

# Interim report Q2 2017

## Strong results despite increased investments for future growth and profitability

### April – June 2017

- » Total revenue increased 5 per cent to SEK 686m (655).
- » Profit before tax excluding items affecting comparability<sup>1)</sup> totalled SEK 189m.
- » Profit before tax totalled SEK 122m (133).
- » Return on equity excluding items affecting comparability<sup>1)</sup> was 22 per cent.
- » Return on equity was 17 per cent (18).
- » Carrying value on acquired loan portfolios totalled SEK 13,079m (12,658).
- » The total capital ratio was 19.73 per cent (16.76) and the CET1 capital ratio was 12.99 per cent (12.46).

# Q2

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

### Events during the quarter

- » Hoist Kredit issued EUR 80 million in Tier 2 capital under the company's EMTN programme.
- » Moody's upgraded the credit rating for Hoist Kredit AB (publ) to Investment grade (Baa3/Prime-3).
- » Hoist Kredit began the recruitment process for a new CEO. Jörgen Olsson will be proposed Deputy Chairman.

**99** During the quarter our credit rating was upgraded, an event that both strengthens our brand and supports our continued growth by lower funding costs.

Jörgen Olsson  
CEO



1) Key figures have been adjusted to show underlying earnings excluding items affecting comparability, totalling SEK 63m, which arose in connection with the repurchase of subordinated loans and outstanding bonds during second quarter 2017.

Hoist Finance AB (publ) (the "Company" or the "Parent") is the parent company of the Hoist Finance group of companies ("Hoist Finance"). The Company's wholly owned subsidiary, Hoist Kredit AB (publ) ("Hoist Kredit") is a regulated credit market company. Hence, Hoist Kredit 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.

The information in this interim report has been published pursuant to the EU's Financial Instruments Trading Act and Securities Market Act. This information was submitted for publication on 28 July 2017 at 8:00 AM CET.

### Continued stable growth and profitability trend

Our disciplined investment strategy continues to generate stable and profitable growth.

Total revenues for the second quarter totalled SEK 686m, a 5 per cent increase compared with the same period last year. Excluding items affecting comparability related to the repurchase of subordinated loans and bonds, the quarter's profit before tax increased 39 per cent year-on-year to SEK 189m. Return on equity, excluding items affecting comparability, was 22 per cent during the second quarter, which demonstrates both our operational efficiency and our capital efficiency.

### Successful bond market issue and upgraded credit rating

During the quarter our credit rating was upgraded, an event that both strengthens our brand and supports our continued growth by lower funding costs. We also conducted a successful Tier 2 capital issue and simultaneously repurchased outstanding subordinated liabilities. The transaction reduces our funding costs and was carried out as a part of our long-term strategy to broaden and diversify our financing. As a result of the transaction, Moody's upgraded our long- and short-term credit rating to Baa3/Prime-3.

### Regional development

Region West accounts for the Company's largest portfolio investments. This demonstrates the size of the British market and the strong position we have built since 2012. Also in terms of profit for the quarter, the region's profitability continues to improve.

In Region Mid, activity remained high in the Italian market - the primary driver of portfolio growth during the quarter. The Italian transaction market was among the largest in Europe during 2016. In spite of this, only ten per cent of non-performing loans in the Italian banking system were sold - meaning that the Italian market will remain significant.

In Region Central East growth remained slow in the second quarter. We

99 A leading partner to international banks and financial institutions



continue our efforts to improve cash flow from existing portfolios and to make comprehensive efficiency improvements. This enables us to continue to deliver strong results while also preparing us to address future growth opportunities.

### Looking forward

During the quarter I announced my intention to step down as CEO. After much consideration, I decided that this is the right time to find a successor to continue driving our growth journey. I have held senior positions at Hoist Kredit for nearly eight years and, together with our talented employees, I have worked to develop Hoist Kredit into the strong and stable company it is today. In the past three years alone we have more than doubled our earnings, conducted a successful IPO and built a solid platform as a leading debt restructuring partner to banks and

financial institutions in ten European countries.

The market continues to grow steadily and our growth forecast for this year and coming years remains in place. I look forward to welcoming my successor to a company with a disciplined investment strategy, a value driven corporate culture and a strong growth trajectory. My aim is to support our strive towards our vision and our long-term development as a board member and as one of the major shareholders.

Jörgen Olsson  
CEO  
Hoist Kredit AB (publ)

# Key ratios

SEK million	Quarter 2 2017	Quarter 2 2016	Change, %	Jan-Jun 2017	Jan-Jun 2016	Change, %
Total revenue	686	655	5	1,408	1,293	9
EBITDA, adjusted	833	730	14	1,636	1,467	12
EBIT	265	239	11	531	473	12
EBIT margin, %	39	37	2 pp	38	37	1 pp
Profit before tax	122	133	-9	292	260	12
Net profit for the period	91	107	-15	224	205	9
Portfolio acquisitions	786	507	55	1,397	1,155	21

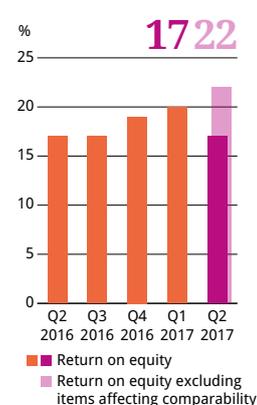
SEK million	30 Jun 2017	31 Dec 2016	Change, %
Carrying value on acquired loan portfolios <sup>1)</sup>	13,079	12,658	3
Gross 120-month ERC <sup>2)</sup>	21,417	21,375	0
Return on equity, % <sup>3)</sup>	17	18	-1 pp
Total capital ratio, %	19.73	16.76	3.0 pp
CET1 ratio, %	12.99	12.46	0.5 pp
Liquidity reserve	5,605	5,789	-3
Number of employees (FTEs)	1,267	1,285	-1

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

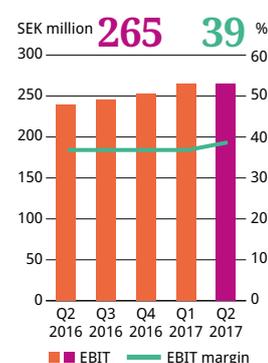
2) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture.

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

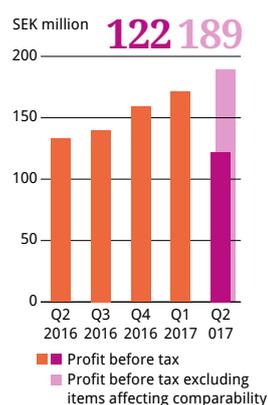
## Return on equity



## EBIT and EBIT margin



## Profit before tax



# Second quarter 2017

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

## Revenue

Net revenue from acquired loan portfolios increased 6 per cent to SEK 647m (608), due mainly to growth in Italy and Spain and an improved collection rate in France. Gross collections on acquired loan portfolios increased to SEK 1,198m (1,076). Portfolio amortisation and revaluation increased to SEK 552m (471), with portfolio revaluations accounting for SEK 0m (-11) of that amount. Portfolio acquisitions totalled SEK 786m (507) during the quarter, mainly attributable to the UK. Due to these and other previous acquisitions, portfolio growth was 15 per cent calculated over a 12-month period. Profit for participations in joint ventures totalled SEK 16m (15) and was

mainly attributable to the Polish joint venture in which Hoist Kredit has been participating since 2011. Fee and commission income decreased 37 per cent to SEK 18m (29). The decline is mainly attributable to Poland, where a major service contract was terminated in early 2017. Total revenue increased 5 per cent to SEK 686m (655).

## Operating expenses

Total operating expenses increased to SEK 421m (416), due mainly to expansion in Italy and Spain during 2016 and 2017. The increase was mitigated by cost reductions in the UK – a reflection of unusually high external collection costs during Q2 2016 and, to a lesser extent, a weakening of the

British pound during the previous year following the “Brexit” referendum. Personnel expenses increased 3 per cent to SEK 170m (165). This was also due to expansion in Italy and establishment in Spain, with a mitigating effect in the UK. Collection costs totalled SEK 157m (149). Other operating expenses, which totalled SEK 81m (90), were impacted by advisory expenses incurred during the quarter related to strategic projects. The strategic projects focus on, among other things, preparing for the transition to new accounting standards and simplifying the corporate structure. An example of the latter is the merger of Hoist Kredit AB (publ) and German subsidiary Hoist GmbH conducted during the quarter. Depreciation and amortisation of tangible and intangible assets totalled SEK 13m (12).

### Financial items

Total financial items as per Hoist Kredit’s operating income statement totalled SEK –144m (–106), with the restructuring of outstanding bonds during the quarter giving rise to SEK –67m in costs affecting comparability. This amount, allocated between interest expense (SEK –9m) and net financial income (SEK –58m), refers primarily to the premium paid by the Company in connection with the repurchase of bonds previously issued on the market and to advisory-related expenses. The restructuring, along with the issue of a new subordinated debt instrument, served to strengthen the balance sheet and pave the way for the improved credit rating achieved during the second quarter.

Interest income totalled SEK –2m (–2) due to the prevailing interest rate scenario, under which government bonds and similar securities that comprise Hoist Kredit’s liquidity portfolio no longer offer positive returns. Interest expenses, which totalled SEK –92m (–73), were essentially unchanged after adjusting for the above-referenced non-recurring items. The increase resulting from additional issues was, therefore, offset by a reduced cost of deposits via HoistSpar.

Net financial income totalled SEK –49m (–31), corresponding to SEK 10m after adjusting for the restructuring described above. The remaining amount is mainly attributable to positive changes in the market value of bonds in the liquidity portfolio. Changes in value for interest rate hedging instruments were limited during the quarter. The same applies to earnings from currency risk hedging, for which the businesses reported a greater portion of FX hedging results as other comprehensive income following an expanded application of hedge accounting during 2017.

### Balance sheet

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

#### Assets

Total assets increased SEK 130m as compared with 31 December 2016, totalling SEK 19,278m (19,148). The change is due to an SEK –369m decrease in treasury bills and treasury bonds, which was offset by an SEK 189m increase in bonds and other securities. Acquired loan portfolios increased SEK 425m, due primarily to acquisitions in the UK and Italy.

#### Liabilities

Total liabilities amounted to SEK 16,371m (16,423). Deposits from the public increased SEK 126m. Other liabilities decreased SEK –415m, mainly due to a decrease in inter-company transactions of SEK –237m. Senior unsecured debt decreased due to the repurchase of all outstanding bonds in respect of a bond loan issued in 2014. Subordinated liabilities increased SEK 432m due to the issue of Tier 2 capital in the amount of EUR 80m and the repurchase of previously issued bonds.

### Funding and capital debt

SEK million	30 Jun 2017	31 Dec 2016	Change, %
Cash and interest-bearing securities	5,113	5,548	–8
Other assets <sup>1)</sup>	14,165	13,600	4
<b>Total assets</b>	<b>19,278</b>	<b>19,148</b>	<b>1</b>
Deposits from the public	11,975	11,849	1
Subordinated liabilities	774	342	>100
Senior unsecured debt	2,939	3,126	–6
<b>Total interest-bearing liabilities</b>	<b>15,688</b>	<b>15,317</b>	<b>2</b>
Other liabilities <sup>1)</sup>	682	1,106	–38
Shareholders’ equity	2,908	2,726	7
<b>Total liabilities and shareholders’ equity</b>	<b>19,278</b>	<b>19,148</b>	<b>1</b>
CET1 ratio, %	12.99	12.46	0.5 pp
Total capital ratio, %	19.73	16.76	3 pp
Liquidity reserve	5,605	5,789	–3
<b>Acquired loans</b>			
Carrying value of acquired loans <sup>2)</sup>	13,079	12,658	3
Gross 120-month ERC <sup>3)</sup>	21,417	21,375	0

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

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

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

Hoist Kredit funds its operations through deposits from the public and through the bond market. Deposits from the public totalled SEK 11,975m (11,849). Of this amount, SEK 4,289m (4,266) is attributable to fixed term deposits of 12-, 24- and 36-month durations.

