Interim report Q2 2019

Continued stable result

April – June 2019

- Total operating income increased 23 per cent to SEK 797m (648).
- Profit before tax increased 63 per cent to SEK 230m (141).
- Earnings per share amounted to SEK 1.83 (1.12).
- Return on equity was 16 per cent (12).
- Carrying value of acquired loan portfolios totalled SEK 22,093m (20,605).
- The total capital ratio was 14.12 per cent (14.14) and the CET1 capital ratio was 9.91 per cent (9.66).

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

Q2

Events during the quarter

- Second largest debt collector in the Polish market. Hoist Finance finalised the acquisition of assets totalling PLN 400m from the Polish debt restructuring company GetBack.
- Finalisation of acquisition of Italian debt collection company Maran Group, which complements the current setup perfectly in the ambition to be a market leader.
- Robert Kraal and Lars Wollung were elected as new members of the Board of Directors at the AGM.

Subsequent events

- Hoist Finance has received investor commitment for a securitisation from the global asset manager CarVal Investors.

9.91%
CET1 ratio

26%
Portfolio growth over the last 12-month period

71%
C/I ratio
Target 65%

16%
Return on equity
Target 15%

Continued stable result

> Helping people keep their commitments

The second quarter of 2019 is the all-time high (excluding items affecting comparability) for Hoist Finance, following the last high in the previous quarter. We are pleased to see that our operating model with standardised and harmonised work processes across all markets is delivering as expected. Hoist Finance is becoming more effective, efficient and digital. Our collection performance is strong (104 per cent) and our cost to income ratio is improving (71 per cent).

Our market remains very attractive with a strong pipeline and reduced price pressure. The availability of low-cost funding remains a challenge for many of the competitors in the industry, and consequently, we see a trend towards capital light models with asset management and servicing becoming more important for a number of companies. At the same time, the change in regulation is increasing the supply of non-performing loans (NPL) across all asset classes. The M&A activity has been quite high in the first six months of the year, and the industry consolidation is continuing. Hence, the market conditions are favourable at this point in time and will most likely continue to develop in a positive direction going forward.

Hoist Finance has been regulated as a bank since 1996, and the credit market license has served us well over time. We have been able to adjust well to regulatory changes, and our business model has proven itself to be resilient. We believe that increased regulation is beneficial for our customers, counterparts and the most professional companies in the industry. However, being regulated as a bank, some of the new regulatory changes have had unintended negative consequences for Hoist Finance. We are now working to address those through implementing mitigating actions, and this is progressing according to plan.

One of our key mitigating actions is to implement a securitisation structure whereby the underlying NPL risks are transferred from Hoist Finance. As a first step, we are very pleased that we have received investor commitment for a securitisation. I am very glad to see the good investor appetite and this is an important step in the right direction towards maintaining a sustainable business model in a post NPL Backstop world.

A key cornerstone of our strategy is "becoming more digital". Building on a harmonised operating model, we can now develop once, and then deploy standardised solutions across markets. This saves costs and increases speed of execution. We are pleased to have launched our self-service portal in two new markets in the quarter, and our self-service portal is now in production in all markets but one. This provide our customers with more possibilities for self-service and thus higher flexibility, this is also operationally more efficient.

Strengthened capital enables continued growth

During the first half of 2019, our investment volumes remained high and we have made acquisitions of around SEK 2.3bn, all while strengthening our capital (CET1 ratio 9,9 per cent). In the second quarter, we closed the transaction of GetBack, which makes us the second largest player in the Polish market. We continue to grow and our portfolio acquisition guidance in 2019 is SEK 5bn without mitigating actions.

Sustainable business model - Helping people keep their commitments

Our vison is "Helping people keep their commitments". Our approach to collection is amicable and holistic and being a regulated institution, we have set the highest possible levels of ethics and compliance for ourselves. We are finding a path forward for individuals in a crisis, thus supporting families, communities and the society, in an effort to help people in a sustainable way. What we do is important and relevant and I am very proud of the difference we make every day. With a sustainable business model we are creating long term shareholder value.

Klaus-Anders Nysteen
CEO
Hoist Finance AB (publ)

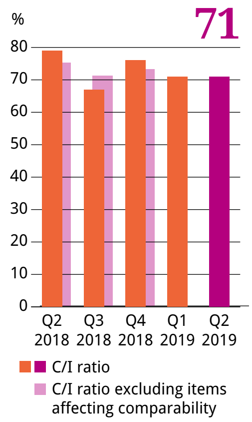
Key ratios

SEK m	Quarter 2 2019	Quarter 2 2018	Change, %	Jan-Jun 2019	Jan-Jun 2018	Change, %	Full-year 2018
Net operating income	797	648	23	1,571	1,332	18	2,829
Profit before tax	230	141	63	456	326	40	755
Net profit	179	103	73	355	243	46	590
Earnings per share, SEK	1.83	1.12	63	3.62	2.71	34	6.29
Net interest income margin, %	14	14	0 pp	14	14	0 pp	14
C/I ratio, %	71	79	–8 pp	71	76	–5 pp	74
Return on equity, %	16	12	4 pp	17	15	2 pp	16
Portfolio acquisitions	1,665	2,341	–29	2,275	3,244	–30	8,048

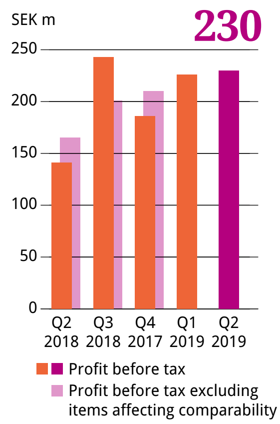
SEK m	30 Jun 2019	31 Dec 2018	Change, %
Carrying value of acquired loans[1)]	22,313	20,834	7
Gross 180-month ERC[2)]	35,966	33,602	7
Total capital ratio, %	14.12	14.14	–0.02 pp
CET1 ratio, %	9.91	9.66	0.25 pp
Liquidity reserve	7,670	7,399	4
Number of employees (FTE:s)	1,557	1,556	0

1) Including run-off consumer loan portfolio, performing loans, and portfolios held in the Polish joint venture.
2) Excluding run-off consumer loan portfolio, performing loans, and portfolios held in the Polish joint venture.

