	0.63 pp
Liquidity reserve	12,671	7,399	71
Number of employees (FTEs)	1,544	1,556	–1

1) See Definitions.
2) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture.







Developments during third quarter 2019

Unless otherwise indicated, all comparative market, financial and operational information refers to third quarter 2018.

Operating income
Interest income on acquired loan portfolios increased 16 per cent during the quarter to SEK 836m (718), driven mainly by portfolio growth in Poland, Spain, the UK and Italy and acquisition of the first loan portfolio in the Greek market. Other interest income totalled SEK –2m (–3).

Interest expense for the quarter increased to SEK –138m (–93). Most of the increase is attributable to greater deposits from the public volumes in the German market, mainly for deposits with longer maturities. Deposits in the Swedish market were unchanged, although with similar shift towards longer maturities. The raising of new financing through the securitisation of Italian loan portfolios also contributed to increased interest expense during the quarter.

Portfolio revaluations totalled SEK –7m during the quarter and are mainly attributable to Spain, where lower-than-expected collections during the year resulted in an adjustment to cash flow forecasts. This was mitigated by positive portfolio revaluations in Italy, the Netherlands and Poland attributable to strong collections during the year. Collections exceeding forecast during the quarter totalled SEK 20m, corresponding to 101 per cent of the projected level. Loss allowances for performing loans amounted to SEK –1m (–1) during the quarter. In total, impairment gains and losses amounted to SEK 12m (51) during the quarter.

Fee and commission income increased 89 per cent during the quarter to SEK 29m (15), with the increase entirely attributable to the business acquisition conducted in Italy.

Net financial income totalled SEK –45m (40), with restructuring costs for interest rate swaps accounting for SEK –15m of that amount. The result for changes in value for interest rate instruments and the result for FX hedging were negative.

Total operating income decreased 5 per cent to SEK 698m (731), mainly due to greater funding costs and lower-than-forecast collections.

Operating expenses

Personnel expenses increased 23 per cent during the quarter to SEK –236m (–192), mainly due to restructuring costs for the French operations, business acquisitions in Italy and restructuring costs for the IT organisation. These increases were offset, primarily in Germany and, to a lesser extent, in the UK, where restructuring work done last year resulted in more cost-effective operations. A portion of the effect between Central Functions and the markets, mainly the UK, refers to resources reallocated to Central Functions to support group-wide initiatives.

Collection costs decreased 1 per cent during the quarter to SEK –178m (–180). The decrease is mainly due to lower collection costs in Germany and the UK. This is somewhat mitigated by higher collection costs in Italy, driven by business acquisitions and portfolio growth, and higher collection costs in Greece attributable to the first Greek portfolio acquired in late 2018.

Administrative expenses increased to SEK –123m (–112). The increase is driven mainly by the new digital and operational improvement initiatives. This is somewhat mitigated by the new accounting standard for leases, IFRS 16, under which lease-related expenses formerly reported as administrative expenses are now reported as interest expense and depreciation and amortisation of tangible and intangible assets. Lease expenses totalled SEK –13m during the quarter, of which SEK –11m is attributable to depreciation and amortisation with the remaining amount attributable to interest expense.

Depreciation and amortisation of tangible and intangible assets increased during the quarter to SEK –31m (–15). The increase is mainly due to the transition to IFRS 16, with the rest of the increase due to implementation of a new collection system in Spain and Germany.

Total operating expenses increased 14 per cent to SEK –568m (–499).

Net profit for the period

Profit from participations in joint ventures increased year-on-year and totalled SEK 16m (11).

Income tax expense totalled SEK –6m (–61). The quarter was positively affected by tax attributable to previous years and income tax expense in the comparative period was negatively affected.

Net profit totalled SEK 140m (182).

Balance sheet

Total assets increased SEK 7,579m as compared with 31 December 2018 and totalled SEK 36,834m (29,255). The change is primarily due to a net increase of SEK 5,434m in cash and interest-bearing securities and an increase of SEK 1,789m in acquired loan portfolios, primarily attributable to acquisitions in Poland, the UK and Italy. Tangible assets increased SEK 236m, of which SEK 226m is attributable to the transition to IFRS 16.

Funding and capital structure

SEK m	30 Sep 2019	31 Dec 2018	Change, %
Cash and interest-bearing securities	12,910	7,476	73
Acquired loan portfolios	22,394	20,605	9
Other assets[1]	1,530	1,174	30
Total assets	**36,834**	**29,255**	**26**
Deposits from the public	21,925	17,093	28
Unsecured debt	7,868	5,950	32
Subordinated liabilities	868	839	3
Total interest-bearing liabilities	**30,661**	**23,882**	**28**
Other liabilities[1]	1,351	960	41
Equity	4,822	4,413	9
Totall liabilities and equity	**36,834**	**29,255**	**26**

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

Total interest-bearing debt amounted to SEK 30,661m (23,882). The change is mainly attributable to deposits from the public, which increased SEK 4,832m, and to the raising of SEK 2,136m in new financing through the securitisation of Italian loan portfolios. Hoist Finance funds its operations through deposits in Sweden and in Germany as well as through the international bond market and the Swedish money market. In Sweden, deposits from the public under the HoistSpar brand amounted to SEK 12,205m (11,292), of which SEK 6,214m (4,324) is attributable to fixed term deposits of one-, two- and three-year durations. In Germany, deposits of one- and two-year durations have been offered to retail customers since 2017 under the Hoist Finance name. Savings products with three-, four- and five-year durations were added during the year. At 30 September 2019, deposits from the public in Germany were SEK 9,720m (5,801), of which SEK 6,453m (1,728) is attributable to fixed term deposits.

At 30 September 2019, the outstanding bond debt totalled SEK 8,736m (6,789), of which SEK 7,868m (5,950) was unsecured debt. The change in unsecured debt is attributable to a senior note issued by securitisation company Pinzolo SPV S.r.l and to decreased funding under Hoist Finance's Swedish commercial paper programme.

Other liabilities increased SEK 391m, of which SEK 229m is attributable to an increase in lease liabilities due to the transition to IFRS 16.

Equity totalled SEK 4,822m (4,413). The increase is attributable to net profit for the period.

Cash flow

SEK m	Quarter 3 2019	Quarter 3 2018	Full-year 2018
Cash flow from operating activities	586	976	2,828
Cash flow from investing activities	–657	–2,713	–8,055
Cash flow from financing activities	5,181	1,543	5,861
Cash flow for the period	**5,110**	**–194**	**634**

Cash flow from operating activities totalled SEK 586m (976). Amortisation of acquired loan portfolios during third quarter 2019 totalled SEK 713m (742), with the decrease attributable to a somewhat lower collection level as compared with third quarter 2018. Cash flow from other assets and liabilities amounted to SEK –354m (88).

Cash flow from investing activities totalled SEK –657m (–2,713). Portfolio acquisitions decreased during the quarter as compared with third quarter 2018, totalling SEK –689m (–2,606).

Cash flow from financing activities totalled SEK 5,181m (1,543). Net cash flow to deposits from the public totalled SEK 3,123m (494) during the quarter, with most of this amount attributable to longer maturity fixed term deposits in the German market. Cash flow from issued bonds attributable to the securitisation of Italian loan portfolios totalled SEK 2,103m. Net cash flow from commercial paper totalled SEK –687m. Other cash flow from financing activities pertains to interest paid on Tier 1 capital instruments, which totalled SEK –34m, and to amortisation of lease liability.

Total cash flow for the quarter amounted to SEK 5,110m, as compared with SEK –194m for third quarter 2018.

Significant risks and uncertainties

Hoist Finance is exposed to a number of uncertainties through its business operations and as a result of its broad geographical presence. New and amended bank and credit market company regulations may affect Hoist Finance both 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 interpretations and applications of existing laws, treaties, regulations, and guidance.

Development of risks

Credit risk for Hoist Finance's loan portfolios is considered to be virtually 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.

In order to diversify the existing stock of assets in a positive way from a risk perspective, Hoist Finance will continue to assess upcoming opportunities to acquire portfolios of non-performing secured loans as well as portfolios of performing loans.

Hoist Finance has an internal framework which serves as the foundation for follow-up and oversight of the Group's operational risks. The Group is committed to continuously improving the quality of its internal procedures to minimise operational risks. The level of operational risks is deemed to be unchanged from the previous quarter.

Market risks remain low, as Hoist Finance continuously hedges interest rate and FX risks in the short and medium term.

Liquidity risk was low during the quarter. Hoist Finance's liquidity reserve exceeds Group targets by a healthy margin. Due to its strong liquidity position, Hoist Finance is well equipped for future acquisitions and growth.