As at 30 June 2017 outstanding bond debt totalled SEK 2,939m (3,126). Hoist Kredit AB (publ) issued new Tier 2 capital during the second quarter in order to refinance a similar outstanding subordinated bond loan, which was repurchased in connection with the transaction, and to

streamline the Company's capitalisation. A total of EUR 80m of Tier 2 capital was issued under the Hoist Kredit's EMTN programme. The bond loan has a 10-year duration with a redemption option after 5 years and carries a fixed coupon rate of 3.875 per cent. The bond is listed on the Irish Stock Exchange and provides a natural currency hedge, as the Company's assets are predominantly denominated in EUR. The previously issued subordinated bond loan of SEK 350m was repurchased in its entirety through a public offering in conjunction with the issue. All repurchased bonds have been cancelled. The issue and repurchase are part of Hoist Kredit's capital planning strategy, and to improve the Company's capital adequacy and strengthen its growth capacity. As a result of this successful transaction, the credit rating for Hoist Kredit AB (publ) was upgraded to Investment grade (Baa3/Prime-3).

Group equity totalled SEK 2,908m (2,726). The increase is mainly due to net profit for the period.

The total capital ratio improved to 19.73 per cent (16.76) and the CET1 ratio to 12.99 per cent (12.46). Hoist Kredit is thus well capitalised for further expansion.

Hoist Finance consolidated situation's liquidity reserve, presented in accordance with the Swedish Bankers' Association's template, totalled SEK 5,605m (5,789).

## Cash flow

Comparative figures refer to second quarter 2016.

SEK million	Quarter 2 2017	Quarter 2 2016	Full year 2016
Cash flow from operating activities	672	760	2,958
Cash flow from investing activities	-474	-1,418	-4,592
Cash flow from financing activities	66	1,257	1,010
<b>Cash flow for the period</b>	<b>264</b>	<b>599</b>	<b>-624</b>

Cash flow from operating activities totalled SEK 672m (760). Gross cash collections from acquired loan portfolios continued to increase in relation to acquired loan portfolios and totalled SEK 1,198m (1,076).

Cash flow from investing activities totalled SEK -474m (-1,418). Portfolio acquisitions increased somewhat during the quarter as compared with Q2 2016, totalling SEK 786m (507). A net total of SEK 331m in bonds and other securities was sold during the quarter, mainly due to securities maturing during the month were invested in treasury bills and treasury bonds.

Cash flow from financing activities totalled SEK 66m (1,257). The net effect of the issue of new Tier 2 capital and the repurchase of previously subordinated liabilities and bond loans totalled SEK 105m. HoistSpar deposit volumes increased somewhat during the quarter to SEK 126m (-310), with most of that amount attributable to fixed deposit inflows. Group contribution for 2016 amounting to SEK -145m was paid in cash during the quarter. Other cash flow is attributable to interest paid on Additional Tier 1 capital.

Total cash flow for the quarter amounted to SEK 264m, as compared with SEK 599m for the second quarter 2016.

## Significant risks and uncertainties

Hoist Kredit is exposed to a number of uncertainties through its business operations and due to its broad geographic presence. New and amended bank and credit mar-

ket company regulations may affect Hoist Kredit directly (e.g., via Basel IV capital and liquidity regulations) and indirectly through the impact of similar regulations on the market's supply of loan portfolios. Hoist Kredit's cross-border operations entail consolidated tax issues relating to subsidiaries in several jurisdictions. The Group is, therefore, exposed to potential tax risks arising from varying interpretation and application of existing laws, treaties, regulations, and guidance. Due to Hoist Kredit's substantial deposits from the public, changes to the deposit guarantee scheme, for instance, may have an impact. In other areas such as consumer protection, new regulations may require adjustments in the way in which Hoist Kredit operates its collection activities. Acquired loan portfolios are valued based on anticipated future collection levels. Factors that affect the capacity to achieve collection level forecasts sustainably and cost efficiently are, therefore, uncertainty factors.

## Development of risks

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

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

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

Capitalisation for Hoist Kredit remains strong. Hoist Kredit supplemented its own funds with additional Tier 2 capital during the quarter. The CET1 ratio exceeds the regulatory requirement by a good margin. Hoist Kredit is, therefore, better able to absorb unanticipated events without jeopardising its solvency, and is well capitalised for continued growth.

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

## Other information

### Parent Company

The subsidiary Hoist GmbH was merged with Hoist Kredit AB (publ) as at 30 June 2017. The German operation is now run through the branch Hoist Kredit AB (publ) Niederlassung Deutschland. Accordingly, the Parent Company's financial position includes the German operation as from the beginning of the year.

The parent Company Hoist Kredit AB (publ) reported a profit before tax of SEK 9m (58) for second quarter 2017. The decrease in profit is primarily attributable to the German branch, where the net of revenues from acquired loans and administration expenses produced a negative effect on profit. Details on changes in each income statement item are presented below.

Net revenue from acquired loan portfolios increased SEK 103m year-on-year. The increase is attributable to revenues from the German branch for loan portfolios.

Interest income increased SEK 143m (130). The parent Company finances major acquisitions made by Group subsidiaries, which leads to a rise in revenues due to an increase in internal loans.

Interest expenses increased SEK 19m due to the bond repurchases conducted during the quarter in connection with the restructuring of the Company's subordinated liabilities.

Net financial income decreased dramatically during the quarter, totalling SEK -78m (-33). The change is attributable to transaction costs associated with the repurchase of subordinated liabilities.

The increase in other revenues and general administrative expenses is attributable to the merger of the German operation with Hoist Kredit AB (publ). Other income statement items are on a par with Q2 2016.

Shares and participations in joint ventures refer to holdings in Poland and Greece. The change is mainly attributable to revenue from divested shares and participations in the Polish joint venture, with an increase totalling SEK 17m (4).

#### Related-party transactions

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

#### Group structure

Hoist Finance AB (publ), corporate identity number 556012-8489, is the Parent Company in the Hoist Finance Group. Hoist Kredit AB (publ), corporate identity number 556329-5699 is a Swedish publicly traded limited liability company headquartered in Stockholm, Sweden. Hoist Finance has been listed on NASDAQ Stockholm since March 2015. The Parent Company serves as a holding and purchasing company for the operating subsidiary Hoist Kredit AB (publ) ("Hoist Kredit") and its sub-group. The Hoist Kredit Group acquires and holds the Group's loan portfolios and the loans are managed by its subsidiaries or foreign branches. These entities also provide management services on a commission basis to external parties.

A process to merge Hoist Finance AB (publ) and Hoist Kredit AB (publ) has been initiated. As part of this process, Hoist Finance applied for and was granted a licence to conduct financing operations. The cross-border merger of Hoist Kredit and subsidiary its Hoist GmbH became effective during the second quarter. Operations previously run in Hoist GmbH are now run through the German branch Hoist Kredit AB (publ) Niederlassung Deutschland. For a more detailed description of the Group's legal structure, please refer to the 2016 Annual Report.

#### Review

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

#### Subsequent events

No subsequent events affecting the business have taken place after the end of the reporting period.

# Quarterly review

## Segment reporting

SEK thousand	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016
Gross collections on acquired loan portfolios	1,198,123	1,186,339	1,104,772	1,074,719	1,075,877
Portfolio amortisation and revaluation	-552,499	-522,624	-485,532	-467,240	-470,902
Interest income from run-off consumer loan portfolio	1,021	1,845	1,153	-1,092	3,391
<b>Net revenue from acquired loan portfolios</b>	<b>646,645</b>	<b>665,560</b>	<b>620,393</b>	<b>606,387</b>	<b>608,366</b>
Fee and commission income	18,396	21,145	29,513	28,451	28,983
Profit from shares and participations in joint ventures	16,188	27,662	15,222	27,479	14,636
Other income	4,876	7,668	10,620	4,185	3,258
<b>Total revenue</b>	<b>686,105</b>	<b>722,035</b>	<b>675,748</b>	<b>666,502</b>	<b>655,243</b>
Personnel expenses	-169,821	-167,746	-176,796	-156,158	-164,689
Collection costs <sup>1)</sup>	-157,199	-169,008	-145,560	-171,319	-149,077
Other operating expenses <sup>1)</sup>	-81,161	-107,440	-87,804	-81,991	-90,398
Depreciation and amortisation of tangible and intangible assets	-12,737	-12,482	-12,615	-11,573	-11,904
<b>Total operating expenses</b>	<b>-420,918</b>	<b>-456,676</b>	<b>-422,775</b>	<b>-421,041</b>	<b>-416,068</b>
<b>EBIT</b>	<b>265,187</b>	<b>265,359</b>	<b>252,973</b>	<b>245,461</b>	<b>239,175</b>
Interest income excl. run-off consumer loan portfolio	-2,420	-2,403	1,358	-824	-1,687
Interest expense	-91,904	-83,359	-86,489	-80,303	-73,324
Net financial income <sup>2)</sup>	-49,340	-9,058	-7,904	-24,141	-30,903
<b>Total financial items</b>	<b>-143,664</b>	<b>-94,820</b>	<b>-93,035</b>	<b>-105,268</b>	<b>-105,914</b>
<b>Profit before tax</b>	<b>121,523</b>	<b>170,539</b>	<b>159,938</b>	<b>140,193</b>	<b>133,261</b>

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

2) Including financing costs.

## Key ratios

SEK million	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016
EBIT margin, %	39	37	37	37	37
Return on book, % <sup>1)</sup>	10.3	11.4	11.1	10.8	11.1
Portfolio acquisitions	786	611	1,568	607	507

	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016
Carrying value of acquired loans <sup>2)</sup>	13,079	12,783	12,658	11,658	11,359
Gross 120-month ERC <sup>3)</sup>	21,417	21,297	21,375	19,450	19,230
Return on equity, % <sup>4)</sup>	17	20	18	17	17
Total capital ratio, %	19.71	16.79	16.76	15.45	15.73
CET1 ratio, %	12.98	12.51	12.46	12.63	12.87
Liquidity reserve	5,605	5,671	5,789	6,520	6,785
Number of employees (FTEs)	1,267	1,268	1,285	1,341	1,358

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

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

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

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

# Segment overview

Hoist Kredit purchases and manages non-performing loans in ten European countries, all of which have varying legislative frameworks, shifting traditions for providing financial services and attitudes with respect to repayment patterns.

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

## Quarter 2, 2017

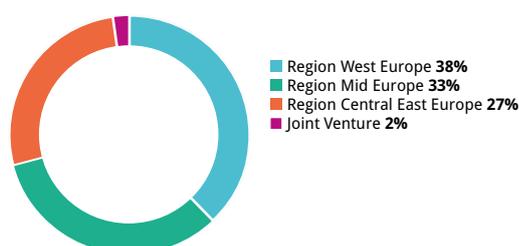
SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Net revenue from acquired loan portfolios	233,241	214,961	198,443	–	646,645
Total revenue	246,863	216,771	205,527	16,944	686,105
Total operating expenses	–140,542	–119,270	–88,967	–72,139	–420,918
EBIT	106,321	97,501	116,560	–55,195	265,187
EBIT margin, %	43	45	57	–	39
Carrying value of acquired loan portfolios, SEKm <sup>1)</sup>	5,014	4,351	3,472	242	13,079
Gross 120-month ERC, SEKm <sup>2)</sup>	8,313	7,057	6,047	–	21,417

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

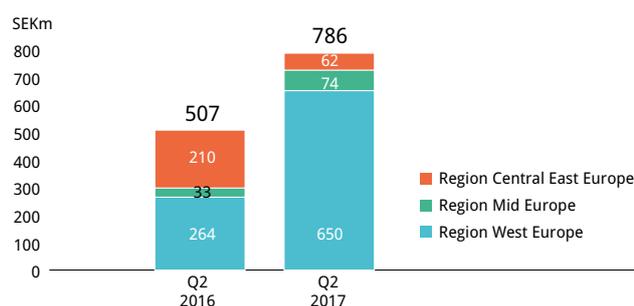
2) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture. For information on the calculation of key ratios, see Definitions.

