

Interim report Q1 2017

January – March 2017

- » Total revenue increased 13 per cent to SEK 722m (638).
- » EBIT increased 13 per cent amounting to SEK 265m (234) and the EBIT margin was 37 per cent (37).
- » Profit before tax increased 35 per cent and totalled SEK 171m (127).
- » Return on equity was 20 per cent (19).
- » Carrying value on acquired loan portfolios totalled SEK 12,783m (12,658).
- » The total capital ratio was 16.79 per cent (16.76) and the CET1 capital ratio was 12.51 per cent (12.46).

Q1

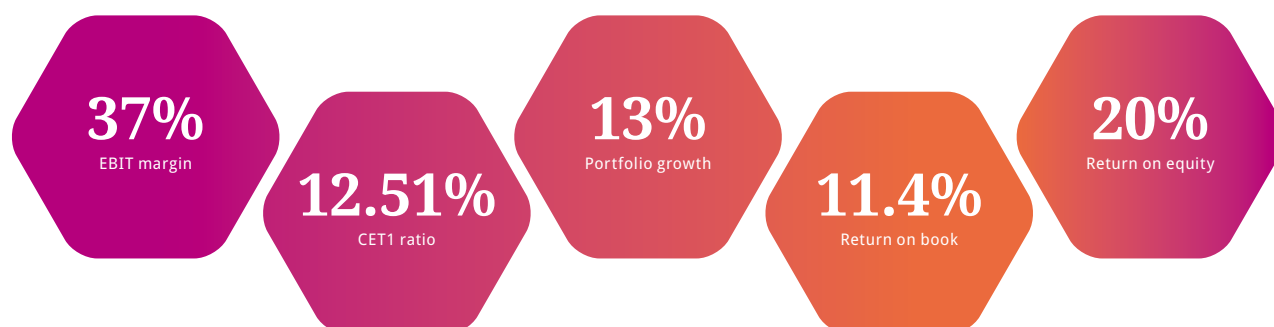
Figures in brackets refer to the first quarter 2016 for profit comparisons and to 31 December 2016 closing balance for balance sheet items.

Events during the quarter

- » Hoist Kredit strengthened its position in the Italian small- and medium-sized enterprise market. This is the fourth SME portfolio acquired by Hoist Finance from the seller.

99 Quarter after quarter, we continue to generate profitable growth. This shows that our business model and disciplined investment strategy provide stability and reliability.

Jörgen Olsson
CEO



Hoist Finance AB (publ) (the "Company" or the "Parent ") is the parent company of the Hoist Finance group of companies ("Hoist Finance"). The Company's wholly owned subsidiary, Hoist Kredit AB (publ) ("Hoist Kredit") is a regulated credit market company. Hence, Hoist Finance produces financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. In order to assess the operational performance of the debt purchasing and collection operations and to facilitate comparison with our competitors, Hoist Finance supplements its statutory financial statements with an operating income statement. The operating income statement is prepared based on the accounting and valuation principles used in the statutory financial statements, with no amendments or adjustments thereto.

The information in this interim report has been published pursuant to the EU's Financial Instruments Trading Act and Securities Market Act. This information was submitted for publication on 27 April 2017 at 8:00 AM CET.

Yet another strong quarter

2017 started off with another strong quarter for Hoist Kredit. Total revenues increased 13 per cent and profit before tax was up 53 per cent compared to same period last year.

The improvement is an effect of last year's strong portfolio growth, profitability improvements in the UK and France, and the fact that our new markets – Spain and Greece – are now contributing to profit.

Return on equity is also at our target level for the first time and totalled 20 per cent during the quarter – a year-on-year increase of 3 percentage points.

Quarter after quarter, we continue to generate profitable growth. This shows that our business model and disciplined investment strategy provide stability and reliability.

Trends in Europe and the cost of capital

Europe's economic recovery is expected to continue, and central banks are starting to see brighter times ahead. Sustained recovery means higher inflation expectations and, hopefully, a movement away from the current low interest rate environment to a more normalised environment.

As an entrepreneur, I would really like to see this happen. When a company is penalised for maintaining a sound financial position with a solid liquidity buffer, something is wrong with the macroeconomic incentive structure.

In the low interest rate setting, new and previously unknown investors have moved out on the risk curve in search of returns. While some have been successful, I'm afraid most will come to realise that structured, systematic work with non-performing loans is something that requires specialisation – and this has been Hoist Kredit's sole focus for over two decades. We (and probably many of our well-established competitors) view with confidence a situation where liquidity portfolios yield interest and that there is a cost of capital.

Regional development

Region West Europe continues to improve its profitability and accounts for the Group's second highest portfolio growth over the past twelve months (17 per cent). The UK is Europe's largest market and represents around one-third of total transaction volumes.

During the quarter, UK Prime Minister Theresa May decided to submit a

99 A leading partner to international banks and financial institutions

formal application to withdraw from the European Union. In all of the uncertainty associated with Brexit, our current assessment is that it will have only a marginal impact on Hoist Kredit as a company and on our operations in the country. As part of our risk strategy we are hedging our currency and interest rate positions on an ongoing basis to protect ourselves against short-term FX and interest rate fluctuations. Our operations in the UK are run locally (i.e., without imports or exports), which reduces our dependence on the country's access to the EU's internal market. Even in the event Brexit leads to an economic recession, our business model of long-term, sustainable payment plans has proven to be resilient – not least during the 2007–08 financial crisis.

The market in Region Mid Europe continues to show a strong growth – particularly in Italy, where the share of non-performing loans in relation to banks' total loan stock is among the highest in Europe. Increasingly more Italian banks are realising the importance of focusing on their core competencies and deciding to transfer non-performing loan management to specialised companies like Hoist Kredit.

In Region Central East Europe we are seeing the same trends as in the Italian market, albeit at a slower pace. The work done last year to streamline and improve our procedures and systems will continue in 2017. In order to be a long-term player in our market, we need to make regular investments in systems and infrastructure. The management of non-performing loans has traditionally been characterised by contact with customers via telephone or letter. This will in large part continue to be our working practice, but our success also requires investments in solutions that allow custom-



ers to interact with us in channels of their choosing: by phone, in writing, via text message, online or via live chat. We are therefore in the process of developing our systems, starting in Germany – and we will expand this into our other markets during the next stage.

Well positioned to be a leading partner to banks

We have built a strong balance sheet over the past few years. A healthy capital structure with balanced leverage is a key element in our long-term focus. As part of this process, the Board has clarified the definition of our CET1 ratio target: under normal conditions, it should be between 2.5 and 4.5 percentage points above Swedish FSA requirements. This gives us more flexibility, while also allowing us to maintain a healthy buffer that exceeds regulatory requirements.

Our long-term perspective also needs to be balanced with short-term growth, and we will be taking additional steps towards our medium-term profitability targets during the year. Our market continues to grow steadily and we are strengthening our relationships with European banks. Our growth forecast for the year remains in place, and we see continued positive growth opportunities in the years ahead

Jörgen Olsson
CEO
Hoist Kredit AB (publ)

Key ratios

SEK thousand	Quarter 1 2017	Quarter 1 2016	Change, %	Full-year 2016
Total revenue	722	638	13	2,635
EBITDA, adjusted	803	736	9	2,952
EBIT	265	234	13	972
EBIT margin, %	37	37	0 pp	37
Profit before tax	171	127	35	560
Profit for the period	133	98	37	435
Portfolio acquisitions	611	648	-6	3,329

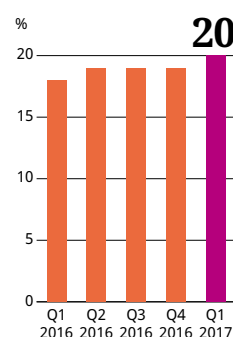
SEK thousand	31 Mar 2017	31 Dec 2016	Change, %
Carrying value on acquired loan portfolios ¹⁾	12,783	12,658	1
Gross 120-month ERC ²⁾	21,297	21,375	0
Return on equity, % ³⁾	20	19	1 pp
Total capital ratio, %	16.79	16.76	0.0 pp
CET1 ratio, %	12.51	12.46	0.1 pp
Liquidity reserve	5,671	5,789	-2
Number of employees (FTEs)	1,268	1,285	-1

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

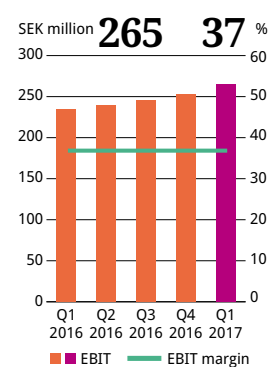
2) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture.

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

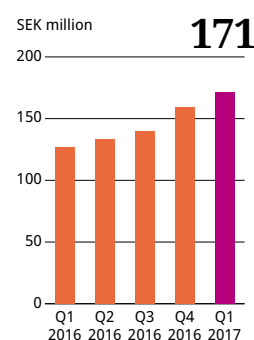
Return on equity



EBIT and EBIT-margin



Profit before tax



First quarter 2017

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

Revenue

Total revenue increased 13 per cent to SEK 722m (638), due mainly to growth in Italy, establishment in Spain and profitability improvement in France. Gross cash collections on acquired loan portfolios increased 12 per cent to SEK 1,186m (1,056). Portfolio acquisitions totalled SEK 611m (648) during the quarter, mainly attributable to significant acquisitions in Italy and the UK. Portfolio amortisation and revaluation increased to SEK 523m (483), with portfolio revaluations accounting for SEK 5m (2) of that amount. Net revenue from acquired loan portfolios increased 16 per cent to SEK 666m (576). Fee and commission income

decreased 29 per cent to SEK 21m (30). The decline is attributable to Poland and the UK and was due to a decrease in the scope of collections on behalf of external parties that were part of earlier acquisitions, which is in line with Hoist Kredit's strategy. Profit from participations in joint ventures totalled SEK 28m (29). First quarter 2016 benefited from an increase in value of the assets within Hoist Kredit's Polish joint venture, while the current quarter benefited from the receipt of SEK 13m in performance-based remuneration for successful collections during 2016 in Hoist Kredit's Greek joint venture.