Changes to the Capital Requirements Regulation regarding minimum loss coverage for non-performing exposures came into effect during second quarter 2019. The proposal will affect Hoist Finance and involves making a deduction from own funds for exposures classified as non-performing. The deduction is gradually increased based on the amount of time elapsed since the exposure entered default, with full deduction required to be made after three years for unsecured exposures. The new regulations apply to loans issued after the regulations' effective date. Hoist Finance expects the regulations to have a material effect on Hoist Finance's capitalisation in coming years, as a significant volume of non-performing loans issued after second quarter 2019 has been acquired. Hoist Finance is working with procedures to mitigate the consequences of the regulatory change to ensure sustainable growth.

During the third quarter Hoist Finance conducted a securitisation of Italian loan portfolios under which the senior note, corresponding to 95 per cent of capitalisation, was subscribed by external investors. The junior note, corresponding to the remaining 5 per cent of the total issued amount, has been fully subscribed by Hoist Finance AB (publ). Hoist Finance reduced its risk-weighted exposures through the transaction and thereby strengthened the CET1 capital ratio.

Interest rate risk in the banking book is one topic that the EBA and SFSA have paid particular attention to recently. The EBA has published new guidelines in this area. In light of this, Hoist Finance conducted a dialogue with the SFSA during the second quarter and reviewed the Company's methods for measuring and covering interest rate risk in the banking book. As a result of this review the Company made adjustments to the pertinent methods, which resulted in a marginal increase in the total capital adequacy requirement during third quarter 2019.

Hoist Finance is evaluating the option of seeking a permit to apply an internal ratings-based (IRB) approach to calculate risk-weighted assets with regards to credit risk. As a first step, the regulatory aspects of the IRB approach for an institution like Hoist Finance are being evaluated.

Other disclosures

Parent Company

The subsidiary Hoist Finance SAS was merged into Parent Company Hoist Finance AB (publ) on 2 January 2019. Accordingly, as of 2 January 2019 the Parent Company's financial position includes operations that were previously part of Hoist Finance SAS.

Net interest income for the Parent Company totalled SEK 331m (260) during the third quarter. This increase is mainly attributable to an acquired secured loan portfolio in France and to a Greek portfolio acquired in late 2018. Net interest income also includes interest income from internal loans and interest expense from deposits and issued bonds. Interest income from internal loans increased SEK 32m, due primarily to portfolio acquisitions in subsidiaries financed by internal loans from the Parent Company. Interest expense increased SEK –30m, due mainly to larger deposits from the public volumes in the German market, where Hoist Finance has added savings products of three-, four- and five-year durations.

Total operating income amounted to SEK 319m (341). Net financial items totalled SEK –75m (13) due to restructuring costs for interest rate swaps and the negative effect of changes in value of interest rate and FX hedging instruments. Other income totalled SEK 54m (67) and refers mainly to management fees invoiced to subsidiaries.

Operating expenses totalled SEK –320m (–230). The increase is related to advisory costs regarding operational improvement initiatives and expansion into new asset classes, personnel expenses in the French branch office, and restructuring costs for the French operations and IT the organisation. Assets taken into use during the quarter increased the amortisation of intangible assets by SEK –5m.

Operating profit totalled SEK –1m (111).

Impairment gains of SEK 6m (19) are attributable to differences between actual and projected collections, to portfolio revaluations and to loss allowances for performing loans. Shares in participating interests totalled SEK 17m (17).

Net profit for the period totalled SEK –28m (88) and the tax expense totalled SEK 6m (–59).

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 head-quartered in Stockholm, Sweden. Hoist Finance AB (publ) has been listed on NASDAQ Stockholm since March 2015.

Hoist Finance AB (publ) is a credit market company under the supervision of the Swedish FSA. The operating Parent Company, including its subgroup, acquires and holds loan portfolios, which are managed by the Group's subsidiaries or foreign branch offices. These units also provide commission-based administration services to third parties.

For a more detailed description of the Group's legal structure, please refer to the 2018 Annual Report.

The share and shareholders

The number of shares totalled 89,303,000 at 30 September 2019, unchanged from 31 December 2018.

The share price closed at SEK 55.90 on 30 September 2019. A breakdown of the ownership structure is presented in the table below. As at 30 September 2019 the Company had 5,309 shareholders, compared with 4,301 at 31 December 2018.

Ten largest shareholders, 30 Sep 2019	**Share of capital and votes, %**
Erik Selin Fastigheter AB	9,9
Swedbank Robur Funds	8,8
Avanza Pension	5,7
Carve Capital AB	5,1
SEB Funds	3,5
ODIN Funds	3,5
Jörgen Olsson privately and through companies	2,9
Confederation of Swedish Enterprise	2,8
Dimensional Fund Advisors	2,7
Per Arwidsson	2,3
Ten largest shareholders	**47,2**
Other shareholders	52,8
Total	**100,0**

Source: Modular Finance AB per 30 September 2019; ownership statistics from Holdings, Euroclear Sweden AB; and changes confirmed and/or registered by the Company.

Nomination Committee

In accordance with established instructions, the Nomination Committee shall be comprised of the three largest shareholders along with the Chairman of the Hoist Finance Board. The Nomination Committee is currently comprised of the Chairman of the Board in Hoist Finance and members appointed by Swedbank Robur Funds, Erik Selin Fastigheter AB and Carve Capital AB. The term of office for Committee members runs until a new committee is appointed. Ahead of the 2020 Annual General Meeting, Nomination Committee members have been appointed based on the ownership structure as per the final business day of August 2019.

Review

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

Subsequent events

Hoist Finance has received investor commitment for a rated securitisation from the global asset manager CarVal Investors, an important step in adapting to the changing regulatory landscape.

Quarterly review

SEK m	Quarter 3 2019	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018
Interest income acquired loan portfolios	836	848	810	764	718
Other interest income	–2	3	0	–5	–3
Interest expense	–138	–105	–104	–104	–93
Net interest income	**696**	**746**	**706**	**655**	**622**
Impairment gains and losses	12	35	51	61	51
Fee and commission income	29	30	32	30	15
Net result from financial transactions	–45	–18	–16	16	40
Derecognition gains and losses	–2	–1	–3	–3	–
Other operating income	8	5	4	7	3
Total operating income	**698**	**797**	**774**	**766**	**731**
General and administrative expenses					
Personnel expenses	–236	–220	–208	–228	–192
Collection costs	–178	–187	–190	–209	–180
Administrative expenses	–123	–131	–134	–150	–112
Depreciation and amortisation of tangible and intangible assets	–31	–33	–29	–17	–15
Total operating expenses	**–568**	**–571**	**–561**	**–604**	**–499**
Net operating profit	**130**	**226**	**213**	**162**	**232**
Profit from participations in joint ventures	16	4	13	24	11
Profit before tax	**146**	**230**	**226**	**186**	**243**
Income tax expense	–6	–51	–50	–21	–61
Net profit	**140**	**179**	**176**	**165**	**182**

Key ratios[1)]

SEK m	Quarter 3 2019	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018
Net interest income margin, %	13	14	14	13	14
C/I ratio, %	80	71	71	76	67
C/I ratio adjusted for items affecting comparability, %	73	–	–	73	71
Return on equity, %	12	16	17	16	20
Return on equity adjusted for items affecting comparability, %	15	–	–	20	16
Portfolio acquisitions	689	1,665	610	2,246	2,546[2)]

SEK m	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Acquired loans	22,604	22,313	21,343	20,834	19,431
Gross 180-month ERC[3)]	36,595	35,966	34,214	33,602	30,676
Total capital ratio, %	14.87	14.12	13.70	14.14	17.19
CET1 ratio, %	10.29	9.91	9.47	9.66	10.79
Liquidity reserve	12,671	7,670	7,971	7,399	7,334
Number of employees (FTEs)	1,544	1,557	1,532	1,556	1,366

1) See Definitions.
2) During Q3 2018 the acquisition price of a performing loan portfolio in Poland, acquired during Q2, was adjusted downward by SEK 60m.
3) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture.