### Distribution by segment

Carrying value, acquired loan portfolios,  
30 June 2017



### Acquisitions by segment



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

## Our markets

# Region West Europe

France, Spain and the UK

### Revenues

Gross collections on acquired loan portfolios increased 22 per cent to SEK 386m (316), with the new Spanish market contributing in particular to the improvement. Portfolio amortisation and revaluation totalled SEK 153m (89) during the quarter, with the low comparative figure from 2016 a result of high legal collection costs in the UK during Q2 2016. Fee and commission income continued to decrease in line with the previously communicated strategy of focusing on the acquisition and management of loan portfolios.

### Operating expenses

Total operating expenses decreased 12 per cent to SEK 141m (159) during the second quarter. The decrease is primarily attributable to the above-referenced legal collection costs in the UK in 2016. The decrease is somewhat offset by increased activity in the Spanish market.

### Profitability

#### EBIT

The segment's EBIT totalled SEK 106m (85) for the quarter with a corresponding EBIT margin of 43 per cent (35). In addition to the contribution from the Spanish market, France was the main contributor to the profitability improvement through efficiency improvements.

#### Return on book

The segment's return on book for second quarter 2017 was in line with Q2 2016, totalling 8.9 per cent (8.7). Operations in the UK and France contributed in particular to the continued profitability.

### Acquisitions

The acquisition volume during the second quarter totalled SEK 650m (264) and is mainly attributable to acquisitions in the UK, where

the market remained active. The carrying value of acquired loan portfolios increased 10 per cent to SEK 5,014m (4,522) since the turn of the year. Gross ERC increased to SEK 8,313m (7,927) over the same period.

### Earnings trend\*

SEK thousand	Quarter 2 2017	Quarter 2 2016	Change, %	Jan-Jun 2017	Jan-Jun 2016	Change, %	Full year 2016
Gross collections on acquired loan portfolios	385,789	315,863	22	742,093	618,292	20	1,296,766
Portfolio amortisation and revaluation	-152,548	-88,963	71	-285,870	-219,180	30	-487,587
<b>Net revenue from acquired loan portfolios</b>	<b>233,241</b>	<b>226,900</b>	<b>3</b>	<b>456,223</b>	<b>399,112</b>	<b>14</b>	<b>809,179</b>
Fee and commission income	13,614	17,377	-22	27,813	36,329	-23	65,629
Other income	8	-	>100	8	-	>100	-
<b>Total revenue</b>	<b>246,863</b>	<b>244,277</b>	<b>1</b>	<b>484,044</b>	<b>435,441</b>	<b>11</b>	<b>874,808</b>
Personnel expenses	-56,554	-54,577	4	-113,960	-121,205	-6	-231,502
Collection costs	-51,994	-74,088	-30	-105,735	-124,660	-15	-246,005
Other operating expenses	-29,088	-27,627	5	-56,294	-59,955	-6	-112,356
Depreciation and amortisation of tangible and intangible assets	-2,906	-3,206	-9	-5,562	-6,709	-17	-11,977
<b>Total operating expenses</b>	<b>-140,542</b>	<b>-159,498</b>	<b>-12</b>	<b>-281,551</b>	<b>-312,529</b>	<b>-10</b>	<b>-601,840</b>
<b>EBIT</b>	<b>106,321</b>	<b>84,779</b>	<b>25</b>	<b>202,493</b>	<b>122,912</b>	<b>65</b>	<b>272,968</b>
EBIT margin, %	43	35	8 pp	42	28	14 pp	31
Return on book, %	8.9	8.7	0.2 pp	8.5	6.3	2.2 pp	6.5
Expenses/Gross collections on acquired loan portfolios, %	33	45	-12 pp	34	45	-11 pp	41
Carrying value of acquired loan portfolios, SEKm	5,014	3,947	27	N/A	N/A	-	4,522
Gross 120-month ERC, SEKm	8,313	7,067	18	N/A	N/A	-	7,927

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

# Region Mid Europe

Belgium, Greece, Italy and the Netherlands

## Revenues

Gross collections on acquired loan portfolios increased 17 per cent to SEK 467m (399). The increase is mainly attributable to Italy, where several portfolios have been acquired since the second quarter 2016. Portfolio amortisation and revaluation increased 24 per cent to SEK 252m (203), with the increase mainly attributable to the above-mentioned strong growth in Italy. Profit from shares and participations in joint ventures refer to the Greek operations.

## Operating expenses

Total operating expenses increased 28 per cent during the second quarter to SEK 119m (93). A major part of the increase is due to increased legal collection costs in Italy.

## Profitability

### EBIT

The segment's EBIT totalled SEK 98m (105) for the quarter with a corresponding EBIT margin of 45 per cent (53). Strong growth on the Italian market was offset by lower growth in the Netherlands.

### Return on book

The segment's return on book for the second quarter 2017 was 8.8 per cent (11.8), with the comparative figure affected by strong return on book for a larger portfolio in the Netherlands during the second quarter 2016.

## Acquisitions

The acquisition volume during the quarter totalled SEK 74m (33) and was attributable to acquisitions in Italy and Belgium.

The carrying value of acquired loan portfolios was basically unchanged since the turn of the year, totalling SEK 4,351m (4,331). Gross ERC decreased slightly to SEK 7,057m (7,117) over the same period.

## Other

The operation in Greece continues to strengthen its position in order to enable future portfolio acquisitions.

## Earnings trend\*

SEK thousand	Quarter 2 2017	Quarter 2 2016	Change, %	Jan–Jun 2017	Jan–Jun 2016	Change, %	Full year 2016
Gross collections on acquired loan portfolios	467,011	399,160	17	932,292	786,534	19	1,574,731
Portfolio amortisation and revaluation	-252,050	-203,203	24	-496,450	-373,843	33	-763,410
<b>Net revenue from acquired loan portfolios</b>	<b>214,961</b>	<b>195,957</b>	<b>10</b>	<b>435,842</b>	<b>412,691</b>	<b>6</b>	<b>811,321</b>
Fee and commission income	1,703	1,082	57	2,803	2,226	26	5,006
Profit from shares and participations in joint venture	-183	438	>-100	13,099	438	>100	616
Other income	290	427	-32	818	874	-6	1,769
<b>Total revenue</b>	<b>216,771</b>	<b>197,904</b>	<b>10</b>	<b>452,562</b>	<b>416,229</b>	<b>9</b>	<b>818,712</b>
Personnel expenses	-31,168	-27,520	13	-60,538	-52,353	16	-111,301
Collection costs <sup>1)</sup>	-73,998	-46,653	59	-141,942	-100,393	41	-221,228
Other operating expenses <sup>1)</sup>	-12,388	-16,789	-26	-24,424	-34,280	-29	-53,821
Depreciation and amortisation of tangible and intangible assets	-1,716	-1,893	-9	-3,762	-3,408	10	-7,210
<b>Total operating expenses</b>	<b>-119,270</b>	<b>-92,855</b>	<b>28</b>	<b>-230,666</b>	<b>-190,434</b>	<b>21</b>	<b>-393,560</b>
<b>EBIT</b>	<b>97,501</b>	<b>105,049</b>	<b>-7</b>	<b>221,896</b>	<b>225,795</b>	<b>-2</b>	<b>425,152</b>
EBIT margin, %	45	53	-8 pp	49	54	-5 pp	52
Return on book, %	8.8	11.8	-3.0 pp	10.2	12.6	-2.4 pp	10.7
Expenses/Gross collections on acquired loan portfolios, %	25	23	2 pp	24	24	0 pp	25
Carrying value of acquired loan portfolios, SEKm	4,351	3,505	24	N/A	N/A	-	4,331
Gross 120-month ERC, SEKm	7,057	5,844	21	N/A	N/A	-	7,117

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

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

# Region Central East Europe

Poland, Germany and Austria

## Revenues

Gross collections on acquired loan portfolios decreased 4 per cent to SEK 345m (361), with the decrease mainly attributable to larger sales of collateral on secured loans in Germany during the comparative period and to a somewhat lower level of acquisition activity in all markets during the current period. Portfolio amortisation and revaluation totalled SEK 148m (179) during the quarter, with the decrease attributable to a lower depreciation rate in Poland due to increased collection costs and higher-than-expected gross collections. Fee and commission income decreased 71 per cent to SEK 3m (11), with the decrease attributable to the termination of a service contract in Poland during the previous quarter.

## Operating expenses

Total operating expenses increased 2 per cent to SEK 89m (87). The increase is attributable to higher collection costs in Poland due to higher activity during the quarter as compared with last year. Costs decreased slightly

in Germany, mainly due to lower collection activities as compared with the corresponding period last year.

## Profitability

### EBIT

The segment's EBIT totalled SEK 117m (112) with a corresponding EBIT margin of 57 per cent (56). The second quarter's somewhat higher EBIT and EBIT margin are primarily explained by higher-than-expected collections in Poland.

### Return on book

The segment's return on book for the second quarter 2017 was 13.3 per cent (12.2), with the increase mainly attributable to higher-than-expected collections in Poland, mentioned above.

## Acquisitions

The acquisition volume during the second quarter totalled SEK 62m (210). Growth potential in the region is deemed good, as market activity remains high. The carrying value of acquired loan portfolios decreased somewhat since the turn of the year, totalling SEK 3,472m (3,564). Gross ERC decreased to SEK 6,047m (6,331) over the same period.

## Other

Development of the new platform in Germany is proceeding and during the quarter efforts in modernising the collection system continued.

## Earnings trend\*

SEK thousand	Quarter 2 2017	Quarter 2 2016	Change, %	Jan–Jun 2017	Jan–Jun 2016	Change, %	Full year 2016
Gross collections on acquired loan portfolios	345,323	360,854	-4	710,077	726,845	-2	1,439,665
Portfolio amortisation and revaluation	-147,901	-178,736	-17	-292,803	-360,412	-19	-655,210
Interest income from run-off consumer loan portfolio	1,021	3,391	-70	2,866	5,780	-50	5,841
<b>Net revenue from acquired loan portfolios</b>	<b>198,443</b>	<b>185,509</b>	<b>7</b>	<b>420,140</b>	<b>372,213</b>	<b>13</b>	<b>790,296</b>
Fee and commission income	3,079	10,524	-71	8,925	20,298	-56	46,182
Other income	4,005	2,524	59	6,379	4,517	41	14,502
<b>Total revenue</b>	<b>205,527</b>	<b>198,557</b>	<b>4</b>	<b>435,444</b>	<b>397,028</b>	<b>10</b>	<b>850,980</b>
Personnel expenses	-45,141	-45,390	-1	-87,779	-88,725	-1	-181,875
Collection costs	-31,246	-28,336	10	-78,378	-53,982	45	-128,682
Other operating expenses	-10,644	-11,519	-8	-25,404	-23,446	8	-49,924
Depreciation and amortisation of tangible and intangible assets	-1,936	-1,715	13	-3,812	-3,605	6	-7,299
<b>Total operating expenses</b>	<b>-88,967</b>	<b>-86,960</b>	<b>2</b>	<b>-195,373</b>	<b>-169,758</b>	<b>15</b>	<b>-367,780</b>
<b>EBIT</b>	<b>116,560</b>	<b>111,597</b>	<b>4</b>	<b>240,071</b>	<b>227,270</b>	<b>6</b>	<b>483,200</b>
EBIT margin, %	57	56	1 pp	55	57	-2 pp	57
Return on book, %	13.3	12.2	1.1 pp	13.6	12.6	1.0 pp	13.6
Expenses/Gross collections on acquired loan portfolios, %	24	20	4 pp	25	20	5 pp	21
Carrying value of acquired loan portfolios, SEKm <sup>1)</sup>	3,472	3,667	-5	N/A	N/A	-	3,564
Gross 120-month ERC, SEKm <sup>2)</sup>	6,047	6,319	-4	N/A	N/A	-	6,331

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

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.