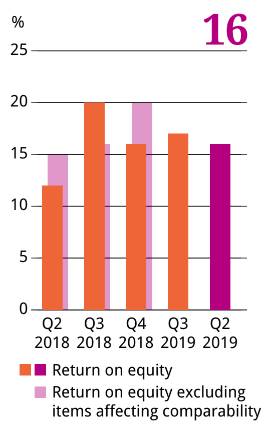
C/I ratio



Profit before tax



Return on equity



Developments during second quarter 2019

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

Operating income

Interest income on acquired loan portfolios increased 26 per cent during the quarter to SEK 848m (672), driven mainly by portfolio growth in Italy, Poland and the UK and acquisition of the first loan portfolio in the Greek market. Other interest income totalled SEK 3m (–1).

Interest expense for the quarter increased to SEK –105m (–79), with the continued strong portfolio growth enabled primarily by debt financing. Deposits from the public volumes increased in the German market, mainly for deposits with longer maturities. Deposits in the Swedish market were unchanged, although with a shift in volume towards longer maturities.

A price adjustment was made to a number of portfolios due to a guarantee commitment by a selling bank in the UK, producing an impact on Impairment gains and losses of SEK 10m. Adjusted for the price adjustment, portfolio revaluations totalled SEK –28m. Most of this amount is attributable to the adjustment of a secured French portfolio, where favorable timing of collections during the quarter contributed to the period's strong collection performance while also reducing expected future cash flow. Adjusted for the price adjustment in the UK, collections exceeding forecast during the quarter totalled SEK 53m, corresponding to 104 per cent of the projected level. Loss allowances for performing loans were neutral during the quarter. In total, Impairment gains and losses amounted to SEK 35m (51) during the quarter.

Fee and commission income increased 77 per cent during the quarter to SEK 30m (17), with the increase entirely attributable to the business acquisition conducted in Italy.

Net financial income totalled SEK –18m (–8). The results for changes in value for hedging instruments and for changes in market value for bonds in the liquidity portfolio were positive. These results were mitigated by a negative result for FX hedging.

Total operating income increased 23 per cent to SEK 797m (648), mainly due to growth in Poland, Greece and Italy.

Operating expenses

Personnel expenses increased 3 per cent during the quarter to SEK –220m (–212), mainly due to expansion into new asset classes and to business acquisitions in Italy. Digital and operational improvement initiatives in Central Functions also contributed to the increase. 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 increased 12 per cent during the quarter to SEK –187m (–167). The increase is mainly due to higher legal costs in Spain and to strong portfolio growth in Italy and the UK. This is somewhat mitigated by lower collection costs in Poland, where the comparative quarter includes a cost of SEK –16m attributable to the takeover of a loan portfolio previously managed externally.

Administrative expenses decreased somewhat to SEK –131m (–135). The decrease was affected by the new accounting standard for leases, IFRS 16, under which lease-related expenses were formerly reported as administrative expenses. 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 –33m (–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 8 per cent to SEK –571m (–529).

Net profit for the period

Profit from participations in joint ventures decreased year-on-year and totalled SEK 4m (22). The decrease is attributable to negative revaluations of a few loan portfolios in the Polish joint venture holding.

Income tax expense totalled SEK –51m (–38), corresponding to an effective tax rate of 22 per cent (27). The comparative quarter was affected by tax attributable to previous years.

Net profit totalled SEK 179m (103).

Balance sheet

Total assets increased SEK 1,923m as compared with 31 December 2018 and totalled SEK 31,178m (29,255). The change is primarily due to an SEK 1,488m increase in acquired loan portfolios, primarily attributable to acquisitions in Poland, the UK and Italy. The liquidity portfolio increased SEK 273m. Tangible assets increased SEK 232m, of which SEK 225m is due to the transition to IFRS 16.

Funding and capital structure

SEK m	30 Jun 2019	31 Dec 2018	Change, %
Cash and interest-bearing securities	7,749	7,476	4
Acquired loan portfolios	22,093	20,605	7
Other assets[1]	1,336	1,174	14
Total assets	**31,178**	**29,255**	**7**
Deposits from the public	18,635	17,093	9
Unsecured debt	5,598	5,950	–6
Subordinated liabilities	846	839	1
Total interest-bearing liabilities	**25,079**	**23,882**	**5**
Other liabilities[1]	1,363	960	42
Equity	4,736	4,413	7
Total liabilities and equity	**31,178**	**29,255**	**7**

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 25,079m (23,882). The change is mainly attributable to deposits from the public, which increased SEK 1,542m. 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 11,645m (11,292), of which SEK 5,310m (4,324) is attributable to fixed term deposits of 12-, 24- and 36-month duration. In Germany, deposits of 1- and 2-year durations have been offered to retail customers since September 2017 under the Hoist Finance name. Savings products with 3-, 4- and 5-year durations were added during the quarter. At 30 June 2019, deposits from the public in Germany were SEK 6,990m (5,801), of which SEK 3,614m (1,728) is attributable to fixed term deposits.

At 30 June 2019, the outstanding bond debt totalled SEK 6,444m (6,789), of which SEK 5,598m (5,950) was unsecured debt. The change in unsecured debt is attributable to decreased funding under Hoist Finance's Swedish commercial paper programme.

Other liabilities increased SEK 403m, of which SEK 229m is attributable to an increase in lease liabilities due to the transition to IFRS 16.

Equity totalled SEK 4,736m (4,413). The increase is attributable to net profit for the period.

Cash flow

SEK m	Quarter 2 2019	Quarter 2 2018	Full-year 2018
Cash flow from operating activities	1,342	1,039	2,828
Cash flow from investing activities	–1,169	–1,784	–8,055
Cash flow from financing activities	26	1,735	5,861
Cash flow for the period	**199**	**990**	**634**

Cash flow from operating activities totalled SEK 1,342m (1,039). Amortisation of acquired loan portfolios during second quarter 2019 totalled SEK 791m (741), with the increase attributable to portfolio growth. Increase/decrease in other assets and liabilities amounted to SEK 312m (190).

