

Interim Report Q3 2016

July – September 2016

- » Gross cash collections on acquired loan portfolios increased 10 per cent to SEK 1,075m (974).
- » Total revenue increased 13 per cent to SEK 667m (591).
- » Reported EBIT was SEK 245m (183) and the EBIT margin was 37 per cent (31).
- » Profit before tax totalled SEK 140m (90).
- » Portfolio acquisitions totalled SEK 607m (1,982).

Figures in parentheses refer to Q3 2015.

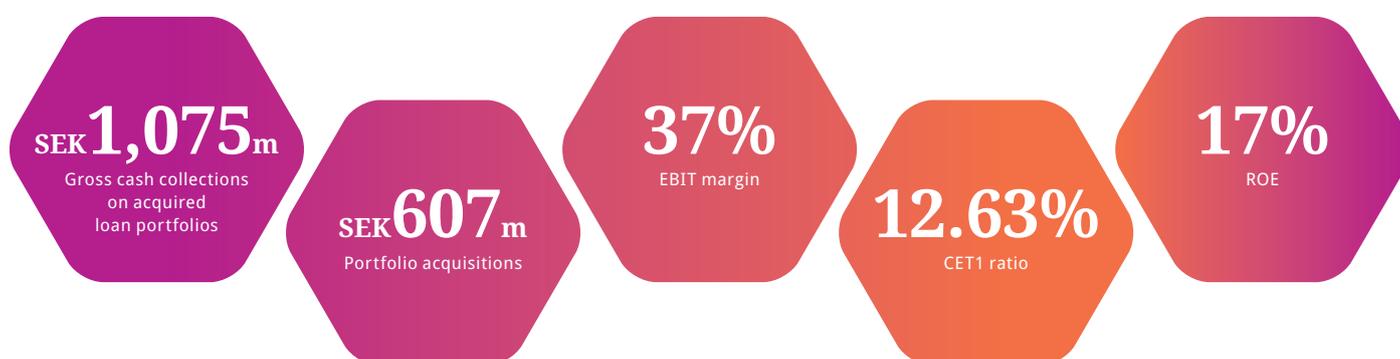
30 September 2016

- » Carrying value on acquired loan portfolios totalled SEK 11,658m (11,279).
- » Gross 120-month ERC (Estimated Remaining Collections) totalled SEK 19,450m (19,367).
- » The total capital ratio improved to 15.45 per cent (15.21).
- » The CET1 capital ratio was 12.63 per cent (12.32).

Figures in parentheses refer to 31 December 2015.

Events during the quarter

- » Hoist Kredit acquired a Madrid-based master servicing company, strengthening its position in the Spanish market.
- » Taking advantage of favourable market conditions, Hoist Kredit expanded its EMTN programme with the issue of an additional EUR 50 m. The bond loan totals EUR 300m following the issue.



SEK million	Quarter 3 2016	Quarter 3 2015	Change, %	Jan-Sep 2016	Jan-Sep 2015	Change, %
Gross cash collections on acquired loan portfolios	1,075	974	10	3,206	2,599	23
Net revenue from acquired loan portfolios	606	539	13	1,790	1,450	23
Total revenue	667	591	13	1,959	1,632	20
EBIT	245	183	34	719	504	43
EBIT margin, %	37	31	6 pp	37	31	6 pp
Profit before tax	140	90	57	400	198	>100
Net profit	112	71	57	317	159	99
Portfolio acquisitions	607	1,982	-69	1,762	2,920	-40

SEK million	30 Sep 2016	31 Dec 2015	Change, %
Carrying value on acquired loan portfolios ¹⁾	11,658	11,279	3
Gross 120-month ERC ²⁾	19,450	19,367	0
Return on equity, %	17	15	2 pp
Total capital ratio, %	15.45	15.21	0.2 pp
CET1 ratio, %	12.63	12.32	0.3 pp
Liquidity reserve	6,520	5,156	26
Number of employees (FTEs) ³⁾	1,341	1,349	-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. For detailed information on this key ratio, see Definitions.

³⁾The number of employees in 2015 was updated based on a modified calculation model.

Hoist Kredit AB (publ) ("Hoist Kredit") is a regulated credit market company and therefore 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 Kredit 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. Hoist Kredit is part of the financial group of companies for which Hoist Finance AB (publ) ("Hoist Finance") is the parent company.

The information in this interim report is such that Hoist Kredit is obligated to publish under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was submitted for publication on 28 October 2016 at 8:00 AM CET.

Strengthened position in the Spanish market and acquisition of other asset classes in Italy

Hoist Kredit's operating activities continue to perform well, while we also continue to make investments and advance our positions for the future. Accordingly, we reported a strong performance in the third quarter with an operating profit (EBIT) that was up more than 20 per cent year-on-year. Over the course of seven quarters since Hoist Kredit was listed on 25 March 2015, we have increased revenues by more than 30 per cent and our profit before tax by more than 150 per cent. Looking ahead, I do not foresee any change in our stable and strong rate of growth.

Strengthened position in the Spanish market

In September, we had the pleasure of announcing the acquisition of the Madrid-based master servicing company Optimus. This transaction was a natural progression on our first portfolio acquisition in Spain, which we announced in June. By acquiring this company – which enables the internal management of acquired loans and gives us a local presence – we are making substantial advancements of our positions in the Spanish market, which is one of the larger markets in Europe. Using its expertise, energy and commitment, the company will be able to support and accelerate our goal of becoming the leading business partner to financial institutions in the Spanish market.

Acquisition of SME portfolio and portfolio of secured assets in Italy

During the quarter, Hoist acquired a portfolio of secured assets in Italy, and, after the end of the quarter, a SME portfolio was acquired in the same country. Our strategy remains in place, but in order to advance on our vision of becoming the leading debt-management partner to banks and financial institutions, we are expanding our focus to other asset categories, including secured loans and loans to SMEs. We are doing this in the interest of being able to continue to meet our partners' needs and deliver value to both our shareholders and partners.

99

A leading debt restructuring partner to international banks



Strong earnings at the regional level and the acquisition of other asset classes

At the regional level, both Region West Europe and Central East Europe reported improved earnings (EBIT) and operating margins compared with the year-earlier period. Earnings in Region Mid Europe were slightly lower year-on-year, which was attributable to a seasonally strong quarter in 2015.

Popular and well-received Capital Markets Day

We organised our first Capital Markets Day during the quarter, the aim of which was to describe our view of the non-performing loan market and the role we play there. This market, highly relevant to Hoist Kredit, is expected to grow by 7 per cent annually as more and more banks realise the value of making their balance sheets more effective and divesting non-performing assets. Through specialisation and effective procedures and processes, we are able to offer a price for these portfolios that exceeds the sum that the bank itself could recover using its internal processes – creating a win-win situation for ourselves and our partners, and serving an important role in the financial ecosystem.

Creating shareholder value

In the annual report, I wrote that we will continue to remain focused on creating shareholder value. Our aim is to increase knowledge and understanding of Hoist Kredit by maintaining clear and transparent communication in conjunction with our interim reports and Capital Market Days.

Another element involves delivering on our communicated goals and fulfilling our strategy, which we will continue to do. We had just over 1,500 shareholders at the beginning of the year; this number increased to nearly 3,500 by the end of the quarter. I would like to take this opportunity to welcome all of our new shareholders and to say that we have only just begun this long and exciting journey.

Outlook

The fourth quarter is seasonally the strongest in terms of portfolio acquisitions. This is also verified by the beginning of the quarter, in which acquisitions have exceeded those from the full third quarter. Our target of achieving a 2016 acquisition volume in line with the past three years remains in place.

Jörgen Olsson
CEO
Hoist Kredit AB (publ)

Third quarter 2016

Unless otherwise specified, all market, financial and operational comparisons refer to the third quarter of 2015. The analysis below follows the operating income statement

Revenues

Total revenue increased 13 per cent to SEK 667m (591) and gross cash collections on acquired loan portfolios increased 10 per cent to SEK 1,075m (974). The increase was mainly attributable to operations in Italy and Poland, where significant portfolio acquisitions were made in late 2015 and during 2016, respectively. Portfolio acquisitions during the quarter totalled SEK 607m (1,982) and were mainly attributable to significant acquisitions in the UK. Adjusted for the July 2015 acquisition of Compello Holdings Ltd, the comparative figure for Q3 2016 is SEK 513m.

Portfolio amortisation and revaluation increased alongside gross cash collection to SEK 467m (438). Portfolio revaluations of SEK –8m (–35) are also included. Net revenue from acquired loan portfolios, consequently, increased by 13 per cent to SEK 606m (539) due to volume growth.

Fee and commission income declined by 25 per cent to SEK 28m (38). The decline was primarily attributable to 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 the Company's strategy. Profit from participations in joint ventures increased to SEK 27m (11). The increase is entirely attributable to the Polish joint venture in which Hoist Kredit has invested. Comparative figures were impacted by a relatively weak Q3 2015.

Operating expenses

Personnel expenses decreased 5 per cent to SEK 156m (164). The decrease is primarily a reflection of the trend in the UK based on two factors; streamlining associated with the integration of previous acquisitions, and the weakening of sterling against the Swedish krona which affects both income and

expenses. Collection expenses increased 16 per cent to SEK 166m (143), largely due to the newly entered Spanish market where collection expenses totalled SEK 21m (–) during the quarter. Other operating expenses, which fell to SEK 88m (90), were also affected by the establishment in Spain, which entailed non-recurring expenses of SEK 4m during the quarter.

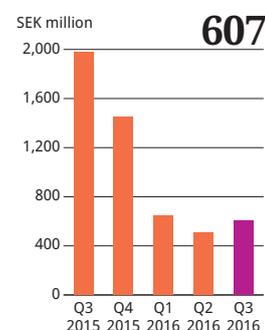
Financial items

Financial items as per the Company's operating income statement totalled SEK –105m (–93). Interest income (excluding run-off consumer loan portfolio) totalled SEK –1m (6). The negative interest income is due to the prevailing interest rates, under which Treasury bills and similar securities, which comprise the majority of Hoist Finance's liquidity portfolio, no longer offer positive returns.

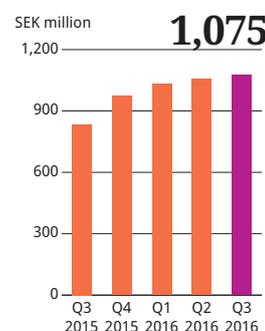
Interest expense totalled SEK 80m (90) and is mainly comprised of interest expenses for issued bonds and interest expense related to HoistSpar deposits. The portion attributable to issued bonds increased due to issues conducted during Q2 and Q3 2016, while the portion attributable to HoistSpar decreased due to lower interest rates and somewhat lower deposit volumes.

Hoist Kredit regularly hedges interest-rate and currency risks through derivatives. Interest-rate risk hedging results were limited during the quarter, as were results for market-value changes on bonds, which are also reported under Net financial income. Net financial income during the quarter totalled SEK –24m (–9), mainly due to hedging of currency risk. The result is primarily attributable to the strengthening of the Polish zloty, which also affects currency translation differences on foreign operations in other comprehensive income.