# Financial statements

## Consolidated income statement

SEK thousand	Quarter 2 2017	Quarter 2 2016	Jan-Jun 2017	Jan-Jun 2016	Full-year 2016
Net revenue from acquired loan portfolios	645,624	604,975	1,309,339	1,178,236	2,404,955
Interest income	-1,400	1,704	-1,957	2,379	2,974
Interest expense	-91,904	-73,324	-175,263	-143,503	-310,295
<b>Net interest income</b>	<b>552,320</b>	<b>533,355</b>	<b>1,132,119</b>	<b>1,037,112</b>	<b>2,097,634</b>
Fee and commission income	18,396	28,983	39,541	58,853	116,817
Net financial income	-49,340	-30,903	-58,398	-66,158	-96,943
Other income	4,876	3,258	12,544	6,545	21,350
<b>Total operating income</b>	<b>526,252</b>	<b>534,693</b>	<b>1,125,806</b>	<b>1,036,352</b>	<b>2,138,858</b>
General administrative expenses					
Personnel expenses	-169,821	-164,689	-337,567	-332,301	-665,255
Other operating expenses	-238,359	-239,475	-514,808	-463,661	-950,335
Depreciation and amortisation of tangible and intangible assets	-12,737	-11,904	-25,219	-23,718	-47,906
<b>Total operating expenses</b>	<b>-420,917</b>	<b>-416,068</b>	<b>-877,594</b>	<b>-819,680</b>	<b>-1,663,496</b>
<b>Profit before credit losses</b>	<b>105,335</b>	<b>118,625</b>	<b>248,212</b>	<b>216,672</b>	<b>475,362</b>
Net credit losses	-	-	-	-	-1,260
Profit from shares and participations in joint ventures	16,188	14,636	43,850	43,341	86,042
<b>Profit before tax</b>	<b>121,523</b>	<b>133,261</b>	<b>292,062</b>	<b>260,013</b>	<b>560,144</b>
Income tax expense	-30,527	-25,802	-67,651	-54,930	-124,972
<b>Net profit for the period</b>	<b>90,996</b>	<b>107,459</b>	<b>224,411</b>	<b>205,083</b>	<b>435,172</b>
<b>Profit attributable to:</b>					
Owner of Hoist Kredit AB (publ)	90,996	107,459	224,411	205,083	435,172

## Consolidated statement of comprehensive income

SEK thousand	Quarter 2 2017	Quarter 2 2016	Jan-Jun 2017	Jan-Jun 2016	Full-year 2016
<b>Net profit for the period</b>	<b>90,996</b>	<b>107,459</b>	<b>224,411</b>	<b>205,083</b>	<b>435,172</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Revaluation of defined benefit pension plan	-	-	-	-	-1,941
Revaluation of remuneration after terminated employment	-	-	-	-	-617
Tax attributable to items that will not be reclassified to profit or loss	-	-	-	-	654
<b>Total items that will not be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,904</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Translation difference, foreign operations	-11,900	-13,298	18,620	-23,541	-21,872
Translation difference, joint venture	1,138	-3,443	11,338	-2,423	1,489
Hedging of currency risk in foreign operations	-16,348	-	-56,408	-	-
Hedging of currency risk in joint venture	-2,099	3,015	-16,836	7,420	-7,421
Transferred to the income statement during the year	1,778	-	1,778	-	-
Tax attributable to items that may be reclassified to profit or loss	887	1,538	19,164	1,538	4,803
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>-26,544</b>	<b>-12,188</b>	<b>-22,344</b>	<b>-17,006</b>	<b>-23,001</b>
<b>Other comprehensive income for the period</b>	<b>-26,544</b>	<b>-12,188</b>	<b>-22,344</b>	<b>-17,006</b>	<b>-24,905</b>
<b>Total comprehensive income for the period</b>	<b>64,452</b>	<b>95,271</b>	<b>202,067</b>	<b>188,077</b>	<b>410,267</b>
<b>Profit attributable to:</b>					
Owner of Hoist Kredit AB (publ)	64,452	95,271	202,067	188,077	410,267

## Consolidated balance sheet

SEK thousand	31 Jun 2017	31 Dec 2016	31 Mar 2016
<b>ASSETS</b>			
Cash	3,070	3,073	219
Treasury bills and Treasury bonds	1,905,316	2,273,903	3,592,889
Lending to credit institutions	476,921	732,828	970,002
Lending to the public	26,809	35,789	64,705
Acquired loan portfolios	12,810,138	12,385,547	11,072,895
Receivables from Group companies	469,310	363,152	292,586
Bonds and other securities	2,727,514	2,538,566	1,982,065
Participations in joint ventures	242,087	241,276	240,400
Intangible assets	221,241	218,172	208,446
Tangible assets	41,418	38,398	38,324
Other assets	243,097	193,071	308,430
Deferred tax assets	36,145	47,268	71,515
Prepayments and accrued income	75,364	77,087	76,103
<b>Total assets</b>	<b>19,278,430</b>	<b>19,148,130</b>	<b>18,918,579</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from the public	11,974,579	11,848,956	12,683,631
Tax liabilities	52,993	25,729	51,576
Other liabilities	258,877	674,000	374,270
Deferred tax liabilities	145,231	150,065	171,675
Accrued expenses and deferred income	173,394	200,604	218,292
Provisions	53,475	55,480	57,008
Senior unsecured debt	2,938,693	3,125,996	2,633,188
Subordinated liabilities	773,643	341,715	339,281
<b>Total liabilities</b>	<b>16,370,885</b>	<b>16,422,545</b>	<b>16,528,921</b>
<b>Equity</b>			
Share capital	66,667	66,667	66,667
Other contributed capital	1,735,955	1,735,955	1,450,918
Reserves	-89,439	-67,095	-61,100
Retained earnings including profit for the period	1,194,362	990,058	933,173
<b>Total equity</b>	<b>2,907,545</b>	<b>2,725,585</b>	<b>2,389,658</b>
<b>Total liabilities and equity</b>	<b>19,278,430</b>	<b>19,148,130</b>	<b>18,918,579</b>

## Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
<b>Opening balance 1 Jan 2017</b>	66,667	1,735,955	-67,095	990,058	2,725,585
<b>Comprehensive income for the period</b>					
Profit for the period				224,411	224,411
Other comprehensive income			-22,344		-22,344
<b>Total comprehensive income for the period</b>			-22,344	224,411	202,067
<b>Transactions reported directly in equity</b>					
Transactions reported directly in equity				-20,107	-20,107
<b>Total transactions reported directly in equity</b>				-20,107	-20,107
<b>Closing balance 30 Jun 2017</b>	66,667	1,735,955	-89,439	1,194,362	2,907,545

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

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

SEK thousand	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
<b>Opening balance 1 Jan 2016</b>	66,667	1,450,918	-44,094	735,590	2,209,081
<b>Comprehensive income for the period</b>					
Profit for the period				205,083	205,083
Other comprehensive income			-17,006		-17,006
<b>Total comprehensive income for the period</b>			-17,006	205,083	188,077
<b>Transactions reported directly in equity</b>					
Interest paid on capital contribution				-7,500	-7,500
<b>Interest paid on capital contribution</b>				-7,500	-7,500
<b>Closing balance 30 Jun 2016</b>	66,667	1,450,918	-61,100	933,173	2,389,658

## Consolidated cash flow statement

SEK thousand	Quarter 2 2017	Quarter 2 2016	Jan-Jun 2017	Jan-Jun 2016	Full-year 2016
<b>OPERATING ACTIVITIES</b>					
Profit/loss before tax	121,523	133,261	292,062	260,013	560,144
<i>of which, paid-in interest</i>	1,021	3,390	2,866	5,779	5,841
<i>of which, interest paid</i>	-51,935	-50,704	-133,617	-125,932	-298,305
<b>Adjustment for items not included in cash flow</b>					
Portfolio amortisation and revaluation	552,500	470,902	1,075,124	953,435	1,906,208
Other non-cash items	-119,588	127,464	-91,672	276,805	227,604
Realised profit from redemptions of fund units in joint ventures	-17,157	-3,791	-34,507	-3,791	-42,546
Income tax paid	-13,595	-23,113	-21,942	-26,241	-31,063
<b>Total</b>	<b>523,683</b>	<b>704,723</b>	<b>1,219,065</b>	<b>1,460,221</b>	<b>2,620,347</b>
Increase/decrease in lending to the public	71,556	3,769	73,980	13,289	17,781
Increase/decrease in other assets	79,383	-104,108	12,136	64,350	174,446
Increase/decrease in other liabilities	-2,729	155,317	-227,287	80,349	145,003
<b>Total</b>	<b>148,210</b>	<b>54,978</b>	<b>-141,171</b>	<b>157,988</b>	<b>337,230</b>
<b>Cash flow from operating activities</b>	<b>671,893</b>	<b>759,701</b>	<b>1,077,894</b>	<b>1,618,209</b>	<b>2,957,577</b>
<b>INVESTING ACTIVITIES</b>					
Acquired loan portfolios	-785,943	-506,787	-1,396,670	-1,155,185	-3,329,382
Investments in intangible assets	-11,512	-5,087	-13,521	-8,844	-23,640
Investments in tangible assets	-5,921	-2,414	-10,086	-8,859	-17,869
Investments in/divestments of bonds and other securities	330,917	-884,269	-184,918	-670,886	-1,232,503
Investments in subsidiaries	-21,094	-25,204	-21,815	-25,204	-40,788
Acquired shares and participations in joint ventures	-	-74	-	-74	-74
Redemptions of fund units in joint ventures	20,068	6,155	40,674	6,155	51,891
<b>Cash flow from investing activities</b>	<b>-473,485</b>	<b>-1,417,680</b>	<b>-1,586,336</b>	<b>-1,862,897</b>	<b>-4,592,365</b>
<b>FINANCING ACTIVITIES</b>					
Deposits from the public	125,956	-310,066	124,614	-140,749	-957,707
Issued bonds	-	2,278,360	-	2,278,360	2,771,876
Repurchase of issued bonds	-276,867	-703,456	-276,867	-976,284	-976,570
Buy-back of issued bonds	-	-	-	-	-58,000
Issued Tier 2 capital	781,328	-	781,328	-	-
Repurchase of subordinated loan	-399,550	-	-399,550	-	-
Issued Additional Tier 1 capital	-	-	-	-	285,396
Interest paid on Additional Tier 1 capital	-20,107	-7,500	-27,607	-7,500	-7,500
Group contributions paid	-145,000	-	-145,000	-47,153	-47,153
<b>Cash flow from financing activities</b>	<b>65,760</b>	<b>1,257,338</b>	<b>56,918</b>	<b>1,106,674</b>	<b>1,010,342</b>
<b>Cash flow for the period</b>	<b>264,168</b>	<b>599,359</b>	<b>-451,526</b>	<b>861,986</b>	<b>-624,446</b>
Cash at beginning of the period	2,584,150	4,177,449	3,296,267	3,924,516	3,924,516
Translation difference	1,438	1,770	5,015	-7,924	-3,803
<b>Cash at end of the period*</b>	<b>2,849,756</b>	<b>4,778,578</b>	<b>2,849,756</b>	<b>4,778,578</b>	<b>3,296,267</b>