Cash flow from investing activities totalled SEK –1,169m (–1,784). Portfolio acquisitions decreased somewhat during the quarter as compared with the second quarter 2018, totalling SEK –1,665m (–2,341).

Cash flow from financing activities totalled SEK 26m (1,735). The net change during the quarter in deposits from the public was marginal, totalling SEK 166m (671). Cash flow from issues of commercial paper during the quarter amounted to SEK –104m net. Interest on additional Tier 1 capital instruments was paid during the quarter, totalling SEK –28m. Other cash flow from financing activities pertains to amortisation of lease liability.

Total cash flow for the quarter amounted to SEK 199m, as compared with SEK 990m for second 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.

On 18 December 2018 the Swedish Financial Supervisory Authority (SFSA) endorsed the European Banking Authority's (EBA) interpretation of risk weights for acquired non-performing loans, meaning that unsecured NPLs will now be assigned a risk weight of 150 per cent rather than 100 per cent.

During 2018 Hoist Finance carefully followed the development of the proposed changes to the Supervisory Ordinance regarding minimum loss coverage for non-performing exposures. The final draft of the proposal was completed in December 2018 and entered into force 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. The new regulations apply to loans issued after the regulations' effective date and, accordingly, do not affect Hoist Finance's current loan portfolios. However, Hoist Finance expects the regulations to affect capitalisation in coming years as new non-performing loans issued after second quarter 2019 are acquired. Hoist Finance is engaged in mitigating actions to ensure sustainable growth.

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 intends to make adjustments to the pertinent methods, which is expected to involve a marginal increase in the total capital adequacy requirement during third quarter 2019.

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 363m (233) during the second quarter. This increase is mainly attributable to an acquired 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 expense from internal loans increased SEK 67m, due primarily to portfolio acquisitions in subsidiaries financed by internal loans from the Parent Company. Interest expense increased SEK 23m, of which SEK 9m is attributable to an increased volume of unsecured debt and SEK 12m is related to larger deposits from the public volumes, mainly in the German market, where Hoist Finance has added savings products of three-, four- and five-year durations.

Total operating income amounted to SEK 410m (855). Net financial income totalled SEK –1m (–32). Other income totalled SEK 48m (92) and refers mainly to management fees invoiced to subsidiaries.

Operating expenses totalled SEK –294m (–240). The increase in mainly attributable to collection activities in France and Greece and to advisory costs in conjunction with operational improvement initiatives and expansion into new asset classes.

Operating profit totalled SEK 116m (615). The comparative period was impacted by the dividend received from subsidiaries. Impairment gains of SEK 6m 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 13m (19).

Net profit for the period totalled SEK 111m (612) and the tax expense totalled SEK –24m (–35).

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 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 June 2019, unchanged from 31 December 2018.

The share price closed at SEK 45.36 on 28 June 2019. A breakdown of the ownership structure is presented in the table below. As at 30 June 2019 the Company had 4,211 shareholders, compared with 4,301 at 31 December 2018.

Ten largest shareholders, 30 Jun 2019	Share of capital and votes, %
Swedbank Robur Funds	8.8
SEB Funds	8.2
Carve Capital AB	8.1
Avanza Pension	5.5
EQT	5.0
ODIN Funds	3.5
Jörgen Olsson privately and through companies	2.9
Confederation of Swedish Enterprise	2.8
Dimensional Fund Advisors	2.4
Per Arwidsson	2.3
Ten largest shareholders	**49.5**
Other shareholders	50.5
Total	**100.0**

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

Review

This interim report has been reviewed by the Company's auditors.

Subsequent events

Hoist Finance has received investor commitment for a securitisation from the global asset manager CarVal Investors.

Quarterly review

SEK m	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018
Interest income acquired loan portfolios	848	810	764	718	672
Other interest income	3	0	–5	–3	–1
Interest expense	–105	–104	–104	–93	–79
Net interest income	**746**	**706**	**655**	**622**	**592**
Impairment gains and losses	35	51	61	51	46
Fee and commission income	30	32	30	15	17
Net result from financial transactions	–18	–16	16	40	–8
Derecognition gains and losses	–1	–3	–3	–	–2
Other operating income	5	4	7	3	3
Total operating income	**797**	**774**	**766**	**731**	**648**
General and administrative expenses					
Personnel expenses	–220	–208	–228	–192	–212
Collection costs	–187	–190	–209	–180	–167
Administrative expenses	–131	–134	–150	–112	–135
Depreciation and amortisation of tangible and intangible assets	–33	–29	–17	–15	–15
Total operating expenses	**–571**	**–561**	**–604**	**–499**	**–529**
Net operating profit	**226**	**213**	**162**	**232**	**119**
Profit from participations in joint ventures	4	13	24	11	22
Profit before tax	**230**	**226**	**186**	**243**	**141**
Income tax expense	–51	–50	–21	–61	–38
Net profit	**179**	**176**	**165**	**182**	**103**

Key ratios

SEK m	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018
Net interest income margin, %	14	14	13	14	14
C/I ratio, %	71	71	76	67	79
C/I ratio adjusted for items affecting comparability, %[1]	–	–	73	71	75
Return on equity, %	16	17	16	20	12
Return on equity adjusted for items affecting comparability, %[1]	–	–	18	16	15
Portfolio acquisitions	1,665	610	2,246	2,546[2]	2,341

SEK m	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018
Carrying value on acquired loans[3]	22,313	21,343	20,834	19,431	17,763
Gross 180-month ERC[4]	35,966	34,214	33,602	30,676	28,009
Total capital ratio, %[5]	14.12	13.70	14.14	17.19	17.96
CET1 ratio, %[5]	9.91	9.47	9.66	10.79	11.13
Liquidity reserve	7,670	7,971	7,399	7,334	7,440
Number of employees (FTEs)	1,557	1,532	1,556	1,366	1,402

1) Key figures have been adjusted for items affecting comparability.
2) During Q3 2018 the acquisition price of a performing loan portfolio in Poland, acquired during Q2, was adjusted downward by SEK 60m.
3) Including run-off consumer loan portfolio, performing loan portfolios, and portfolios held in the Polish joint venture.
4) Excluding run-off consumer loan portfolio, performing loan portfolios, and portfolios held in the Polish joint venture.