Operating expenses

Total operating expenses increased to SEK 457m (404), mainly due to more comprehensive collection activities and the establishment in two new markets during 2016. Operating expenses in the new markets (Spain and Greece) totalled SEK 14m during the first quarter, mainly attributable to Spain. Personnel expenses, which remained unchanged on the whole at SEK 168m (168), increased in Italy and Central Functions but decreased in the UK and France due to efficiency improvements. Collection expenses totalled SEK 169m (130). Other operating expenses totalled SEK 107m (94). Depreciation and amortisation of tangible and intangible assets remained unchanged on the whole at SEK 12m (12).

Financial items

Total financial items as per Hoist Kredit's operating income statement totalled SEK –95m (–107). Interest income totalled SEK –2m (–2) due to the current interest rate scenario, under which government bonds and similar securities that comprise most of Hoist Kredit's liquidity portfolio no longer offer positive returns.

Interest expense totalled SEK –83m (–70) and is mainly comprised of interest expenses for issued bonds and interest expense related to HoistSpar deposits. Interest expense for HoistSpar deposits decreased due to somewhat lower year-on-year deposit volumes. In contrast, interest expenses for issued bonds increased due to issues conducted during the second and third quarters of 2016.

Net financial income is comprised of several components and totalled SEK –9m (–35) during the first quarter. Market value changes for bonds in the liquidity portfolio (one of the components) were limited during the current and comparative periods. Changes in value for interest rate hedging instruments were also limited during first quarter 2017, but totalled SEK –17m during Q1 2016. For currency risk hedging, Hoist Kredit expanded its application of hedge accounting as of 2017 and, accordingly, a larger portion of FX hedging results is reported as other comprehensive income. Currency effects in the income statement totalled SEK –9m (–18) during the first quarter.

Balance sheet

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

Assets

Total assets remained largely unchanged and declined by SEK –39m as compared with 31 December 2016 to SEK 19,109m (19,148). Treasury bills and treasury bonds decreased SEK –679m. This decrease was offset by an SEK 513m increase in bonds and other securities. Acquired loan portfolios increased SEK 123m, due primarily to acquisitions in Italy and the UK.

Liabilities

Total liabilities totalled SEK 16,246 (16,423). The change is mainly attributable to a decrease in other liabilities where collateral received has been repaid to counterparties.

Funding and capital debt

SEK thousand	31 Mar 2017	31 Dec 2016	Change, %
Cash and interest-bearing securities	5,215	5,548	–6
Other assets ¹⁾	13,894	13,600	2
Total assets	19,109	19,148	0
Deposits from the public	11,838	11,849	0
Subordinated liabilities	343	342	0
Senior unsecured debt	3,144	3,126	1
Total interest-bearing liabilities	15,325	15,317	0
Other liabilities ¹⁾	921	1,106	–17
Equity	2,863	2,726	5
Total liabilities and equity	19,109	19,148	0
CET1 ratio, %	12.51	12.46	0.0 pp
Total capital ratio, %	16.79	16.76	0.0 pp
Liquidity reserve	5,671	5,789	–2
Acquired loans			
Carrying value of acquired loans ²⁾	12,783	12,658	1
Gross 120-month ERC ³⁾	21,297	21,375	0

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

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

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

Hoist Kredit funds its operations through deposits from the public and through the bond market. Deposits from the public totalled SEK 11,838m (11,849). Of this amount, SEK 4,130m is attributable to fixed term deposits of 12-, 24- and 36-month durations.

As at 31 March 2017, outstanding bond debt totalled SEK 3,144m (3,126), where changes are attributable to revaluation effects of the EUR-denominated senior unsecured debt.

Group equity totalled SEK 2,863m (2,726). The increase is mainly explained by net profit for the period.

The total capital ratio improved to 16.79 per cent (16.76) and the CET1 ratio to 12.51 per cent (12.46). Hoist Kredit is thus well capitalised for further expansion.

Hoist Finance's liquidity reserve, presented in accordance with the Swedish Bankers' Association's template, totalled SEK 5,671m (5,789).

Cash flow

Comparative figures refer to first quarter 2016.

SEK thousand	Quarter 1 2017	Quarter 1 2016	Full-year 2016
Cash flow from operating activities	406	859	2,958
Cash flow from investing activities	-1,112	-445	-4,592
Cash flow from financing activities	-9	-151	1,010
Cash flow for the period	-716	263	-624

Cash flow from operating activities totalled SEK 406m (859). Gross collections on acquired loan portfolios continued to grow in relation to acquired loan portfolios and totalled SEK 1,186m (1,056).

Cash flow from investing activities totalled SEK -1,112m (-445). Portfolio acquisitions during the quarter are basically on a par with Q1 2016, totalling SEK 611m (648). Net investments of SEK 516m were made in bonds and other securities during the quarter, mainly due to positive results from operating activities.

Cash flow from financing activities totalled SEK -9m (-151) and is attributable to interest paid on capital contributions and a somewhat lower HoistSpar deposit volume of SEK -1m (169) during the first quarter. Approximately SEK 130m was reallocated during the quarter from fixed term deposits to non-fixed deposits.

Total cash flow for the quarter totalled SEK -716m (263).

Significant risks and uncertainties

Hoist Kredit is exposed to a number of uncertainties through its business operations and due to its broad geographic presence. New and amended bank and credit market company regulations may affect Hoist Kredit 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 Kredit's cross-border operations entail consolidated tax issues relating to subsidiaries in several jurisdictions. The Group is, therefore, exposed to potential tax risks arising from varying interpretation and application of existing laws, treaties, regulations, and guidance.

Due to Hoist Kredit's substantial deposits from the public, changes to the deposit guarantee scheme, for instance, may impact. In other areas such as consumer protection, new regulations may require Hoist Kredit to adjust the way in which it operates its collection activities. The acquired loan portfolios are valued based on anticipated future collection levels. Factors that affect the capacity to achieve collection level forecasts sustainably and cost efficiently are therefore uncertainty factors.

Development of risks

Credit risk for Hoist Kredit's loan portfolios is deemed to have increased proportionally with the volume of loans acquired during the quarter. Credit risk in the liquidity portfolio remains low, as investments are made in government, municipal and covered bonds of high credit quality.

There were no major changes in Hoist Kredit's operational risks during the quarter. The Group works continuously to improve the quality of its internal procedures to minimise operational risks.

Market risks remain low, as Hoist Kredit's continuously hedges interest rate and FX risks in the short- and medium-term.

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

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

Other information**Parent Company**

Parent Company Hoist Kredit AB (publ) reported a profit before tax of SEK 73m (135) for the first quarter of 2017. Revenue from acquired loan portfolios decreased SEK 8m year-on-year.

Net interest income is on a par with Q1 2016 and totalled SEK 159m (161). Net financial income totalled SEK -46m (-18) and is primarily attributable to hedging of FX risk. A large part of this result is eliminated in the Group accounts, where consolidated earnings are neutralised as a result of increased hedging of net investments in foreign operations.

Hoist Kredit finances major acquisitions made by Group subsidiaries, which explains the increase in receivables from Group companies during the quarter.

Related-party transactions

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

Group structure

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

For a more detailed description of the Group's legal structure, please refer to the 2016 Annual Report.

Review

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

Subsequent events

Hoist Kredit intends to issue new subordinated bonds and announce a repurchase offer for all subordinated bonds that mature in 2023.

Quarterly review

Segment reporting

SEK thousand	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016
Gross cash collections on acquired loan portfolios	1,186,339	1,104,772	1,074,719	1,075,877	1,055,794
Portfolio amortisation and revaluation	-522,624	-485,532	-467,240	-470,902	-482,533
Interest income from run-off consumer loan portfolio	1,845	1,153	-1,092	3,391	2,389
Net revenue from acquired loan portfolios	665,560	620,393	606,387	608,366	575,650
Fee and commission income	21,145	29,513	28,451	28,983	29,870
Profit from shares and participations in joint ventures	27,662	15,222	27,479	14,636	28,705
Other income	7,668	10,620	4,185	3,258	3,287
Total revenue	722,035	675,748	666,502	655,243	637,512
Personnel expenses	-167,746	-176,796	-156,158	-164,689	-167,612
Collection costs ¹⁾	-169,008	-145,560	-171,319	-149,077	-129,959
Other operating expenses ¹⁾	-107,440	-87,804	-81,991	-90,398	-94,227
Depreciation and amortisation of tangible and intangible assets	-12,482	-12,615	-11,573	-11,904	-11,814
Total operating expenses	-456,676	-422,775	-421,041	-416,068	-403,612
EBIT	265,359	252,973	245,461	239,175	233,900
Interest income excl. run-off consumer loan portfolio	-2,403	1,358	-824	-1,687	-1,714
Interest expense	-83,359	-86,489	-80,303	-73,324	-70,179
Net financial income ²⁾	-9,058	-7,904	-24,141	-30,903	-35,255
Total financial items	-94,820	-93,035	-105,268	-105,914	-107,148
Profit before tax	170,539	159,938	140,193	133,261	126,752

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

2) Including financing costs.

Key ratios

SEK thousand	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016
EBIT margin, %	37	37	37	37	37
Return on book, % ¹⁾	11.4	11.1	10.8	11.1	10.7
Portfolio acquisitions	611	1,568	607	507	648

SEK thousand	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Carrying value of acquired loans ²⁾	12,783	12,658	11,658	11,359	11,346
Gross 120-month ERC ³⁾	21,297	21,375	19,450	19,230	19,221
Return on equity, % ⁴⁾	20	19	19	19	18
Total capital ratio, %	16.79	16.76	15.45	15.73	15.25
CET1 ratio, %	12.51	12.46	12.63	12.87	12.34
Liquidity reserve	5,671	5,789	6,520	6,785	5,266
Number of employees (FTEs)	1,268	1,285	1,341	1,358	1,305

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

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

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

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

Segment overview

Hoist Finance purchases and manages receivables in ten European countries, all of which have different traditions for providing financial services, different legislative frameworks and different attitudes with respect to past due receivables and repayment patterns.