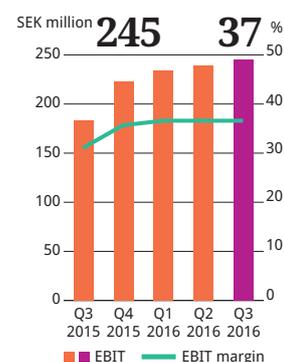
Portfolio acquisitions



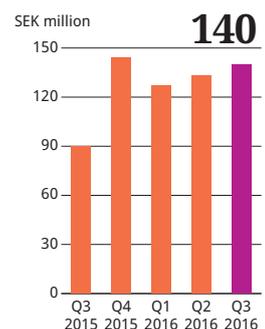
Gross cash collections



EBIT and EBIT margin



Profit before tax



Balance sheet

Unless otherwise specified, comparisons regarding balance-sheet items refer to 31 December 2015.

Assets

Total assets increased SEK 1,557m to SEK 19,168m (17,611). Bonds and other securities increased SEK 757m and Treasury bills and Treasury bonds rose SEK 393m, which was primarily attributable to the contribution from the issue of unsecured bonds. Acquired loan portfolios increased SEK 356m, due primarily to acquisitions in the UK. The carrying value of participations in joint ventures increased SEK 43m and receivables from Group companies increased SEK 293m. These increases are offset by a SEK –200m reduction in Lending to credit institutions and a SEK –84m reduction in other assets. The decline in other assets was primarily due to changes in the market value of currency forwards.

Liabilities

Total liabilities amounted to SEK 16,650m (15,402). The change comprises an increase of SEK 1,989m in senior unsecured debts as the result of buybacks and the issue of bond loans. The increase was offset by a SEK –499m decrease in deposits from the public and a SEK –242m decrease in other liability items.

Funding and capital debt

SEK million	30 Sep 2016	31 Dec 2015	Change, %
Cash and interest-bearing securities	6,127	5,177	18
Other assets ¹⁾	13,041	12,434	5
Total assets	19,168	17,611	9
Deposits from the public	12 293	12 791	–4
Subordinated liabilities	340	337	1
Senior unsecured debt	3,227	1,238	161
Total interest-bearing liabilities	15,860	14,366	10
Other liabilities ¹⁾	789	1,036	–24
Shareholders' equity	2,519	2,209	14
Total liabilities and equity	19,168	17,611	9
CET1 ratio, %	12.63	12.32	0.31 pp
Total capital ratio, %	15.45	15.21	0.24 pp
Liquidity reserve	6 520	5 156	26
Acquired loans			
Carrying value of acquired loans ²⁾	11,658	11,279	3
Gross 120-month ERC ³⁾	19,450	19,367	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 12,293m (12,791). Of this amount, SEK

4,279m is attributable to fixed term deposits of 12-, 24- and 36-month durations. As at 30 September 2016, outstanding bond debt totalled SEK 3,227m (1,238), where the increase is related to issuances of bond loans in the second and third quarter, decreased by repurchase of previously issued bond loans. Shareholders' equity totalled SEK 2,519m (2,209).

The total capital ratio improved to 15.45 per cent (15.21) and the CET1 ratio to 12.63 per cent (12.32). Hoist Kredit is thus well capitalised for further expansion.

Hoist Kredit's liquidity reserve, presented in accordance with the Swedish Bankers' Association's template, totalled SEK 6,520m (5,156).

During the second quarter Hoist Kredit AB (publ) issued a senior, unsecured bond loan in the amount of EUR 250m with a duration of 3.5 years under a newly established EMTN programme. The bond is listed on the Dublin stock exchange and provides a natural form of currency protection since the assets are largely denominated in EUR. Hoist Kredit expanded its existing bond loan during the third quarter with the issuance of an additional SEK 50m.

In conjunction with the transaction in the second quarter, a nominal amount of SEK 667m in previously issued senior bonds denominated in SEK and EUR was repurchased through a public offering. All repurchased bonds were annulled. Following a change in the terms and conditions of outstanding additional Tier 1 capital instruments, these were reclassified from subordinated convertible debt instruments to subordinated bail-inable debt instruments. The change in terms and conditions became effective at 30 June 2016.

Cash flow

Comparative figures refer to Q3 2015.

SEK million	Quarter 3 2016	Quarter 3 2015	Jan-Sep 2016	Jan-Sep 2015
Cash flow from operating activities	–879	–1,331	–712	99
Cash flow from investing activities	–118	986	–843	–453
Cash flow from financing activities	501	–184	1,748	556
Cash flow for the period	–496	–529	193	202

Cash flow from operating activities totalled SEK –879m (–1,331). HoistSpar deposit volumes decreased SEK –413m (22) during the third quarter, largely attributable to the outflow of non-fixed deposits. Cash flow from gross cash collections on acquired loan portfolios increased to SEK 1,075m (974) due to the increased volume of loan portfolios. Portfolio acquisitions during the quarter, excluding translation differences, totalled SEK 607m, compared with SEK 1,982m during the third quarter of 2015.

Cash flow from investing activities totalled SEK –118m (986), primarily as a result of investments in bonds and other interest-bearing securities.

Cash flow from financing activities totalled SEK 501m (–184) and is entirely attributable to an increase of EUR 50m to the existing EUR 250m bond loan (issued under the Hoist Finance EMTN programme) during the third quarter.

Total cash flow for the quarter totalled SEK –496m, as compared with SEK –529m in the third quarter of 2015.

Significant risks and uncertainties

Hoist Kredit's loan portfolio credit risk is deemed to have increased proportionally with the volume of loans acquired during the quarter.

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. A new risk system to improve operational risk management was implemented during the quarter.

Market risks remain low, as Hoist Kredit continuously hedges interest-rate and currency risks on a short- and medium-term horizon.

Hoist Kredit's CET1 ratio was 12.63 per cent (12.32) during the third quarter, well in excess of the regulatory requirement. The Group is thus well capitalised for continued expansion.

Hoist Kredit's liquidity reserve totalled SEK 6,520m (5,156), which exceeds the Group's target. The Group thus maintains a strong liquidity position.

Other information

Parent Company

The Parent Company, Hoist Kredit AB (publ), reported a pre-tax profit of SEK 65m (71) for the third quarter.

Net revenues from acquired loans increased SEK 17m year-on-year, a result of increased acquisition volumes.

Interest expense decreased SEK 11m during the third quarter. Net financial items totalled SEK –33m (–7), comprised primarily of profit/loss from foreign exchange risk hedges. Market value changes were reclassified from Interest income to Net financial income as from first quarter 2016. Comparative figures have been reclassified pursuant to this change. Italian banking fees were reclassified from other operating expenses to collection costs as of the second quarter of 2016. Comparative figures have been reclassified in accordance with this change.

During the year Hoist Kredit issued a senior unsecured bond loan of EUR 300m under a newly established EMTN programme. In conjunction with the new share issue Hoist Kredit repurchased and annulled previously issued bonds at a nominal amount of SEK 281m and EUR 72m.

Hoist Kredit furnished a guarantee for subsidiary Hoist Finance Service AB during the year.

Hoist Finance AB (publ) took up a new loan of SEK 65m in connection with dividend distribution to the Company's shareholders.

Related-party transactions

The nature and scope of related-party transactions are described in the annual report. No significant transactions between Hoist Kredit and any of its related parties took place during the third quarter.

Group structure

Hoist Kredit AB (publ) ("Hoist Kredit") is a wholly owned subsidiary of Hoist Finance AB (publ), corporate identity number 556012-8489, a Swedish publicly traded limited company head-quartered in Stockholm, Sweden. Hoist Finance AB (publ) has been listed on NASDAQ Stockholm since March 2015. Hoist Kredit, corporate identity number 556329-5699, is the parent company of the Hoist Kredit Group. The company is head-quartered in Stockholm, Sweden.

Hoist Kredit acquires and holds much of the Group's loan portfolios, and the loans are managed by its subsidiaries or foreign branches. These entities also provide management services on a commission basis to external parties. The Company operates businesses in Brussels and Amsterdam through foreign branches. A process to merge Hoist Finance AB (publ) and Hoist Kredit AB (publ) has been initiated and an application submitted to the Swedish Financial Supervisory Authority.

During the third quarter, the Spanish subsidiary Hoist Finance Spain S.L. (parent company to acquired company Optimus Portfolio Mgmt S.L.) and Greek subsidiary Hoist Hellas S.A. were established. Hoist Portfolio Holding 2 Ltd (subsidiary of Hoist Finance UK Ltd) was transferred to subsidiary Hoist Portfolio Holding Ltd for administrative reasons.

During the second quarter, in partnership with Qualco S.A. ("QC") and PricewaterhouseCoopers Business Solutions S.A. ("PwC"), Hoist Kredit AB (publ) entered into an agreement with the Bank of Greece pertaining to the management of a portfolio of non-performing loans and other assets from 16 Greek banks and financial institutions that have entered liquidation, and supervision of the restructuring process and optimisation of these assets.

For a more detailed description of the Group's legal structure, please refer to the 2015 annual report.

Review

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

Quarterly review

Segment reporting

SEK thousand	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015	Quarter 3 2015
Gross cash collections on acquired loan portfolios	1,074,719	1,075,877	1,055,974	1,032,221	973,978
Portfolio amortisation and revaluation	-467,240	-470,902	-482,533	-469,138	-437,968
Interest income from run-off consumer loan portfolio	-1,092	3,391	2,389	1,550	2,513
Net revenue from acquired loan portfolios	606,387	608,366	575,650	564,633	538,523
Fee and commission income	28,451	28,983	29,870	39,351	37,990
Profit from shares and participations in joint ventures	27,479	14,636	28,705	13,868	10,674
Other income	4,185	3,258	3,287	4,149	4,193
Total revenue	666,502	655,243	637,512	622,001	591,380
Personnel expenses	-156,158	-164,689	-167,612	-180,741	-164,201
Collection costs ¹⁾	-165,633	-140,816	-121,655	-107,284	-143,337
Other operating expenses ¹⁾	-87,677	-98,659	-102,531	-101,100	-89,516
Depreciation and amortisation of tangible and intangible assets	-11,573	-11,904	-11,814	-9,955	-11,677
Total operating expenses	-421,041	-416,068	-403,612	-399,080	-408,731
EBIT	245,461	239,175	233,900	222,921	182,649
Interest income excl. run-off consumer loan portfolio ²⁾	-824	-1,687	-1,714	6,437	5,751
Interest expense	-80,303	-73,324	-70,179	-85,774	-90,100
Net financial income ²⁾	-24,141	-30,903	-35,255	515	-8,764
Total financial items	-105,268	-105,914	-107,148	-78,822	-93,113
Profit before tax	140,193	133,261	126,752	144,099	89,536

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

2) Comparative figures have been adjusted due to the reclassification of market-value changes from Interest income to Net financial income.