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

## Parent Company income statement

SEK thousand	Quarter 2 2017	Quarter 2 2016	Jan–Jun 2017	Jan–Jun 2016	Full-year 2016
Net revenue from acquired loans	201,784	98,665	293,786	198,297	421,954
Interest income <sup>1)</sup>	143,158	129,800	293,271	261,384	524,516
Interest expense	-91,873	-73,308	-175,221	-143,474	-307,986
<b>Net interest income</b>	<b>253,069</b>	<b>155,157</b>	<b>411,836</b>	<b>316,207</b>	<b>638,484</b>
Fee and commission income	3,316	-	3,316	-	-
Net income from financial transactions <sup>1)</sup>	-77,695	-33,048	-124,156	-50,675	-95,329
Other income	62,004	22,698	94,128	40,363	99,045
<b>Total operating income</b>	<b>240,694</b>	<b>144,807</b>	<b>385,124</b>	<b>305,895</b>	<b>642,200</b>
General administrative expenses					
Personnel expenses	-114,205	-35,618	-148,639	-65,455	-133,228
Other operating expenses	-124,658	-50,802	-188,534	-105,811	-225,226
Depreciation and amortisation of tangible and intangible assets	-9,746	-3,735	-13,989	-7,303	-15,559
<b>Total operating expenses</b>	<b>-248,609</b>	<b>-90,155</b>	<b>-351,162</b>	<b>-178,569</b>	<b>-374,013</b>
<b>Profit before loan losses</b>	<b>-7,915</b>	<b>54,652</b>	<b>33,962</b>	<b>127,326</b>	<b>268,187</b>
Net loan losses	-	-	-	-	-1,260
Profit from shares and participations in joint ventures	17,358	3,791	48,219	3,791	42,546
Earnings from participations in Group companies	-	-	-	62,387	62,387
Appropriations (tax allocation reserve provision)	-	-	-	-	-18,503
<b>Profit before tax</b>	<b>9,443</b>	<b>58,443</b>	<b>82,181</b>	<b>193,504</b>	<b>353,357</b>
Income tax expense	-25,692	-13,641	-47,157	-29,610	-86,166
<b>Net profit for the period</b>	<b>-16,249</b>	<b>44,802</b>	<b>35,024</b>	<b>163,894</b>	<b>267,191</b>
<b>Profit attributable to:</b>					
Owner of Hoist Kredit AB (publ)	-16,249	44,802	35,024	163,894	267,191

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

## Parent Company statement of comprehensive income

SEK thousand	Quarter 2 2017	Quarter 2 2016	Jan–Jun 2017	Jan–Jun 2016	Full-year 2016
<b>Net profit for the period</b>	<b>-16,249</b>	<b>44,802</b>	<b>35,024</b>	<b>163,894</b>	<b>267,191</b>
<b>Other comprehensive income</b>					
<b>Total items that may be reclassified subsequently to profit or loss</b>					
Translation difference, foreign operations	921	328	871	456	719
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>921</b>	<b>328</b>	<b>871</b>	<b>456</b>	<b>719</b>
<b>Total other comprehensive income for the period</b>	<b>921</b>	<b>328</b>	<b>871</b>	<b>456</b>	<b>719</b>
<b>Total comprehensive income for the period</b>	<b>-15,328</b>	<b>45,130</b>	<b>35,895</b>	<b>164,350</b>	<b>267,910</b>
<b>Profit attributable to:</b>					
Owner of Hoist Kredit AB (publ)	-15,328	45,130	35,895	164,350	267,910

## Parent Company balance sheet

SEK thousand	31 Jun 2017	31 Dec 2016	31 Mar 2016
<b>ASSETS</b>			
Cash	9	-	-
Treasury bills and Treasury bonds	1,905,316	2,273,903	3,592,889
Lending to credit institutions	87,411	215,953	376,558
Lending to the public	30,082	35,789	64,705
Acquired loan portfolios	2,448,619	2,584,666	2,877,632
Receivables from Group companies	10,544,502	10,055,046	8,537,314
Bonds and other securities	2,727,514	2,538,566	1,982,065
Participations in subsidiaries	500,242	570,038	569,781
Participations in joint ventures	34,542	40,703	47,684
Intangible assets	44,911	37,647	38,316
Tangible assets	21,886	4,155	4,281
Other assets	180,304	108,139	213,737
Deferred tax assets	1,720	2,734	10,323
Prepayments and accrued income	7,006	1,436	16,590
<b>TOTAL ASSETS</b>	<b>18,534,064</b>	<b>18,468,775</b>	<b>18,331,875</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from the public	11,974,579	11,848,956	12,683,631
Tax liabilities	46,996	15,476	41,860
Other liabilities	164,300	520,423	225,128
Accrued expenses and prepaid income	51,482	78,804	107,183
Provisions	24,094	67	66
Senior unsecured debt	2,938,693	3,125,996	2,633,188
Subordinated liabilities	773,643	341,715	339,281
<b>Total liabilities and provisions</b>	<b>15,973,787</b>	<b>15,931,437</b>	<b>16,030,337</b>
<b>Untaxed reserves (tax allocation reserve)</b>	<b>80,752</b>	<b>80,752</b>	<b>62,248</b>
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	66,667	66,667	66,667
Statutory reserve	10,000	10,000	10,000
Revaluation reserve	64,253	64,253	64,253
Development expenditures reserve	3,352	4,049	-
<b>Total restricted equity</b>	<b>144,272</b>	<b>144,969</b>	<b>140,920</b>
<i>Non-restricted equity</i>			
Other contributed equity	1,735,955	1,735,956	1,450,918
Reserves	1,449	578	315
Retained earnings	562,825	307,892	483,243
Profit for the period	35,024	267,191	163,894
<b>Total non-restricted equity</b>	<b>2,335,253</b>	<b>2,311,617</b>	<b>2,098,370</b>
<b>Total equity</b>	<b>2,479,525</b>	<b>2,456,586</b>	<b>2,239,290</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>18,534,064</b>	<b>18,468,775</b>	<b>18,331,875</b>

# Accounting principles

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

The Parent Company Hoist Kredit AB's (publ) accounts were prepared in accordance with the Swedish Annual Accounts Act of Credit Institutions and Securities Companies (ÅRKL 1995:1559) and the regulatory code issued by the Swedish Financial Supervisory Authority on Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25), including applicable amendments. The Swedish Financial Reporting Board's RFR 2, Accounting for Legal Entities, was also applied.

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

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

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

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

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

	Quarter 2 2017	Quarter 2 2016	Full-year 2016
<b>1 EUR = SEK</b>			
Income statement (average)	9.5924	9.2988	9.4622
Balance sheet (at end of the period)	9.6734	9.4164	9.5669
<b>1 GBP = SEK</b>			
Income statement (average)	11.1530	11.9441	11.5849
Balance sheet (at end of the period)	11.0144	11.3917	11.1787
<b>1 PLN = SEK</b>			
Income statement (average)	2.2467	2.1287	2.1688
Balance sheet (at end of the period)	2.2843	2.1277	2.1662

# Notes

## Note 1 Segment reporting

Consolidated income statement SEK thousand	Quarter 2 2017	Quarter 2 2016	Jan-Jun 2017	Jan-Jun 2016	Full-year 2016
Revenues from acquired loan portfolios	645,624	604,975	1,309,339	1,178,236	2,404,955
<i>of which, gross cash collections</i>	1,198,123	1,075,877	2,384,462	2,131,671	4,311,162
<i>of which, portfolio amortisation and revaluation</i>	-552,499	-470,902	-1,075,123	-953,435	-1,906,207
Interest income	-1,400	1,704	-1,957	2,379	2,974
<i>of which, interest income from run-off consumer loan portfolio</i>	1,021	3,391	2,866	5,780	5,841
<i>of which, interest income excl. run-off consumer loan portfolio<sup>1)</sup></i>	-2,421	-1,687	-4,823	-3,401	-2,867
Interest expense	-91,904	-73,324	-175,263	-143,503	-310,295
<b>Net interest income</b>	<b>552,320</b>	<b>533,355</b>	<b>1,132,119</b>	<b>1,037,112</b>	<b>2,097,634</b>
Fee and commission income	18,396	28,983	39,541	58,853	116,817
Net financial income <sup>1)</sup>	-49,340	-30,903	-58,398	-66,158	-96,943
Other income	4,876	3,258	12,544	6,545	21,350
<b>Total operating income</b>	<b>526,252</b>	<b>534,693</b>	<b>1,125,806</b>	<b>1,036,352</b>	<b>2,138,858</b>
<b>General administrative expenses</b>					
Personnel expenses	-169,821	-164,689	-337,567	-332,301	-665,255
Other operating expenses	-238,359	-239,475	-514,808	-463,661	-950,335
Depreciation and amortisation of tangible and intangible assets	-12,737	-11,904	-25,219	-23,718	-47,906
<b>Total operating expenses</b>	<b>-420,917</b>	<b>-416,068</b>	<b>-877,594</b>	<b>-819,680</b>	<b>-1,663,496</b>
<b>Profit before credit losses</b>	<b>105,335</b>	<b>118,625</b>	<b>248,212</b>	<b>216,672</b>	<b>475,362</b>
Net credit losses					-1,260
Profit from shares and participations in joint ventures	16,188	14,636	43,850	43,341	86,042
<b>Profit before tax</b>	<b>121,523</b>	<b>133,261</b>	<b>292,062</b>	<b>260,013</b>	<b>560,144</b>

Operating income statement based on segment reporting SEK thousand	Quarter 2 2017	Quarter 2 2016	Jan-Jun 2017	Jan-Jun 2016	Full-year 2016
Gross cash collections on acquired loan portfolios	1,198,123	1,075,877	2,384,462	2,131,671	4,311,162
Portfolio amortisation and revaluation	-552,499	-470,902	-1,075,123	-953,435	-1,906,207
Interest income from run-off consumer loan portfolio	1,021	3,391	2,866	5,780	5,841
<b>Net revenue from acquired loan portfolios</b>	<b>646,645</b>	<b>608,366</b>	<b>1,312,205</b>	<b>1,184,016</b>	<b>2,410,796</b>
Fee and commission income	18,396	28,983	39,541	58,853	116,817
Profit from shares and participations in joint ventures	16,188	14,636	43,850	43,341	86,042
Other income	4,876	3,258	12,544	6,545	21,350
<b>Total revenue</b>	<b>686,105</b>	<b>655,243</b>	<b>1,408,140</b>	<b>1,292,755</b>	<b>2,635,005</b>
Personnel expenses	-169,821	-164,689	-337,567	-332,301	-665,255
Collection costs <sup>1)</sup>	-157,198	-149,077	-326,207	-279,036	-595,915
Other operating expenses <sup>1)</sup>	-81,161	-90,398	-188,601	-184,625	-354,420
Depreciation and amortisation of tangible and intangible assets	-12,737	-11,904	-25,219	-23,718	-47,906
<b>Total operating expenses</b>	<b>-420,917</b>	<b>-416,068</b>	<b>-877,594</b>	<b>-819,680</b>	<b>-1,663,496</b>
<b>EBIT</b>	<b>265,188</b>	<b>239,175</b>	<b>530,546</b>	<b>473,075</b>	<b>971,509</b>
Interest income excl. run-off consumer loan portfolio	-2,421	-1,687	-4,823	-3,401	-2,867
Interest expense	-91,904	-73,324	-175,263	-143,503	-310,295
Net financial income <sup>2)</sup>	-49,340	-30,903	-58,398	-66,15	-98,203
<b>Total financial items</b>	<b>-143,665</b>	<b>-105,914</b>	<b>-238,484</b>	<b>-213,06,</b>	<b>-411,365</b>
<b>Profit before tax</b>	<b>121,523</b>	<b>133,261</b>	<b>292,062</b>	<b>260,013</b>	<b>560,144</b>

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

2) Including financing costs.

## Note 1 Segment reporting, cont.

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

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

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

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

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

Income statement, Quarter 2 2017	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
SEK thousand					
Gross cash collections on acquired loan portfolios	385,789	467,011	345,323	–	1,198,123
Portfolio amortisation and revaluation	-152,548	-252,050	-147,901	–	-552,499
Interest income from run-off consumer loan portfolio			1,021	–	1,021
<b>Net revenue from acquired loan portfolios</b>	<b>233,241</b>	<b>214,961</b>	<b>198,443</b>	<b>–</b>	<b>646,645</b>
Fee and commission income	13,614	1,703	3,079	–	18,396
Profit from shares and participations in joint ventures	–	-183	–	16,371	16,188
Other income	8	290	4,005	573	4,876
<b>Total revenue</b>	<b>246,863</b>	<b>216,771</b>	<b>205,527</b>	<b>16,944</b>	<b>686,105</b>
Personnel expenses	-56,554	-31,168	-45,141	-36,958	-169,821
Collection costs	-51,994	-73,998	-31,246	39	-157,198
Other operating expenses	-29,088	-12,388	-10,644	-29,041	-81,161
Depreciation and amortisation of tangible and intangible assets	-2,906	-1,716	-1,936	-6,179	-12,737
<b>Total operating expenses</b>	<b>-140,542</b>	<b>-119,270</b>	<b>-88,967</b>	<b>-72,139</b>	<b>-420,917</b>
<b>EBIT</b>	<b>106,321</b>	<b>97,501</b>	<b>116,560</b>	<b>-55,195</b>	<b>265,188</b>
Interest income excl. run-off consumer loan portfolio	–	–	341,	-2,761	-2,421
Interest expense	–	-27	-3	-91,874	-91,904
Net financial income <sup>1)</sup>	-60,551	-55,015	-43,283	109,509	-49,340
<b>Total financial items</b>	<b>-60,551</b>	<b>-55,042</b>	<b>-42,945</b>	<b>14,874</b>	<b>-143,665</b>
<b>Profit/loss before tax</b>	<b>45,770</b>	<b>42,459</b>	<b>73,615</b>	<b>-40,321</b>	<b>121,523</b>

1) Including financing costs.