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

Quarter 1, 2017

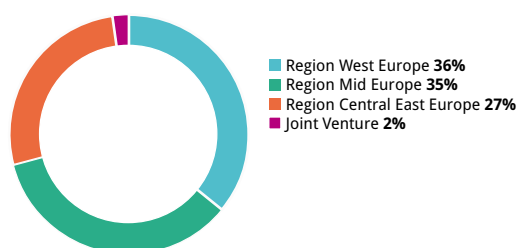
SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Net revenue from acquired loan portfolios	222,982	220,881	221,697	–	665,560
Total revenue	237,181	235,791	229,917	19,146	722,035
Total operating expenses	–141,009	–111,396	–106,406	–97,865	–456,676
EBIT	96,172	124,395	123,511	–78,719	265,359
EBIT margin, %	41	53	54	–	37
Carrying value of acquired loan portfolios, SEKm ¹⁾	4,545	4,473	3,521	245	12,784
Gross 120-month ERC, SEKm ²⁾	7,821	7,284	6,192	–	21,297

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

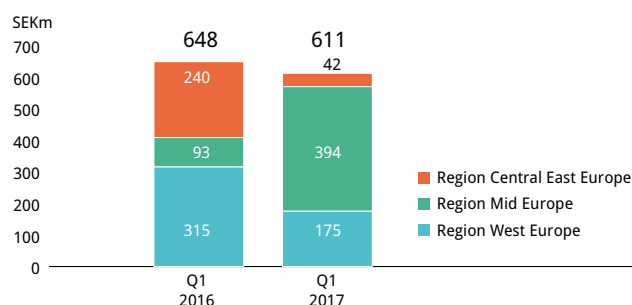
2) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture. For information on the calculation of key ratios, see Definitions.

Distribution by segment

Carrying value, acquired loan portfolios,
31 March 2017



Acquisitions by segment



The earnings trend for each operating segment (excluding Central Functions and Eliminations), based on the operating income statement, is set forth in the following pages.

Our markets

Region West Europe

France, Spain and the UK

Revenues

Gross cash collections on acquired loan portfolios increased 18 per cent to SEK 356m (302). All markets contributed positively to the improvement. Portfolio amortisation and revaluation totalled SEK 133m (130) during the quarter, in line with last year. Portfolio revaluations totalled SEK 2m (7) during the quarter and are attributable to the UK and France. Fee and commission income decreased in line with the strategy to focus on acquisition and management of loan portfolios.

Operating expenses

Total operating expenses decreased 8 per cent to SEK 141m (153) during the first quarter. The decrease is primarily attributable to lower personnel expenses following implementation of efficiency measures via centralisation and process integration.

Profitability**EBIT**

The segment's EBIT totalled SEK 96m (38) for the quarter with a corresponding EBIT margin of 41 per cent (20). In addition to the contribution from the Spanish market (added last year), gross collections on acquired loan portfolios increased in both the UK and France while total operating expenses decreased.

Return on book

The segment's return on book for first quarter 2017 was 8,5 per cent (3,9). All markets contributed with improved year-on-year margins.

Acquisitions

The acquisition volume during the first quarter totalled SEK 175m and is mainly attributable to acquisitions in the UK. The lower year-on-year acquisition volume is due to

strong first quarter acquisitions in 2016. The carrying value of acquired loan portfolios increased 17 per cent since the turn of the year to SEK 4,545m (4,522). Gross ERC decreased to SEK 7,821m (7,927) over the same period.

Earnings trend*

SEK thousand	Quarter 1 2017	Quarter 1 2016	Change, %	Full-year 2016
Gross cash collections on acquired loan portfolios	356,304	302,429	18	1,296,766
Portfolio amortisation and revaluation	-133,322	-130,217	2	-487,587
Net revenue from acquired loan portfolios	222,982	172,212	29	809,179
Fee and commission income	14,199	18,952	-25	65,629
Total revenue	237,181	191,164	24	874,808
Personnel expenses	-57,406	-66,628	-14	-231,502
Collection costs	-53,741	-50,572	6	-246,005
Other operating expenses	-27,206	-32,328	-16	-112,356
Depreciation and amortisation of tangible and intangible assets	-2,656	-3,503	-24	-11,977
Total operating expenses	-141,009	-153,031	-8	-601,840
EBIT	96,172	38,134	>100	272,968
EBIT margin, %	41	20	21 pp	31
Return on book, %	8.5	3.9	4.6 pp	6.5
Expenses/Gross cash collections on acquired loan portfolios, %	36	44	-8 pp	41
Carrying value of acquired loan portfolios, SEKm	4,545	3,877	17	4,522
Gross 120-month ERC, SEKm	7,821	6,899	13	7,927

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

Region Mid Europe

Belgium, Greece, Italy and the Netherlands

Revenues

Gross cash collections on acquired loan portfolios increased 20 per cent to SEK 465m (387). The increase is attributable to Italy, where significant portfolio acquisitions were conducted during the current and previous year. Portfolio amortisation and revaluation increased 43 per cent to SEK 244m (171), with the increase attributable to a higher collection rate for acquired portfolios. Portfolio revaluations totalled SEK -8m (-5) and were attributable to the Belgium operations. Profit from shares and participations in joint ventures refer to the Greek operations.

Operating expenses

Total operating expenses increased 14 per cent during the first quarter to SEK 111m (98). The increase is mainly due to an increase in collection costs related to the above mentioned Italian portfolio acquisitions.

Profitability

EBIT

The segment's EBIT totalled SEK 124m (121) for the quarter with a corresponding EBIT margin of 53 per cent (55). EBIT was affected by increased profitability in Italy and Greece with a nearly equivalent decrease in Belgium, due to the fact that last year's profitability was positively impacted by portfolio over-performance during the quarter.

Return on book

The segment's return on book for first quarter 2017 was 11.3 per cent (13.3). The decrease is mainly due to the fact that the comparative figure was strongly impacted by portfolios in Italy and Belgium that exceeded forecasts for the quarter, and first quarter of 2017 was positively effected by profit from the Greek joint venture.

Acquisitions

The acquisition volume during the quarter totalled SEK 394m (93), with the strong growth mostly attributable to the Italian market. The carrying value of acquired loan portfolios increased 3 per cent since the turn of the year to SEK 4,473m (4,331). Gross ERC increased to SEK 7,284m (7,117) over the same period.

Other

Through the strategic partnership with the Bank of Greece, operations in Greece received performance-based remuneration during the first quarter based on successful collections during 2016. Hoist Kredit continues to strengthen its position in order to enable future portfolio acquisitions.

Earnings trend*

SEK thousand	Quarter 1 2017	Quarter 1 2016	Change, %	Full-year 2016
Gross cash collections on acquired loan portfolios	465,281	387,374	20	1,574,731
Portfolio amortisation and revaluation	-244,400	-170,640	43	-763,410
Net revenue from acquired loan portfolios	220,881	216,734	2	811,321
Fee and commission income	1,100	1,144	-4	5,006
Profit from shares and participations in joint ventures	13,282	-	N/A	616
Other income	528	447	18	1,769
Total revenue	235,791	218,325	8	818,712
Personnel expenses	-29,370	-24,833	18	-111,301
Collection costs ¹⁾	-67,944	-53,741	26	-221,228
Other operating expenses ¹⁾	-12,036	-17,490	-31	-53,821
Depreciation and amortisation of tangible and intangible assets	-2,046	-1,515	35	-7,210
Total operating expenses	-111,396	-97,579	14	-393,560
EBIT	124,395	120,746	3	425,152
EBIT margin, %	53	55	-2 pp	52
Return on book, %	11.3	13.3	-2.0 pp	10.7
Expenses/Gross cash collections on acquired loan portfolios, %	24	25	-1 pp	25
Carrying value of acquired loan portfolios, SEKm	4,473	3,606	24	4,331
Brutto 120 månader ERC, MSEK	7,284	6,085	20	7,117

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

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

Region Central East Europe

Poland, Germany and Austria

Revenues

Gross cash collections on acquired loan portfolios totalled SEK 365m (366), on a par with last year. Portfolio amortisation and revaluation totalled SEK 145m (182) during the quarter with the decrease attributable to Poland, which had a periodically lower depreciation rate due to increased collection costs during the first quarter. Portfolio revaluations totalled SEK 11m (0) and are mainly attributable to Germany. Fee and commission income, which mainly relates to the Polish operations, decreased 40 per cent to SEK 6m (10). The decrease is in line with the strategy of focusing on the acquisition and management of loan portfolios.

Operating expenses

Total operating expenses increased 29 per cent to SEK 106m (83) during the first quarter. The increase is primarily due to higher collection costs in Poland following increased collection activity that is expected to generate higher collection rates on portfolios that have already been acquired.

Profitability

EBIT

The segment's EBIT totalled SEK 124m (116) for the quarter with a corresponding EBIT margin of 54 per cent (58). The first quarter's somewhat higher EBIT is primarily due to a positive revaluation during the quarter. The EBIT margin decreased during the quarter due to higher operating expenses in Poland.

Return on book

The segment's return on book for the first quarter 2017 was 13.9 per cent (12.9), with the increase mainly attributable to the above mentioned revaluation in Germany.

Acquisitions

The acquisition volume during the quarter totalled SEK 42m and was mainly attributable to Germany. The acquisition volume is lower than the previous year, which included significant portfolio acquisitions in the Polish market. The carrying value of acquired loan portfolios decreased somewhat since the turn of the year, totalling SEK 3,521m (3,564). Gross ERC decreased to SEK 6,192m (6,331) over the same period.

Other

Considerable resources were devoted during the quarter to the development of a new collection system in Germany, part of Hoist Finance's work to modernise IT system and channels for customer interaction.