Key ratios

SEK thousand	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015	Quarter 3 2015
EBIT margin, %	37	37	37	36	31
Return on book, % ¹⁾	10.8	11.1	10.7	11.2	10.3
Portfolio acquisitions	607	507	648	1,451	1,982

SEK million	30 sep 2016	31 jun 2016	31 mar 2016	31 dec 2015	30 sep 2015
Carrying value of acquired loans ²⁾	11,658	11,359	11,346	11,279	10,639
Gross 120-month ERC ³⁾	19,450	19,230	19,221	19,367	18,082
Return on equity, %	17	18	17	15	12
Total capital ratio, %	15.45	15.73	15.25	15.21	15.66
CET1 ratio, %	12.63	12.87	12.34	12.32	12.98
Liquidity reserve	6,520	6,785	5,266	5,156	6,025
Number of employees (FTEs)	1,341	1,358	1,305	1,349	1,352

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.

Segment overview

Hoist Kredit 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.

As from 1 January 2016, Hoist Kredit operates under a new structural organisation. Europe is divided into three new segments – Region West Europe, Region Mid Europe and Region Central East Europe. Comparative figures in the report have been adjusted according to the new segments.

Quarter 3, 2016

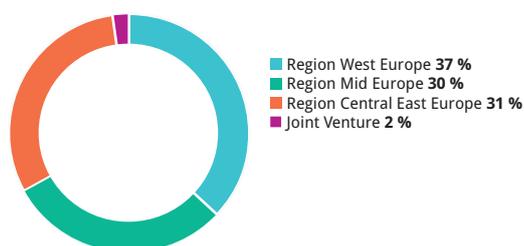
SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Net revenue from acquired loan portfolios	221,637	183,623	201,127	–	606,387
Total revenue	236,854	185,095	216,009	28,544	666,502
Total operating expenses	–160,104	–89,216	–105,110	–66,611	–421,041
EBIT	76,750	95,879	110,899	–38,067	245,461
EBIT margin, %	32	52	51	–	37
Carrying value of acquired loan portfolios, SEKm ¹⁾	4,281	3,491	3,638	248	11,658
Gross 120-day ERC, SEKm ²⁾	7,461	5,840	6,239	–	19,450

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

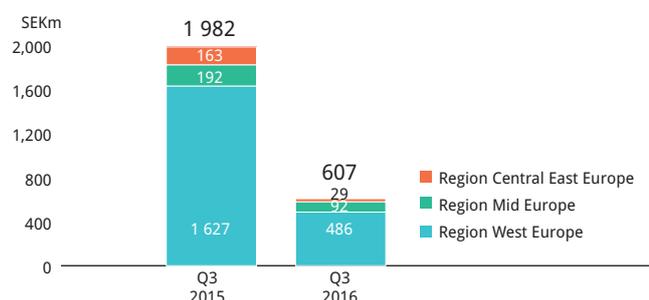
2) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture. For information on the calculation of key ratios, see Definitions.

Distribution by segment

Carrying value, acquired loan portfolios,
30 September 2016



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 17 per cent to SEK 332m (285) during the third quarter of 2016, of which SEK 16m is related to the Spanish portfolio acquired in the second quarter. Portfolio amortisation and revaluation totalled SEK 111m (87) during the quarter, with the increase attributable to the significantly higher carrying value of the acquired loan portfolios. Portfolio revaluations totalling SEK -11m (-19) were conducted in Q3 and are included in the portfolio amortisation and revaluation amounts reported for the quarter. Fee and commission income, which comprises services offered to third parties, decreased in pace with operations being consolidated to focus on acquisition and management of in-house platforms. Total revenue is negatively impacted by the depreciation in sterling.

Operating expenses

Operating expenses decreased 5 per cent to SEK 160m (169) during the third quarter. The decrease was primarily due to lower personnel expenses associated with the integration

of the Compello portfolio in the UK, where overlapping functions have been coordinated. Total operating expenses benefited from the depreciation in sterling, which was advantageous from a cost perspective.

Profitability

EBIT

The segment's EBIT totalled SEK 77m (55) for the quarter with a corresponding EBIT margin of 32 per cent (24).

Return on book

The segment's return on book for the third quarter of 2016 was 7.5 (7.1). The improvement is attributable to increased collections in France and the intensification of collection activities associated with the Compello portfolio.

Acquisitions

Acquisitions during the quarter totalled SEK 486m, representing a decrease as compared with Q3 2015 when the considerable acquisition of Compello Holdings Ltd was conducted.

The carrying value of acquired loan portfolios increased to SEK 4,281m (3,883). Gross ERC increased to SEK 7,461m (6,973) as compared with the turn of the year.

Other

Hoist Finance strengthened its position in the Spanish market during the third quarter with the acquisition of Madrid-based master servicing company Optimus Portfolio Mgmt S.L.

Earnings trend*

SEK thousand	Quarter 3 2016	Quarter 3 2015	Change, %	Jan-Sep 2016	Jan-Sep 2015	Change, %	Full-year 2015
Gross cash collections on acquired loan portfolios	332,199	284,535	17	950,491	650,769	46	935,880
Portfolio amortisation and revaluation	-110,562	-87,347	27	-329,742	-173,484	90	-351,476
Net revenue from acquired loan portfolios	221,637	197,188	12	620,749	477,285	30	584,404
Fee and commission income	15,217	26,248	-42	51,546	90,247	-43	114,846
Other income	-	159	-100	-	1,233	-100	1,152
Total revenue	236,854	223,595	6	672,295	568,765	18	700,402
Personnel expenses	-52,526	-67,029	-22	-173,731	-173,586	0	-237,937
Collection costs	-76,041	-64,628	18	-200,701	-198,147	1	-214,681
Other operating expenses	-28,850	-35,194	-18	-88,805	-69,352	28	-102,522
Depreciation and amortisation of tangible and intangible assets	-2,687	-2,109	27	-9,396	-4,750	98	-6,931
Total operating expenses	-160,104	-168,960	-5	-472,633	-445,835	6	-562,071
EBIT	76,750	54,635	40	199,662	122,930	62	138,331
EBIT margin, %	32	24	8 pp	30	22	8 pp	20
Return on book, %	7.5	7.1	0.4 pp	6.5	5.4	1.1 pp	4.5
Expenses/Gross cash collections on acquired loan portfolios, %	44	50	-6 pp	44	54	-10 pp	48
Carrying value of acquired loan portfolios, SEKm	4,281	3,826	12	N/A	N/A	-	3,883
Gross 120-month ERC, SEKm	7,461	6,973	7	N/A	N/A	-	6,973

*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 7 per cent to SEK 370m (346) during the third quarter. A significant share of the increase in gross cash collections on acquired loan portfolios was attributable to Italy, where the growth of loan portfolios has been favourable. The comparative figure for 2015 was positively impacted by unusually high VAT recoveries. Portfolio amortisation and revaluation increased 16 per cent to SEK 187m (162), with the increase attributable to last year's strong growth. Portfolio revaluations totalling SEK 2m (12) were conducted in Q3 and are included in the portfolio amortisation and revaluation amounts reported for the quarter.

Operating expenses

Total operating expenses for the third quarter increased 22 per cent to SEK 89m (73),

primarily due to an increase in Collection expenses which totalled SEK 43m (38) and are mainly attributable to Italy.

Profitability

EBIT

The segment's EBIT totalled SEK 96m (113) for the quarter with a corresponding EBIT margin of 52 per cent (61). The comparative figure for 2015 was positively impacted by the VAT recoveries mentioned above.

Return on book

The segment's return on book for the third quarter of 2016 was 11.0 per cent (15.8), with the change related to the above-referenced impact on the comparative figure.

Acquisitions

The acquisition volume during the quarter totalled SEK 92m, down somewhat year-on-year. Conducted acquisitions were predominantly done in Italy.

The carrying value of acquired loan portfolios declined four per cent to SEK 3,491m (3,644) and gross ERC decreased to SEK 5,840m (6,179) since the turn of the year.

Other

The activities in Greece is proceeding as planned, with only a marginal impact on the result during the quarter.

Earnings trend*

SEK thousand	Quarter 3 2016	Quarter 3 2015	Change, %	Jan-Sep 2016	Jan-Sep 2015	Change, %	Full-year 2015
Gross cash collections on acquired loan portfolios	370,495	346,173	7	1,157,029	957,072	21	1,358,389
Portfolio amortisation and revaluation	-186,872	-161,632	16	-560,715	-473,973	18	-650,236
Net revenue from acquired loan portfolios	183,623	184,541	0	596,314	483,099	23	708,153
Fee and commission income	1,380	1,023	35	3,606	3,936	-8	5,892
Profit from shares and participations in joint ventures	-211	-	-	227	-	-	-
Other income	303	281	8	1,177	956	23	1,385
Total revenue	185,095	185,845	0	601,324	487,991	23	715,430
Personnel expenses	-27,028	-21,620	25	-79,381	-66,882	19	-93,021
Collection costs ¹⁾	-43,270	-37,779	15	-127,099	-104,586	22	-160,775
Other operating expenses ¹⁾	-17,148	-11,864	45	-67,992	-33,283	>100	-51,014
Depreciation and amortisation of tangible and intangible assets	-1,770	-1,892	-6	-5,178	-5,481	-6	-6,786
Total operating expenses	-89,216	-73,155	22	-279,650	-210,232	33	-311,596
EBIT	95,879	112,690	-15	321,674	277,759	16	403,834
EBIT margin, %	52	61	-9 pp	53	57	-4 pp	56
Return on book, %	11.0	15.8	-4.8 pp	12.0	12.7	-0.7 pp	12.3
Expenses/Gross cash collections on acquired loan portfolios, %	24	21	3 pp	24	21	3 pp	22
Carrying value of acquired loan portfolios, SEKm	3,491	2,900	20	N/A	N/A	-	3,644
Gross 120-month ERC, SEKm	5,840	4,739	23	N/A	N/A	-	6,179

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

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

Region Central East Europe

Austria, Germany and Poland

Revenues

Gross cash collections on acquired loan portfolios increased 8 per cent to SEK 372m (343) during the third quarter, with the increase mainly attributable to higher collections on portfolios in Poland. Portfolio amortisation and revaluation during the quarter amounted to SEK 170m (189). The comparative figure includes revaluation in Poland and amount to SEK 1m (-28).

Interest income from run-off consumer loan portfolios totalled SEK -1m (3) for the quarter and was impacted by an adjustment to the forecast.

Operating expenses

Operating expenses increased 11 per cent year-on-year to SEK 105m (95), primarily due to an increase in Collection costs associat

ed with increased collection activity in the region. Other operating expenses and Personnel expenses also increased year-on-year due to increased business activity.

Profitability

EBIT

The segment's EBIT totalled SEK 111m (77) for the quarter with a corresponding EBIT margin of 51 per cent (45). The improvement is mainly attributable to increased collections in Poland.

Return on book

The segment's return on book for the third quarter of 2016 was 12.1 per cent (8.3), with the improvement mainly associated with revaluations during the third quarter 2015.

Acquisitions

Acquisitions during the quarter amount to SEK 29m and relates to Germany. Overall, the acquired volume in the segment is lower than the third quarter 2015. The carrying value of acquired loan portfolios totalled SEK 3,638m (3,546) and gross ERC increased to SEK 6,239m (6,215) since the turn of the year.