Financial statements

Consolidated income statement

SEK m	Quarter 3 2019	Quarter 3 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Interest income acquired loan portfolios	836	718	2,494	2,035	2,799
Other interest income	–2	–3	1	–8	–13
Interest expense	–138	–93	–346	–247	–351
Net interest income	**696**	**622**	**2,149**	**1,780**	**2,435**
Impairment gains and losses	12	51	98	200	261
Fee and commission income	29	15	91	49	79
Net result from financial transactions	–45	40	–80	27	43
Derecognition gains and losses	–2	–	–6	–2	–5
Other operating income	8	3	17	9	16
Total operating income	**698**	**731**	**2,269**	**2,063**	**2,829**
General and administrative expenses					
Personnel expenses	–236	–192	–664	–598	–826
Collection costs	–178	–180	–556	–541	–750
Administrative expenses	–123	–112	–387	–359	–509
Depreciation and amortisation of tangible and intangible assets	–31	–15	–92	–44	–61
Total operating expenses	**–568**	**–499**	**–1,699**	**–1,542**	**–2,146**
Net operating profit	**130**	**232**	**570**	**521**	**683**
Profit from participations in joint ventures	16	11	32	48	72
Profit before tax	**146**	**243**	**602**	**569**	**755**
Income tax expense	–6	–61	–107	–144	–165
Net profit	**140**	**182**	**495**	**425**	**590**
Profit attributable to:					
Owners of Hoist Finance AB (publ)	140	182	495	425	590
Basic and diluted earnings per share SEK	1.39	1.87	5.01	4.33	6.29

Consolidated statement of comprehensive income

SEK m	Quarter 3 2019	Quarter 3 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Net profit for the period	**140**	**182**	**495**	**425**	**590**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss					
Revaluation of defined benefit pension plan	–	–	–	–	1
Revaluation of remuneration after terminated employment	–	–	–	–	1
Tax attributable to items that will not be reclassified to profit or loss	–	–	–	–	0
Total items that will not be reclassified to profit or loss	**–**	**–**	**–**	**–**	**2**
Items that may be reclassified subse quently to profit or loss					
Translation difference, foreign operations	6	–23	34	102	96
Translation difference, joint ventures	–4	0	1	0	–4
Hedging of currency risk in foreign operations	–31	–11	–77	–175	–233
Hedging of currency risk in joint ventures	2	–3	–7	–9	–8
Transferred to the income statement during the year	2	4	7	7	10
Tax attributable to items that may be reclassified to profit or loss	6	2	18	40	50
Total items that may be reclassified subsequently to profit or loss	**–19**	**–31**	**–24**	**–35**	**–89**
Other comprehensive income for the period	**–19**	**–31**	**–24**	**–35**	**–87**
Total comprehensive income for the period	**121**	**151**	**471**	**390**	**503**
Profit attributable to:					
Owners of Hoist Finance AB (publ)	121	151	471	390	503

Consolidated balance sheet

SEK m	30 Sep 2019	31 Dec 2018	30 Sep 2018
ASSETS			
Cash	0	0	0
Treasury bills and Treasury bonds	7,436	2,653	2,730
Lending to credit institutions	2,397	1,187	1,692
Lending to the public	12	14	17
Acquired loan portfolios	22,394	20,605	19,189
Bonds and other securities	3,077	3,635	2,994
Shares and participations in joint ventures	201	215	226
Intangible assets	382	387	333
Tangible assets	295	59	53
Other assets	496	425	349
Deferred tax assets	29	22	24
Prepayments and accrued income	115	53	43
Total assets	**36,834**	**29,255**	**27,650**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	21,925	17,093	15,511
Tax liabilities	143	92	121
Other liabilities	728	380	439
Deferred tax liabilities	204	188	146
Accrued expenses and deferred income	184	232	193
Provisions	92	68	68
Senior debt	7,868	5,950	6,039
Subordinated debts	868	839	832
Total liabilities	**32,012**	**24,842**	**23,349**
Equity			
Share capital	30	30	30
Other contributed equity	2,965	2,965	2,966
Reserves	–226	–202	–148
Retained earnings including profit for the period	2,053	1,620	1,453
Non-controlling interest	0	–	–
Total equity	**4,822**	**4,413**	**4,301**
Total liabilities and equity	**36,834**	**29,255**	**27,650**

Consolidated statement of changes in equity

SEK m	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Non-controlling interest	Total equity
Opening balance 1 Jan 2019	**30**	**2,965**	**–202**	**1,620**		**4,413**
Comprehensive income for the period						
Profit for the period				495		495
Other comprehensive income			–24			–24
Total comprehensive income for the period			**–24**	**495**		**471**
Transactions reported directly in equity						
Interest paid on capital contribution				–62		–62
Change in non-controlling interests[1]					0	0
Total transactions reported directly in equity				**–62**	**0**	**–62**
Closing balancs 30 Sep 2019	**30**	**2,965**	**–226**	**2,053**	**0**	**4,822**

1) Attributable to securitisation of Italian loan portfolios.

SEK m	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2018	**27**	**2,102**	**–113**	**1,212**	**3,228**
Transition effects IFRS 9				17	17
Adjusted opening balance 1 Jan 2018	**27**	**2,102**	**–113**	**1,229**	**3,245**
Comprehensive income for the period					
Profit for the period				590	590
Other comprehensive income			–89		–89
Total comprehensive income for the period			**–89**	**590**	**501**
Transactions reported directly in equity					
Dividend				–154	–154
New share issue	3	552[1]			555
Reclassification		–3		3	0
Additional Tier 1 capital instrument		311[2]		–7	304
Interest paid on capital contribution				–41	–41
Tax effect on items reported directly in equity		3			3
Total transactions reported directly in equity	**3**	**863**		**–199**	**667**
Closing balance 31 Dec 2018	**30**	**2,965**	**–202**	**1,620**	**4,413**

1) Nominal amount of SEK 566m was reduced by transaction costs of SEK 13m.
2) Nominal amount of SEK 410m was reduced by transaction costs of SEK 6m and repurchased nominal amount of SEK 100m was reduced by transaction costs of SEK 7m.

SEK m	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2018	**27**	**2,102**	**–113**	**1,212**	**3,228**
Transition effects IFRS 9				17	17
Adjusted opening balance 1 Jan 2018	**27**	**2,102**	**–113**	**1,229**	**3,245**
Comprehensive income for the period					
Profit for the period				424	424
Other comprehensive income			–35		–35
Total comprehensive income for the period			**–35**	**424**	**389**
Transactions reported directly in equity					
Dividend				–154	–154
New share issue	3	553[1)]			556
Reclassification		–3		3	0
Additional Tier 1 capital instrument		311[2)]		–7	304
Interest paid on capital contribution				–42	–42
Tax effect on items reported directly in equity		3			3
Total transactions reported directly in equity	**3**	**864**		**–200**	**667**
Closing balance 30 Sep 2018	**30**	**2,966**	**–148**	**1,453**	**4,301**

1) Nominal amount of SEK 566m was reduced by transaction costs of SEK 13m.
2) Nominal amount of SEK 410m was reduced by transaction costs of SEK 6m and repurchased nominal amount of SEK 100m was reduced by transaction costs of SEK 7m.

Consolidated cash flow statement summary

SEK m	Quarter 3 2019	Quarter 3 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Profit before tax	146	243	602	569	755
– of which, paid-in interest	*842*	*704*	*2,510*	*2,030*	*2,778*
– of which, interest paid	*–52*	*–77*	*–193*	*–201*	*–289*
Adjustment for other items not included in cash flow	245	–69	354	–96	–122
Realised result from divestment of loan portfolios	–	–	–	1	1
Realised result from divestment of shares and participations in joint ventures	–16	–16	–45	–48	–65
Income tax paid	–56	–12	–82	–72	–109
Total	**319**	**146**	**829**	**354**	**460**
Amortisations on acquired loan portfolios	713	742	2,235	2,132	2,881
Increase/decrease in other assets and liabilities	–354	88	–578	–483	–513
Cash flow from operating activities	**678**	**976**	**2,486**	**2,003**	**2,828**
Acquired loan portfolios	–689	–2,606	–2,964	–5,791	–8,048
Disposed loan portfolios	–	–	–	66	66
Investments in/divestments of bonds and other securities	48	–92	557	694	64
Other cash flows from investing activities	–16	–15	–21	–75	–137
Cash flow from investing activities	**–657**	**–2,713**	**–2,428**	**–5,106**	**–8,055**
Deposits from the public	3,123	494	4,428	2,207	3,832
New share issue	–	568	–	568	555
Issued debts	2,316	2,760	2,942	3,702	3,991
Repurchase of issued debts	–212	–2,271	–1,393	–2,271	–2,631
Additional Tier 1 capital	–	–	–	310	310
Other cash flows from financing activities	–46	–8	–91	–196	–196
Cash flow from financing activities	**5,181**	**1,543**	**5,886**	**4,320**	**5,861**
Cash flow for the period	**5,202**	**–194**	**5,944**	**1,217**	**634**
Cash at beginning of the period	4,614	4,625	3,840	3,172	3,172
Translation difference	17	–9	49	33	34
Cash at end of the period[1)]	**9,833**	**4,422**	**9,833**	**4,422**	**3,840**

1) Comprised of Cash, Treasury bills and Treasury bonds and Lending to credit institutions.