Earnings trend*

SEK thousand	Quarter 1 2017	Quarter 1 2016	Change, %	Full-year 2016
Gross cash collections on acquired loan portfolios	364,754	365,991	0	1,439,665
Portfolio amortisation and revaluation	-144,902	-181,676	-20	-655,210
Interest income from run-off consumer loan portfolio	1,845	2,389	-23	5,841
Net revenue from acquired loan portfolios	221,697	186,704	19	790,296
Fee and commission income	5,846	9,774	-40	46,182
Other income	2,374	1,993	19	14,502
Total revenue	229,917	198,471	16	850,980
Personnel expenses	-42,638	-43,335	-2	-181,875
Collection costs	-47,132	-25,646	84	-128,682
Other operating expenses	-14,760	-11,927	24	-49,924
Depreciation and amortisation of tangible and intangible assets	-1,876	-1,890	-1	-7,299
Total operating expenses	-106,406	-82,798	29	-367,780
EBIT	123,511	115,673	7	483,200
EBIT margin, %	54	58	-4 pp	57
Return on book, %	13.9	12.9	1.0 pp	13.6
Expenses/Gross cash collections on acquired loan portfolios, %	27	19	8 pp	21
Carrying value of acquired loan portfolios, SEKm ¹⁾	3,521	3,627	-3	3,564
Gross 120-month ERC, SEKm ²⁾	6,192	6,237	-1	6,331

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

1) Including run-off consumer loan portfolio.

2) Excluding run-off consumer loan portfolio.

Financial statements

Consolidated income statement

SEK thousand	Quarter 1 2017	Quarter 1 2016	Full-year 2016
Net revenue from acquired loan portfolios	663,715	573,261	2,404,955
Interest income	-557	675	2,974
Interest expense	-83,359	-70,179	-310,295
Net interest income	579,799	503,757	2,097,634
Fee and commission income	21,145	29,870	116,817
Net financial income	-9,058	-35,255	-96,943
Other income	7,668	3,287	21,350
Total operating income	599,554	501,659	2,138,858
General administrative expenses			
Personnel expenses	-167,746	-167,612	-665,255
Other operating expenses	-276,449	-224,186	-950,335
Depreciation and amortisation of tangible and intangible assets	-12,482	-11,814	-47,906
Total operating expenses	-456,677	-403,612	-1,663,496
Profit before credit losses	142,877	98,047	475,362
Net credit losses	-	-	-1,260
Profit from shares and participations in joint ventures	27,662	28,705	86,042
Profit before tax	170,539	126,752	560,144
Income tax expense	-37,124	-29,128	-124,972
Net profit for the period	133,415	97,624	435,172
Profit attributable to:			
Owners of Hoist Kredit AB (publ)	133,415	97,624	435,172

Consolidated statement of comprehensive income

SEK thousand	Quarter 1 2017	Quarter 1 2016	Full-year 2016
Net profit for the period	133,415	97,624	435,172
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of defined benefit pension plan	-	-	-1,941
Revaluation of remuneration after terminated employment	-	-	-617
Tax attributable to items that will not be reclassified to profit or loss	-	-	654
Total items that will not be reclassified to profit or loss	-	-	-1,904
Items that may be reclassified subsequently to profit or loss			
Translation difference, foreign operations	30,519	-10,243	-21,872
Translation difference, joint venture	10,200	1,020	1,489
Hedging of currency risk in foreign operations	-40,060	-	-
Hedging of currency risk in joint venture	-14,737	4,405	-7,421
Tax attributable to items that may be reclassified to profit or loss	18,277	-	4,803
Total items that may be reclassified subsequently to profit or loss	4,199	-4,818	-23,001
Other comprehensive income for the period	4,199	-4,818	-24,905
Total comprehensive income for the period	137,614	92,806	410,267
Profit attributable to:			
Owners of Hoist Kredit AB (publ)	137,614	92,806	410,267

Consolidated balance sheet

SEK thousand	31 Mar 2017	31 Dec 2016	31 Mar 2016
ASSETS			
Cash	3,054	3,073	198
Treasury bills and Treasury bonds	1,594,560	2,273,903	3,046,834
Lending to credit institutions	564,910	732,828	913,063
Lending to the public	33,365	35,789	68,474
Acquired loan portfolios	12,508,470	12,385,547	11,060,117
Receivables from Group companies	504,616	363,152	227,979
Bonds and other securities	3,051,987	2,538,566	1,090,496
Participations in joint ventures	245,019	241,276	235,282
Intangible assets	216,561	218,172	213,048
Tangible assets	38,870	38,398	39,865
Other assets	220,971	193,071	294,408
Deferred tax assets	42,212	47,268	64,918
Prepayments and accrued income	84,277	77,087	78,312
Total assets	19,108,872	19,148,130	17,332,994
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	11,838,319	11,848,956	12,966,716
Tax liabilities	42,914	25,729	36,398
Other liabilities	493,704	674,000	267,017
Deferred tax liabilities	144,928	150,065	179,732
Accrued expenses and deferred income	184,811	200,604	201,688
Provisions	54,330	55,480	55,291
Senior unsecured debt	3,143,670	3,125,996	986,259
Subordinated liabilities	342,997	341,715	338,006
Total liabilities	16,245,673	16,422,545	15,031,107
Equity			
Share capital	66,667	66,667	66,667
Other contributed capital	1,735,955	1,735,955	1,450,918
Reserves	-62,896	-67,095	-48,912
Retained earnings including profit for the period	1,123,473	990,058	833,214
Total equity	2,863,199	2,725,585	2,301,887
Total liabilities and equity	19,108,872	19,148,130	17,332,994

Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2017	66,667	1,735,955	-67,095	990,058	2,725,585
Comprehensive income for the period					
Profit for the period				133,415	133,415
Other comprehensive income			4,199		4,199
Total comprehensive income for the period			4,199	133,415	137,614
Closing balance 31 Mar 2017	66,667	1,735,955	-62,896	1,123,473	2,863,199

SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2016	66,667	1,450,918	-44,094	735,590	2,209,081
Comprehensive income for the year					
Profit for the year				435,172	435,172
Other comprehensive income			-23,001	-1,904	-24,905
Total comprehensive income for the year			-23,001	433,268	410,267
Transactions reported directly in equity					
Additional Tier 1 capital instruments		283,335 ¹⁾			283,335
Interest paid on capital contribution				-15,000	-15,000
Group contributions paid				-210,000	-210,000
Tax effect on items reported directly in equity		1,702		46,200	47,902
Total transactions reported directly in equity		285,037		-178,800	106,237
Closing balance 31 Dec 2016	66,667	1,735,955	-67,095	990,058	2,725,585

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

SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2016	66,667	1,450,918	-44,094	735,590	2,209,081
Comprehensive income for the year					
Profit for the year				97,624	97,624
Other comprehensive income			-4,818		-4,818
Total comprehensive income for the year			-4,818	97,624	92,806
Closing balance 31 Mar 2016	66,667	1,450,918	-48,912	833,214	2,301,887

Consolidated cash flow statement

SEK thousand	Quarter 1 2017	Quarter 1 2016	Full-year 2016
OPERATING ACTIVITIES			
Profit/loss before tax	170,539	126,752	560,144
<i>of which, paid-in interest</i>	1,845	2,389	5,841
<i>of which, interest paid</i>	-81,682	-75,228	-298,305
Adjustment for items not included in cash flow			
Portfolio amortisation and revaluation	522,624	482,533	1,906,208
Other non-cash items	27,915	149,340	227,604
Realised profit from redemptions of fund units in joint ventures	-17,350	-	-42,546
Income tax paid	-8,347	-3,128	-31,063
Total	695,381	755,497	2,620,347
Increase/decrease in lending to the public	2,424	49,620	17,781
Increase/decrease in other assets	-67,247	128,359	174,446
Increase/decrease in other liabilities	-224,559	-74,969	145,003
Total	-289,382	103,010	337,230
Cash flow from operating activities	405,999	858,507	2,957,577
INVESTING ACTIVITIES			
Acquired loan portfolios	-610,727	-648,398	-3,329,382
Investments in intangible assets	-2,009	-3,757	-23,640
Investments in tangible assets	-4,165	-6,445	-17,869
Investments in/divestments of bonds and other securities	-515,835	213,384	-1,232,503
Investments in subsidiaries	-721	-	-40,788
Acquired shares and participations in joint ventures	-	-	-74
Redemptions of fund units in joint ventures	20,606	-	51,891
Cash flow from investing activities	-1,112,851	-445,216	-4,592,365
FINANCING ACTIVITIES			
Deposits from the public	-1,342	169,317	-957,707
Issued bonds	-	-	2,771,876
Repurchase of issued bonds	-	-272,828	-976,570
Buy-back of issued bonds	-	-	-58,000
Issued Additional Tier 1 capital	-	-	285,396
Interest paid on capital contribution	-7,500	-	-7,500
Group contributions paid	-	-47,153	-47,153
Cash flow from financing activities	-8,842	-150,664	1,010,342
Cash flow for the period	-715,694	262,627	-624,446
Cash at beginning of the period	3,296,267	3,924,516	3,924,516
Translation difference	3,577	-9,694	-3,803
Cash at end of the period*	2,584,150	4,177,449	3,296,267

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

Parent Company income statement

SEK thousand	Quarter 1 2017	Quarter 1 2016	Full-year 2016
Net revenue from acquired loans	92,002	99,632	421,954
Interest income ¹⁾	150,114	131,584	524,516
Interest expense	-83,350	-70,166	-307,986
Net interest income	158,766	161,050	638,484
Net income from financial transactions ¹⁾	-46,460	-17,627	-95,329
Other income	32,124	17,665	99,045
Total operating income	144,430	161,088	642,200
General administrative expenses			
Personnel expenses	-34,433	-29,837	-133,228
Other operating expenses	-63,877	-55,009	-225,226
Depreciation and amortisation of tangible and intangible assets	-4,243	-3,568	-15,559
Total operating expenses	-102,553	-88,414	-374,013
Profit before loan losses	41,877	72,674	268,187
Net loan losses	-	-	-1,260
Profit from shares and participations in joint ventures	30,861	-	42,546
Earnings from participations in Group companies	-	62,387	62,387
Appropriations (tax allocation reserve provision)	-	-	-18,503
Profit before tax	72,738	135,061	353,357
Income tax expense	-21,465	-15,969	-86,166
Net profit for the period	51,273	119,092	267,191
Profit attributable to:			
Owners of Hoist Kredit AB (publ)	51,273	119,092	267,191