Earnings trend*

SEK thousand	Quarter 3 2016	Quarter 3 2015	Change, %	Jan-Sep 2016	Jan-Sep 2015	Change, %	Full-year 2015
Gross cash collections on acquired loan portfolios	372,025	343,270	8	1,098,870	990,970	11	1,336,763
Portfolio amortisation and revaluation	-169,806	-188,989	-10	-530,218	-509,913	4	-624,796
Interest income from run-off consumer loan portfolio	-1,092	2,513	N/A	4,688	8,626	-46	10,176
Net revenue from acquired loan portfolios	201,127	156,794	28	573,340	489,683	17	722,143
Fee and commission income	11,854	10,719	11	32,152	33,171	-3	45,967
Other income	3,028	3,980	-24	7,545	8,603	-12	12,176
Total revenue	216,009	171,493	26	613,037	531,457	15	780,286
Personnel expenses	-45,134	-41,426	9	-133,859	-123,506	8	-172,412
Collection costs	-46,322	-40,930	13	-100,304	-99,581	1	-134,142
Other operating expenses	-11,811	-10,638	11	-35,257	-27,708	27	-39,760
Depreciation and amortisation of tangible and intangible assets	-1,843	-1,812	2	-5,448	-5,301	3	-7,195
Total operating expenses	-105,110	-94,806	11	-274,868	-256,096	7	-353,509
EBIT	110,899	76,687	45	338,169	275,361	23	426,777
EBIT margin, %	51	45	6 pp	55	52	3 pp	55
Return on book, %	12.1	8.3	3.8 pp	12.6	10.2	2.4 pp	12.1
Expenses/Gross cash collections on acquired loan portfolios, %	24	23	1 pp	21	21	0 pp	22
Carrying value of acquired loan portfolios, SEKm ¹⁾	3,638	3,695	-2	N/A	N/A	-	3,546
Gross 120-month ERC, SEKm ²⁾	6,239	6,371	-2	N/A	N/A	-	6,215

*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 3 2016	Quarter 3 2015	Jan-Sep 2016	Jan-Sep 2015	Full-year 2015
Net revenue from acquired loan portfolios	607,479	536,010	1,785,715	1,441,441	2,004,524
Interest income ¹⁾	-1,916	8,264	463	31,208	39,195
Interest expense	-80,303	-90,100	-223,806	-275,596	-361,370
Net interest income	525,260	454,174	1,562,372	1,197,053	1,682,349
Fee and commission income	28,451	37,990	87,304	127,354	166,705
Net financial income ¹⁾	-24,141	-8,764	-90,299	-46,976	-46,461
Other income	4,185	4,193	10,730	13,810	17,959
Total operating income	533,755	487,593	1,570,107	1,291,241	1,820,552
General administrative expenses					
Personnel expenses	-156,158	-164,201	-488,459	-461,739	-642,480
Other operating expenses	-253,310	-232,853	-716,971	-637,009	-845,393
Depreciation and amortisation of tangible and intangible assets	-11,573	-11,677	-35,291	-29,742	-39,697
Total operating expenses	-421,041	-408,731	-1,240,721	-1,128,490	-1,527,570
Profit before credit losses	112,714	78,862	329,386	162,751	292,982
Net credit losses	-	-	-	-5,298	-5,298
Profit from shares and participations in joint ventures	27,479	10,674	70,820	40,971	54,839
Profit before tax	140,193	89,536	400,206	198,424	342,523
Income tax expense	-28,229	-18,049	-83,159	-39,207	-64,961
Profit for the period	111,964	71,487	317,047	159,217	277,562
Profit attributable to:					
Owners of Hoist Kredit AB (publ)	111,964	71,487	317,047	159,217	277,562

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.

Consolidated statement of comprehensive income

SEK thousand	Quarter 3 2016	Quarter 3 2015	Jan-Sep 2016	Jan-Sep 2015	Full-year 2015
Profit for the period	111,964	71,487	317,047	159,217	277,562
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of defined benefit pension plan	-	-	-	-	1 408
Revaluation of remuneration after terminated employment	-	-	-	-	1 606
Tax attributable to items that will not be reclassified to profit or loss	-	-	-	-	-781
Total items that will not be reclassified to profit or loss	-	-	-	-	2 233
Items that may be reclassified subsequently to profit or loss					
Currency translation differences on foreign operations	22,738	3,356	-804	-5,697	-35,485
Translation difference, joint venture	9,868	2,543	7,445	1,288	-4,948
Hedging of currency risk in foreign operations	-19,915	-3,760	-12,495	-5,611	-849
Tax attributable to items that may be reclassified to profit or loss	4 381	-	5 919	-	-
Total items that may be reclassified subsequently to profit or loss	17,072	2,139	65	-10,020	-41,282
Other comprehensive income for the period	17,072	2,139	65	-10,020	-39,049
Total comprehensive income for the period	129,036	73,626	317,112	149,197	238,513
Profit attributable to:					
Owners of Hoist Kredit AB (publ)	129,036	73,626	317,112	149,197	238,513

Consolidated balance sheet

SEK thousand	30 Sep 2016	31 Dec 2015	30 Sep 2015
ASSETS			
Cash	262	281	233
Treasury bills and Treasury bonds	3,470,642	3,077,827	1,889,093
Lending to credit institutions	595,884	795,915	1,878,574
Lending to the public	44,181	77,994	90,604
Acquired loan portfolios	11,370,976	11,014,699	10,350,587
Receivables from Group companies	546,447	253,543	137,877
Bonds and other securities	2,059,714	1,303,214	2,289,222
Participations in joint ventures	248,683	205,557	217,102
Intangible assets	227,054	216,158	204,222
Tangible assets	36,894	38,481	34,444
Other assets	429,097	499,992	242,038
Deferred tax assets	68,394	62,688	62,668
Prepayments and accrued income	70,263	64,916	83,591
Total assets	19,168,491	17,611,265	17,480,255
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Liabilities to credit institutions	-	62,813	-
Deposits from the public	12,292,877	12,791,377	12,815,397
Tax liabilities	61,169	5,561	33,923
Other liabilities	292,421	559,208	308,613
Deferred tax liabilities	182,528	178,826	185,118
Accrued expenses and deferred income	194,748	176,957	171,772
Provisions	58,530	52,081	56,209
Senior unsecured debt	3,227,048	1,238,469	1,296,324
Subordinated liabilities	340,477	336,892	335,814
Total liabilities	16,649,798	15,402,184	15,203,170
Shareholders' equity			
Share capital	66,667	66,667	66,667
Other contributed capital	1,450,918	1,450,918	1,450,918
Reserves	-44,029	-44,094	-12,832
Retained earnings including profit for the period	1,045,137	735,590	772,332
Total shareholders' equity	2,518,693	2,209,081	2,277,085
Total liabilities and shareholders' equity	19,168,491	17,611,265	17,480,255

Consolidated statement of changes in shareholders' equity

SEK thousand	Share capital	Other contributed capital	Reserves/ Translation reserve	Retained earnings including profit for the year	Total shareholders' equity
Opening balance 1 Jan 2016	66 667	1 450 918	-44 094	735 590	2 209 081
Comprehensive income for the period					
Profit for the period				317,047	317,047
Other comprehensive income			65		65
Total comprehensive income for the period			65	317,047	317,112
Transactions reported directly in equity					
Interest paid on capital contribution				-7,500	-7,500
Total transactions reported directly in equity				-7,500	-7,500
Closing balance 30 Sep 2016	66 667	1 450 918	-44 029	1 045 137	2 518 693
SEK thousand	Share capital	Other contributed capital	Reserves/ Translation reserve	Retained earnings including profit for the year	Total shareholders' equity
Opening balance 1 Jan 2015	66,667	691,914	-2,812	651,549	1,407,318
Comprehensive income for the period					
Profit for the period				159,217	159,217
Other comprehensive income			-10,020		-10,020
Total comprehensive income for the period			-10,020	159,217	149,197
Transactions reported directly in equity					
Shareholders' contribution		759,004			759,004
Acquisition of minority shareholding in subsidiary				-32,584	-32,584
Interest paid on capital contribution				-7,500	-7,500
Tax effect on items reported directly in equity				1,650	1,650
Total transactions reported directly in equity		759,004		-38,434	720,570
Closing balance 30 Sep 2015	66,667	1,450,918	-12,832	772,332	2,277,085
SEK thousand	Share capital	Other contributed capital	Reserves/ Translation reserve	Retained earnings including profit for the year	Total shareholders' equity
Opening balance 1 Jan 2015	66,667	691,914	-2,812	651,549	1,407,318
Comprehensive income for the year					
Profit for the year				277,562	277,562
Other comprehensive income			-41,282	2,233	-39,049
Total comprehensive income for the year			-41,282	279,795	238,513
Transactions reported directly in equity					
Shareholders' contribution		759,004			759,004
Acquisition of minority shareholding in subsidiary				-32,584	-32,584
Interest paid on capital contribution				-15,000	-15,000
Group contributions paid				-182,890	-182,890
Tax effect on items reported directly in equity				34,720	34,720
Total transactions reported directly in equity		759,004		-195,754	563,250
Closing balance 31 Dec 2015	66,667	1,450,918	-44,094	735,590	2,209,081

Consolidated cash flow statement

SEK thousand	Quarter 3 2016	Quarter 3 2015	Jan-Sep 2016	Jan-Sep 2015	Full-year 2015
OPERATING ACTIVITIES					
Gross cash collections on acquired loan portfolios	1,074,724	973,978	3,206,395	2,598,811	3,631,031
Paid-in interest	11,443	44,310	17,061	67,254	36,529
Provisions received	28,451	37,990	87,304	127,354	166,705
Other operating income	4,185	4,192	10,729	13,810	17,958
Interest paid	-57,780	-64,636	-163,789	-182,397	-338,949
Operating expenses	-442,690	-378,525	-1,199,518	-1,091,779	-1,453,281
Net cash flow from financial transactions	-24,140	-8,764	-69,188	-46,976	-10,862
Capital gain on redemption of joint venture certificates	24,896	14,290	28,687	29,963	44,404
Income tax paid	-3,844	-8,956	-29,605	-28,906	-43,523
Total	615,245	613,879	1,888,076	1,487,134	2,050,012
Increase/decrease in acquired loans incl. translation differences	-764,701	-2,053,844	-1,806,783	-2,921,175	-4,054,424
Increase/decrease in joint venture certificates	4,169	4,849	6,459	10,540	15,277
Increase/decrease in lending to the public	-232,860	21,442	-258,615	63,386	-39,670
Increase/decrease in deposits from the public	-413,278	21,551	-554,027	1,734,909	1,781,668
Increase/decrease in other assets	-122,110	31,725	100,772	-18,867	-289,563
Increase/decrease in other liabilities	12,431	-68,349	-93,531	-340,479	-232,879
Increase/decrease in provisions	1,522	-1,997	6,449	-12,446	-16,574
Change in other balance sheet items	20,507	100,185	-1,213	96,291	71,864
Total	-1,494,320	-1,944,438	-2,600,489	-1,387,841	-2,764,301
Cash flow from operating activities	-879,075	-1,330,559	-712,413	99,293	-714,289
INVESTING ACTIVITIES					
Investments in intangible assets	-9,924	-6,548	-18,768	-17,730	-37,867
Investments in tangible assets	-1,765	-7,332	-10,624	-10,238	-18,158
Investments in subsidiaries	-15,584	-	-40,788	-50,569	-50,569
Investments in/divestments of bonds and other securities	-91,008	999,423	-773,098	-374,027	615,093
Cash flow from investing activities	-118,281	985,543	-843,278	-452,564	508,499
FINANCING ACTIVITIES					
Capital contribution	-	-	-	759,004	759,004
Issued bonds	501,033	-	2,779,393	-	-
Issued bonds, repurchased and cancelled	-	-184,000	-976,284	-195,975	-229,833
Interest paid on capital contribution	-	-	-7,500	-7,500	-15,000
Group contributions paid	-	-	-47,153	-	-
Cash flow from financing activities	501,033	-184,000	1,748,456	555,529	514,171
Cash flow for the period	-496,323	-529,016	192,765	202,258	308,381
Cash at the beginning of the period	4,563,111	4,296,916	3,874,023	3,565,642	3,565,642
Cash at the end of the period¹⁾	4,066,788	3,767,900	4,066,788	3,767,900	3,874,023

1) Consists of cash, Treasury bills/bonds and lending to credit institutions.