## Note 1 Segment reporting, cont.

<b>Income statement, Quarter 2 2016</b>					
<b>SEK thousand</b>	<b>Region West Europe</b>	<b>Region Mid Europe</b>	<b>Region Central East Europe</b>	<b>Central Functions and Eliminations</b>	<b>Group</b>
Gross cash collections on acquired loan portfolios	315,863	399,160	360,854	-	1,075,877
Portfolio amortisation and revaluation	-88,963	-203,203	-178,736	-	-470,902
Interest income from run-off consumer loan portfolio	-	-	3,391	-	3,391
<b>Net revenue from acquired loan portfolios</b>	<b>226,900</b>	<b>195,957</b>	<b>185,509</b>	<b>-</b>	<b>608,366</b>
Fee and commission income	17,377	1,082	10,524	-	28,983
Profit from shares and participations in joint ventures	-	438	-	14,198	14,636
Other income	-	427	2,524	307	3,258
<b>Total revenue</b>	<b>244,277</b>	<b>197,904</b>	<b>198,557</b>	<b>14,505</b>	<b>655,243</b>
Personnel expenses	-54,577	-27,520	-45,390	-37,202	-164,689
Collection costs <sup>1)</sup>	-74,088	-46,653	-28,336	-	-149,077
Other operating expenses <sup>1)</sup>	-27,627	-16,789	-11,519	-34,463	-90,398
Depreciation and amortisation of tangible and intangible assets	-3,206	-1,893	-1,715	-5,090	-11,904
<b>Total operating expenses</b>	<b>-159,498</b>	<b>-92,855</b>	<b>-86,960</b>	<b>-76,755</b>	<b>-416,068</b>
<b>EBIT</b>	<b>84,779</b>	<b>105,049</b>	<b>111,597</b>	<b>-62,250</b>	<b>239,175</b>
Interest income excl. run-off consumer loan portfolio	-	-	328,	-2,015	-1,687
Interest expense	-3	-20	-9	-73,292	-73,324
Net financial income <sup>2)</sup>	-49,293	-43,941	-46,025	108,356	-30,903
<b>Total financial items</b>	<b>-49,296</b>	<b>-43,961</b>	<b>-45,706</b>	<b>33,049</b>	<b>-105,914</b>
<b>Profit/loss before tax</b>	<b>35,483</b>	<b>61,088</b>	<b>65,891</b>	<b>-29,201</b>	<b>133,261</b>

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

2) Including financing costs.

## Note 1 Segment reporting, cont.

Income statement, Jan–Jun 2017	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
SEK thousand					
Gross cash collections on acquired loan portfolios	742,093	932,292	710,077		2,384,462
Portfolio amortisation and revaluation	-285,870	-496,450	-292,803		-1,075,123
Interest income from run-off consumer loan portfolio	-	-	2,866		2,866
<b>Net revenue from acquired loan portfolios</b>	<b>456,223</b>	<b>435,842</b>	<b>420,140</b>		<b>1,312,205</b>
Fee and commission income	27,813	2,803	8,925		39,541
Profit from shares and participations in joint ventures	-	13,099	-	30,751	43,850
Other income	8	818	6,379	5,339	12,544
<b>Total revenue</b>	<b>484,044</b>	<b>452,562</b>	<b>435,444</b>	<b>36,090</b>	<b>1,408,140</b>
Personnel expenses	-113,960	-60,538	-87,779	-75,290	-337,567
Collection costs <sup>1)</sup>	-105,735	-141,942	-78,378	-152	-326,207
Other operating expenses <sup>1)</sup>	-56,294	-24,424	-25,404	-82,479	-188,601
Depreciation and amortisation of tangible and intangible assets	-5,562	-3,762	-3,812	-12,083	-25,219
<b>Total operating expenses</b>	<b>-281,551</b>	<b>-230,666</b>	<b>-195,373</b>	<b>-170,004</b>	<b>-877,594</b>
<b>EBIT</b>	<b>202,493</b>	<b>221,896</b>	<b>240,071</b>	<b>-133,914</b>	<b>530,546</b>
Interest income excl. run-off consumer loan portfolio		-1	557	-5,379	-4,823
Interest expense		-54	-8	-175,201	-175,263
Net financial income <sup>2)</sup>	-117,063	-110,286	-87,106	256,057	-58,398
<b>Total financial items</b>	<b>-117,063</b>	<b>-110,341</b>	<b>-86,557</b>	<b>75,477</b>	<b>-238,484</b>
<b>Profit/loss before tax</b>	<b>85,430</b>	<b>111,555</b>	<b>153,514</b>	<b>-58,437</b>	<b>292,062</b>

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

2) Including financing costs.

## Note 1 Segment reporting, cont.

Income statement, Jan–Jun 2016					
SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	618,292	786,534	726,845	–	2,131,671
Portfolio amortisation and revaluation	–219,180	–373,843	–360,412	–	–953,435
Interest income from run-off consumer loan portfolio	–	–	5,780	–	5,780
<b>Net revenue from acquired loan portfolios</b>	<b>399,112</b>	<b>412,691</b>	<b>372,213</b>	<b>–</b>	<b>1,184,016</b>
Fee and commission income	36,329	2,226	20,298	–	58,853
Profit from shares and participations in joint ventures	–	438	–	42,903	43,341
Other income	–	874	4,517	1,154	6,545
<b>Total revenue</b>	<b>435,441</b>	<b>416,229</b>	<b>397,028</b>	<b>44,057</b>	<b>1,292,755</b>
Personnel expenses	–121,205	–52,353	–88,725	–70,018	–332,301
Collection costs	–124,660	–100,393	–53,982	–	–279,035
Other operating expenses	–59,955	–34,280	–23,446	–66,945	–184,626
Depreciation and amortisation of tangible and intangible assets	–6,709	–3,408	–3,605	–9,996	–23,718
<b>Total operating expenses</b>	<b>–312,529</b>	<b>–190,434</b>	<b>–169,758</b>	<b>–146,959</b>	<b>–819,680</b>
<b>EBIT</b>	<b>122,912</b>	<b>225,795</b>	<b>227,270</b>	<b>–102,902</b>	<b>473,075</b>
Interest income excl. run-off consumer loan portfolio	–	–	728	–4,129	–3,401
Interest expense	–3	–35	–19	–143,446	–143,503
Net financial income <sup>1)</sup>	–99,100	–90,008	–89,640	212,590	–66,158
<b>Total financial items</b>	<b>–99,103</b>	<b>–90,043</b>	<b>–88,931</b>	<b>65,015</b>	<b>–213,062</b>
<b>Profit/loss before tax</b>	<b>23,809</b>	<b>135,752</b>	<b>138,339</b>	<b>–37,887</b>	<b>260,013</b>

1) Including financing costs.

## Note 1 Segment reporting, cont.

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

1) Including financing costs.

## Note 1 Segment reporting, cont.

<b>Acquired loans, 30 Jun 2017</b>					
<b>SEK thousand</b>	<b>Region West Europe</b>	<b>Region Mid Europe</b>	<b>Region Central East Europe</b>	<b>Central Functions and Eliminations</b>	<b>Group</b>
Run-off consumer loan portfolio			26,809		26,809
Acquired loan portfolios	5,013,181	4,351,437	3,445,520		12,810,138
Shares and participations in joint ventures <sup>1)</sup>				242,001	242,001
<b>Acquired loans</b>	<b>5,013,181</b>	<b>4,351,437</b>	<b>3,472,329</b>	<b>242,001</b>	<b>13,078,948</b>

<b>Acquired loans, 31 Dec 2016</b>					
<b>SEK thousand</b>	<b>Region West Europe</b>	<b>Region Mid Europe</b>	<b>Region Central East Europe</b>	<b>Central Functions and Eliminations</b>	<b>Group</b>
Run-off consumer loan portfolio			32,194		32,194
Acquired loan portfolios	4,522,429	4,331,437	3,531,681		12,385,547
Shares and participations in joint ventures <sup>1)</sup>				240,580	240,580
<b>Acquired loans</b>	<b>4,522,429</b>	<b>4,331,437</b>	<b>3,563,875</b>	<b>240,580</b>	<b>12,658,321</b>

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

<b>Acquired loans, 30 Jun 2016</b>					
<b>SEK thousand</b>	<b>Region West Europe</b>	<b>Region Mid Europe</b>	<b>Region Central East Europe</b>	<b>Central Functions and Eliminations</b>	<b>Group</b>
Run-off consumer loan portfolio			46,474		46,474
Acquired loan portfolios	3,946,826	3,505,077	3,620,992		11,072,895
Shares and participations in joint ventures				239,882	239,882
<b>Acquired loans</b>	<b>3,946,826</b>	<b>3,505,077</b>	<b>3,667,466</b>	<b>239,882</b>	<b>11,359,251</b>

## 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 June 2017							
SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		1,905,316	1,905,316	1,905,316	1,905,316		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	985,638		985,638	985,638			985,638
<i>of which, carried at amortised cost</i>	11,824,500		11,824,500	11,846,221			11,846,221
Bonds and other securities		2,727,514	2,727,514	2,727,514	2,727,514		
Derivatives		74,781	74,781	74,781		74,781	
<b>Total assets</b>	<b>12,810,138</b>	<b>4,707,611</b>	<b>17,517,749</b>	<b>17,539,470</b>	<b>4,632,830</b>	<b>74,781</b>	<b>12,831,859</b>
Additional purchase price liability		25,806	25,806	25,806			25,806
Derivatives		4,624	4,624	4,624		4,624	
Senior unsecured debt		2,938,693	2,938,693	3,073,007		3,073,007	
Subordinated liabilities		773,643	773,643	776,449		776,449	
<b>Total liabilities</b>		<b>3,742,766</b>	<b>3,742,766</b>	<b>3,879,886</b>		<b>3,854,080</b>	<b>25,806</b>

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

## Note 2 Financial instruments, cont.

Group, 30 June 2016

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		3,592,889	3,592,889	3,592,889	3,592,889		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,102,293		1,102,293	1,102,293			1,102,293
<i>of which, carried at amortised cost</i>	9,970,602		9,970,602	10,383,618			10,383,618
Bonds and other securities <sup>1)</sup>		1,982,065	1,982,065	1,982,065	1,982,065		
Derivatives		18,917	18,917	18,917		18,917	
<b>Total assets</b>	<b>11,072,895</b>	<b>5,593,871</b>	<b>16,666,766</b>	<b>17,079,782</b>	<b>5,574,954</b>	<b>18,917</b>	<b>11,485,911</b>
Additional purchase price liability		46,324	46,324	46,324			46,324
Derivatives		12,556	12,556	12,556		12,556	
Senior unsecured debt		2,633,188	2,633,188	2,681,607		2,681,607	
Subordinated liabilities		339,281	339,281	400,750		400,750	
<b>Total liabilities</b>		<b>3,031,349</b>	<b>3,031,349</b>	<b>3,141,237</b>		<b>3,094,913</b>	<b>46,324</b>