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

Parent Company statement of comprehensive income

SEK thousand	Quarter 1 2017	Quarter 1 2016	Full-year 2016
Net profit for the period	51,273	119,092	267,191
Other comprehensive income			
Total items that may be reclassified subsequently to profit or loss			
Translation difference, foreign operations	-50	128	719
Total items that may be reclassified subsequently to profit or loss	-50	128	719
Total other comprehensive income for the period	-50	128	719
Total comprehensive income for the period	51,223	119,220	267,910
Profit attributable to:			
Owners of Hoist Kredit AB (publ)	51,223	119,220	267,910

Parent Company balance sheet

SEK thousand	31 Mar 2017	31 Dec 2016	31 Mar 2016
ASSETS			
Treasury bills and Treasury bonds	1,594,560	2,273,903	3,046,834
Lending to credit institutions	42,956	215,953	397,691
Lending to the public	33,365	35,789	68,474
Acquired loan portfolios	2,499,167	2,584,666	2,650,680
Receivables from Group companies	10,349,020	10,055,046	8,648,992
Bonds and other securities	3,051,987	2,538,566	1,090,496
Participations in subsidiaries	570,759	570,038	562,572
Participations in joint ventures	37,446	40,703	49,974
Intangible assets	33,929	37,647	40,398
Tangible assets	4,530	4,155	4,485
Other assets	143,715	108,139	212,845
Deferred tax assets	2,746	2,734	4,589
Prepayments and accrued income	2,490	1,436	19,075
TOTAL ASSETS	18,366,670	18,468,775	16,797,105
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	11,838,319	11,848,956	12,966,716
Tax liabilities	32,887	15,476	22,306
Other liabilities	354,896	520,423	125,091
Accrued expenses and prepaid income	65,272	78,804	94,754
Provisions	67	67	65
Senior unsecured debt	3,143,670	3,125,996	986,259
Subordinated liabilities	342,997	341,715	338,006
Total liabilities and provisions	15,778,108	15,931,437	14,533,197
Untaxed reserves (tax allocation reserve)	80,752	80,752	62,248
Equity			
<i>Restricted equity</i>			
Share capital	66,667	66,667	66,667
Statutory reserve	10,000	10,000	10,000
Revaluation reserve	64,253	64,253	64,253
Development expenditures reserve	3,681	4,049	–
Total restricted equity	144,601	144,969	140,920
<i>Non-restricted equity</i>			
Other contributed equity	1,735,956	1,735,956	1,450,918
Reserves	528	578	–14
Retained earnings	575,452	307,892	490,744
Profit for the period	51,273	267,191	119,092
Total non-restricted equity	2,363,209	2,311,617	2,060,740
Total equity	2,507,810	2,456,586	2,201,660
TOTAL LIABILITIES AND EQUITY	18,366,670	18,468,775	16,797,105

Accounting principles

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

The Parent Company Hoist Finance AB's (publ) accounts were prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the regulatory code issued by the Swedish Financial Supervisory Authority on Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25), including applicable amendments. The Swedish Financial Reporting Board's RFR 2, Accounting for Legal Entities, was also applied.

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

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

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

Italian bank charges were reclassified from 'Other operating expenses' to 'Collection costs' as of second quarter 2016. Comparative figures were reclassified pursuant to this change. A total of SEK -4 million was reclassified for first quarter 2016.

The accounting principle under which forward flow contracts were reported as 'Commitments' was revised as from second quarter 2016. The revision stipulates that all forward flow contract commitments are to be reported (as opposed to previous periods, when only commitments arising during the year were reported). The comparative figure for 'Commitments' was adjusted SEK 93 million for first quarter 2016.

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

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

	Quarter 1 2017	Quarter 1 2016	Full-year 2016
1 EUR = SEK			
Income statement (average)	9.5051	9.3231	9.4622
Balance sheet (at end of the period)	9.5464	9.2323	9.5669
1 GBP = SEK			
Income statement (average)	11.0521	12.1042	11.5849
Balance sheet (at end of the period)	11.1273	11.6853	11.1787
1 PLN = SEK			
Income statement (average)	2.1991	2.1353	2.1688
Balance sheet (at end of the period)	2.2634	2.1652	2.1662

Notes

Note 1 Segment reporting

Consolidated income statement SEK thousand	Quarter 1 2017	Quarter 1 2016	Full-year 2016
Revenues from acquired loan portfolios	663,715	573,261	2,404,955
<i>of which, gross cash collections</i>	1,186,339	1,055,794	4,311,162
<i>of which, portfolio amortisation and revaluation</i>	-522,624	-482,533	-1,906,207
Interest income	-557	675	2,974
<i>of which, interest income from run-off consumer loan portfolio</i>	1,845	2,389	5,841
<i>of which, interest income excl. run-off consumer loan portfolio¹⁾</i>	-2,402	-1,714	-2,867
Interest expense	-83,359	-70,179	-310,295
Net interest income	579,799	503,757	2,097,634
Fee and commission income	21,145	29,870	116,817
<i>Net financial income¹⁾</i>	-9,058	-35,255	-96,943
Other income	7,668	3,287	21,350
Total operating income	599,554	501,659	2,138,858
General administrative expenses			
Personnel expenses	-167,746	-167,612	-665,255
Other operating expenses	-276,449	-224,186	-950,335
Depreciation and amortisation of tangible and intangible assets	-12,482	-11,814	-47,906
Total operating expenses	-456,677	-403,612	-1,663,496
Profit before credit losses	142,877	98,047	475,362
Net credit losses	-	-	-1,260
Profit from shares and participations in joint ventures	27,662	28,705	86,042
Profit before tax	170,539	126,752	560,144

Operating income statement based on segment reporting SEK thousand	Quarter 1 2017	Quarter 1 2016	Full-year 2016
Gross cash collections on acquired loan portfolios	1,186,339	1,055,794	4,311,162
Portfolio amortisation and revaluation	-522,624	-482,533	-1,906,207
Interest income from run-off consumer loan portfolio	1,845	2,389	5,841
Net revenue from acquired loan portfolios	665,560	575,650	2,410,796
Fee and commission income	21,145	29,870	116,817
Profit from shares and participations in joint ventures	27,662	28,705	86,042
Other income	7,668	3,287	21,350
Total revenue	722,035	637,512	2,635,005
Personnel expenses	-167,746	-167,612	-665,255
Collection costs ¹⁾	-169,008	-129,959	-595,915
Other operating expenses ¹⁾	-107,440	-94,227	-354,420
Depreciation and amortisation of tangible and intangible assets	-12,482	-11,814	-47,906
Total operating expenses	-456,676	-403,612	-1,663,496
EBIT	265,359	233,900	971,509
Interest income excl. run-off consumer loan portfolio	-2,403	-1,714	-2,867
Interest expense	-83,359	-70,179	-310,295
<i>Net financial income²⁾</i>	-9,058	-35,255	-98,203
Total financial items	-94,820	-107,148	-411,365
Profit before tax	170,539	126,752	560,144

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

2) Including financing costs.

Note 1 Segment reporting, cont.

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

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

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

A financing cost is allocated to the operating segments based on the acquired loan portfolio assets. The difference between the actual financing cost and the standardised cost is included in Central Functions and Eliminations.

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

Income statement, Quarter 1, 2017	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
SEK thousand					
Gross cash collections on acquired loan portfolios	356,304	465,281	364,754	–	1,186,339
Portfolio amortisation and revaluation	-133,322	-244,400	-144,902	–	-522,624
Interest income from run-off consumer loan portfolio	–	–	1,845	–	1,845
Net revenue from acquired loan portfolios	222,982	220,881	221,697	–	665,560
Fee and commission income	14,199	1,100	5,846	0	21,145
Profit from shares and participations in joint ventures	–	13,282	0	14,380	27,662
Other income	–	528	2,374	4,766	7,668
Total revenue	237,181	235,791	229,917	19,146	722,035
Personnel expenses	-57,406	-29,370	-42,638	-38,332	-167,746
Collection costs	-53,741	-67,944	-47,132	-191	-169,008
Other operating expenses	-27,206	-12,036	-14,760	-53,438	-107,440
Depreciation and amortisation of tangible and intangible assets	-2,656	-2,046	-1,876	-5,904	-12,482
Total operating expenses	-141,009	-111,396	-106,406	-97,865	-456,676
EBIT	96,172	124,395	123,511	-78,719	265,359
Interest income excl. run-off consumer loan portfolio	–	-1	216	-2,618	-2,403
Interest expense	–	-27	-5	-83,327	-83,359
Net financial income ¹⁾	-56,512	-55,271	-43,823	146,548	-9,058
Total financial items	-56,512	-55,299	-43,612	60,603	-94,820
Profit/loss before tax	39,660	69,096	79,899	-18,116	170,539

1) Including financing costs.

Note 1 Segment reporting, cont.

Income statement, Quarter 1 2016					
SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	302,429	387,374	365,991	-	1,055,794
Portfolio amortisation and revaluation	-130,217	-170,640	-181,676	-	-482,533
Interest income from run-off consumer loan portfolio	-	-	2,389	-	2,389
Net revenue from acquired loan portfolios	172,212	216,734	186,704	-	575,650
Fee and commission income	18,952	1,144	9,774	-	29,870
Profit from shares and participations in joint ventures	-	-	-	28,705	28,705
Other income	0	447	1,993	847	3,287
Total revenue	191,164	218,325	198,471	29,552	637,512
Personnel expenses	-66,628	-24,833	-43,335	-32,816	-167,612
Collection costs ¹⁾	-50,572	-53,741	-25,646	-	-129,959
Other operating expenses ¹⁾	-32,328	-17,490	-11,927	-32,482	-94,227
Depreciation and amortisation of tangible and intangible assets	-3,503	-1,515	-1,890	-4,906	-11,814
Total operating expenses	-153,031	-97,579	-82,798	-70,204	-403,612
EBIT	38,133	120,746	115,673	-40,652	233,900
Interest income excl. run-off consumer loan portfolio	-	-	400	-2,114	-1,714
Interest expense	-	-15	-10	-70,154	-70,179
Net financial income ²⁾	-49,807	-46,067	-43,615	104,234	-35,255
Total financial items	-49,807	-46,082	-43,225	31,966	-107,148
Profit/loss before tax	-11,674	74,664	72,448	-8,686	126,752

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

2) Including financing costs.