Parent Company income statement

SEK thousand	Quarter 3 2016	Quarter 3 2015	Jan-Sep 2016	Jan-Sep 2015	Full-year 2015
Net revenue from acquired loans	95,199	77,982	293,496	192,955	357,498
Interest income ¹⁾	128,026	135,023	389,410	346,201	460,291
Interest expense	-79,497	-90,174	-222,971	-275,596	-359,876
Net interest income	143,728	122,831	459,935	263,560	457,913
Net income from financial transactions ¹⁾	-33,170	-7,459	-83,845	-58,427	-58,547
Other income	25,386	21,373	65,749	55,515	74,588
Total operating income	135,944	136,745	441,839	260,648	473,954
General administrative expenses					
Personnel expenses	-32,101	-30,620	-97,556	-93,590	-123,377
Other operating expenses	-59,636	-44,862	-165,447	-145,500	-204,599
Depreciation and amortisation of tangible and intangible assets	-3,783	-4,645	-11,086	-10,999	-14,380
Total operating expenses	-95,520	-80,127	-274,089	-250,089	-342,356
Profit before loan losses	40,424	56,618	167,750	10,559	131,598
Net loan losses	-	-	-	-5,298	-5,298
Profit from shares and participations in joint ventures	24,896	14,290	28,687	29,963	44,404
Earnings from participations in Group companies	-	-	62,387	133,668	133,668
Profit before tax	65,320	70,908	258,824	168,892	304,372
Income tax expense	-14,417	-16,182	-44,027	-9,899	-44,349
Profit for the period	50,903	54,726	214,797	158,993	260,023
Profit attributable to:					
Owners of Hoist Kredit AB (publ)	50,903	54,726	214,797	158,993	260,023

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 3 2016	Quarter 3 2015	Jan-Sep 2016	Jan-Sep 2015	Full-year 2015
Profit for the period	50,903	54,726	214,797	158,993	260,023
Other comprehensive income					
Total items that may be reclassified subsequently to profit or loss					
Currency translation differences on foreign operations	249	251	705	-109	-522
Total items that may be reclassified subsequently to profit or loss	249	251	705	-109	-522
Total other comprehensive income for the period	249	251	705	-109	-522
Total comprehensive income for the period	51,152	54,977	215,501	158,884	259,501
Profit attributable to:					
Owners of Hoist Kredit AB (publ)	51,152	54,977	215,501	158,884	259,501

Parent Company balance sheet

SEK thousand	30 Sep 2016	31 Dec 2015	30 Sep 2015
ASSETS			
Cash	-	8	8
Treasury bills and Treasury bonds	3,470,642	3,077,827	1,889,093
Lending to credit institutions	68,773	78,503	715,062
Lending to the public	44,181	77,994	90,604
Acquired loan portfolios	2,633,160	2,646,612	2,740,391
Receivables from Group companies	9,212,022	8,769,553	8,536,282
Bonds and other securities	2,059,714	1,303,214	2,289,222
Participations in subsidiaries	570,038	581,972	386,047
Participations in joint ventures	43,516	49,974	54,711
Intangible assets	38,854	42,278	43,603
Tangible assets	4,335	4,523	4,618
Other assets	335,236	416,615	143,776
Deferred tax assets	2,621	2,224	1,523
Prepayments and accrued income	6,127	1,842	8,820
TOTAL ASSETS	18,489,219	17,053,139	16,903,760
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Liabilities to credit institutions	-	87,723	-
Deposits from the public	12,292,877	12,791,377	12,815,397
Tax liabilities	48,492	3,550	30,770
Other liabilities	157,284	379,205	180,812
Accrued expenses and prepaid income	70,284	71,103	43,186
Provisions	67	132	66
Senior unsecured debt	3,227,048	1,238,469	1,296,324
Subordinated liabilities	340,477	336,892	335,814
Total liabilities and provisions	16,136,529	14,908,451	14,702,369
Untaxed reserves (tax allocation reserve)	62,248	62,248	62,248
Shareholders' 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
Total restricted equity	140,920	140,920	140,920
<i>Non-restricted equity</i>			
Other contributed equity	1,450,918	1,450,918	1,450,918
Reserves	564	-142	271
Retained earnings	483,243	230,721	388,041
Profit for the period	214,797	260,023	158,993
Total non-restricted equity	2,149,522	1,941,520	1,998,223
Total shareholders' equity	2,290,442	2,082,440	2,139,143
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	18,489,219	17,053,139	16,903,760

Accounting principles

This interim financial statement is presented in accordance with IAS 34 Interim Financial Reporting. The Group's consolidated accounts have been 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 Board's RFR 1, Supplementary Accounting Rules for Groups, has also been applied.

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

No IFRS or IFRIC amendments that became effective in 2016 have had any material impact on the Group's financial statements or capital adequacy.

Marketvalue changes were reclassified from Interest income to Net financial income as from first quarter 2016. Comparative figures have

been reclassified pursuant to this change. SEK –6m was reclassified during third quarter 2015 and SEK –36 million for full-year 2015.

Italian banking fees have been reclassified from Other operating expenses to Collection expenses as of Q2 2016. Comparative figures have been reclassified in accordance with this change. SEK –3m was reclassified during third quarter 2015 and –11m for full-year 2015.

The accounting principle of reporting forward flow contracts as Commitments was changed as of Q2 2016 to include all commitments regarding forward flows. Under the previously applied principle, commitments falling within the previous one-year period were reported. Comparative figures have been adjusted accordingly. SEK 159m was adjusted during third quarter 2015 and SEK 167m for full-year 2015

Hoist Kredit has operated under a new structural organisation as from 1 January 2016. Europe is divided into three new segments – Region West Europe, Region Mid Europe and Region Central East Europe. Comparative figures in the report have been adjusted according to the new segments.

The Group's and Parent Company's accounting policies and bases for calculation, as well as presentation, remain unchanged compared to the 2015 annual report.

	Quarter 3 2016	Quarter 3 2015	Full-year 2015
1 EUR = SEK			
Income statement (average)	9.3682	9.3718	9.3553
Balance sheet (at end of the period)	9.6320	9.4119	9.1350
1 GBP = SEK			
Income statement (average)	11.6989	12.8852	12.8908
Balance sheet (at end of the period)	11.1681	12.6993	12.3785
1 PLN = SEK			
Income statement (average)	2.1494	2.2557	2.2372
Balance sheet (at end of the period)	2.2318	2.2241	2.1545

Notes

Note 1 Segment reporting

Consolidated income statement SEK thousand	Quarter 3 2016	Quarter 3 2015	Jan-Sep 2016	Jan-Sep 2015	Full-year 2015
Revenues from acquired loan portfolios	607,479	536,010	1,785,715	1,441,441	2,004,524
<i>of which, gross cash collections</i>	1,074,719	973,978	3,206,390	2,598,811	3,631,032
<i>of which, portfolio amortisation and revaluation</i>	-467,240	-437,968	-1,420,675	-1,157,370	-1,626,508
Interest income	-1,916	8,264	463	31,208	39,195
<i>of which, interest income from run-off consumer loan portfolio</i>	-1,092	2,513	4,688	8,626	10,176
<i>of which, interest income excl. run-off consumer loan portfolio¹⁾</i>	-824	5,751	-4,225	22,582	29,019
Interest expense	-80,303	-90,100	-223,806	-275,596	-361,370
Net interest income	525,260	454,174	1,562,372	1,197,053	1,682,349
Fee and commission income	28,451	37,990	87,304	127,354	166,705
<i>Net financial income¹⁾</i>	-24,141	-8,764	-90,299	-46,976	-46,461
Other income	4,185	4,193	10,730	13,810	17,959
Total operating income	533,755	487,593	1,570,107	1,291,241	1,820,552
General administrative expenses					
Personnel expenses	-156,158	-164,201	-488,459	-461,739	-642,480
Other operating expenses	-253,310	-232,853	-716,971	-637,009	-845,393
Depreciation and amortisation of tangible and intangible assets	-11,573	-11,677	-35,291	-29,742	-39,697
Total operating expenses	-421,041	-408,731	-1,240,721	-1,128,490	-1,527,570
Profit before loan losses	112,714	78,862	329,386	162,751	292,982
Net loan losses	-	-	-	-5,298	-5,298
Profit from shares and participations in joint ventures	27,479	10,674	70,820	40,971	54,839
Profit before tax	140,193	89,536	400,206	198,424	342,523
Operating income statement based on segment reporting					
SEK thousand	Quarter 3 2016	Quarter 3 2015	Jan-Sep 2016	Jan-Sep 2015	Full-year 2015
Gross cash collections on acquired loan portfolios	1,074,719	973,978	3,206,390	2,598,811	3,631,032
Portfolio amortisation and revaluation	-467,240	-437,968	-1,420,675	-1,157,370	-1,626,508
Interest income from run-off consumer loan portfolio	-1,092	2,513	4,688	8,626	10,176
Net revenue from acquired loan portfolios	606,387	538,523	1,790,403	1,450,067	2,014,700
Fee and commission income	28,451	37,990	87,304	127,354	166,705
Profit from shares and participations in joint ventures	27,479	10,674	70,820	40,971	54,839
Other income	4,185	4,193	10,730	13,810	17,959
Total revenue	666,502	591,380	1,959,257	1,632,202	2,254,203
Personnel expenses	-156,158	-164,201	-488,459	-461,739	-642,480
Collection costs ¹⁾	-165,633	-143,337	-428,104	-402,314	-509,598
Other operating expenses ¹⁾	-87,677	-89,516	-288,867	-234,695	-335,795
Depreciation and amortisation of tangible and intangible assets	-11,573	-11,677	-35,291	-29,742	-39,697
Total operating expenses	-421,041	-408,731	-1,240,721	-1,128,490	-1,527,570
EBIT	245,461	182,649	718,536	503,712	726,633
Interest income excl. run-off consumer loan portfolio ²⁾	-824	5,751	-4,225	22,582	29,019
Interest expense	-80,303	-90,100	-223,806	-275,596	-361,370
Net financial income ^{2) 3)}	-24,141	-8,764	-90,299	-52,274	-51,759
Total financial items	-105,268	-93,113	-318,330	-305,288	-384,110
Profit before tax	140,193	89,536	400,206	198,424	342,523

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

2) Comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

3) Including financing costs.