Financial statements

Consolidated income statement

SEK m	Quarter 2 2019	Quarter 2 2018	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Interest income acquired loan portfolios	848	672	1,658	1,317	2,799
Other interest income	3	–1	3	–5	–13
Interest expense	–105	–79	–209	–154	–351
Net interest income	**746**	**592**	**1,452**	**1,158**	**2,435**
Impairment gains and losses	35	46	86	149	261
Fee and commission income	30	17	62	34	79
Net result from financial transactions	–18	–8	–34	–13	43
Derecognition gains and losses	–1	–2	–4	–2	–5
Other operating income	5	3	9	6	16
Total operating income	**797**	**648**	**1,571**	**1,332**	**2,829**
General and administrative expenses					
Personnel expenses	–220	–212	–428	–406	–826
Collection costs	–187	–167	–377	–361	–750
Administrative expenses	–131	–135	–265	–247	–509
Depreciation and amortisation of tangible and intangible assets	–33	–15	–62	–29	–61
Total operating expenses	**–571**	**–529**	**–1,132**	**–1,043**	**–2,146**
Net operating profit	**226**	**119**	**439**	**289**	**683**
Profit from participations in joint ventures	4	22	17	37	72
Profit before tax	**230**	**141**	**456**	**326**	**755**
Income tax expense	–51	–38	–101	–83	–165
Net profit	**179**	**103**	**355**	**243**	**590**
Profit attributable to:					
Owners of Hoist Finance AB (publ)	179	103	355	243	590
Basic and diluted earnings per share SEK	1.83	1.12	3.62	2.71	6.29

Consolidated statement of comprehensive income

SEK m	Quarter 2 2019	Quarter 2 2018	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Net profit for the period	**179**	**103**	**355**	**243**	**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	4	7	29	124	96
Translation difference, joint ventures	4	–7	5	0	–4
Hedging of currency risk in foreign operations	–15	–33	–46	–164	–233
Hedging of currency risk in joint ventures	–5	4	–9	–5	–8
Transferred to the income statement during the year	2	4	4	5	10
Tax attributable to items that may be reclassified to profit or loss	4	5	12	37	50
Total items that may be reclassified subsequently to profit or loss	**–6**	**–20**	**–4**	**–3**	**–89**
Other comprehensive income for the period	**–6**	**–20**	**–4**	**–3**	**–87**
Total comprehensive income for the period	**173**	**83**	**351**	**240**	**503**
Profit attributable to:					
Owners of Hoist Finance AB (publ)	173	83	351	240	503

Consolidated balance sheet

SEK m	30 Jun 2019	31 Dec 2018	30 Jun 2018
ASSETS			
Cash	0	0	0
Treasury bills and Treasury bonds	2,282	2,653	2,901
Lending to credit institutions	2,332	1,187	1,724
Lending to the public	13	14	20
Acquired loan portfolios	22,093	20,605	17,511
Bonds and other securities	3,134	3,635	2,893
Shares and participations in joint ventures	208	215	233
Intangible assets	376	387	317
Tangible assets	291	59	54
Other assets	336	425	208
Deferred tax assets	30	22	31
Prepayments and accrued income	83	53	44
Total assets	**31,178**	**29,255**	25,936
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	18,635	17,093	15,057
Tax liabilities	137	92	106
Other liabilities	744	380	309
Deferred tax liabilities	198	188	153
Accrued expenses and deferred income	223	232	176
Provisions	61	68	74
Senior debt	5,598	5,950	5,626
Subordinated debts	846	839	834
Total liabilities	**26,442**	**24,842**	**22,335**
Equity			
Share capital	30	30	27
Other contributed equity	2,965	2,965	2,410
Reserves	–206	–202	–116
Retained earnings including profit for the period	1,947	1,620	1,280
Total equity	**4,736**	**4,413**	**3,601**
Total liabilities and equity	**31,178**	**29,255**	**25,936**

Consolidated statement of changes in equity

SEK m	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2019	**30**	**2,965**	**–202**	**1,620**	**4,413**
Comprehensive income for the period					
Profit for the period				355	355
Other comprehensive income			–4		–4
Total comprehensive income for the period			**–4**	**355**	**351**
Transactions reported directly in equity					
Interest paid on capital contribution				–28	–28
Total transactions reported directly in equity				**–28**	**–28**
Closing balancs 30 Jun 2019	**30**	**2,965**	**–206**	**1,947**	**4,736**

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				243	243
Other comprehensive income			–3		–3
Total comprehensive income for the period			**–3**	**243**	**240**
Transactions reported directly in equity					
Dividend				–154	–154
Reclassification		–3		3	–
Additional Tier 1 capital instrument		311		–7	304
Interest paid on capital contribution				–34	–34
Tax effect on items reported directly in equity		0			0
Total transactions reported directly in equity		**308**		**–192**	**116**
Closing balance 30 Jun 2018	**27**	**2,410**	**–116**	**1,280**	**3,601**