Note 1 Segment reporting, cont.

Income statement, Full-year 2016	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
SEK thousand					
Gross cash collections on acquired loan portfolios	1,296,766	1,574,731	1,439,665	-	4,311,162
Portfolio amortisation and revaluation	-487,587	-763,410	-655,210	-	-1,906,207
Interest income from run-off consumer loan portfolio	-	-	5,841	-	5,841
Net revenue from acquired loan portfolios	809,179	811,321	790,296	-	2,410,796
Fee and commission income	65,629	5,006	46,182	-	116,817
Profit from shares and participations in joint ventures	-	616	-	85,426	86,042
Other income	-	1,769	14,502	5,079	21,350
Total revenue	874,808	818,712	850,980	90,505	2,635,005
Personnel expenses	-231,502	-111,301	-181,875	-140,577	-665,255
Collection costs	-246,005	-221,228	-128,682	-	-595,915
Other operating expenses	-112,356	-53,821	-49,924	-138,319	-354,420
Depreciation and amortisation of tangible and intangible assets	-11,977	-7,210	-7,299	-21,420	-47,906
Total operating expenses	-601,840	-393,560	-367,780	-300,316	-1,663,496
EBIT	272,968	425,152	483,200	-209,811	971,509
Interest income excl. run-off consumer loan portfolio	101	-	3,513	-6,481	-2,867
Interest expense	-3	-102	-1,347	-308,843	-310,295
Net financial income ¹⁾	-207,219	-182,721	-181,453	473,190	-98,203
Total financial items	-207,121	-182,823	-179,287	157,866	-411,365
Profit/loss before tax	65,847	242,329	303,913	-51,945	560,144

1) Including financing costs.

Note 1 Segment reporting, cont.

Acquired loans, 31 Mar 2017

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Run-off consumer loan portfolio			29,782		29,782
Acquired loan portfolios	4,544,983	4,472,604	3,490,883		12,508,470
Shares and participations in joint ventures ¹⁾				244,554	244,554
Acquired loans	4,544,983	4,472,604	3,520,665	244,554	12,782,806

Acquired loans, 31 Dec 2016

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Run-off consumer loan portfolio			32,194		32,194
Acquired loan portfolios	4,522,429	4,331,437	3,531,681		12,385,547
Shares and participations in joint ventures ¹⁾				240,580	240,580
Acquired loans	4,522,429	4,331,437	3,563,875	240,580	12,658,321

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

Acquired loans, 31 Mar 2016

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Run-off consumer loan portfolio			50,482		50,482
Acquired loan portfolios	3,877,221	3,605,950	3,576,946		11,060,117
Shares and participations in joint ventures				235,282	235,282
Acquired loans	3,877,221	3,605,950	3,627,428	235,282	11,345,881

Note 2 Financial instruments

Fair value measurements

Group

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

- Level 1)** Quoted prices (unadjusted) on active markets for identical instruments.
- Level 2)** Based on directly or indirectly observable market inputs not included in Level 1. This category includes instruments

valued based on quoted prices on active markets for similar instruments, quoted prices for identical or similar instruments traded on markets that are not active, or other valuation techniques in which all important input data is directly or indirectly observable in the market.

- Level 3)** Based on inputs that are not observable on the market. This category includes all instruments for which the valuation technique is based on data that is not observable and has a substantial impact upon the valuation.

Group, 31 Mars 2017							
SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		1,594,560	1,594,560	1,594,560	1,594,560		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,002,297		1,002,297	1,002,297			1,002,297
<i>of which, carried at amortised cost</i>	11,506,173		11,506,173	11,627,936			11,627,936
Bonds and other securities		3,051,987	3,051,987	3,051,987	3,051,987		
Derivatives		363	363	363		363	
Total assets	12,508,470	4,646,910	17,155,380	17,277,143	4,646,547	363	12,630,233
Additional purchase price liability		47,761	47,761	47,761			47,761
Derivatives		51,801	51,801	51,801		51,801	
Senior unsecured debt		3,143,670	3,143,670	3,290,262		3,290,262	
Subordinated liabilities		342,997	342,997	393,855		393,855	
Total liabilities		3,586,229	3,586,229	3,783,679		3,735,918	47,761

Group, 31 December 2016							
SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		2,273,903	2,273,903	2,273,903	2,273,903		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,044,660		1,044,660	1,044,660			1,044,660
<i>of which, carried at amortised cost</i>	11,340,887		11,340,887	11,459,565			11,459,565
Bonds and other securities		2,538,566	2,538,566	2,538,566	2,474,849		63,717
Derivatives		29,167	29,167	29,167		29,167	
Total assets	12,385,547	4,841,636	17,227,183	17,345,861	4,748,752	29,167	12,567,942
Additional purchase price liability		46,808	46,808	46,808			46,808
Derivatives		5,397	5,397	5,397		5,397	
Senior unsecured debt		3,125,996	3,125,996	3,291,549		3,291,549	
Subordinated liabilities		341,715	341,715	398,125		398,125	
Total liabilities		3,519,916	3,519,916	3,741,879		3,695,071	46,808

Note 2 Financial instruments, cont.

Group, 31 Mars 2016

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		3,046,834	3,046,834	3,046,834	3,046,834		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,127,328		1,127,328	1,127,328			1,127,328
<i>of which, carried at amortised cost</i>	9,932,789		9,932,789	10,401,750			10,401,750
Bonds and other securities ¹⁾		1,065,496	1,065,496	1,065,496	1,065,496		
Derivatives		67,706	67,706	67,706		67,706	
Total assets	11,060,117	4,180,036	15,240,153	15,709,114	4,112,330	67,706	11,529,078
Additional purchase price liability		69,966	69,966	69,966			69,966
Derivatives		7,224	7,224	7,224		7,224	
Senior unsecured debt		986,259	986,259	1,006,274		1,006,274	
Subordinated liabilities		338,006	338,006	410,375		410,375	
Total liabilities		1,401,455	1,401,455	1,493,839		1,423,873	69,966

1) Bonds and other securities include SEK 25m in shares. The shares are reported at acquisition cost as there are no quoted market prices, and it has not been possible to estimate a reliable fair value using accepted valuation methods.

Parent Company, 31 Mars 2017

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		1 594 560	1 594 560	1 594 560	1 594 560		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	857 067		857 067	857 067			857 067
<i>of which, carried at amortised cost</i>	1 642 100		1 642 100	1 734 245			1 734 245
Bonds and other securities		3 051 987	3 051 987	3 051 987	3 051 987		
Derivatives		363	363	363		363	
Total assets	2 499 167	4 646 910	7 146 077	7 238 222	4 646 547	363	2 591 312
Additional purchase price liability		47 761	47 761	47 761			47 761
Derivatives		51 801	51 801	51 801		51 801	
Senior unsecured debt		3 143 670	3 143 670	3 290 262		3 290 262	
Subordinated liabilities		342 997	342 997	393 855		393 855	
Total liabilities		3 586 229	3 586 229	3 783 679		3 735 918	47 761

Note 2 Financial instruments, cont.

Parent Company, 31 December 2016

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		2,273,903	2,273,903	2,273,903	2,273,903		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	886,595		886,595	886,595			886,595
<i>of which, carried at amortised cost</i>	1,698,071		1,698,071	1,798,600			1,798,600
Bonds and other securities		2,538,566	2,538,566	2,538,566	2,474,849		63,717
Derivatives		29,167	29,167	29,167		29,167	
Total assets	2,584,666	4,841,636	7,426,302	7,526,831	4,748,752	29,167	2,748,912
Additional purchase price liability		46,808	46,808	46,808			46,808
Derivatives		5,397	5,397	5,397		5,397	
Senior unsecured debt		3,125,996	3,125,996	3,291,549		3,291,549	
Subordinated liabilities		341,715	341,715	398,125		398,125	
Total liabilities		3,519,916	3,519,916	3,741,879		3,695,071	46,808

Parent Company, 31 Mars 2016

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		3,046,834	3,046,834	3,046,834	3,046,834		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	946,442		946,442	946,442			946,442
<i>of which, carried at amortised cost</i>	1,704,238		1,704,238	1,833,649			1,833,649
Bonds and other securities ¹⁾		1,065,496	1,065,496	1,065,496	1,065,496		
Derivatives		67,706	67,706	67,706		67,706	
Total assets	2,650,680	4,180,036	6,830,715	6,960,126	4,112,330	67,706	2,780,091
Additional purchase price liability		69,966	69,966	69,966			69,966
Derivatives		7,224	7,224	7,224		7,224	
Senior unsecured debt		986,259	986,259	1,006,274		1,006,274	
Subordinated liabilities		338,006	338,006	410,375		410,375	
Total liabilities		1,401,455	1,401,455	1,493,839		1,423,873	69,966

1) Bonds and other securities include SEK 25m in shares. The shares are reported at acquisition cost as there are no quoted market prices, and it has not been possible to estimate a reliable fair value using accepted valuation methods.

Note 2 Financial instruments, cont.