Parent Company income statement

SEK m	Quarter 3 2019	Quarter 3 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Interest income	455	354	1,375	935	1,338
Interest expense	–124	–94	–331	–250	–355
Net interest income	**331**	**260**	**1,044**	**685**	**983**
Dividends received	10	–	10	562	1,947
Fee and commission income	1	1	4	4	6
Net result from financial transactions	–75	13	–119	–164	–196
Derecognition gains and losses	–2	–	–6	–1	–2
Other operating income	54	67	173	224	310
Total operating income	**319**	**341**	**1,106**	**1,310**	**3,048**
General and administrative expenses					
Personnel expenses	–117	–81	–307	–262	–364
Other administrative expenses	–190	–141	–535	–408	–593
Depreciation and amortisation of tangible and intangible assets	–13	–8	–38	–24	–32
Total operating expenses	**–320**	**–230**	**–880**	**–694**	**–989**
Profit before credit losses	**–1**	**111**	**226**	**616**	**2,059**
Impairment gains and losses	6	19	41	60	83
Amortisation of financial fixed assets	–	–	–	–	–1,454
Profit from participations in joint ventures	17	17	45	54	82
Net operating profit	**22**	**147**	**312**	**730**	**770**
Appropriations	–	–	–	–	–57
Taxes	6	–59	–52	–100	–66
Net profit	**28**	**88**	**260**	**630**	**647**

Parent company statement of comprehensive income

SEK m	Quarter 3 2019	Quarter 3 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Net profit	**28**	**88**	**260**	**630**	**647**
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss					
Translation difference, foreign operations	0	0	0	3	3
Total items that may be reclassified subsequently to profit or loss	**0**	**0**	**0**	**3**	**3**
Other comprehensive income for the period	**0**	**0**	**0**	**3**	**3**
Total comprehensive income for the period	**28**	**88**	**260**	**633**	**650**
Profit attributable to:					
Owners of Hoist Finance AB (publ)	28	88	260	633	650

Parent Company balance sheet

SEK m	30 Sep 2019	31 Dec 2018	30 Sep 2018
ASSETS			
Cash	0	0	0
Treasury bills and Treasury bonds	7,436	2,653	2,730
Lending to credit institutions	1,251	365	939
Lending to the public	15	17	20
Acquired loan portfolios	5,764	5,593	4,406
Receivables, Group companies	15,334	15,182	13,851
Bonds and other securities	3,077	3,635	2,994
Shares and participations in subsidiaries	779	722	2,143
Shares and participations in joint ventures	17	22	24
Intangible assets	182	177	151
Tangible assets	31	24	26
Other assets	334	340	257
Deferred tax assets	0	1	1
Prepayments and accrued income	52	27	26
TOTAL ASSETS	**34,272**	**28,758**	**27,568**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	21,925	17,093	15,511
Tax liabilities	90	65	98
Other liabilities	1,099	524	878
Deferred tax liabilities	3	5	2
Accrued expenses and deferred income	86	68	77
Provisions	58	41	34
Senior debt	5,730	5,950	6,039
Subordinated debts	868	839	832
Total liabilities and provisions	**29,859**	**24,585**	**23,471**
Untaxed reserves	**221**	**221**	**165**
Equity			
Restricted equity			
Share capital	30	30	30
Statutory reserve	13	13	13
Revaluation reserve	74	66	64
Development expenditure fund	5	4	5
Total restricted equity	**122**	**113**	**112**
Non-restricted equity			
Other contributed equity	2,965	2,965	2,966
Reserves	3	3	3
Retained earnings	843	224	221
Profit of the period	260	647	630
Total unrestricted equity	**4,071**	**3,839**	**3,820**
Total equity	**4,193**	**3,952**	**3,932**
TOTAL LIABILITIES AND EQUITY	**34,272**	**28,758**	**27,568**

Accounting principles

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. The consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations thereof as adopted by the European Union. The accounting follows the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulatory code issued by the Swedish Financial Supervisory Authority on Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25), including applicable amendments. The Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Groups, has also been applied.

The Parent Company Hoist Finance AB (publ) prepares its interim reports in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulatory code issued by the Swedish Financial Supervisory Authority on Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25), including applicable amendments. The Swedish Financial Board's RFR 2, Accounting for Legal Entities, is also applied.

Change in accounting principles 2019

Hoist Finance began to apply IFRS 16 Leases from 1 January 2019. The Parent Company applies the exception in RFR 2 regarding IFRS 16. The Group has elected to apply the modified retrospective approach, i.e. recognising the cumulative net effect of IFRS 16 in retained earnings in the opening balance of equity as at 1 January 2019. There are no restatements of comparative figures. The effects of the implementation of IFRS 16 are described in note 8.

IFRS 16 Leases

Contracts that are deemed as at their start date to transfer right-of-use for an identified asset for a specified period in exchange for consideration are reported as lease contracts by the Hoist Finance Group, with the exception of lease contracts classified as short-term leases, leases of low-value assets, and leases of intangible assets.

Lease contracts that include both a lease component and associated non-lease components are accounted for separately if an observable stand-alone price is available; otherwise, non-lease components are not accounted for separately but rather reported as a single leasing component.

Short-term leases and leases of low-value assets are charged to profit/loss on a straight-line basis over the leasing period and are reported as "Other operating expenses" in the income statement.

At a lease contract's start date, a right-of-use asset and a lease liability are reported in the balance sheet. Right-of-use is initially valued at an amount corresponding to the lease liability's original value plus any prepaid leasing fees or initial direct costs, and is then written off on a straight-line basis over its useful life. The carrying value of the right-of-use asset is adjusted for any revaluations of the lease liability.

The lease liability is initially valued at the present value of remaining leasing fees at the start of the lease contract, discounted by applying the Group's marginal lending rate. After initial recognition, the lease liability is valued at amortised cost pursuant to the effective interest method. Lease payments are allocated between interest and amortisation of the outstanding liability. Interest is allocated over the lease period so that every accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognised during the respective period.

Lease contracts may include provisions for extending or terminating agreements included in the lease period only if it is deemed to be reasonably certain that such provisions will be exercised. The lease liability is revalued to reflect the new assessment of the lease period.

Lease contracts in the Hoist Group are classified in the following categories:

- Equipment and furniture
- Office premises
- Vehicles
- IT hardware

The majority of the lease contracts relate primarily to leases of office premises for the company's normal business operations.

Other IFRS amendments

No other IFRS or IFRIC Interpretations that came into effect in 2019 had any significant impact on the Group's financial reports or capital adequacy.

In all other material respects, the Group's and Parent Company's accounting principles, bases for calculation and presentation remain unchanged from those applied in the 2018 annual report.

	Quarter 3 2019	Quarter 3 2018	Full-year 2018
1 EUR = SEK			
Income statement (average)	10.5646	10.2303	10.2522
Balance sheet (at end of the period)	10.7287	10.2945	10.2753
1 GBP = SEK			
Income statement (average)	11.9670	11.5721	11.5870
Balance sheet (at end of the period)	12.0696	11.5746	11.3482
1 PLN = SEK			
Income statement (average)	2.4561	2.4091	2.4072
Balance sheet (at end of the period)	2.4517	2.4110	2.3904

Notes

Note 1 Segment reporting

Segment reporting has been prepared based on the manner in which executive management monitors operations. This follows statutory account preparation, with the exception of internal funding cost. The internal funding cost is included in net interest income and allocated to the segments based on acquired loan portfolio assets in relation to a fixed internal monthly interest rate for each portfolio. The difference between the external financing cost and the internal funding cost is reported in Central Function. This Central Functions item pertains to the net income for intra-group financial transactions.

Group costs for central and supporting functions are not allocated to the operating segments but are reported as Central Functions.

With respect to the balance sheet, only acquired loan portfolios are monitored. Other assets and liabilities are not monitored on a segment-by-segment basis.

Income statement, Quarter 3, 2019

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Eliminations	Group
Total operating income	**132**	**255**	**87**	**132**	**103**	**6**[1]	**–17**	**698**
of which, internal funding costs	*–57*	*–29*	*–16*	*–42*	*–24*	*168*	–	*0*
Total operating expenses	**–87**	**–127**	**–56**	**–49**	**–118**	**–136**	**5**	**–568**
Profit from participations in joint ventures	–	–	–	–	1	15	–	16
Profit before tax	**45**	**128**	**31**	**83**	**–14**	**–115**	**–12**	**146**

Income statement, Quarter 3, 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Eliminations	Group
Total operating income	**140**	**195**	**80**	**124**	**91**	**89**	**12**	**731**
of which, internal funding costs	*–51*	*–37*	*–16*	*–33*	*–20*	*157*	–	*0*
Total operating expenses	**–88**	**–98**	**–83**	**–43**	**–82**	**–108**	3	**–499**
Profit from participations in joint ventures	–	–	–	–	1	10	–	11
Profit before tax	**52**	**97**	**–3**	**81**	**10**	**–9**	**15**	**243**

Income statement, Jan–Sep, 2019

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Eliminations	Group
Total operating income	**428**	**710**	**258**	**338**	**437**	**118**[1]	**–20**	**2,269**
of which, internal funding costs	*–173*	*–107*	*–47*	*–118*	*–73*	*518*	–	*0*
Total operating expenses	**–280**	**–381**	**–166**	**–133**	**–319**	**–430**	**10**	**–1,699**
Profit from participations in joint ventures	–	–	–	–	–	32	–	32
Profit before tax	**148**	**329**	**92**	**205**	**118**	**–280**	**–10**	**602**

1) Dividend from subsidiaries SEK 10m.