1) 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 2 2019	Quarter 2 2018	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Profit before tax	230	141	456	326	755
– of which, paid-in interest	*853*	*682*	*1,668*	*1,326*	*2,778*
– of which, interest paid	*–88*	*–72*	*–141*	*–124*	*–289*
Adjustment for other items not included in cash flow	35	11	110	–27	–122
Realised result from divestment of loan portfolios	–	1	–	1	1
Realised result from divestment of shares and participations in joint ventures	–14	–16	–29	–32	–65
Income tax paid	–12	–29	–26	–60	–109
Total	**239**	**108**	**511**	**208**	**460**
Amortisations on acquired loan portfolios	791	741	1,522	1,390	2,881
Increase/decrease in other assets and liabilities	312	190	–225	–511	–513
Cash flow from operating activities	**1,342**	**1,039**	**1,808**	**1,087**	**2,828**
Acquired loan portfolios	–1,665	–2,341	–2,275	–3,244	–8,048
Disposed loan portfolios	–	66	–	66	66
Investments in/divestments of bonds and other securities	509	538	509	786	64
Other cash flows from investing activities	–13	–47	–6	–61	–137
Cash flow from investing activities	**–1,169**	**–1,784**	**–1,772**	**–2,453**	**–8,055**
Deposits from the public	166	671	1,305	1,713	3,832
New share issue	–	–	–	–	555
Issued debts	210	942	626	942	3,991
Repurchase of issued debts	–314	–	–1,181	–	–2,631
Additional Tier 1 capital	–	310	–	310	310
Other cash flows from financing activities	–36	–188	–45	–188	–196
Cash flow from financing activities	**26**	**1,735**	**705**	**2,777**	**5,861**
Cash flow for the period	**199**	**990**	**741**	**1,411**	**634**
Cash at beginning of the period	4,411	3,631	3,841	3,172	3,172
Translation difference	4	4	32	42	34
Cash at end of the period[1)]	**4,614**	**4,625**	**4,614**	**4,625**	**3,840**

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

Parent Company income statement

SEK m	Quarter 2 2019	Quarter 2 2018	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Interest income	467	314	920	581	1,338
Interest expense	–104	–81	–207	–156	–355
Net interest income	**363**	**233**	**713**	**425**	**983**
Dividends received	–	562	–	562	1,947
Fee and commission income	1	1	3	3	6
Net result from financial transactions	–1	–32	–44	–176	–196
Derecognition gains and losses	–1	–1	–4	–1	–2
Other operating income	48	92	118	157	310
Total operating income	**410**	**855**	**786**	**970**	**3,048**
General and administrative expenses					
Personnel expenses	–95	–94	–190	–181	–364
Other administrative expenses	–186	–138	–345	–268	–593
Depreciation and amortisation of tangible and intangible assets	–13	–8	–25	–16	–32
Total operating expenses	**–294**	**–240**	**–560**	**–465**	**–989**
Profit before credit losses	**116**	**615**	**226**	**505**	**2,059**
Impairment gains and losses	6	13	36	41	83
Amortisation of financial fixed assets	–	–	–	–	–1,454
Profit from participations in joint ventures	13	19	28	38	82
Net operating profit	**135**	**647**	**290**	**584**	**770**
Appropriations	–	–	–	–	–57
Taxes	–24	–35	–58	–41	–66
Periodens resultat	**111**	**612**	**232**	**543**	**647**

Parent company statement of comprehensive income

SEK m	Quarter 2 2019	Quarter 2 2018	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Net profit	**111**	**612**	**232**	**543**	**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	**111**	**612**	**232**	**546**	**650**
Profit attributable to:					
Owners of Hoist Finance AB (publ)	111	612	232	546	650

Parent Company balance sheet

SEK m	30 Jun 2019	31 Dec 2018	30 Jun 2018
ASSETS			
Cash	0	0	0
Treasury bills and Treasury bonds	2,282	2,653	2,901
Lending to credit institutions	1,251	365	989
Lending to the public	16	17	23
Acquired loan portfolios	5,563	5,593	3,791
Receivables, Group companies	16,808	15,182	12,509
Bonds and other securities	3,134	3,635	2,893
Shares and participations in subsidiaries	778	722	2,158
Shares and participations in joint ventures	19	22	26
Intangible assets	173	177	137
Tangible assets	31	24	28
Other assets	227	340	118
Deferred tax assets	0	1	7
Prepayments and accrued income	45	27	25
TOTAL ASSETS	**30,327**	**28,758**	**25,605**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	18,635	17,093	15,057
Tax liabilities	86	65	80
Other liabilities	619	524	435
Deferred tax liabilities	4	5	2
Accrued expenses and deferred income	93	68	73
Provisions	36	41	40
Senior debt	5,598	5,950	5,626
Subordinated debts	846	839	834
Total liabilities and provisions	**25,917**	**24,585**	**22,147**
Untaxed reserves	**221**	**221**	**165**
Equity			
Restricted equity			
Share capital	30	30	27
Statutory reserve	13	13	13
Revaluation reserve	66	66	64
Development expenditure fund	6	4	5
Total restricted equity	**115**	**113**	**109**
Non-restricted equity			
Other contributed equity	2,965	2,965	2,410
Reserves	3	3	3
Retained earnings	874	224	229
Profit of the period	232	647	542
Total unrestricted equity	**4,074**	**3,839**	**3,184**
Total equity	**4,189**	**3,952**	**3,293**
TOTAL LIABILITIES AND EQUITY	**30,327**	**28,758**	**25,605**

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 2 2019	Quarter 2 2018	Full-year 2018
1 EUR = SEK			
Income statement (average)	10.5167	10.1451	10.2522
Balance sheet (at end of the period)	10.5581	10.4213	10.2753
1 GBP = SEK			
Income statement (average)	12.0426	11.5297	11.5870
Balance sheet (at end of the period)	11.7546	11.7518	11.3482
1 PLN = SEK			
Income statement (average)	2.4500	2.4051	2.4072
Balance sheet (at end of the period)	2.4836	2.3910	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 2, 2019

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Eliminations	Group
Total operating income	**158**	**225**	**83**	**124**	**147**	**63**	**–3**	**797**
of which, internal funding costs	*–59*	*–39*	*–16*	*–43*	*–24*	*181*	–	*0*
Total operating expenses	**–88**	**–129**	**–53**	**–46**	**–100**	**–157**	**2**	**–571**
Profit from participations in joint ventures	–	–	–	–	0	4	–	4
Profit before tax	**70**	**96**	**30**	**78**	**47**	**–90**	**–1**	**230**

Income statement, Quarter 2, 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Eliminations	Group
Total operating income	**158**	**176**	**85**	**76**	**104**	**632**[1)]	**–583**	**648**
of which, internal funding costs	*–49*	*–33*	*–16*	*–26*	*–17*	*141*	–	*0*
Total operating expenses	**–92**	**–100**	**–66**	**–59**	**–81**	**–132**	1	**–529**
Profit from participations in joint ventures	–	–	–	–	2	20	–	22
Profit before tax	**66**	**76**	**19**	**17**	**25**	**520**	**–582**	**141**

1) Dividend from subsidiaries SEK 562m.