Note 1 Segment reporting, cont.

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

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

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

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

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

Income statement, Quarter 3, 2016	Region West Europe ¹⁾	Region Mid Europe ²⁾	Region Central East Europe ³⁾	Central Functions and Eliminations	Group
SEK thousand					
Gross cash collections on acquired loan portfolios	332,199	370,495	372,025	–	1,074,719
Portfolio amortisation and revaluation	–110,562	–186,872	–169,806	–	–467,240
Interest income from run-off consumer loan portfolio	–	–	–1,092	–	–1,092
Net revenue from acquired loan portfolios	221,637	183,623	201,127	–	606,387
Fee and commission income	15,217	1,380	11,854	–	28,451
Profit from shares and participations in joint ventures	–	–211	–	27,690	27,479
Other income	–	303	3,028	854	4,185
Total revenue	236,854	185,095	216,009	28,544	666,502
Personnel expenses	–52,526	–27,028	–45,134	–31,470	–156,158
Collection costs	–76,041	–43,270	–46,322	–	–165,633
Other operating expenses	–28,850	–17,148	–11,811	–29,868	–87,677
Depreciation and amortisation of tangible and intangible assets	–2,687	–1,770	–1,843	–5,273	–11,573
Total operating expenses	–160,104	–89,216	–105,110	–66,611	–421,041
EBIT	76,750	95,879	110,899	–38,067	245,461
Interest income excl. run-off consumer loan portfolio	101	–	525	–1,450	–824
Interest expense	–	–21	–8	–80,274	–80,303
Net financial income ⁴⁾	–53,096	–43,202	–45,377	117,534	–24,141
Total financial items	–52,995	–43,223	–44,860	35,810	–105,268
Profit/loss before tax	23,755	52,656	66,039	–2,257	140,193

1) A total of SEK 190m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 113m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 102m of Region Central East Europe's revenues is attributable to Germany.

4) Including financing costs.

Note 1 Segment reporting, cont.

Income statement, Quarter 3 2015

SEK thousand	Region West Europe ¹⁾	Region Mid Europe ²⁾	Region Central East Europe ³⁾	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	284,535	346,173	343,270	–	973,978
Portfolio amortisation and revaluation	–87,347	–161,632	–188,989	–	–437,968
Interest income from run-off consumer loan portfolio	–	–	2,513	–	2,513
Net revenue from acquired loan portfolios	197,188	184,541	156,794	–	538,523
Fee and commission income	26,248	1,023	10,719	–	37,990
Profit from shares and participations in joint ventures	–	–	–	10,674	10,674
Other income	159	281	3,980	–227	4,193
Total revenue	223,595	185,845	171,493	10,447	591,380
Personnel expenses	–67,029	–21,620	–41,426	–34,126	–164,201
Collection costs ⁴⁾	–64,628	–37,779	–40,930	–	–143,337
Other operating expenses ⁴⁾	–35,194	–11,864	–10,638	–31,820	–89,516
Depreciation and amortisation of tangible and intangible assets	–2,109	–1,892	–1,812	–5,864	–11,677
Total operating expenses	–168,960	–73,155	–94,806	–71,810	–408,731
EBIT	54,635	112,690	76,687	–61,363	182,649
Interest income excl. run-off consumer loan portfolio ⁵⁾	25	16	371	5,339	5,751
Interest expense	76	–19	–3	–90,154	–90,100
Net financial income ⁵⁾⁶⁾	–48,845	–35,964	–46,672	122,717	–8,764
Total financial items	–48,744	–35,967	–46,304	37,902	–93,113
Profit/loss before tax	5,891	76,723	30,383	–23,461	89,536

1) A total of SEK 223m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 100m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 99m of Region Central East Europe's revenues is attributable to Germany.

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

5) Comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

6) Including financing costs.

Note 1 Segment reporting, cont.

Income statement, Jan–Sep 2016	Region West Europe ¹⁾	Region Mid Europe ²⁾	Region Central East Europe ³⁾	Central Functions and Eliminations	Group
SEK thousand					
Gross cash collections on acquired loan portfolios	950,491	1,157,029	1,098,870	–	3,206,390
Portfolio amortisation and revaluation	–329,742	–560,715	–530,218	–	–1,420,675
Interest income from run-off consumer loan portfolio	–	–	4,688	–	4,688
Net revenue from acquired loan portfolios	620,749	596,314	573,340	–	1,790,403
Fee and commission income	51,546	3,606	32,152	–	87,304
Profit from shares and participations in joint ventures	–	227	–	70,593	70,820
Other income	–	1,177	7,545	2,008	10,730
Total revenue	672,295	601,324	613,037	72,601	1,959,257
Personnel expenses	–173,731	–79,381	–133,859	–101,488	–488,459
Collection costs	–200,701	–127,099	–100,304	–	–428,104
Other operating expenses	–88,805	–67,992	–35,257	–96,813	–288,867
Depreciation and amortisation of tangible and intangible assets	–9,396	–5,178	–5,448	–15,269	–35,291
Total operating expenses	–472,633	–279,650	–274,868	–213,570	–1,240,721
EBIT	199,662	321,674	338,169	–140,969	718,536
Interest income excl. run-off consumer loan portfolio	101	–	1,253	–5,579	–4,225
Interest expense	–3	–56	–27	–223,720	–223,806
Net financial income ⁴⁾	–152,196	–133,210	–135,017	330,124	–90,299
Total financial items	–152,098	–133,266	–133,791	100,825	–318,330
Profit/loss before tax	47,564	188,408	204,378	–40,144	400,206

1) A total of SEK 592m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 350m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 322m of Region Central East Europe's revenues is attributable to Germany.

4) Including financing costs.

Note 1 Segment reporting, cont.

Income statement, Jan–Sep 2015

SEK thousand	Region West Europe ¹⁾	Region Mid Europe ²⁾	Region Central East Europe ³⁾	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	650,769	957,072	990,970	–	2,598,811
Portfolio amortisation and revaluation	-173,484	-473,973	-509,913	–	-1,157,370
Interest income from run-off consumer loan portfolio	–	–	8,626	–	8,626
Net revenue from acquired loan portfolios	477,285	483,099	489,683	–	1,450,067
Fee and commission income	90,247	3,936	33,171	–	127,354
Profit from shares and participations in joint ventures	–	–	–	40,971	40,971
Other income	1,233	956	8,603	3,018	13,810
Total revenue	568,765	487,991	531,457	43,989	1,632,202
Personnel expenses	-173,586	-66,882	-123,506	-97,765	-461,739
Collection costs ⁴⁾	-198,147	-104,586	-99,581	–	-402,314
Other operating expenses ⁴⁾	-69,352	-33,283	-27,708	-104,352	-234,695
Depreciation and amortisation of tangible and intangible assets	-4,750	-5,481	-5,301	-14,210	-29,742
Total operating expenses	-445,835	-210,232	-256,096	-216,327	-1,128,490
EBIT	122,930	277,759	275,361	-172,338	503,712
Interest income excl. run-off consumer loan portfolio ⁵⁾	31	38	1,614	20,899	22,582
Interest expense	76	-61	-112	-275,499	-275,596
Net financial income ⁵⁾⁶⁾	-107,168	-105,889	-134,078	294,861	-52,274
Total financial items	-107,061	-105,912	-132,576	40,261	-305,288
Profit/loss before tax	15,869	171,847	142,785	-132,077	198,424

1) A total of SEK 540m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 266m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 303m of Region Central East Europe's revenues is attributable to Germany.

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

5) Comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

6) Including financing costs.

Note 1 Segment reporting, cont.

Income statement, Full-year 2015	Region West Europe ¹⁾	Region Mid Europe ²⁾	Region Central East Europe ³⁾	Central Functions and Eliminations	Group
SEK thousand					
Gross cash collections on acquired loan portfolios	935,880	1,358,389	1,336,763	–	3,631,032
Portfolio amortisation and revaluation	–351,476	–650,236	–624,796	–	–1,626,508
Interest income from run-off consumer loan portfolio	–	–	10,176	–	10,176
Net revenue from acquired loan portfolios	584,404	708,153	722,143	–	2,014,700
Fee and commission income	114,846	5,892	45,967	–	166,705
Profit from shares and participations in joint ventures	–	–	–	54,839	54,839
Other income	1,152	1,385	12,176	3,246	17,959
Total revenue	700,402	715,430	780,286	58,085	2,254,203
Personnel expenses	–237,937	–93,021	–172,412	–139,110	–642,480
Collection costs ⁴⁾	–214,681	–160,775	–134,142	–	–509,598
Other operating expenses ⁴⁾	–102,522	–51,014	–39,760	–142,499	–335,795
Depreciation and amortisation of tangible and intangible assets	–6,931	–6,786	–7,195	–18,785	–39,697
Total operating expenses	–562,071	–311,596	–353,509	–300,394	–1,527,570
EBIT	138,331	403,834	426,777	–242,309	726,633
Interest income excl. run-off consumer loan portfolio ⁵⁾	164	38	2,120	26,697	29,019
Interest expense	69	–77	–1,597	–359,765	–361,370
Net income from financial transactions ^{5) 6)}	–157,672	–147,943	–179,310	433,166	–51,759
Total financial items	–157,439	–147,982	–178,787	100,098	–384,110
Profit/loss before tax	–19,108	255,852	247,990	–142,211	342,523

1) A total of SEK 718m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 374m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 453m of Region Central East Europe's revenues is attributable to Germany.

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

5) Comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

6) Including financing costs.