Income statement, Jan–Sep, 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Eliminations	Group
Total operating income	**450**	**547**	**263**	**299**	**307**	**773**[1]	**–576**	**2,063**
of which, internal funding costs	*–148*	*–99*	*–47*	*–82*	*–56*	*432*	–	*0*
Total operating expenses	**–272**	**–289**	**–220**	**–162**	**–245**	**–358**	**4**	**–1,542**
Profit from participations in joint ventures	–	–	–	–	7	41	–	48
Profit before tax	**178**	**258**	**43**	**137**	**69**	**456**	**–572**	**569**

1) Dividend from subsidiaries SEK 562m.

Note 1 *Segment reporting, cont.*

Income statement, Full-year 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Eliminations	Group
Total operating income	**597**	**776**	**350**	**378**	**461**	**767**[1]	**–500**	**2,829**
of which, internal funding costs	*–203*	*–137*	*–63*	*–115*	*–77*	*595*	*–*	*0*
Total operating expenses	**–381**	**–431**	**–296**	**–199**	**–347**	**–500**	**8**	**–2,146**
Profit from participations in joint ventures	–	–	–	–	17	55	–	72
Profit before tax	**216**	**345**	**54**	**179**	**131**	**322**	**–492**	**755**

1) Dividend from subsidiaries SEK 1,947m and write down of shares in subsidiaries SEK 1,454m.

Acquired loans, 30 Sep 2019

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Group
Run-off consumer loan portfolio			12				12
Acquired loan portfolios	6,143	6,195	2,233	3,667	4,156		22,394
Shares and participations in joint ventures[1]						198	198
Acquired loans	**6,143**	**6,195**	**2,245**	**3,667**	**4,156**	**198**	**22,604**

Acquired loans, 31 Dec 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Group
Run-off consumer loan portfolio			14				14
Acquired loan portfolios	5,671	5,935	2,190	2,757	4,052		20,605
Shares and participations in joint ventures[1]						215	215
Acquired loans	**5,671**	**5,935**	**2,204**	**2,757**	**4,052**	**215**	**20,834**

Acquired loans, 30 Sep 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Group
Run-off consumer loan portfolio			17				17
Acquired loan portfolios	5,546	5,659	2,267	2,811	2,906		19,189
Shares and participations in joint ventures[1]						225	225
Acquired loans	**5,546**	**5,659**	**2,284**	**2,811**	**2,906**	**225**	**19,431**

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 Acquired loan portfolios

	Group			Parent Company		
SEK m	30 Sep 2019	31 Dec 2018	30 Sep 2018	30 Sep 2019	31 Dec 2018	30 Sep 2018
Gross carrying amount	22,027	20,346	18,988	5,649	5,532	4,351
Loss allowance	367	259	201	115	61	55
Net carrying amount	**22,394**	**20,605**	**19,189**	**5,764**	**5,593**	**4,406**

Note 2 *Acquired loan portfolios, cont.*

Acquired credit-impaired loan portfolios, 30 Sep 2019

	Group			Parent Company		
SEK m	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2019	19,334	262	19,596	5,133	63	5,196
Acquisitions	2,964	–	2,964	627	–	627
Interest income	2,426	–	2,426	690	–	690
Gross collections	–4,557	–	–4,557	–1,386	–	–1,386
Impairment gains and losses	–	100	100	–	52	52
Disposals	0	0	0	–	–	–
Translation differences	917	9	926	227	3	230
Closing balance 30 Sep 2019	**21,084**	**371**	**21,455**	**5,291**	**118**	**5,409**

Acquired credit-impaired loan portfolios, 31 Dec 2018

	Group			Parent Company		
SEK m	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	14,766	–	14,766	–	–	–
Merger	–	–	–	2,464	–	2,464
IFRS 9 transition effects	11	–	11	7	–	7
Acquisitions	6,925	–	6,925	3,532	–	3,532
Interest income	2,744	–	2,744	637	–	637
Gross collections	–5,533	–	–5,533	–1,509	–	–1,509
Impairment gains and losses	–	264	264	–	64	64
Disposals	–66	0	–66	–	–	–
Translation differences	487	–2	485	2	–1	1
Closing balance 31 Dec 2018	**19,334**	**262**	**19,596**	**5,133**	**63**	**5,196**

Acquired credit-impaired loan portfolios, 30 Sep 2018

	Group			Parent Company		
SEK m	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	14,766	–	14,766	–	–	–
Merger	–	–	–	2,464	–	2,464
IFRS 9 transition effects	11	–	11	7	–	7
Acquisitions	4,668	–	4,668	1,963	–	1,963
Interest income	2,011	–	2,011	442	–	442
Gross collections	–4,093	–	–4,093	–1,058	–	–1,058
Impairment gains and losses	–	204	204	–	57	57
Disposals	–67	0	–67	–	–	–
Translation differences	625	0	625	100	0	100
Closing balance 30 Sep 2018	**17,921**	**204**	**18,125**	**3,918**	**57**	**3,975**

Undiscounted acquired loss allowances

The undiscounted acquired loss allowances at initial recognition for credit-impaired loan portfolios acquired by the Group during January to September totalled SEK 21,674 m (12,801) as per 30 September, of which SEK 5,278m (3,594) is attributable to Parent Company acquisitions.

Note 2 *Acquired loan portfolios, cont.*

Acquired performing loan portfolios, 30 Sep 2019

	Group					
SEK m	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2019	1,012	–2	0	–1	–3	1,009
Interest income	69	–	–	–	–	69
Amortisations and interest payments	–172	–	–	–	–	–172
Changes in risk parameters	–	1	0	–2	–1	–1
Derecognitions	–7	–	–	–	–	–7
Translation differences	41	0	0	0	0	41
Closing balance 30 Sep 2019	**943**	**–1**	**0**	**–3**	**–4**	**939**

Acquired performing loan portfolios, 31 Dec 2018

	Group					
SEK m	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	–	–	–	–	–	–
Acquisitions	1,123	–	–	–	–	1,123
Interest income	56	–	–	–	–	56
Amortisations and interest payments	–148	–	–	–	–	–148
Changes in risk parameters	–	–2	0	–1	–3	–3
Derecognitions	–3	–	–	–	–	–3
Translation differences	–16	0	0	0	0	–16
Closing balance 31 dec 2018	**1,012**	**–2**	**0**	**–1**	**–3**	**1,009**

Acquired performing loan portfolios, 30 Sep 2018

	Group					
SEK m	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	–	–	–	–	–	–
Acquisitions	1,123	–	–	–	–	1,123
Interest income	24	–	–	–	–	24
Amortisations and interest payments	–75	–	–	–	–	–75
Changes in risk parameters	–	–3	0	0	–3	–3
Translation differences	–5	0	0	–	0	–5
Closing balance 30 Sep 2018	**1,067**	–3	**0**	0	–3	**1,064**

Acquired performing loan portfolios, 30 Sep 2019

	Parent Company					
SEK m	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2019	399	–1	0	–1	–2	397
Interest income	27	–	–	–	–	27
Amortisations and interest payments	–87	–	–	–	–	–87
Changes in risk parameters	–	1	0	–2	–1	–1
Derecognitions	–6	–	–	–	–	–6
Translation differences	25	0	0	0	0	25
Closing balance 30 Sep 2019	**358**	**0**	**0**	**–3**	**–4**	**355**

Note 2 *Acquired loan portfolios, cont.*

Acquired performing loan portfolios, 31 Dec 2018

	Parent Company					
SEK m	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	–	–	–	–	–	–
Acquisitions	460	–	–	–	–	460
Interest income	24	–	–	–	–	24
Amortisations and interest payments	–74	–	–	–	–	–74
Changes in risk parameters	–	–1	0	–1	–2	–2
Derecognitions	–1	–	–	–	–	–1
Translation differences	–10	0	0	0	0	–10
Closing balance 31 Dec 2018	**399**	**–1**	**0**	**–1**	**–2**	**397**