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 June 2017

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		1,905,316	1,905,316	1,905,316	1,905,316		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	840,130		840,130	840,130			840,130
<i>of which, carried at amortised cost</i>	1,608,489		1,608,489	1,692,644			1,692,644
Bonds and other securities		2,727,514	2,727,514	2,727,514	2,727,514		
Derivatives		74,781	74,781	74,781		74,781	
<b>Total assets</b>	<b>2,448,619</b>	<b>4,707,611</b>	<b>7,156,230</b>	<b>7,240,385</b>	<b>4,632,830</b>	<b>74,781</b>	<b>2,532,774</b>
Additional purchase price liability		25,806	25,806	25,806			25,806
Derivatives		4,624	4,624	4,624		4,624	
Senior unsecured debt		2,938,693	2,938,693	3,073,007		3,073,007	
Subordinated liabilities		773,643	773,643	776,449		776,449	
<b>Total liabilities</b>		<b>3,742,766</b>	<b>3,742,766</b>	<b>3,879,886</b>		<b>3,854,080</b>	<b>25,806</b>

## Note 2 Financial instruments, cont.

### Parent Company, 31 December 2016

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

### Parent Company, 30 June 2016

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		3,592,889	3,592,889	3,592,889	3,592,889		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	923,346		923,346	923,346			923,346
<i>of which, carried at amortised cost</i>	1,954,286		1,954,286	2,058,124			2,058,124
Bonds and other securities <sup>1)</sup>		1,982,065	1,982,065	1,982,065	1,982,065		
Derivatives		18,917	18,917	18,917		18,917	
<b>Total assets</b>	<b>2,877,632</b>	<b>5,593,871</b>	<b>8,471,503</b>	<b>8,575,341</b>	<b>5,574,954</b>	<b>18,917</b>	<b>2,981,470</b>
Additional purchase price liability		46,324	46,324	46,324			46,324
Derivatives		12,556	12,556	12,556		12,556	
Senior unsecured debt		2,633,188	2,633,188	2,681,607		2,681,607	
Subordinated liabilities		339,281	339,281	400,750		400,750	
<b>Total liabilities</b>		<b>3,031,349</b>	<b>3,031,349</b>	<b>3,141,237</b>		<b>3,094,913</b>	<b>46,324</b>

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

## Note 2 Financial instruments, cont.

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

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

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

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

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

Acquired loan portfolios	Group			Parent Company		
	30 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
<b>SEK thousand</b>						
<b>Opening balance</b>	<b>12,385,547</b>	<b>11,014,699</b>	<b>11,014,699</b>	<b>2,584,666</b>	<b>2,646,612</b>	<b>2,646,612</b>
Acquisitions	1,396,670	3,329,382	1,155,185	145,351	600,394	467,513
Adjustment of acquisition analysis	-	-29,536	-30,451	-	-	-
Intra-Group sales	-	-	-	-	-204,853	-
Translation differences	103,045	-22,785	-113,103	28,929	125,464	75,854
<b>Changes in value</b>						
Based on opening balance forecast (amortisation)	-1,080,596	-1,911,916	-944,893	-313,617	-637,537	-303,575
Based on revised estimates (revaluation)	5,472	5,703	-8,542	3,290	54,586	-8,772
<b>Carrying value</b>	<b>12,810,138</b>	<b>12,385,547</b>	<b>11,072,895</b>	<b>2,448,619</b>	<b>2,584,666</b>	<b>2,877,632</b>
<b>Changes in carrying value reported in the income statement</b>	<b>-1,075,124</b>	<b>-1,906,213</b>	<b>-953,435</b>	<b>-310,327</b>	<b>-582,951</b>	<b>-312,347</b>

Of which, designated at fair value	Group			Parent Company		
	30 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
<b>SEK thousand</b>						
<b>Opening balance</b>	<b>1,044,660</b>	<b>1,177,808</b>	<b>1,177,808</b>	<b>886,595</b>	<b>973,806</b>	<b>973,806</b>
Translation differences	11,090	52,874	34,734	9,451	43,838	28,843
<b>Changes in value</b>						
Based on opening balance forecast (amortisation)	-63,173	-186,090	-108,389	-60,655	-150,115	-79,303
Based on revised estimates (revaluation)	-6,939	68	-1,860	4,739	19,066	-
<b>Carrying values</b>	<b>985,638</b>	<b>1,044,660</b>	<b>1,102,293</b>	<b>840,130</b>	<b>886,595</b>	<b>923,346</b>
<b>Changes in carry Values reported in the income statement</b>	<b>-70,112</b>	<b>-186,022</b>	<b>-110,249</b>	<b>-55,916</b>	<b>-131,049</b>	<b>-79,303</b>

## 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 Jun 2017	31 Dec 2016	30 Jun 2016
<b>Carrying value of loan portfolios</b>	<b>12,810,138</b>	<b>12,385,547</b>	<b>11,072,895</b>
A 5% increase in estimated cash flow over the 10-year forecast period would increase the carrying value by:	629,779	558,977	544,786
<i>of which, valued at fair value</i>	49,288	51,685	54,547
A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by:	-629,779	-558,977	-544,786
<i>of which, valued at fair value</i>	-49,288	-51,685	-54,547
<b>Carrying value of loan portfolios acquired prior to 1 July 2011</b>	<b>985,638</b>	<b>1,044,660</b>	<b>1,102,293</b>
A 1% decrease in the market rate of interest would increase the carrying value by:	29,904	31,174	31,463
A 1% increase in the market rate of interest would reduce the carrying value by:	-28,291	-29,483	-29,812
Shortening the forecast period by 1 year would reduce the carrying value by:	-24,157	-26,534	-16,379
Lengthening the forecast period by 1 year would increase the carrying value by:	19,057	20,938	12,300

### 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 Jun 2017	31 Dec 2016	30 Jun 2016	31 Jun 2017	31 Dec 2016	30 Jun 2016
Capital instruments and related share premium accounts	1,286,805	1,286,805	1,286,805	482,963	482,963	482,963
Retained earnings	765,063	472,965	482,693	562,128	307,205	484,782
Accumulated comprehensive income and other reserves	308,727	331,293	341,035	1,083,571	1,081,949	1,063,205
Independently reviewed interim profits net of any foreseeable charge or dividend <sup>1)</sup>	155,500	292,004	136,972	-	267,191	105,191
Intangible assets (net of related tax liability)	-258,221	-243,340	-228,738	-44,911	-37,647	-38,316
Deferred tax assets that rely on future profitability	-36,729	-47,268	-71,515	-1,720	-2,734	-10,323
<b>Common Equity Tier 1</b>	<b>2,221,145</b>	<b>2,092,459</b>	<b>1,947,252</b>	<b>2,082,031</b>	<b>2,098,927</b>	<b>2,087,502</b>
Capital instruments and the related share premium accounts	379,577	379,577	93,000	379,577	379,577	93,000
<b>Additional Tier 1 capital</b>	<b>379,577</b>	<b>379,577</b>	<b>93,000</b>	<b>379,577</b>	<b>379,577</b>	<b>93,000</b>
<b>Tier 1 capital</b>	<b>2,600,722</b>	<b>2,472,036</b>	<b>2,040,252</b>	<b>2,461,608</b>	<b>2,478,504</b>	<b>2,180,502</b>
Capital instruments and the related share premium accounts	773,643	341,715	339,281	773,643	341,715	339,281
<b>Tier 2 capital</b>	<b>773,643</b>	<b>341,715</b>	<b>339,281</b>	<b>773,643</b>	<b>341,715</b>	<b>339,281</b>
<b>Total own funds for capital adequacy purposes</b>	<b>3,374,365</b>	<b>2,813,751</b>	<b>2,379,533</b>	<b>3,235,251</b>	<b>2,820,219</b>	<b>2,519,783</b>

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 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	265,948	261,882	297,328	55,507	78,060	104,141
<i>of which, counterparty credit risk</i>	38,024	29,036	25,046	38,024	29,036	25,046
Exposures to corporates	139,388	199,920	230,648	10,675,153	10,238,303	8,715,416
Retail exposures	20,107	24,146	34,856	20,107	24,146	34,856
Exposures in default	13,530,455	13,270,498	11,463,739	2,497,336	2,646,432	2,996,209
Exposures in the form of covered bonds	272,751	247,485	198,206	272,751	247,485	198,206
Equity exposures	-	-	-	500,242	570,038	569,781
Other items	132,137	132,315	129,990	29,002	6,116	71,493
<b>Credit risk (standardised approach)</b>	<b>14,360,786</b>	<b>14,136,246</b>	<b>12,354,767</b>	<b>14,050,098</b>	<b>13,810,580</b>	<b>12,690,102</b>
<b>Market risk (foreign exchange risk - standardised approach)</b>	<b>118,041</b>	<b>28,858</b>	<b>172,567</b>	<b>118,041</b>	<b>28,858</b>	<b>172,567</b>
<b>Operational risk (basic indicator approach)</b>	<b>-</b>	<b>-</b>	<b>2,600,728</b>	<b>-</b>	<b>-</b>	<b>755,709</b>
<b>Operational risk (standardised approach)</b>	<b>2,622,890</b>	<b>2,622,373</b>	<b>-</b>	<b>893,024</b>	<b>893,024</b>	<b>-</b>
<b>Credit valuation adjustment (standardised approach)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total risk-weighted exposure amount</b>	<b>17,101,717</b>	<b>16,787,477</b>	<b>15,128,062</b>	<b>15,061,163</b>	<b>14,732,462</b>	<b>13,618,378</b>

## Note 3 Capital adequacy, cont.

Capital requirements	Hoist Finance consolidated situation			Hoist Kredit AB (publ)			
	SEK thousand	30 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
<b>Pillar 1</b>							
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		21,276	20,951	23,786	4,441	6,245	8,331
<i>of which, counterparty credit risk</i>		3,042	2,323	2,004	3,042	2,323	2,004
Exposures to corporates		11,151	15,994	18,452	854,012	819,064	697,233
Retail exposures		1,609	1,932	2,788	1,609	1,932	2,788
Exposures in default		1,082,436	1,061,640	917,099	199,787	211,715	239,697
Exposures in the form of covered bonds		21,820	19,799	15,857	21,820	19,799	15,857
Equity exposures		-	-	-	40,019	45,603	45,582
Other items		10,571	10,583	10,398	2,320	489	5,719
<b>Credit risk (standardised approach)</b>		<b>1,148,863</b>	<b>1,130,899</b>	<b>988,381</b>	<b>1,124,008</b>	<b>1,104,847</b>	<b>1,015,208</b>
<b>Market risk (foreign exchange risk-standardised approach)</b>		<b>9,443</b>	<b>2,309</b>	<b>13,805</b>	<b>9,443</b>	<b>2,309</b>	<b>13,805</b>
<b>Operational risk (basic indicator approach)</b>		<b>-</b>	<b>-</b>	<b>208,058</b>	<b>-</b>	<b>-</b>	<b>60,457</b>
<b>Operational risk (standardised approach)</b>		<b>209,831</b>	<b>209,790</b>	<b>-</b>	<b>71,442</b>	<b>71,442</b>	<b>-</b>
<b>Credit valuation adjustment (standardised approach)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total own funds requirement – Pillar 1</b>		<b>1,368,137</b>	<b>1,342,998</b>	<b>1,210,245</b>	<b>1,204,893</b>	<b>1,178,598</b>	<b>1,089,470</b>
<b>Pillar 2</b>							
Concentration risk		110,453	101,991	86,380	110,453	101,991	86,380
Interest rate risk in the banking book		47,237	30,000	25,658	47,237	30,000	25,658
Pension risk		3,000	4,106	4,106	3,000	-	-
Other Pillar 2 risks		24,073	794	1,494	24,073	794	2,259
<b>Total own funds requirement – Pillar 2</b>		<b>184,763</b>	<b>136,891</b>	<b>117,638</b>	<b>184,763</b>	<b>132,785</b>	<b>114,297</b>
<b>Capital buffers</b>							
Countercyclical buffer		472,542	419,686	378,202	376,529	368,312	340,459
Total own funds requirement – Capital buffers		7,950	6,370	6,445	16,731	10,770	10,199
<b>Total own funds requirements</b>		<b>435,492</b>	<b>426,056</b>	<b>384,647</b>	<b>393,260</b>	<b>379,082</b>	<b>350,658</b>
<b>Capital buffers</b>		<b>1,988,392</b>	<b>1,905,945</b>	<b>1,712,530</b>	<b>1,782,916</b>	<b>1,690,465</b>	<b>1,554,425</b>

The own funds for the Company's consolidated situation totalled SEK 3,374m (2,814) as at 30 June 2017, exceeding the own funds requirements by a good margin.