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

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

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

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

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

Acquired loan portfolios	Group			Parent Company		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
SEK thousand						
Opening balance	12,385,547	11,014,699	11,014,699	2,584,666	2,646,612	2,646,612
Acquisitions	610,727	3,329,382	648,398	90,249	600,394	136,086
Adjustment of acquisition analysis	-	-29,536	-	-	-	-
Intra-Group sales	-	-	-	-	-204,853	-
Translation differences	34,820	-22,785	-120,442	-4,713	125,464	28,187
Changes in value						
Based on opening balance forecast (amortisation)	-527,930	-1,911,916	-484,784	-174,178	-637,537	-155,092
Based on revised estimates (revaluation)	5,306	5,703	2,246	3,143	54,586	-5,113
Carrying value	12,508,470	12,385,547	11,060,117	2,499,167	2,584,666	2,650,680
Changes in carrying value reported in the income statement	-522,624	-1,906,213	-482,538	-171,035	-582,951	-160,205

Of which, designated at fair value	Group			Parent Company		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
SEK thousand						
Opening balance	1,044,660	1,177,808	1,177,808	886,595	973,806	973,806
Translation differences	-2,377	52,874	13,046	-1,983	43,838	10,624
Changes in value						
Based on opening balance forecast (amortisation)	-33,152	-186,090	-63,526	-32,283	-150,115	-37,988
Based on revised estimates (revaluation)	-6,834	68	-	4,738	19,066	-
Carrying values	1,002,297	1,044,660	1,127,328	857,067	886,595	946,442
Changes in carry Values reported in the income statement	-39,986	-186,022	-63,526	-27,545	-131,049	-37,988

Note 2 Financial instruments, cont.

Sensitivity analysis

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

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

SEK thousand	Group		
	31 Mar 2017	31 Dec 2016	31 Mar 2016
Carrying value of loan portfolios	12,515,470	12,385,547	11,060,117
A 5% increase in estimated cash flow over the 10-year forecast period would reduce the carrying value by:	613,365	558,977	543,347
<i>of which, valued at fair value</i>	50,120	51,685	56,366
A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by:	-613,365	-558,977	-543,347
<i>of which, valued at fair value</i>	-50,120	-51,685	-56,366
Carrying value of loan portfolios acquired prior to 1 July 2011	1,002,297	1,044,660	1,127,328
A 1% decrease in the market rate of interest would increase the carrying value by:	30,539	31,174	33,387
A 1% increase in the market rate of interest would reduce the carrying value by:	-28,882	-29,483	-31,593
Shortening the forecast period by 1 year would reduce the carrying value by:	-26,383	-26,534	-34,386
Lengthening the forecast period by 1 year would increase the carrying value by:	20,959	20,938	31,196

Portfolios valued at fair value through profit or loss

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

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

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

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

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

Note 3 Capital adequacy

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

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

Own funds

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

Own funds, SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
Capital instruments and related share premium accounts	1,286,805	1,286,805	1,286,805	482,963	482,963	482,963
Retained earnings	775,254	472,965	486,517	564,841	307,205	429,633
Accumulated comprehensive income and other reserves	335,492	331,293	353,329	1,081,898	1,081,949	1,062,877
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	-	292,004	-	-	267,191	-
Intangible assets (net of related tax liability)	-243,058	-243,340	-233,045	-33,929	-37,647	-40,398
Deferred tax assets that rely on future profitability	-42,212	-47,268	-64,918	-2,746	-2,734	-4,589
Common Equity Tier 1	2,112,281	2,092,459	1,828,688	2,093,027	2,098,927	1,930,486
Capital instruments and the related share premium accounts	379,577	379,577	93,000	379,577	379,577	93,000
Additional Tier 1 capital	379,577	379,577	93,000	379,577	379,577	93,000
Tier 1 capital	2,491,858	2,472,036	1,921,688	2,472,604	2,478,504	2,023,486
Capital instruments and the related share premium accounts	342,997	341,715	338,006	342,997	341,715	338,006
Tier 2 capital	342,997	341,715	338,006	342,997	341,715	338,006
Total own funds for capital adequacy purposes	2,834,855	2,813,751	2,259,695	2,815,601	2,820,219	2,361,492

1) Regulatory dividend deduction is calculated at 30 per cent of reviewed net profit for the period, the maximum dividend allowed under the Group's internal dividend policy.

Risk-weighted exposure amounts and capital requirements

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

Risk-weighted exposure amounts, SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	254,176	261,882	296,897	33,816	78,060	130,313
<i>of which, counterparty credit risk</i>	23,742	29,036	37,233	23,742	29,036	37,233
Exposures to corporates	188,514	199,920	180,134	10,520,956	10,238,303	8,674,315
Retail exposures	22,337	24,146	37,861	22,337	24,146	37,861
Exposures in default	13,309,054	13,270,498	11,416,234	2,572,642	2,646,432	2,710,393
Exposures in the form of covered bonds	305,199	247,485	106,550	305,199	247,485	106,550
Equity exposures	-	-	-	570,759	570,038	562,572
Other items	142,231	132,315	155,583	7,032	6,116	206,926
Credit risk (standardised approach)	14,221,511	14,136,246	12,193,259	14,032,741	13,810,580	12,428,930
Market risk (foreign exchange risk - standardised approach)	44,323	28,858	28,449	44,323	28,858	28,449
Operational risk (basic indicator approach)	-	-	2,600,728	-	-	755,709
Operational risk (standardised approach)	2,622,890	2,622,373	-	893,024	893,024	-
Credit valuation adjustment (standardised approach)	0	0	0	0	0	0
Total risk-weighted exposure amount	16,888,724	16,787,477	14,822,436	14,970,088	14,732,462	13,213,088

Note 3 Capital adequacy, cont.

Capital requirements, SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
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	20,334	20,951	23,752	2,705	6,245	10,425
<i>of which, counterparty credit risk</i>	1,899	2,323	2,979	1,899	2,323	2,979
Exposures to corporates	15,081	15,994	14,411	841,676	819,064	693,945
Retail exposures	1,787	1,932	3,029	1,787	1,932	3,029
Exposures in default	1,064,724	1,061,640	913,299	205,811	211,715	216,831
Exposures in the form of covered bonds	24,416	19,799	8,524	24,416	19,799	8,524
Equity exposures	-	-	-	45,661	45,603	45,006
Other items	11,379	10,583	12,446	563	489	16,554
Credit risk (standardised approach)	1,137,721	1,130,899	975,461	1,122,619	1,104,847	994,314
Market risk (foreign exchange risk-standardised approach)	3,546	2,309	2,276	3,546	2,309	2,276
Operational risk (basic indicator approach)	-	-	208,058	-	-	60,457
Operational risk (standardised approach)	209,831	209,790	-	71,442	71,442	-
Credit valuation adjustment (standardised approach)	0	0	0	0	0	0
Total own funds requirement – Pillar 1	1,351,098	1,342,998	1,185,795	1,197,607	1,178,598	1,057,047
Pillar 2						
Concentration risk	105,485	101,991	83,631	105,485	101,991	83,631
Interest rate risk in the banking book	33,090	30,000	61,127	33,090	30,000	61,127
Pension risk	4,106	4,106	4,106	-	-	-
Other Pillar 2 risks	469	794	24,110	469	794	24,876
Total own funds requirement – Pillar 2	143,150	136,891	172,974	139,044	132,785	169,634
Capital buffers						
Countercyclical buffer	422,217	419,686	370,561	374,252	368,312	330,327
Total own funds requirement – Capital buffers	9,714	6,370	2,453	18,648	10,770	6,607
	431,931	426,056	373,014	392,900	379,082	336,934
Total own funds requirements						
Capital buffers	1,926,179	1,905,945	1,731,783	1,729,551	1,690,465	1,563,614

The own funds for the Company's consolidated situation totalled SEK 2,835m (2,814) as at 31 March 2017, exceeding the own funds requirements by a good margin.

Capital ratios and capital buffers

Regulation (EU) No 575/2013 of the European Parliament and the Council requires credit institutions to maintain Common Equity Tier 1 capital of at least 4.5 per cent, Tier 1 capital of at least 6 per cent, and a total capital ratio (capital in relation to risk-weighted exposure amount) of 8 per cent. Credit institutions are also required to maintain specific capital buffers. Hoist Finance is currently required to maintain a capital conservation buffer of 2.5 per cent of the total risk-weighted

exposure amount and a countercyclical buffer of 0.06 per cent of the total risk-weighted exposure amount. The table below shows CET1 capital, Tier 1 capital and the total capital ratio for Hoist Finance and for the regulated entity Hoist Kredit. The table also shows the institution-specific CET1 capital requirements.

All capital ratios exceed the minimum requirements and capital buffer requirements by a healthy margin.

Note 3 Capital adequacy, cont.

Capital ratios and capital buffers, %	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
Common Equity Tier 1 capital ratio	12.51	12.46	12.34	13.98	14.25	14.61
Tier 1 capital ratio	14.75	14.73	12.96	16.52	16.82	15.31
Total capital ratio	16.79	16.76	15.25	18.81	19.14	17.87
Institution-specific buffer requirements for CET1 capital	7.06	7.04	7.02	7.12	7.07	7.05
of which, capital conservation buffer requirement	2.50	2.50	2.50	2.50	2.50	2.50
of which, countercyclical capital buffer requirement	0.06	0.04	0.02	0.12	0.07	0.05
Common Equity Tier 1 capital available to meet buffers¹⁾	8.01	7.96	6.96	9.48	9.75	9.31

1) CET1 ratio as reported, less minimum requirement of 4.5 per cent (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

Internally assessed capital requirement

The internally assessed capital requirement for Hoist Finance consolidated situation totalled SEK 1,494m (1,480) at 31 March 2017, of which SEK 143m (137) is attributable to Pillar 2.

Note 4 Liquidity risk

This note provides information required to be disclosed under the provisions of FFFS 2010:7, including applicable amendments, regarding the management of liquidity risks in credit institutions and investment firms.

Liquidity risk is the risk of difficulties in obtaining funding, and thus being unable to meet payment obligations, without a significant increase in the cost of obtaining means of payment.

Because the Group's revenues and costs are relatively stable, liquidity risk is primarily associated with the Group's funding which is based on deposits from the public and the risk of major outflows of deposits on short notice.

The overall objective of the Group's liquidity management is to ensure that the Group maintains control over its liquidity risk situa-

tion, with sufficient amounts of liquid assets or immediately divestible assets to ensure timely satisfaction of its payment obligations without incurring significantly higher costs.