Acquired performing loan portfolios, 30 Sep 2018

	Parent Company					
SEK m	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	–	–	–	–	–	–
Acquisitions	460	–	–	–	–	460
Interest income	12	–	–	–	–	12
Amortisations and interest payments	–35	–	–	–	–	–35
Changes in risk parameters	–	–2	0	0	–2	–2
Translation differences	–4	0	0	–	0	–4
Closing balance 30 Sep 2018	**433**	**–2**	**0**	**0**	**–2**	**431**

Acquired loan portfolios reclassified from fair value through profit or loss under IAS 39 to amortised cost under IFRS 9, Group

SEK m	
Fair value of the reclassified acquired loan portfolios as of 31 Dec 2017	940
Fair value as at reporting date, if the acquired loan portfolio would not have been reclassified	735
Fair value gain/loss during the period, if the acquired loan portfolio would not have been reclassified	–205
Effective interest rate of reclassified acquired loans on date of initial application, %	21
Interest revenue recorded during the period Jan–Sep 2019	109

Note 3 Financial instruments

Carrying amount and fair value of financial instruments

Group, 30 Sep 2019

SEK m	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Assets/liabilities recognised at fair value through profit or loss: Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		7,436			7,436	7,436
Lending to credit institutions				2,397	2,397	2,397
Lending to the public				12	12	12
Acquired loan portfolios				22,394	22,394	23,976
Bonds and other securities		3,077			3,077	3,077
Derivatives	32				32	32
Other financial assets				366	366	366
Total	**32**	**10,513**		**25,169**	**35,714**	**37,296**
Deposits from the public				21,925	21,925	21,925
Derivatives	83		64		147	147
Senior debt				7,868	7,868	8,088
Subordinated debt				868	868	858
Other financial debts				802	802	802
Total	**83**		**64**	**31,463**	**31,610**	**31,820**

Carrying amount and fair value of financial instruments

Group, 31 Dec 2018

SEK m	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Assets/liabilities recognised at fair value through profit or loss: Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,653			2,653	2,653
Lending to credit institutions				1,187	1,187	1,187
Lending to the public				14	14	14
Acquired loan portfolios				20,605	20,605	22,309
Bonds and other securities		3,635			3,635	3,635
Derivatives	11		117		128	128
Other financial assets				233	233	233
Total	**11**	**6,288**	**117**	**22,039**	**28,455**	**30,159**
Deposits from the public				17,093	17,093	17,093
Derivatives	5		14		19	19
Senior debt				5,950	5,950	5,922
Subordinated debt				839	839	826
Other financial debts				544	544	544
Total	**5**		**14**	**24,426**	**24,445**	**24,404**

Note 3 *Financial instruments, cont.*

Carrying amount and fair value of financial instruments

Group, 30 Sep 2018

SEK m	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Assets/liabilities recognised at fair value through profit or loss: Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,730			2,730	2,730
Lending to credit institutions				1,692	1,692	1,692
Lending to the public				17	17	17
Acquired loan portfolios				19,189	19,189	20,762
Bonds and other securities		2,994			2,994	2,994
Derivatives	6		33		39	39
Other financial assets				254	254	254
Total	**6**	**5,724**	**33**	**21,152**	**26,915**	**28,488**
Deposits from the public				15,511	15,511	15,511
Derivatives	3				3	3
Senior debt				6,039	6,039	6,044
Subordinated debt				832	832	830
Other financial debts				603	603	603
Total	**3**			**22,985**	**22,988**	**22,991**

Carrying amount and fair value of financial instruments

Parent Company, 30 Sep 2019

SEK m	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Assets/liabilities recognised at fair value through profit or loss: Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		7,436			7,436	7,436
Lending to credit institutions				1,251	1,251	1,251
Lending to the public				15	15	15
Acquired loan portfolios				5,764	5,764	6,259
Receivables, Group companies		113		15,221	15,334	15,334
Bonds and other securities		3,077			3,077	3,077
Derivatives	32				32	32
Other financial assets				224	224	224
Total	**32**	**10,626**		**22,475**	**33,133**	**33,628**
Deposits from the public				21,925	21,925	21,925
Derivatives	83		64		147	147
Senior debt				5,730	5,730	5,953
Subordinated debt				868	868	858
Other financial debts				1,089	1,089	1,089
Total	**83**		**64**	**29,612**	**29,759**	**29,972**

Note 3 *Financial instruments, cont.*

Carrying amount and fair value of financial instruments

SEK m	Parent Company, 31 Dec 2018 – Assets/liabilities recognised at fair value through profit or loss: Held for trading	Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,653			2,653	2,653
Lending to credit institutions				365	365	365
Lending to the public				17	17	17
Acquired loan portfolios				5,593	5,593	6,156
Receivables, Group companies				15,182	15,182	15,182
Bonds and other securities		3,635			3,635	3,635
Derivatives	11		117		128	128
Other financial assets				172	172	172
Total	**11**	**6,288**	**117**	**21,329**	**27,745**	**28,308**
Deposits from the public				17,093	17,093	17,093
Derivatives	5		14		19	19
Senior debt				5,950	5,950	5,922
Subordinated debt				839	839	826
Other financial debts				539	539	539
Total	**5**		**14**	**24,421**	**24,440**	**24,399**

Carrying amount and fair value of financial instruments

SEK m	Parent Company, 30 Sep 2018 – Assets/liabilities recognised at fair value through profit or loss: Held for trading	Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,730			2,730	2,730
Lending to credit institutions				939	939	939
Lending to the public				20	20	20
Acquired loan portfolios				4,406	4,406	4,799
Receivables, Group companies				13,851	13,851	13,851
Bonds and other securities		2,994			2,994	2,994
Derivatives	6		33		39	39
Other financial assets				178	178	178
Total	**6**	**5,724**	**33**	**19,394**	**25,157**	**25,550**
Deposits from the public				15,511	15,511	15,511
Derivatives	3				3	3
Senior debt				6,039	6,039	6,044
Subordinated debt				832	832	830
Other financial debts				933	933	933
Total	**3**			**23,315**	**23,318**	**23,321**

Note 3 *Financial instruments, cont.*

Fair value measurement

Group

The Group uses observable data to the greatest possible extent when determining the fair value of an asset or liability. Fair values are categorised in different levels based on the input data used in the measurement approach, as per the following:

Level 1) Quoted prices (unadjusted) on active markets for identical instruments.

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

Level 3) According to inputs that are not based on observable market data. This category includes all instruments for which the valuation technique is based on data that is not observable and has a substantial impact on the valuation. The carrying value of acquired loan portfolios is calculated by discounting cash flow forecasts at the average effective interest rate for purchased loan portfolios from the past 24 months in each jurisdiction.

Fair value measurements

	Group, 30 Sep 2019			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	7,436			7,436
Bonds and other securities	3,077			3,077
Derivatives		32		32
Total assets	**10,513**	**32**		**10,545**
Derivatives		147		147
Total liabilities		**147**		**147**

	Parent Company, 30 Sep 2019			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	7,436			7,436
Bonds and other securities	3,077	,		3,077
Receivables, Group companies			113	113
Derivatives		32		32
Total assets	**10,513**	**32**	**113**	**10,658**
Derivatives		147		147
Total liabilities		**147**		**147**

Fair value measurements

	Group and Parent Company, 31 Dec 2018			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	2,653			2,653
Bonds and other securities	3,635			3,635
Derivatives		128		128
Total assets	**6,288**	**128**		**6,416**
Derivatives		19		19
Total liabilities		**19**		**19**

Fair value measurements

	Group and Parent Company, 30 Sep 2018			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	2,730			2,730
Bonds and other securities	2,994			2,994
Derivatives		39		39
Total assets	**5,724**	**39**		**5,763**
Derivatives		3		3
Total liabilities		**3**		**3**

Note 4 Capital adequacy

The information in this Note includes information that is required to be disclosed pursuant to FFFS 2008:25, including applicable amendments, regarding annual reports for credit institutions and FFFS 2014:12, including applicable amendments, concerning supervisory requirements and capital buffers. The information refers to the Hoist Finance AB (publ) consolidated situation ("Hoist Finance") and Hoist Finance AB (publ), the regulated entity.

The difference between the consolidated accounts and the consolidated situation for capital adequacy purposes is as follows. Joint ventures are consolidated with the equity method in the consolidated accounts, whereas the proportional method is used for the consolidated situation. Securitised assets are recognised in the consolidated accounts but are removed from the accounting records for the consolidated situation. Hoist Finance's participating interest in the securitised assets is always covered.