Acquired loans, 30 Sep 2016	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
SEK thousand					
Run-off consumer loan portfolio	–	–	38,929	–	38,929
Acquired loan portfolios	4,281,071	3,491,015	3,598,890	–	11,370,976
Shares and participations in joint ventures	–	–	–	248,375	248,375
Acquired loans	4,281,071	3,491,015	3,637,819	248,375	11,658,280

Acquired loans, 31 Dec 2015	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
SEK thousand					
Run-off consumer loan portfolio	–	–	58,364	–	58,364
Acquired loan portfolios	3,882,889	3,643,796	3,488,014	–	11,014,699
Shares and participations in joint ventures	–	–	–	205,557	205,557
Acquired loans	3,882,889	3,643,796	3,546,378	205,557	11,278,620

Acquired loans, 30 Sep 2015	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
SEK thousand					
Run-off consumer loan portfolio	–	–	70,863	–	70,863
Acquired loan portfolios	3,826,229	2,899,884	3,624,474	–	10,350,587
Shares and participations in joint ventures	–	–	–	217,102	217,102
Acquired loans	3,826,229	2,899,884	3,695,337	217,102	10,638,552

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, 30 September 2016							
SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		3,470,642	3,470,642	3,470,642	3,470,642		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,087,881		1,087,881	1,087,881			1,087,881
<i>of which, carried at amortised cost</i>	10,283,095		10,283,095	10,640,057			10,640,057
Bonds and other securities		2,059,714	2,059,714	2,059,714	1,979,421		80,293
Derivatives		4,754	4,754	4,754		4,754	
Total assets	11,370,976	5,535,110	16,906,086	17,263,048	5,450,063	4,754	11,808,231
Additional purchase price liability		48,261	48,261	48,261			48,261
Derivatives		23,395	23,395	23,395		23,395	
Senior unsecured debt		3,227,048	3,227,048	3,336,422		3,336,422	
Subordinated liabilities		340,477	340,477	405,125		405,125	
Total liabilities		3,639,181	3,639,181	3,813,203		3,764,942	48,261

Group, 31 December 2015							
SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		3,077,827	3,077,827	3,077,827	3,077,827		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,177,808		1,177,808	1,177,808			1,177,808
<i>of which, carried at amortised cost</i>	9,836,891		9,836,891	10,014,382			10,014,382
Bonds and other securities ¹⁾		1,278,214	1,278,214	1,278,214	1,278,214		
Derivatives		314,680	314,680	314,680		314,680	
Total assets	11,014,699	4,670,721	15,685,420	15,862,911	4,356,041	314,680	11,192,190
Additional purchase price liability		66,489	66,489	66,489			66,489
Derivatives		1,651	1,651	1,651		1,651	
Senior unsecured debt		1,238,469	1,238,469	1,268,327		1,268,327	
Subordinated liabilities		336,892	336,892	407,558		407,558	
Total liabilities		1,643,501	1,643,501	1,744,025		1,677,536	66,489

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.

Group, 30 September 2015

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		1,889,093	1,889,093	1,889,093	1,889,093		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,306,850		1,306,850	1,306,850			1,306,850
<i>of which, carried at amortised cost</i>	9,043,737		9,043,737	9,197,156			9,197,156
Bonds and other securities ¹⁾		2,264,222	2,264,222	2,264,222	2,264,222		
Derivatives		71,332	71,332	71,332		71,332	
Total assets	10,350,587	4,224,647	14,575,234	14,728,653	4,153,315	71,332	10,504,006
Additional purchase price liability		69,613	69,613	69,613			69,613
Derivatives		29,993	29,993	29,993		29,993	
Senior unsecured debt		1,296,324	1,296,324	1,330,986		1,330,986	
Subordinated liabilities		335,814	335,814	416,733		416,733	
Total liabilities		1,731,744	1,731,744	1,847,325		1,777,712	69,613

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, 30 September 2016

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		3,470,642	3,470,642	3,470,642	3,470,642		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	908,065		908,065	908,065			908,065
<i>of which, carried at amortised cost</i>	1,725,095		1,725,095	1,825,979			1,825,979
Bonds and other securities		2,059,714	2,059,714	2,059,714	1,979,421		80,293
Derivatives		4,754	4,754	4,754		4,754	
Total assets	2,633,160	5,535,110	8,168,270	8,269,154	5,450,063	4,754	2,814,337
Additional purchase price liability		48,261	48,261	48,261			48,261
Derivatives		23,395	23,395	23,395		23,395	
Senior unsecured debt		3,227,048	3,227,048	3,336,422		3,336,422	
Subordinated liabilities		340,477	340,477	405,125		405,125	
Total liabilities		3,639,181	3,639,181	3,813,203		3,764,942	48,261

Note 2 Financial instruments, cont.

Parent Company, 31 December 2015

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		3,077,827	3,077,827	3,077,827	3,077,827		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	973,806		973,806	973,806			973,806
<i>of which, carried at amortised cost</i>	1,672,806		1,672,806	1,800,397			1,800,397
Bonds and other securities ¹⁾		1,278,214	1,278,214	1,278,214	1,278,214		
Derivatives		314,680	314,680	314,680		314,680	
Total assets	2,646,612	4,670,721	7,317,333	7,444,924	4,356,041	314,680	2,774,203
Additional purchase price liability		66,489	66,489	66,489			66,489
Derivatives		1,651	1,651	1,651		1,651	
Senior unsecured debt		1,238,469	1,238,469	1,268,327		1,268,327	
Subordinated liabilities		336,892	336,892	407,558		407,558	
Total liabilities		1,643,501	1,643,501	1,744,025		1,677,536	66,489

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, 30 September 2015

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		1,889,093	1,889,093	1,889,093	1,889,093		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,042,866		1,042,866	1,042,866			1,042,866
<i>of which, carried at amortised cost</i>	1,697,525		1,697,525	1,811,399			1,811,399
Bonds and other securities ¹⁾		2,264,222	2,264,222	2,264,222	2,264,222		
Derivatives		71,332	71,332	71,332		71,332	
Total assets	2,740,391	4,224,647	6,965,039	7,078,913	4,153,315	71,332	2,854,265
Additional purchase price liability		69,613	69,613	69,613			69,613
Derivatives		29,993	29,993	29,993		29,993	
Senior unsecured debt		1,296,324	1,296,324	1,330,986		1,330,986	
Subordinated liabilities		335,814	335,814	416,733		416,733	
Total liabilities		1,731,744	1,731,744	1,847,325		1,777,712	69,613

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.

For acquired loan portfolios, the valuation approach, key input data and valuation sensitivity for material changes thereto are described in the same note.

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

Treasury bills and Treasury bonds as well as Bonds and other securities are valued based on quoted rates.

Fair value of debt in the form of issued bonds and other subordinated liabilities was determined with reference to observable market

rates quoted by external market players. In cases where more than one market price observation are available the fair value is determined at arithmetic mean of the market quotes.

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. No transfers between any of the levels took place during the period.

Acquired loan portfolios	Group			Parent Company		
	30 Sep 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	31 Dec 2015	30 Sep 2015
SEK thousand						
Opening balance	11,014,699	8,586,782	8,586,782	2,646,612	2,860,220	2,860,220
Acquisitions	1,761,862	4,370,259	2,919,625	521,764	588,333	502,803
Adjustment of acquisition analysis ¹⁾	-29,826	-	-	-	-	-
Intra-Group sales	-	-	-	-202,818	-	-
Translation differences	44,921	-315,835	1,550	140,706	-112,439	-31,734
Changes in value						
Based on opening balance forecast (amortisation)	-1,403,722	-1,587,651	-1,113,447	-464,496	-778,855	-600,723
Based on revised estimates (revaluation)	-16,958	-38,856	-43,923	-8,608	89,353	9,825
Carrying value	11,370,976	11,014,699	10,350,587	2,633,160	2,646,612	2,740,391
Changes in carrying value reported in the income statement	-1,420,680	-1,626,507	-1,157,370	-473,104	-689,502	-590,898

1) Restated at closing day rate. See Note 5, Acquisitions.

Of which, designated at fair value	Group			Parent Company		
	30 Sep 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	31 Dec 2015	30 Sep 2015
SEK thousand						
Opening balance	1,177,808	1,460,229	1,460,229	973,806	1,177,466	1,177,466
Acquisitions	59,872	-53,671	-16,810	49,741	-43,992	-13,665
Translation differences						
Changes in value						
Based on opening balance forecast (amortisation)	-147,925	-167,331	-131,183	-115,482	-154,700	-120,935
Based on revised estimates (revaluation)	-1,874	-61,419	-5,386	-	-4,968	-
Based on revised estimates (revaluation)	1,087,881	1,177,808	1,306,850	908,065	973,806	1,042,866
Carrying value	-149,799	-228,750	-136,569	-115,482	-159,668	-120,935

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		
	30 Sep 2016	31 Dec 2015	30 Sep 2015
Carrying value of loan portfolios	11,370,976	11,014,699	10,350,587
A 5% increase in estimated cash flow over the 10-year forecast period would reduce the carrying value by:	555,126	540,638	503,993
<i>of which, valued at fair value</i>	<i>53,854</i>	<i>58,890</i>	<i>65,342</i>
A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by:	-555,126	-540,638	-506,679
<i>of which, valued at fair value</i>	<i>-53,854</i>	<i>-58,890</i>	<i>-65,342</i>
Carrying value of loan portfolios acquired prior to 1 July 2011	1,087,881	1,177,808	1,306,850
A 1% decrease in the market rate of interest would increase the carrying value by:	30,517	34,774	39,374
A 1% increase in the market rate of interest would reduce the carrying value by:	-28,940	-32,880	-37,276
Shortening the forecast period by 1 year would reduce the carrying value by:	-8,323	-33,073	-52,161
Lengthening the forecast period by 1 year would increase the carrying value by:	5,998	21,424	36,225

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)		
	30 Sep 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	31 Dec 2015	30 Sep 2015
Capital instruments and related share premium accounts	1,286,805	1,286,805	1,286,805	482,963	482,963	482,963
Retained earnings	478,943	316,687	292,489	481,032	232,259	348,757
Accumulated comprehensive income and other reserves	358,106	361,363	388,435	1,063,454	1,062,749	1,063,162
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	136,972	161,366	123,572	105,191	190,866	158,993
Intangible assets (net of related tax liability)	-248,682	-235,632	-241,999	-38,854	-42,278	-43,603
Deferred tax assets that rely on future profitability	-68,394	-62,688	-62,668	-2,621	-2,224	-1,523
Common Equity Tier 1	1,943,750	1,827,901	1,786,634	2,091,165	1,924,335	2,008,748
Capital instruments and the related share premium accounts	93,000	93,000	93,000	93,000	93,000	93,000
Additional Tier 1 capital	93,000	93,000	93,000	93,000	93,000	93,000
Tier 1 capital	2,036,750	1,920,901	1,879,634	2,184,165	2,017,335	2,101,748
Capital instruments and the related share premium accounts	340,477	336,892	335,814	340,477	336,892	335,814
Regulatory adjustments	-	-	-60,557	-	-	-71,357
Tier 2 capital	340,477	336,892	275,257	340,477	336,892	264,457
Total own funds for capital adequacy purposes	2,377,227	2,257,793	2,154,891	2,524,642	2,354,227	2,366,205

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

Risk-weighted exposure amounts and capital requirements

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

Risk-weighted exposure amounts, SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	30 Sep 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	31 Dec 2015	30 Sep 2015
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	289,428	339,617	594,682	69,184	195,897	344,948
<i>of which, counterparty credit risk</i>	23,429	89,598	34,421	23,429	89,598	34,421
Exposures to corporates	285,195	136,601	145,074	9,335,214	8,789,030	8,696,103
Retail exposures	29,197	43,774	53,147	29,197	43,774	53,147
Exposures in default	11,765,445	11,244,739	10,590,034	2,726,792	2,646,612	2,740,391
Exposures in the form of covered bonds	197,942	126,821	182,648	197,942	126,821	182,648
Other items	120,664	320,316	373,090	724,423	707,979	537,201
Credit risk (standardised approach)	12,687,871	12,211,868	11,938,675	13,082,752	12,510,113	12,554,438
Market risk (foreign exchange risk – standardised approach)	93,699	26,573	71,413	93,699	26,573	71,413
Operational risk (basic indicator approach)	2,600,728	2,600,728	1,752,745	755,709	755,709	597,007
Credit valuation adjustment (standardised approach)	2,047	664	-	2,047	664	-
Total risk-weighted exposure amount	15,384,345	14,839,833	13,762,833	13,934,207	13,293,059	13,222,858

Note 3 Capital adequacy, cont.