Income statement, Jan–Jun, 2019

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Eliminations	Group
Total operating income	**296**	**455**	**171**	**206**	**335**	**112**	**–4**	**1,571**
of which, internal funding costs	*–116*	*–78*	*–32*	*–76*	*–49*	*351*	–	*0*
Total operating expenses	**–193**	**–254**	**–109**	**–83**	**–202**	**–295**	**4**	**–1,132**
Profit from participations in joint ventures	–	–	–	–	–1	18	–	17
Profit before tax	**103**	**201**	**62**	**123**	**132**	**–165**	**0**	**456**

Income statement, Jan–Jun, 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Eliminations	Group
Total operating income	**309**	**352**	**183**	**175**	**216**	**684**[1)]	**–587**	**1,332**
of which, internal funding costs	*–95*	*–62*	*–31*	*–49*	*–36*	*273*	–	*0*
Total operating expenses	**–183**	**–191**	**–137**	**–120**	**–164**	**–250**	**2**	**–1,043**
Profit from participations in joint ventures	–	–	–	–	6	31	–	37
Profit before tax	**126**	**161**	**46**	**55**	**58**	**465**	**–585**	**326**

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 Jun 2019

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Group
Run-off consumer loan portfolio			13				13
Acquired loan portfolios	5,998	6,130	2,232	3,744	3,989		22,093
Shares and participations in joint ventures[1)]		2				205	207
Acquired loans	**5,998**	**6,132**	**2,245**	**3,744**	**3,989**	**205**	**22,313**

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 Jun 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central Functions	Group
Run-off consumer loan portfolio			20				20
Acquired loan portfolios	5,099	4,823	2,249	2,848	2,492		17,511
Shares and participations in joint ventures[1)]						232	232
Acquired loans	**5,099**	**4,823**	**2,269**	**2,848**	**2,492**	**232**	**17,763**

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 Jun 2019	31 Dec 2018	30 Jun 2018	30 Jun 2019	31 Dec 2018	30 Jun 2018
Gross carrying amount	21,738	20,346	17,360	5,464	5,532	3,754
Loss allowance	355	259	151	99	61	37
Net carrying amount	**22,093**	**20,605**	**17,511**	**5,563**	**5,593**	**3,791**

Note 2 *Acquired loan portfolios, cont.*

Acquired credit-impaired loan portfolios, 30 Jun 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	2,275	–	2,275	293	–	293
Interest income	1,611	–	1,611	458	–	458
Gross collections	–3,060	–	–3,060	–930	–	–930
Impairment gains and losses	–	87	87	–	36	36
Translation differences	607	10	617	142	2	144
Closing balance 30 Jun 2019	**20,767**	**359**	**21,126**	**5,096**	**101**	**5,197**

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
Disposal	–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 Jun 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	2,233	–	2,233	1,239	–	1,239
Interest income	1,311	–	1,311	275	–	275
Gross collections	–2,689	–	–2,689	–652	–	–652
Impairment gains and losses	–	152	152	–	36	36
Disposal	–66	0	–66	–	–	–
Translation differences	795	2	797	139	1	140
Closing balance 30 Jun 2018	**16,361**	**154**	**16,515**	**3,472**	**37**	**3,509**

Undiscounted acquired loss allowances

The undiscounted acquired loss allowances at initial recognition for credit-impaired loan portfolios acquired by the Group during January to June totaled SEK 15,969m (7,912) as per 30 June, of which SEK 967m (3,522) is attributable to Parent Company acquisitions.

Note 2 *Acquired loan portfolios, cont.*

Acquired performing loan portfolios, 30 Jun 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	47	–	–	–	0	47
Amortisations and interest payments	–120	–	–	–	0	–120
Changes in risk parameters	–	0	0	–1	–1	–1
Derecognitions	–5	–	–	–	–	–5
Translation differences	37	0	0	0	0	37
Closing balance 30 Jun 2019	**971**	**–2**	**0**	**–2**	**–4**	**967**

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 Jun 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	1,011	–	–	–	–	1,011
Interest income	6	–	–	–	–	6
Amortisations and interest payments	–18	–	–	–	–	–18
Changes in risk parameters	–	–2	0	–	–2	–2
Translation differences	0	0	–	–	0	0
Closing balance 30 Jun 2018	**999**	**–2**	**0**	**–**	**–2**	**997**

Acquired performing loan portfolios, 30 Jun 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	18	–	–	–	–	18
Amortisations and interest payments	–60	–	–	–	–	–60
Changes in risk parameters	–	0	0	0	0	0
Derecognitions	–4	–	–	–	–	–4
Translation differences	15	0	0	0	0	15
Closing balance 30 Jun 2019	**368**	**–1**	**0**	**–1**	**–2**	**366**

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 Jun 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	288	–	–	–	–	288
Interest income	6	–	–	–	–	6
Amortisations and interest payments	–15	–	–	–	–	–15
Changes in risk parameters	–	0	0	–	0	0
Translation differences	3	0	–	–	0	3
Closing balance 30 Jun 2018	**282**	**0**	**0**	**–**	**0**	**282**

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

MSEK	
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	748
Fair value gain/loss during the period, if the acquired loan portfolio would not have been reclassified	–192
Effective interest rate of reclassified acquired loans on date of initial application, %	21
Interest revenue recorded during the period Jan–Jun 2019	73