Funding primarily takes the form of deposits from the public and the issuance of senior unsecured bonds and own funds instruments, as well as equity. The majority of deposits from the public are payable on demand (variable deposits – "floating"), while about 36 per cent (36) of the Group's deposits from the public are tied to longer maturities ("fixed deposits") ranging from 12 to 36 months. About 99 per cent of deposits are backed by the deposit guarantee scheme.

Funding SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
Deposits from the public, floating	7,708,432	7,582,909	8,786,028	7,708,432	7,582,909	8,786,028
Deposits from the public, fixed	4,129,886	4,266,047	4,180,688	4,129,886	4,266,047	4,180,688
Senior unsecured debt	3,143,670	3,125,996	986,259	3,143,670	3,125,996	986,259
Convertible debt instruments	379,577	379,577	93,000	379,577	379,577	93,000
Subordinated liabilities	342,997	341,715	338,006	342,997	341,715	338,006
Equity	2,694,728	2,545,719	2,286,036	2,191,219	2,139,996	2,207,754
Other	740,122	907,963	734,879	470,889	632,535	205,371
Balance sheet total	19,139,412	19,149,926	17,404,896	18,366,670	18,468,775	16,797,105

The Group's Treasury policy stipulates limits on how much liquidity is to be available and the nature of such liquidity. As at 31 March, available liquidity totalled SEK 5,671m (5,789), which is well in excess of the limit.

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

Note 4 Liquidity risk, cont.

Liquidity reserve

SEK thousand	31 Mar 2017	31 Dec 2016	31 Mar 2016
Cash and holdings in central banks	3,054	3,073	198
Deposits in other banks available overnight	1,021,112	1,036,749	1,152,972
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,170,568	1,528,116	1,377,805
Securities issued or guaranteed by municipalities or other public sector entities	423,993	745,786	1,669,029
Covered bonds	3,051,987	2,474,849	1,065,496
Securities issued by non-financial corporates	-	-	-
Securities issued by financial corporates	-	-	-
Other	-	-	-
Total	5,670,714	5,788,573	5,265,500

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

Note 5 Pledged asset

SEK thousand	Group			Parent Company		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	239	478	646	239	478	646

Note 6 Contingent liabilities

SEK thousand	Group			Parent Company		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
Commitments ¹⁾	1,531,557	1,565,944	445,956	150,975	127,503	283,708

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

Note 7 Reconciliation alternative performance measures

Return on book SEK thousand	Quarter 1 2017	Quarter1 2016	Full year 2016
EBIT	265,359	233,900	971,509
+ Operating expenses in Central Functions	97,865	70,204	300,316
EBIT excl operating expenses in Central Functions ¹⁾	363,224	1,216,416	1,271,825
Average carrying value of aquired loans ²⁾	12,720,564	11,312,251	11,968,471
Return on book, %	11.4	10.8	10.6

1) Calculated on an annualised basis (quarterly)

2) Calculated as average on previous period

Note 7 Reconciliation alternative performance measures, cont.

EBITDA, adjusted SEK thousand	Quarter 1 2017	Quarter 1 2016	Full year 2016
Profit for the period	133,415	97,624	435,172
+ Income tax expense	37,124	29,128	124,972
+ Portfolio revaluations	-5,306	-2,246	-5,703
- Interest income (excl. Interest from run-off performing portfolio)	2,402	1,714	2,868
+ Interest expense	83,359	70,179	310,295
+/- Net result from financial transactions, incl. Net credit losses	9,058	35,255	98,203
+ Depreciation and amortisation of tangible and intangible assets	12,482	11,814	47,906
EBITDA	272,534	243,468	1,013,713
+ Amortisation on run-off portfolio	2,412	7,883	26,171
+ Amortisation on acquired loan portfolios	527,930	484,784	1,911,916
EBITDA, adjusted	802,876	736,135	2,951,800
Book value of run-off consumer loan portfolio	29,782	50,482	32,194

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, 26 April 2017

Ingrid Bonde
Chair of the Board

Liselotte Hjorth
Board member

Annika Poutiainen
Board member

Costas Thoupos
Board member

Magnus Ugglå
Board member

Gunilla Wikman
Board member

Jörgen Olsson
CEO
Board member

A guide to our interim report

Operating income statement, Group

SEK thousand	Quarter 1 2017	Quarter 1 2016
Gross cash collections on acquired loan portfolios	1,186,339	1,055,794
Portfolio amortisation and revaluation	-522,624	-482,533
Interest income from run-off consumer loan portfolio	1,845	2,389
Net revenue from acquired loan portfolios	665,560	575,650
Fee and commission income	21,145	29,870
Profit from shares and participations in joint ventures	27,662	28,705
Other income	7,668	3,287
Total revenue	722,035	637,512
Personnel expenses	-167,746	-167,612
Collection costs	-169,008	-117,637
Other operating expenses	-107,440	-106,549
Depreciation and amortisation of tangible and intangible assets	-12,482	-11,814
Total operating expenses	-456,676	-403,612
Operating profit (EBIT)	265,359	233,900
Funding		
Interest income excl. run-off consumer loan portfolio	-2,403	-1,714
Interest expense	-83,359	-70,179
Net income from financial transactions	-9,058	-35,255
Total financial items	-94,820	-107,148
Profit before tax	170,539	126,752

Statutory income statement, Group

SEK thousand	Quarter 1 2017	Quarter 1 2016
Revenue from acquired loan portfolios	663,715	573,261
Interest income	-557	675
Interest expense	-83,359	-70,179
Net interest income	579,799	503,757
Fee and commission income	21,145	29,870
Net financial income	-9,058	-35,255
Other income	7,668	3,287
Total operating income	599,554	501,659
General administrative expenses		
Personnel expenses	-167,746	-167,612
Other operating expenses	-276,449	-224,186
Depreciation and amortisation of tangible and intangible assets	-12,482	-11,814
Total operating expenses	-456,677	-403,612
Profit before credit losses	142,877	98,047
Net credit losses	-	-
Profit from shares and participations in joint ventures	27,662	28,705
Profit before tax	170,539	126,752

Hoist Kredit supplements its statutory presentation of the income statement with an operating income statement in order to assess the operational performance of the debt purchasing and collection operations and to facilitate comparison with our competitors.

The operating income statement does not include any amendments or adjustments compared with the statutory income statement. The same accounting and valuation principles are applied in both versions.

Hoist Kredit regards the acquisition and management of acquired loan portfolios as the Group's core operational activity. Deposit-taking in HoistSpar is thus part of the Group's financing activity. An outline guide is presented to the left in order to assist understanding of our financial performance presented in the statutory income statement as compared with the operating income statement.

The statutory income statement complies with the Swedish Financial Supervisory Authority's general recommendations FFFS 2008:25.

Operating profit (EBIT) in the operating income statement

In an analysis of the Group's operating profit (EBIT), income and expenses attributable to the acquisition and management of loan portfolios, amortised consumer loan portfolios, fee and commission income, profit from joint ventures as well as general administration expenses are regarded as our operational activity.

Interest expenses for deposit-taking are regarded as financing expenses.

Definitions

Alternative performance measures

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

Acquired loans

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

Acquired loan portfolios

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

Additional Tier 1 capital

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

Capital requirements – Pillar 1

Minimum capital requirements for credit risk, market risk and operational risk.

Capital requirements – Pillar 2

Capital requirements beyond those stipulated in Pillar 1.

Common Equity Tier 1

Capital instruments and associated share premium reserves that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council, and other equity items that may be included in CET1 capital, less regulatory dividend deduction and deductions for items such as goodwill and deferred tax assets.

Common Equity Tier 1 ratio

Common Equity Tier 1 in relation to total risk exposure amount.

EBITDA, adjusted

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

EBIT

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

EBIT margin

EBIT (operating earnings) divided by total revenue.

Expenses/Gross collections on acquired loan portfolios

Operating expenses less fee and commission income, divided by the sum of gross cash collections and interest income from the run-off consumer loan portfolios. The expenses related to fee and commission income are calculated with reference to commission income costs related to other income and actual profit margin.

Fee and commission income

Fees for providing debt management services to third parties.

Gross ERC 120 months

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

Gross cash collections

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

Legal collection

Legal collections relate to the cash received following the initiation of Hoist Finance's litigation process. This process assesses customers' solvency and follows regulatory and legal requirements.

Net revenue from acquired loans

The sum of gross cash collections from acquired loan portfolios and income from the run-off consumer loan portfolio, less portfolio amortization and revaluation.

Own funds

Sum of Tier 1 capital and Tier 2 capital.

Portfolio amortisation

The share of gross collections that will be used for amortising the carrying value of acquired loan portfolios.

Portfolio growth

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

Portfolio revaluation

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

Non-performing loans (NPLs)

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

Number of employees (FTEs)

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

Return on book

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

Return on equity

Net profit for the period adjusted for accrued unpaid interest on AT1 capital, calculated on annualised basis, divided by equity adjusted for AT1 capital reported in equity, calculated as an average for the year based on a quarterly basis.

Risk-weighted exposure amount

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

SME

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

Tier 1 capital

The sum of CET1 capital and AT1 capital.

Tier 1 capital ratio

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

Tier 2 capital

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

Total capital ratio

Own funds as a percentage of the total risk exposure amount.

Total revenue

Total of net revenue from acquired loan, fee and commission income, profit or loss from joint ventures and other income.

Business concept, business model and strategies

Hoist Kredit's business model is designed to ensure continuity and to deliver both growth and long-term strategic initiatives. Our model is hallmarked by solution-oriented settlements with respect, confidence and trust in everything we do.



Strategic objectives

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

Financial calendar

Annual general meeting	28 April 2017
Interim report Q1 2017	27 April 2017
Interim report Q2 2017	28 July 2017
Interim report Q3 2017	26 October 2017

Contact

Investor Relations
Michel Jonsson
Group Head of Investor Relations

Hoist Kredit AB (publ)
Corp. ID no. 556329-5699
Box 7848,
103 99 Stockholm
Ph: +46 (0) 8-555 177 45
Ph: +46 (0) 8-555 177 90
E-post: info@hoistfinance.com www.hoistfinance.com

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.