Capital requirements, SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	30 Sep 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	31 Dec 2015	30 Sep 2015
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	23,154	27,169	47,575	5,535	15,672	27,596
<i>of which, counterparty credit risk</i>	1,874	7,168	2,754	1,874	7,168	2,754
Exposures to corporates	22,816	10,928	11,606	746,817	703,122	695,688
Retail exposures	2,336	3,502	4,252	2,336	3,502	4,252
Exposures in default	941,236	899,579	847,202	218,143	211,729	219,231
Exposures in the form of covered bonds	15,835	10,146	14,612	15,835	10,146	14,612
Other items	9,653	25,626	29,847	57,954	56,637	42,975
Credit risk (standardised approach)	1,015,030	976,950	955,094	1,046,620	1,000,808	1,004,354
Market risk (foreign exchange risk-standardised approach)	7,496	2,126	5,713	7,496	2,126	5,713
Operational risk (basic indicator approach)	208,058	208,058	140,220	60,457	60,457	47,761
Credit valuation adjustment (standardised approach)	164	53	0	164	53	0
Total own funds requirement – Pillar 1	1,230,748	1,187,187	1,101,027	1,114,737	1,063,445	1,057,829
Pillar 2						
Concentration risk	90,499	82,671	92,356	90,499	82,671	92,356
Interest rate risk in the banking book	27,897	71,453	91,610	27,897	71,453	91,610
Pension risk	4,106	5,358	5,358	–	–	–
Other Pillar 2 risks	835	23,656	23,832	1,600	24,421	37,294
Total own funds requirement – Pillar 2	123,337	183,138	213,156	119,996	178,546	221,260
Capital buffers						
Countercyclical buffer	384,609	370,996	344,071	348,355	332,326	330,571
Total own funds requirement – Capital buffers	6,994	2,456	2,898	10,321	5,876	346,969
	391,603	373,452	346,969	358,676	338,202	336,299
Total own funds requirements						
Capital buffers	1,745,688	1,743,777	1,661,152	1,593,409	1,580,193	1,615,388

The own funds for the Company's consolidated situation totalled SEK 2,377m (2,258) as at 30 September 2016, exceeding the own funds requirements by a good margin.

Note 3 Capital adequacy, cont.

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

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

Capital ratios and capital buffers, %	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	30 Sep 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	31 Dec 2015	30 Sep 2015
Common Equity Tier 1 capital ratio	12.63	12.32	12.98	15.01	14.48	15.19
Tier 1 capital ratio	13.24	12.94	13.66	15.67	15.18	15.89
Total capital ratio	15.45	15.21	15.66	18.12	17.71	17.89
Institution-specific buffer requirements for CET1 capital	7.05	7.02	7.02	7.07	7.04	7.04
of which, capital conservation buffer requirement	2.50	2.50	2.50	2.50	2.50	2.50
of which, countercyclical capital buffer requirement	0.05	0.02	0.02	0.07	0.04	0.04
Common Equity Tier 1 capital available to meet buffers¹⁾	7.24	6.94	7.66	9.67	9.18	9.89

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 1,354m (1,370) at 30 September 2016, of which SEK 123m (183) 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 shareholders' equity. The majority of deposits from the public are payable on demand (variable deposits – "floating"), while about 35 per cent (36) of the Group's deposits from the public are tied to longer maturities ("fixed deposits") ranging from 12 to 36 months. About 99 per cent of deposits are backed by the deposit guarantee scheme.

Funding	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	30 Sep 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	31 Dec 2015	30 Sep 2015
SEK thousand						
Deposits from the public, floating	8,014,226	8,226,925	7,612,070	8,014,226	8,226,925	7,612,070
Deposits from the public, fixed	4,278,651	4,564,452	5,203,327	4,278,651	4,564,452	5,203,327
Senior unsecured debt	3,227,048	1,238,469	1,296,324	3,227,048	1,238,469	1,296,324
Convertible debt instruments	93,000	93,000	93,000	93,000	93,000	93,000
Subordinated liabilities	340,477	336,892	335,814	340,477	336,892	335,814
Shareholders' equity	2,431,912	2,195,760	2,132,505	2,245,996	2,037,994	2,094,696
Other	766,943	795,979	739,192	289,821	555,407	268,529
Balance sheet total	19,152,257	17,451,477	17,412,232	18,489,219	17,053,139	16,903,760

Note 4 Liquidity risk, cont.

The Group's Treasury policy stipulates limits on how much liquidity is to be available and the nature of such liquidity. As at 30 September, available liquidity totalled SEK 6,520m (5,156), 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.

Liquidity reserve

SEK thousand	30 Sep 2016	31 Dec 2015	30 Sep 2015
Cash and holdings in central banks	262	281	233
Deposits in other banks available overnight	1,069,470	799,199	1,871,178
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,666,712	1,181,728	117,861
Securities issued or guaranteed by municipalities or other public sector entities	1,803,931	1,896,099	1,771,232
Covered bonds	1,979,420	1,268,214	1,826,480
Securities issued by non-financial corporates	-	-	-
Securities issued by financial corporates	-	10,000	-
Other	-	-	-
Total	6,519,795	5,155,521	5,586,984

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. These events may include:

- » An unexpected outflow from HoistSpar of over 20 per cent of total deposits over a 30-day period
- » Termination or revocation of funding sources in excess of SEK 50m

Note 5 Acquisitions

One hundred per cent of the shares in Madrid-based master servicing company Optimus Portfolio Management S.L. were acquired through the newly formed and wholly owned subsidiary Hoist Finance Spain S.L. on 7 September. The acquisition is considered a key investment, as Optimus will provide a platform for the management of non-performing loans in the Spanish market. The total purchase of SEK 16 million was paid in cash upon completion of the acquisition. Acquisition-related expenses totalled SEK 719 thousand and are included in administrative expenses in the consolidated income statement. As at the acquisition date Optimus had revenues of SEK 9 million and operating profit of SEK 7 million. The acquisition balance sheet includes net assets of SEK 6 million, including SEK 435 thousand in cash and cash equivalents. The acquisition gave rise to goodwill of SEK 10 million, attributable primarily to the addition to the Group of a well-suited organisation that, with its knowledge of the market, is expected to facilitate further expansion in the Spanish market. No adjustments to

acquired net assets have been made. Optimus has been consolidated into Hoist Finance since September 2016.

Acquired company's net assets at date of acquisition:¹⁾

SEK thousand	
Cash and cash equivalents	435
Receivables from Group companies	476
Tangible assets	23
Accounts receivable and other receivables	8,680
Accounts payable and other liabilities	-3,371
Total identifiable net assets	6,243

1) Acquisition balance sheet is preliminary.

Note 6 Pledged asset

SEK thousand	Group			Parent Company		
	30 Sep 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	31 Dec 2015	30 Sep 2015
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	482	639	1,129	482	639	1,129

Note 7 Contingent liabilities

SEK thousand	Group			Parent Company		
	30 Sep 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	31 Dec 2015	30 Sep 2015
Guarantees	-	-	-	43,397	-	-
Commitments ¹⁾	487,943	651,064	871,140	305,279	361,586	579,371

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

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, 27 October 2016

Ingrid Bonde
Chair of the Board

Liselotte Hjorth
Board member

Annika Poutiainen
Board member

Costas Thoupos
Board member

Magnus Uggla
Board member

Gunilla Wikman
Board member

Jörgen Olsson
CEO
Board member

A guide to our interim report

Operating income statement, Group

SEK thousand	Quarter 3 2016	Quarter 3 2015
Gross cash collections on acquired loan portfolios	1 074 719	973 978
Portfolio amortisation and revaluation	-467 240	-437 968
Interest income from run-off consumer loan portfolio	-1 092	2 513
Net revenue from acquired loan portfolios	606 387	538 523
Fee and commission income	28 451	37 990
Profit from shares and participations in joint ventures	27 479	10 674
Other income	4 185	4 193
Total revenue	666 502	591 380
Personnel expenses	-156 158	-164 201
Collection costs	-165 633	-143 337
Other operating expenses	-87 677	-89 516
Depreciation and amortisation of tangible and intangible assets	-11 573	-11 677
Total operating expenses	-421 041	-408 731
Operating profit (EBIT)	245 461	182 649
Funding		
Interest income excl. run-off consumer loan portfolio	-824	5 751
Interest expense	-80 303	-90 100
Net income from financial transactions	-24 141	-8 764
Total financial items	-105 268	-93 113
Profit before tax	140 193	89 536

Statutory income statement, Group

SEK thousand	Quarter 3 2016	Quarter 3 2015
Revenue from acquired loan portfolios	607 479	536 010
Interest income	-1 916	8 264
Interest expense	-80 303	-90 100
Net interest income	525 260	454 174
Fee and commission income	28 451	37 990
Net financial income	-24 141	-8 764
Other income	4 185	4 193
Total operating income	533 755	487 593
General administrative expenses		
Personnel expenses	-156 158	-164 201
Other operating expenses	-253 310	-232 853
Depreciation and amortisation of tangible and intangible assets	-11 573	-11 677
Total operating expenses	-421 041	-408 731
Profit from shares and participations in joint ventures	27 479	10 674
Profit before tax	140 193	89 536

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.

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.

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 and Return on book are two 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.

Average number of employees

Average number of employees during the year converted to full-time posts. The calculation is based on the total average number of employees per month divided by the number of months in the period.

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.

Cost/Gross cash collections on acquired loan portfolios

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

EBIT

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

EBIT margin

EBIT (operating earnings) divided by total revenue.

Fee and commission income

Fees for providing debt management services to third parties.

Gross ERC 120 months

"Estimated Remaining Collections" is the company's assessment of the gross amount that can be collected on the loan portfolios that the company currently owns. The assessment is based on estimates for each loan portfolio and ranges in duration from the proceeding month to 120 months ahead. The estimates for each loan portfolio are in turn based on the company's extensive experience of actively working and collecting on the loan portfolios during their economic life.

Gross cash collections

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

Legal collections

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 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.

Return on assets

Net profit for the period divided by average total assets.

Return on book

EBIT (operating profit) for the period, exclusive of Central Function operating expenses, calculated on an annualised basis, in relation to the average carrying value of acquired loans. In the company's reports, the average value is calculated based on the opening amount at the beginning of the period and the closing amount at the end of the period

Return on equity

Net profit for the period, calculated on an annualised basis, divided by shareholders' equity calculated as an average between the value at the beginning of and at the end of the period.

Risk-weighted exposure amount

The risk weight of each exposure multiplied by the exposure amount

SME

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

Tier 1 capital

The sum of CET1 capital and 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 from joint ventures and other income.

Business concept, business model and strategies

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



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.

Financial calendar

Interim report Q3 2016	28 October 2016
Year-end report 2016	9 February 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
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.