Note 3 Financial instruments

Carrying amount and fair value of financial instruments

	Group, 30 Jun 2019					
	Assets/liabilities recognised at fair value through profit or loss					
SEK m	Held for trading	Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,282			2,282	2,282
Lending to credit institutions				2,332	2,332	2,332
Lending to the public				13	13	13
Acquired loan portfolios				22,093	22,093	23,821
Bonds and other securities		3,134			3,134	3,134
Derivatives	0		3		3	3
Other financial assets				281	281	281
Total	**0**	**5,416**	**3**	**24,719**	**30,138**	**31,866**
Deposits from the public				18,635	18,635	18,635
Derivatives	4		18		22	22
Senior debt				5,598	5,598	5,749
Subordinated debt				846	846	813
Other financial debts				918	918	918
Total	**4**		**18**	**25,997**	**26,019**	**26,137**

Carrying amount and fair value of financial instruments

	Group, 31 Dec 2018					
	Assets/liabilities recognised at fair value through profit or loss					
SEK m	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				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

SEK m	Group, 30 Jun 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		2,901			2,901	2,901
Lending to credit institutions				1,724	1,724	1,724
Lending to the public				20	20	20
Acquired loan portfolios				17,511	17,511	18,887
Bonds and other securities		2,893			2,893	2,893
Derivatives	8		6		14	14
Other financial assets				140	140	140
Total	**8**	**5,794**	**6**	**19,395**	**25,203**	**26,579**
Deposits from the public				15,057	15,057	15,057
Derivatives	9		7		16	16
Senior debt				5,626	5,626	5,810
Subordinated debt				834	834	841
Other financial debts				443	443	443
Total	**9**		**7**	**21,960**	**21,976**	**22,167**

Carrying amount and fair value of financial instruments

SEK m	Parent Company, 30 Jun 2019					
	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		2,282			2,282	2,282
Lending to credit institutions				1,251	1,251	1,251
Lending to the public				16	16	16
Acquired loan portfolios				5,563	5,563	6,128
Receivables, Group companies				16,808	16,808	16,808
Bonds and other securities		3,134			3,134	3,134
Derivatives	0		3		3	3
Other financial assets				187	187	187
Total	**0**	**5,416**	**3**	**23,825**	**29,244**	**29,809**
Deposits from the public				18,635	18,635	18,635
Derivatives	4		18		22	22
Senior debt				5,598	5,598	5,749
Subordinated debt				846	846	813
Other financial debts				680	680	680
Total	**4**		**18**	**25,759**	**25,781**	**25,899**

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 Jun 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		2,901			2,901	2,901
Lending to credit institutions				989	989	989
Lending to the public				23	23	23
Acquired loan portfolios				3,791	3,791	4,228
Receivables, Group companies				12,509	12,509	12,509
Bonds and other securities		2,893			2,893	2,893
Derivatives	8		6		14	14
Other financial assets				76	76	76
Total	**8**	**5,794**	**6**	**17,388**	**23,196**	**23,633**
Deposits from the public				15,057	15,057	15,057
Derivatives	9		7		16	16
Senior debt				5,626	5,626	5,810
Subordinated debt				834	834	841
Other financial debts				476	476	476
Total	**9**		**7**	**21,993**	**22,009**	**22,200**

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 and Parent Company, 30 Jun 2019			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	2,282			2,282
Bonds and other securities	3,134			3,134
Derivatives		3		3
Total assets	**5,416**	**3**		**5,419**
Derivatives		22		22
Total liabilities		**22**		**22**

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 Jun 2018			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	2,901			2,901
Bonds and other securities	2,893			2,893
Derivatives		14		14
Total assets	**5,794**	**14**		**5,808**
Derivatives		16		16
Total liabilities		**16**		**16**

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 that joint ventures are consolidated with the equity method in the consolidated accounts, whereas the proportional method is used for the consolidated situation. 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 Jun 2019	31 Dec 2018	30 Jun 2018	30 Jun 2019	31 Dec 2018	30 Jun 2018
Capital instruments and related share premium accounts	1,913	1,913	1,355	1,913	1,913	1,355
Retained earnings	1,563	1,005	1,033	847	199	229
Accumulated comprehensive income and other reserves	187	191	275	651	649	604
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	355	590	171	232	647	469
Intangible assets (net of related tax liability)	–376	–387	–317	–173	–177	–137
Deferred tax assets that rely on future profitability	–27	–18	–31	0	–1	–7
Other transitional arrangements	3	3	–	1	2	–
Common Equity Tier 1	**3,618**	**3,297**	**2,486**	**3,471**	**3,232**	**2,513**
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	**4,308**	**3,987**	**3,176**	**4,161**	**3,922**	**3,203**
Capital instruments and the related share premium accounts	846	839	834	846	839	834
Tier 2 capital	**846**	**839**	**834**	**846**	**839**	**834**
Total own funds	**5,154**	**4,826**	**4,010**	**5,007**	**4,761**	**4,037**

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 second 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 Jun 2019**	**31 Dec 2018**	**30 Jun 2018**	**30 Jun 2019**	**31 Dec 2018**	**30 Jun 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	538	355	392	277	161	226
of which, counterparty credit risk	*26*	*48*	*28*	*26*	*48*	*28*
Exposures to corporates	281	142	141	17,017	15,286	12,614
Retail exposures	57	75	44	51	69	37
Exposures secured by mortgages on immovable property	391	402	429	106	112	96
Exposures in default	30,905	28,919	17,700	7,668	7,667	3,738
Exposures in the form of covered bonds	313	363	289	313	363	289
Equity exposures	–	–	–	778	722	2,158
Other items	390	117	104	78	51	53
Credit risk (standardised approach)	**32,875**	**30,373**	**19,099**	**26,288**	**24,431**	**19,212**
Market risk (foreign exchange risk – standardised approach)	**63**	**25**	**46**	**63**	**25**	**46**
Operational risk (standardised approach)	**3,542**	**3,670**	**3,158**	**1,476**	**1,430**	**1,128**
Credit valuation adjustment (standardised approach)	**22**	**53**	**24**	**22**	**53**	**24**
Total risk-weighted exposure amount	**36,502**	**34,121**	**22,327**	**27,849**	**25,939**	**20,410**