### Capital ratios and capital buffers

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

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

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

## Note 3 Capital adequacy, cont.

Capital ratios and capital buffers, %	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	30 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
Common Equity Tier 1 capital ratio	12.99	12.46	12.87	13.82	14.25	15.33
Tier 1 capital ratio	15.21	14.73	13.49	16.34	16.82	16.01
Total capital ratio	19.73	16.76	15.73	21.48	19.14	18.50
Institution-specific buffer requirements for CET1 capital	7.05	7.04	7.04	7.11	7.07	7.07
<i>of which, capital conservation buffer requirement</i>	2.50	2.50	2.50	2.50	2.50	2.50
<i>of which, countercyclical capital buffer requirement</i>	0.05	0.04	0.04	0.11	0.07	0.07
<b>Common Equity Tier 1 capital available to meet buffers<sup>1)</sup></b>	<b>8.49</b>	<b>7.96</b>	<b>7.49</b>	<b>9.32</b>	<b>9.75</b>	<b>10.01</b>

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 1,553m (1,480) at 30 June 2017, of which SEK 185m (137) is attributable to Pillar 2.

## Note 4 Liquidity risk

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

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

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

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

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

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

Funding	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	30 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
<b>SEK thousand</b>						
Deposits from the public, floating	7,685,541	7,582,909	8,420,665	7,685,541	7,582,909	8,420,665
Deposits from the public, fixed	4,289,038	4,266,047	4,262,966	4,289,038	4,266,047	4,262,966
Senior unsecured debt	2,938,693	3,125,996	2,633,188	2,938,693	3,125,996	2,633,188
Convertible debt instruments	379,577	379,577	93,000	379,577	379,577	93,000
Subordinated liabilities	773,643	341,715	339,281	773,643	341,715	339,281
Equity	2,620,253	2,545,719	2,311,477	2,162,933	2,139,996	2,194,844
Other	718,923	907,963	866,288	304,639	632,535	387,931
<b>Balance sheet total</b>	<b>19,405,668</b>	<b>19,149,926</b>	<b>18,926,865</b>	<b>18,534,064</b>	<b>18,468,775</b>	<b>18,331,875</b>

The Group's Treasury policy stipulates limits on how much liquidity is to be available and the nature of such liquidity. As at 30 June, available liquidity totalled SEK 5,605m (5,789), which is well in excess of the limit.

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

## Note 4 Liquidity risk, cont.

### Liquidity reserve

SEK thousand	30 Jun 2017	31 Dec 2016	30 Jun 2016
Cash and holdings in central banks	3,070	3,073	219
Deposits in other banks available overnight	969,305	1,036,749	1,209,403
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,671,253	1,528,116	2,079,853
Securities issued or guaranteed by municipalities or other public sector entities	234,063	745,786	1,513,037
Covered bonds	2,727,514	2,474,849	1,982,065
Securities issued by non-financial corporates	-	-	-
Securities issued by financial corporates	-	-	-
Other	-	-	-
<b>Total</b>	<b>5,605,205</b>	<b>5,788,573</b>	<b>6,784,577</b>

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

## Note 5 Pledged asset

SEK thousand	Group			Parent Company		
	30 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	242	478	471	242	478	471

## Note 6 Contingent liabilities

SEK thousand	Group			Parent Company		
	30 Jun 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Dec 2016	30 Jun 2016
Commitments	1,272,286	1,565,944	509,305	99,338	127,503	405,989

## Note 7 Reconciliation alternative performance measures

### Return on book

SEK thousand	Quarter 2 2017	Quarter 2 2016	Full year 2016
EBIT	265,188	239,175	971,509
+ Operating expenses in Central Functions	72,139	76,755	300,316
EBIT excl operating expenses in Central Functions <sup>1)</sup>	1,349,308	1,263,720	1,271,825
Average carrying value of aquired loans <sup>2)</sup>	12,931,153	11,352,825	11,968,471
<b>Return on book, %</b>	<b>10.4</b>	<b>11.1</b>	<b>10.6</b>

1) Calculated on an annualised basis (quarterly).

2) Calculated as average on previous period.

## Note 7 Reconciliation alternative performance measures, cont.

EBITDA, adjusted	Quarter 2 2017	Quarter 2 2016	Jan–Jun 2017	Jan–Jun 2016	Full year 2016
<b>SEK thousand</b>					
<b>Profit for the period</b>	90,996	107,459	224,411	205,083	435,172
+ Income tax expense	30,527	25,802	67,651	54,930	124,972
+ Portfolio revaluations	-166	10,789	-5,472	8,542	-5,703
- Interest income (excl. Interest from run-off performing portfolio)	2,421	1,686	4,823	3,401	2,867
+ Interest expense	91,904	73,324	175,263	143,503	310,295
+/- Net result from financial transactions, incl. Net credit losses	49,340	30,903	58,398	66,158	98,203
+ Depreciation and amortisation of tangible and intangible assets	12,737	11,904	25,219	23,718	47,906
<b>EBITDA</b>	<b>277,759</b>	<b>261,867</b>	<b>550,293</b>	<b>505,335</b>	<b>1,013,712</b>
+ Amortisation on run-off portfolio	2,973	4,008	5,385	11,891	26,171
+ Amortisation on acquired loan portfolios	552,666	464,606	1,080,596	949,390	1,911,916
<b>EBITDA, adjusted</b>	<b>833,398</b>	<b>730,481</b>	<b>1,636,274</b>	<b>1,466,616</b>	<b>2,951,799</b>
Book value of run-off consumer loan portfolio	26,089	46,474	26,089	46,474	32,194

### Return on equity, adjusted for items affecting comparability

SEK thousand	Quarter 2 2017
Equity	2,907,545
Additional Tier 1 capital	-379,577
Reversal of interest expense paid for AT1 capital	20,107
Reversal of items affecting comparability <sup>1)</sup>	63,348
Total equity	2,611,423
<b>Total equity (quarterly average)</b>	<b>2,485,349</b>
Profit for the period	224,411
Reversal of items affecting comparability <sup>1)</sup>	63,348
Estimated annual profit	575,517
Adjustment of interest on AT1 capital	-40,030
<b>Adjusted annual profit</b>	<b>535,489</b>
Return on equity, %	22

1) Items affecting comparability refer to costs which arose in connection with the restructuring of subordinated liabilities and outstanding bonds during the second quarter 2017, including tax.

# Assurance

The Board of Directors and the CEO hereby give their assurance that the interim financial statements provide a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company, and describes the significant risks and uncertainties to which the Parent Company and Group companies are exposed.

Stockholm, 27 July 2017

**Ingrid Bonde**  
Chair of the Board

**Cecilia Daun Wennborg**  
Board member

**Malin Eriksson**  
Board member

**Liselotte Hjorth**  
Board member

**Joakim Rubin**  
Board member

**Costas Thoupos**  
Board member

**Gunilla Wikman**  
Board member

**Jörgen Olsson**  
CEO  
Board member

## Review report

Hoist Kredit AB (publ)  
Corp. ID no. 556329-5699

### Introduction

We have reviewed the summary interim financial information (the interim report) for Hoist Kredit AB (publ) as at 30 June 2017 and the six-month period ending on that date. The Board of Directors and the CEO are responsible for the preparation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies with respect to the Group, and with the Swedish Annual Accounts Act with respect to the Parent Company. Our responsibility is to express an opinion on this interim report based on our review.

### Focus and scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and a substantially smaller scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become

aware of all significant matters that might be identified in an audit. Accordingly, our review opinion provides a lower level of assurance than an audit opinion.

### Conclusion

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

Stockholm, 27 July 2017  
KPMG AB

**Anders Bäckström**  
Authorised Public Accountant

# A guide to our interim report

## Operating income statement, Group

SEK thousand	Quarter 2 2017	Quarter 2 2016
Gross cash collections on acquired loan portfolios	1,198,123	1,075,877
Portfolio amortisation and revaluation	-552,499	-470,902
Interest income from run-off consumer loan portfolio	1,021	3,391
<b>Net revenue from acquired loan portfolios</b>	<b>646,645</b>	<b>608,366</b>
Fee and commission income	18,396	28,983
Profit from shares and participations in joint ventures	16,188	14,636
Other income	4,876	3,258
<b>Total revenue</b>	<b>686,105</b>	<b>655,243</b>
Personnel expenses	-169,821	-164,689
Collection costs	-157,198	-149,077
Other operating expenses	-81,161	-90,398
Depreciation and amortisation of tangible and intangible assets	-12,737	-11,904
<b>Total operating expenses</b>	<b>-420,917</b>	<b>-416,068</b>
<b>Operating profit (EBIT)</b>	<b>265,188</b>	<b>239,175</b>
<b>Funding</b>		
Interest income excl. run-off consumer loan portfolio	-2,421	-1,687
Interest expense	-91,904	-73,324
Net income from financial transactions	-49,340	-30,903
<b>Total financial items</b>	<b>-143,665</b>	<b>-105,914</b>
<b>Profit before tax</b>	<b>121,523</b>	<b>133,261</b>

## Statutory income statement, Group

SEK thousand	Quarter 2 2017	Quarter 2 2016
Revenue from acquired loan portfolios	645,624	604,975
Interest income	-1,400	1,704
Interest expense	-91,904	-73,324
<b>Net interest income</b>	<b>552,320</b>	<b>533,355</b>
Fee and commission income	18,396	28,983
Net financial income	-49,340	-30,903
Other income	4,876	3,258
<b>Total operating income</b>	<b>526,252</b>	<b>534,693</b>
General administrative expenses		
Personnel expenses	-169,821	-164,689
Other operating expenses	-238,359	-239,475
Depreciation and amortisation of tangible and intangible assets	-12,737	-11,904
<b>Total operating expenses</b>	<b>-420,917</b>	<b>-416,068</b>
<b>Profit before credit losses</b>	<b>105,335</b>	<b>118,625</b>
Net credit losses	-	-
Profit from shares and participations in joint ventures	16,188	14,636
<b>Profit before tax</b>	<b>121,523</b>	<b>133,261</b>

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

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

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

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

### Operating profit (EBIT) in the operating income statement

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

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

# Definitions

## Alternative performance measures

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

## Acquired loans

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

## Acquired loan portfolios

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

## Additional Tier 1 capital

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

## Capital requirements – Pillar 1

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

## Capital requirements – Pillar 2

Capital requirements beyond those stipulated in Pillar 1.

## Common Equity Tier 1

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

## Common Equity Tier 1 ratio

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

## EBITDA, adjusted

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

## EBIT

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

## EBIT margin

EBIT (operating earnings) divided by total revenue.

## Expenses/Gross collections on acquired loan portfolios

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

## Fee and commission income

Fees for providing debt management services to third parties.

## Gross ERC 120 months

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

## Gross cash collections

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

## Items affecting comparability

Items that interfere with comparison due to the irregularity of their occurrence and/or size as compared with other items.

## Legal collection

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

## Net revenue from acquired loans

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

## Own funds

Sum of Tier 1 capital and Tier 2 capital.

## Portfolio amortisation

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

## Portfolio growth

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

## Portfolio revaluation

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

## Non-performing loans (NPLs)

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

## Number of employees (FTEs)

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

## Return on book

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

## Return on equity

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

## Risk-weighted exposure amount

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

## SME

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

## Tier 1 capital

The sum of CET1 capital and AT1 capital.

## Tier 1 capital ratio

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

## Tier 2 capital

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

## Total capital ratio

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

## Total revenue

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

# Business concept, business model and strategies

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



## Strategic objectives

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

## Financial calendar

<b>Interim report Q2 2017</b>	28 July 2017
<b>Interim report Q3 2017</b>	26 October 2017
<b>Year-end report 2017</b>	8 February 2018

## Contact

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The interim report and investor presentation are available at [www.hoistfinance.com](http://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.