The following laws and regulations were applied when establishing the company's statutory capital requirements: Regulation (EU) No 575/2013 of the European Parliament and Council on prudential requirements for credit institution and investment firms; Swedish law 2014:968, Supervision of credit institutions and securities companies; and Swedish law 2014:966 on capital buffers.

Transitional rules, IFRS 9

After obtaining FSA approval, Hoist Finance has decided to apply the transitional rules regarding IFRS 9 for the period 30 April 2018 through 31 December 2022. Application of these transitional rules allow the gradual phase-in of expected credit losses to capital adequacy.

Risk weights for non-performing loans

From 18 December 2018, Hoist Finance assigns a risk weight of 150 per cent for unsecured non-performing loans, following the Swedish Financial Supervisory Authority's new interpretation of the capital adequacy regulation.

Own funds

The table below shows own funds used to cover the capital requirements for Hoist Finance consolidated situation and the regulated entity Hoist Finance AB (publ).

	Hoist Finance consolidated situation			Hoist Finance AB (publ)		
SEK m	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
Capital instruments and related share premium accounts	1,913	1,913	1,355	1,913	1,913	1,355
Retained earnings	1,547	1,005	1,018	832	199	212
Accumulated comprehensive income and other reserves	168	191	244	658	649	604
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	392	590	297	260	647	503
Intangible assets (net of related tax liability)	–382	–387	–333	–182	–177	–151
Deferred tax assets that rely on future profitability	–26	–18	–20	0	–1	–1
Exposure amount of securitisation positions which qualify for a RW of 1,250 %, where the institution opts for the deduction alternative	–113	–	–	–	–	–
Other transitional arrangements	4	3	3	2	2	1
Common Equity Tier 1	**3,503**	**3,297**	**2,564**	**3,483**	**3,232**	**2,523**
Capital instruments and the related share premium accounts	690	690	690	690	690	690
Additional Tier 1 capital	**690**	**690**	**690**	**690**	**690**	**690**
Tier 1 capital	**4,193**	**3,987**	**3,254**	**4,173**	**3,922**	**3,213**
Capital instruments and the related share premium accounts	868	839	832	868	839	832
Tier 2 capital	**868**	**839**	**832**	**868**	**839**	**832**
Total own funds	**5,061**	**4,826**	**4,086**	**5,041**	**4,761**	**4,045**

1) The Board of Directors will propose that the 2019 Annual General Meeting make an exception to the prevailing dividend policy and resolve not to distribute a dividend for 2019. The AGM also resolved not to distribute a dividend for 2018. Accordingly, no dividend deduction has been included for financial years 2018 and 2019. For the third quarter 2018, regulatory dividend deduction was calculated at 30 per cent of period's reviewed profit after tax, which is the maximum dividend per the Group's internal dividend policy.

Note 4 *Capital adequacy, cont.*

Capital requirement

The tables below show the risk-weighted exposure amounts and own funds requirements per risk category for Hoist Finance and the regulated entity Hoist Finance AB (publ).

Risk-weighted exposure amounts	**Hoist Finance consolidated situation**			**Hoist Finance AB (publ)**		
SEK m	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	559	355	399	311	161	222
of which, counterparty credit risk	*34*	*48*	*34*	*34*	*48*	*34*
Exposures to corporates	248	142	254	15,462	15,286	14,056
Retail exposures	46	75	92	40	69	87
Exposures secured by mortgages on immovable property	378	402	421	104	112	120
Exposures in default	28,433	28,919	18,970	8,203	7,667	4,155
Exposures in the form of covered bonds	308	363	299	308	363	299
Equity exposures	–	–	–	779	722	2,143
Other items	416	117	95	84	51	52
Credit risk (standardised approach)	**30,388**	**30,373**	**20,530**	**25,291**	**24,431**	**21,134**
Market risk (foreign exchange risk – standardised approach)	**77**	**25**	**60**	**77**	**25**	**60**
Operational risk (standardised approach)	**3,542**	**3,670**	**3,158**	**1,476**	**1,430**	**1,128**
Credit valuation adjustment (standardised approach)	**31**	**53**	**33**	**31**	**53**	**33**
Total risk-weighted exposure amount	**34,038**	**34,121**	**23,781**	**26,875**	**25,939**	**22,355**

Note 4 *Capital adequacy, cont.*

Capital requirements	Hoist Finance consolidated situation			Hoist Finance AB (publ)		
SEK m	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2018**
Pillar 1						
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	45	28	32	25	13	18
of which, counterparty credit risk	*3*	*4*	*3*	*3*	*4*	*3*
Exposures to corporates	20	11	20	1,237	1,223	1,125
Retail exposures	4	6	7	3	6	7
Exposures secured by mortgages on immovable property	30	32	34	8	9	10
Exposures in default	2,275	2,313	1,518	656	613	332
Exposures in the form of covered bonds	25	29	24	25	29	24
Equity exposures	–	–	–	62	58	171
Other items	33	9	8	7	4	4
Credit risk (standardised approach)	**2,432**	**2,428**	**1,643**	**2,023**	**1,955**	**1,691**
Market risk (foreign exchange risk – standardised approach)	**6**	**2**	**5**	**6**	**2**	**5**
Operational risk (standardised approach)	**283**	**294**	**253**	**118**	**114**	**90**
Credit valuation adjustment (standardised approach)	**3**	**4**	**3**	**3**	**4**	**3**
Total own funds requirement – Pillar 1	**2,724**	**2,728**	**1,904**	**2,150**	**2,075**	**1,789**
Pillar 2						
Concentration risk	243	215	153	313	215	153
Interest rate risk in the banking book	116	54	41	116	54	41
Pension risk	3	3	3	3	3	3
Other Pillar 2 risks	34	31	34	34	31	34
Total own funds requirement – Pillar 2	**396**	**303**	**231**	**466**	**303**	**231**
Capital buffers						
Capital conservation buffer	851	853	595	672	649	559
Countercyclical buffer	121	103	43	87	73	35
Total own funds requirement – Capital buffers	**972**	**956**	**638**	**759**	**722**	**594**
Total own funds requirements	**4,092**	**3,987**	**2,773**	**3,375**	**3,100**	**2,614**

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 institutional specific countercyclical buffer of 0.35 per cent of the total risk-weighted exposure amount.

The table below shows CET1 capital, Tier 1 capital and the total capital ratio in relation to the total risk-weighted exposure amount for Hoist Finance and for the regulated entity Hoist Finance. It also shows the total regulatory requirements under each pillar and the institution-specific CET1 capital requirements. All capital ratios exceed the minimum requirements and capital buffer requirements.

Note 4 *Capital adequacy, cont.*

Capital ratios and capital buffers, %	Hoist Finance consolidated situation 30 Sep 2019	31 Dec 2018	30 Sep 2018	Hoist Finance AB (publ) 30 Sep 2019	31 Dec 2018	30 Sep 2018
Common Equity Tier 1 capital ratio	10.29	9.66	10.79	12.96	12.45	11.28
Tier 1 capital ratio	12.32	11.68	13.69	15.53	15.11	14.36
Total capital ratio	14.87	14.14	17.19	18.76	18.34	18.09
Institution-specific buffer requirements for CET1 capital	7.35	7.30	7.18	7.32	7.28	7.15
of which, capital conservation buffer requirement	*2.50*	*2.50*	*2.50*	*2.50*	*2.50*	*2.50*
of which, countercyclical capital buffer requirement	*0.35*	*0.30*	*0.18*	*0.32*	*0.28*	*0.15*
Common Equity Tier 1 capital available to meet buffers[1)]	**5.79**	**5.16**	**6.29**	**8.46**	**7.95**	**6.78**

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

As per 30 September 2019 the internally assessed capital requirement for Hoist Finance was SEK 3,120m (3,031), of which SEK 396m (303) was attributable to Pillar 2.

Note 5 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 not being able to meet payment obligations at maturity without a significant increase in the cost of obtaining means of payment

Because the Group's revenues and expenses are relatively stable, liquidity risk is primarily associated with the Group's funding which is based on deposits from the public. By definition this way of funding has a risk of major outflows of deposits at short notice.

The overall objective of the Group's liquidity management is to ensure that the Group maintains control over its liquidity risk situation, with sufficient funds in liquid assets or immediately saleable assets to ensure timely discharge of its payment obligations without incurring high additional costs.

Funding is mainly raised in the form of deposits from the public and through the capital markets through the issuance of senior unsecured debts, own funds instruments and equity. 42 per cent of deposits from the public are payable on demand (current account – ”flex”), while 58 per cent (35) of the Group's deposits from the public are locked into longer maturities (fixed-term deposits) ranging from one to five years. About 99 per cent of deposits are is fully covered by the Swedish state deposit guarantee.