Note 4 *Capital adequacy, cont.*

Capital requirements

SEK m	Hoist Finance consolidated situation 30 Jun 2019	31 Dec 2018	30 Jun 2018	Hoist Finance AB (publ) 30 Jun 2019	31 Dec 2018	30 Jun 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	43	28	31	22	13	18
of which, counterparty credit risk	*2*	*4*	*2*	*2*	*4*	*2*
Exposures to corporates	22	11	11	1,361	1,223	1,009
Retail exposures	5	6	4	4	6	3
Exposures secured by mortgages on immovable property	31	32	34	9	9	8
Exposures in default	2,472	2,313	1,416	613	613	299
Exposures in the form of covered bonds	25	29	23	25	29	23
Equity exposures	–	–	–	62	58	173
Other items	31	9	8	6	4	4
Credit risk (standardised approach)	**2,629**	**2,428**	**1,527**	**2,102**	**1,955**	**1,537**
Market risk (foreign exchange risk – standardised approach)	**5**	**2**	**4**	**5**	**2**	**4**
Operational risk (standardised approach)	**283**	**294**	**253**	**118**	**114**	**90**
Credit valuation adjustment (standardised approach)	**2**	**4**	**2**	**2**	**4**	**2**
Total own funds requirement – Pillar 1	**2,919**	**2,728**	**1,786**	**2,227**	**2,075**	**1,633**
Pillar 2						
Concentration risk	248	215	138	248	215	138
Interest rate risk in the banking book	62	54	60	62	54	60
Pension risk	3	3	3	3	3	3
Other Pillar 2 risks	28	31	27	28	31	27
Total own funds requirement – Pillar 2	**341**	**303**	**228**	**341**	**303**	**228**
Capital buffers						
Capital conservation buffer	913	853	558	696	649	510
Countercyclical buffer	111	103	39	77	73	29
Total own funds requirement – Capital buffers	**1,024**	**956**	**597**	**773**	**722**	**539**
Total own funds requirements	**4,284**	**3,987**	**2,611**	**3,341**	**3,100**	**2,400**

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 0.3 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 Jun 2019	31 Dec 2018	30 Jun 2018	Hoist Finance AB (publ) 30 Jun 2019	31 Dec 2018	30 Jun 2018
Common Equity Tier 1 capital ratio	9.91	9.66	11.13	12.46	12.45	12.31
Tier 1 capital ratio	11.80	11.68	14.22	14.94	15.11	15.69
Total capital ratio	14.12	14.14	17.96	17.97	18.34	19.78
Institution-specific buffer requirements for CET1 capital	7.30	7.30	7.18	7.28	7.28	7.14
of which, capital conservation buffer requirement	*2.50*	*2.50*	*2.50*	*2.50*	*2.50*	*2.50*
of which, countercyclical capital buffer requirement	*0.30*	*0.30*	*0.18*	*0.28*	*0.28*	*0.14*
Common Equity Tier 1 capital available to meet buffers[1)]	**5.41**	**5.16**	**6.63**	**7.96**	**7.95**	**7.81**

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 June 2019 the internally assessed capital requirement for Hoist Finance was SEK 3,260 million (3,031),of which SEK 341 million (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. The majority of deposits from the public are payable on demand (current account-"flex"), while approximately 48 per cent (35) of the Group's deposits from the public are locked into longer maturities (fixed-term deposits) ranging from 1 to 5 years.

About 99 per cent of deposits are fully covered by the Swedish state deposit guarantee.

Funding

SEK m	Hoist Finance consolidated situation 30 Jun 2019	31 Dec 2018	30 Jun 2018	Hoist Finance AB (publ) 30 Jun 2019	31 Dec 2018	30 Jun 2018
Current account deposits	9,711	11,041	10,193	9,711	11,041	10,193
Fixed-term deposits	8,924	6,052	4,864	8,924	6,052	4,864
Senior debts	5,598	5,950	5,626	5,598	5,950	5,626
Convertible debt instruments	690	690	690	690	690	690
Subordinated debts	846	839	834	846	839	834
Equity	4,046	3,723	2,911	3,499	3,262	2,603
Other	1,363	960	818	1,059	924	795
Balance sheet total	**31,178**	**29,255**	**25,936**	**30,327**	**28,758**	**25,605**

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 7,670m (7,399) as per 31 March, 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.

Note 5 *Liquidity risk, cont.*

Liquidity reserve

SEK m	30 Jun 2019	31 Dec 2018	30 Jun 2018
Cash and holdings in central banks	0	0	0
Deposits in other banks available overnight	2,254	1,111	1,646
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	906	1,622	1,370
Securities issued or guaranteed by municipalities or other public sector entities	1,376	1,031	1,531
Covered bonds	3,134	3,635	2,893
Securities issued by non-financial corporates	–	–	–
Securities issued by financial corporates	–	–	–
Other	–	–	–
Total	**7,670**	**7,399**	**7,440**

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 Jun 2019	31 Dec 2018	30 Jun 2018	30 Jun 2019	31 Dec 2018	30 Jun 2018
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	75	70	68	13	12	13

Note 7 Contingent liabilities

	Group			Parent Company		
SEK m	30 Jun 2019	31 Dec 2018	30 Jun 2018	30 Jun 2019	31 Dec 2018	30 Jun 2018
Commitments	479	1,116	2,363	369	367	471

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, 29 July 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

Review report

Hoist Finance AB (publ)
Corp. id. 556012-8489

Introduction

We have reviewed the condensed interim financial information (interim report) of Hoist Finance AB (publ) as of 30 June 2019 and the six-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies, and for the Parent Company in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 29 July 2019
KPMG AB

Anders Bäckström
Authorized Public Accountant

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.

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

Interim report Q2, 2019	30 July 2019
Interim report Q3, 2019	5 November 2019

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The interim report and investor presentation are available at www.hoistfinance.com

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