Funding

SEK m	Hoist Finance consolidated situation 30 Sep 2019	31 Dec 2018	30 Sep 2018	Hoist Finance AB (publ) 30 Sep 2019	31 Dec 2018	30 Sep 2018
Current account deposits	9,258	11,041	10,609	9,258	11,041	10,609
Fixed-term deposits	12,667	6,052	4,902	12,667	6,052	4,902
Senior debts	7,868	5,950	6,039	5,730	5,950	6,039
Convertible debt instruments	690	690	690	690	690	690
Subordinated debts	868	839	832	868	839	832
Equity	4,132	3,723	3,611	3,503	3,262	3,242
Other	1,351	960	967	1,556	924	1,254
Balance sheet total	**36,834**	**29,255**	**27,650**	**34,272**	**28,758**	**27,568**

Note 5 *Liquidity risk, cont.*

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity and its nature. Available liquidity totalled SEK 12,671m (7,399) as per 31 September, exceeding the limit and the target level by a significant margin.

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

Liquidity reserve

SEK m	30 Sep 2019	31 Dec 2018	30 Sep 2018
Cash and holdings in central banks	0	0	0
Deposits in other banks available overnight	2,158	1,111	1,610
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	4,712	1,622	1,570
Securities issued or guaranteed by municipalities or other public sector entities	2,724	1,031	1,160
Covered bonds	3,077	3,635	2,994
Securities issued by non-financial corporates	–	–	–
Securities issued by financial corporates	–	–	–
Other	–	–	–
Total	**12,671**	**7,399**	**7,334**

Hoist Finance has a liquidity contingency plan for managing liquidity risk. This identifies specific events that may trigger the contingency plan and require actions to be taken.

Note 6 Pledged assets

	Group			Parent Company		
SEK m	30 Sep 2019	31 Dec 2018	30 Sep 2018	30 Sep 2019	31 Dec 2018	30 Sep 2018
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	68	70	69	0	12	13

Note 7 Contingent liabilities

	Group			Parent Company		
SEK m	30 Sep 2019	31 Dec 2018	30 Sep 2018	30 Sep 2019	31 Dec 2018	30 Sep 2018
Commitments	362	1,116	2,065	303	367	360

Note 8 IFRS 16 transition effects

The transition to IFRS 16 has not have any effect on the Group's opening balance of equity on 1 January 2019.

At the initial date of application, right-of-use assets are valued at an amount corresponding to the lease liability adjusted for any prepaid or accrued leasing fees related to lease contracts reported in the balance sheet immediately prior to the date of application. The lease liability is valued at an amount corresponding to the present value of remaining leasing fees discounted by applying the Group's marginal lending rate at the initial date of application. The Group's average marginal lending rate at transition is expected to be 3.74 per cent.

At the initial date of application, right-of-use assets are valued at an amount corresponding to the lease liability adjusted for any prepaid or accrued leasing fees related to lease contracts reported in the balance sheet immediately prior to the date of application.

Lease contracts that include both a lease component and associated non-lease components are accounted for separately if an observable stand-alone price is available; otherwise, non-lease components are not accounted for separately but rather reported as a single leasing component. Leases with lease terms ending within 12 months from the initial date of application are reported in the same manner as short-term leases.

SEK m	Originial carrying value under IAS 17 2018-12-31	Reclassification	IFRS 16 transition	New carrying value under IFRS 16 2019-01-01
Tangible assets	2	–0	171	173
Prepaid expenses and accrued income	1	–1	–	0
Total assets	**3**	**–1**	**171**	**173**
Other liabilities	2	–	171	173
Accrued expenses and prepaid income	1	–1	–	0
Total liabilities	**3**	**–1**	**171**	**173**
Net effect on equity	–	–	–	–

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, 4 November 2019

Ingrid Bonde
Chair of the Board

Cecilia Daun Wennborg
Board member

Malin Eriksson
Board member

Liselotte Hjorth
Board member

Robert Kraal
Board member

Marcial Portela
Board member

Joakim Rubin
Board member

Lars Wollung
Board member

Klaus-Anders Nysteen
CEO

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 statements. These measures are not directly comparable with similar performance measures that are presented by other companies. C&I ratio, Return on equity, Net interest income margin and Adjusted EBITDA are alternative performance measures that provide information on Hoist Finance's profitability. "Estimated Remaining Collections" is Hoist Finance's estimate of the gross amount that can be collected on acquired loan portfolios. Definitions of alternative performance measures and other key figures are presented below. The financial fact book, available on ir.hoistfinance.com, provides details on the calculation of key figures.

Acquired loan portfolios
An acquired loan portfolio consists of a number of defaulted consumer loans and SME loans that arise from the same originator.

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

Additional Tier 1 capital
Capital instruments and associated share premium accounts that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council and that may accordingly be included in the Tier 1 capital.

Adjusted EBITDA
EBIT (operating earnings), less depreciation and amortisation ("EBITDA"), adjusted for depreciation of acquired loan portfolios.

Basic earnings per share
Net profit for the period, 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.

CET1 capital
Capital instruments and the related share premium accounts 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.

CET1 ratio
CET1 capital in relation to the total risk exposure amount.

C/I ratio
Total operating expenses in relation to Total operating income and Profit from shares and participations in joint ventures.

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

Fee and commission income
Fees for providing debt management services to third parties.

Gross 180-month ERC
"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 180 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.

Internal funding cost
The internal funding cost is determined per portfolio applying the following monthly interest rate: (1+annual interest)^(1/12)-1.

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 gross collections following the initiation of Hoist Finance's litigation process. This process assesses customers' solvency and follows regulatory and legal requirements.

Liquidity reserve
Hoist Finance's liquidity reserve is a reserve of high-quality liquid assets which is used to carry out planned acquisitions of loan portfolios and to secure the Company's short-term capacity to meet payment obligations in the event of lost or impaired access to regularly available funding sources.

Net interest income margin
Net interest income for the period, calculated on a full-year basis, in relation to the period's average Acquired loan portfolios, calculated as the period average based on quarterly values during the period.

Non-performing loans (NPL)
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.

Own funds
Sum of Tier 1 capital and Tier 2 capital.

Portfolio growth
Changes in the carrying amount of acquired loan portfolios over the last 12 months (LTM).

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

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 financial 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 sales of EUR 50 million or less or a balance sheet total of EUR 43 million or less.

Tier 1 capital
The sum of CET1 capital and additional Tier 1 capital.

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

Tier 2 capital
Capital instruments and the related share premium accounts that meet the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council and that may accordingly be included in own funds.

Total capital ratio
Own funds as a percentage of the total risk-weighted exposure amount.

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

Vision, mission and strategy

Financial targets

Profitability

By leveraging on operational efficiency efforts to become more cost-effective, we aim to reduce the cost-to-income ratio to 65 per cent in the medium term.

By ensuring the right balance between growth, profitability and capital efficiency we aim to achieve a return on equity of 15 per cent in the medium term.

Capital structure

Under normal conditions, the CET1 ratio should be 1.75 – 3.75 percentage points above overall CET1 requirements specified by the Swedish Financial Supervisory Authority.

Growth

EPS (adjusted for AT1 costs) should by 2021 have grown by an average annual growth rate of 10 per cent compared to 2018, excluding IAC's.

Dividend policy and dividend

The Board will for the year 2019 recommend to the Annual General Meeting (AGM) to deviate from the established dividend policy. The Board recommends not to pay any dividend for 2019.

In the long term, the aim is to follow the dividend policy outlines a dividend of 25–30 per cent of the Group's net profit over the medium term.

Our Mission – Your Trust

Our Vision

Helping people keep their commitments.

Strategy

- Operating as one company.
- Collaboration instead of duplication.
- Strengthened functional capabilities and sharing of best practices.
- Engaging, open, and rewarding place to work, with a clear sense of purpose.

- Market leading position in prioritised markets.
- Extensive local know-how and data providing competitive advantage and ability to capture future growth.
- Diversified product and service offerings on priority markets including unsecured loans to SMEs, unsecured consumer loans, secured loans to SMEs and performing loans.

- Maintain competitive advantage of unique funding model providing stability in capital constrained environments.
- Offer unique value proposition and offering to customers enabled through bank license.

- Specialised market leader in financial institutions originated debt.
- Diversified and deep relationships across markets.
- Expand services to meet the full spectrum of client needs.

- Spearhead industry development and use of digital and analytics.
- Utilise digital tools in order to make it possible for us to interact with our customers in multiple channels and touch points.

- Best in class ways of working in terms of efficiency.
- Ways of working harmonised across the organisation and based on expertise and learnings.
- Creating value by leveraging all of our tacit knowledge.

Financial calendar

Year-end report, 2019	2 February 2020
Interim report, Q1 2020	6 May 2020

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