

Year-end report 2016

October – December 2016

- » Gross cash collections on acquired loan portfolios increased 7 per cent to SEK 1,105m (1,032).
- » Total revenue increased 9 per cent to SEK 676m (622).
- » Reported EBIT was SEK 253m (223) and the EBIT margin was 37 per cent (36).
- » Profit before tax totalled SEK 160m (144).
- » Portfolio acquisitions totalled SEK 1,568m (1,451).

Figures in parentheses refer to Q4 2015.

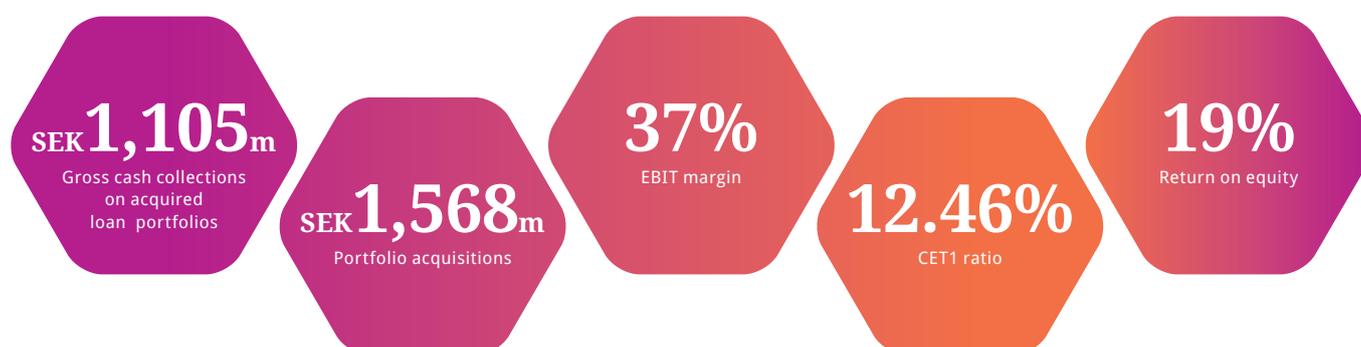
Full year 2016

- » Carrying value on acquired loan portfolios totalled SEK 12,658m (11,279).
- » Gross 120-month ERC (Estimated Remaining Collections) totalled SEK 21,375m (19,367).
- » Total capital ratio improved to 16.76 per cent (15.21).
- » CET1 capital ratio was 12.46 per cent (12.32).

Figures in parentheses refer to 31 December 2015.

Events during the quarter

- » Hoist Kredit issued EUR 30m of Additional Tier 1 capital to further optimise its capital structure.
- » Launch of the HoistSpar app, making it easier and more convenient for customers to monitor their savings.
- » Larger forward flow agreements entered. The agreements cover a range of predetermined volumes in 2017.



SEK million	Quarter 4 2016	Quarter 4 2015	Change, %	Full year 2016	Full year 2015	Change, %
Gross cash collections on acquired loan portfolios	1,105	1,032	7	4,311	3,631	19
Net revenue from acquired loan portfolios	620	565	10	2,411	2,015	20
Total revenue	676	622	9	2,635	2,254	17
EBIT	253	223	13	972	727	34
EBIT margin, %	37	36	1 pp	37	32	5 pp
Profit before tax	160	144	11	560	343	64
Profit for the period	118	118	0	435	278	57
Portfolio acquisitions	1,568	1,451	8	3,329	4,370	-24

SEK million	31 Dec 2016	31 Dec 2015	Change, %
Carrying value on acquired loan portfolios ²⁾	12,658	11,279	12
Gross 120-month ERC ³⁾	21,375	19,367	10
Return on equity, %	19	14	5 pp
Total capital ratio, %	16.76	15.21	1.5 pp
CET1 ratio, %	12.46	12.32	0.1 pp
Liquidity reserve	5,789	5,156	12
Number of employees (FTEs) ⁴⁾	1,285	1,349	-5

¹⁾ Includes effect of outstanding warrants. Following the 1:3 share split in 2015, each warrant entitles the holder to subscribe for three new shares. Comparative figures were recalculated as regards the effects of the share split.

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.

⁴⁾ The definition of Return on equity was revised in conjunction with the AT1 capital issued in December 2016 where accrued unpaid interest on AT1 capital and AT1 capital recorded in equity are excluded from the calculation.

⁵⁾ The number of employees in 2015 was updated based on a modified calculation model.

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

The information in this interim report is such that Hoist Kredit is obligated to publish under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was submitted for publication on 9 February 2017 at 8:00 AM CET.

Strong fourth quarter marking the end of a successful year

We have now closed 2016 and Hoist Kredit can look back on another successful and profitable year, during which we have continued to strive towards our vision – a leading debt restructuring partner to international banks and financial institutions.

During the year we continued to operate in line with our strategy, gradually strengthening our market presence. Several key milestones on our growth journey were achieved during the year, amongst others our entry into the Spanish market, our strategic partnership with the Bank of Greece, and the establishment of our EMTN programme to diversify and broaden our funding base.

Operating profit (EBIT) increased 34 per cent and profit before tax increased 64 per cent compared to full year 2015.

Major portfolio acquisitions and strong earnings during Q4

The fourth quarter showed strong development. Year-on-year, operating profit (EBIT) increased 13 per cent and profit before tax increased 11 per cent. Portfolio acquisitions totalled SEK 1,568 million during Q4, seasonally the strongest quarter for investments. We acquired portfolios for a total value of SEK 3,329 million during the year, in line with investments made during the three preceding years. We continue to consistently invest in accordance with our profitability requirements, with acquisitions at long-term sustainable levels in terms of both profitability and risk. This also enables the generation of stable, predictable and profitable growth for our shareholders going forward.

Strengthened positions on a regional level

In Region West Europe, an increased focus on the integration of the 2015 Compello acquisition produced results. The region's EBIT, EBIT margin and return on book improved steadily during the year. The establishment of operations in Spain during the second quarter is already starting to have a positive impact on earnings.

99 A leading debt restructuring partner to international banks and financial institutions



Region Mid ended the year with major portfolio acquisitions, which included a strengthening of our position in small- and medium-sized enterprise (SME) loans through the acquisition of an SME portfolio from Banco Popolare in Italy. A portfolio was also acquired in Italy from one of Europe's largest consumer banks, the third transaction in which the seller chose Hoist Kredit as partner. These acquisitions strengthen our position and broaden our expertise and capacity beyond the consumer segment.

In Region Central East, focus during the year was on optimising operations. Several improvement initiatives have resulted in a maintained operating margin as compared with the same period last year, despite lower acquisition activity. A service contract was also terminated during the autumn, with resources reallocated to our core business.

Outlook for 2017

Looking to next year, we see a continuation of favourable market conditions. Growth is driven by the movement of several markets towards greater market maturity, with NPL sales becoming an increasingly integrated part of the financial ecosystem.

Continued regulatory pressure and profitability problems for banks are also strong drivers for market growth. By selling NPLs, banks can lower their costs, clear their balance sheets and, not least, focus on their core business.

Our partners are to an increasing extent looking for well-known, highly respected purchasers who meet all regulatory requirements and who have a documented track record of treating customers fairly and respectfully. With our status as a regulated financial institution, our high ethical standards for customer relations, our strong financial position and our geographic presence, we are well positioned for future growth opportunities.

We will continue our efforts to strengthen our position as a leading partner to international banks and financial institutions in Europe. This includes actively evaluating opportunities to enter new geographic markets and, in a disciplined way, continuing to increase our presence in other asset classes such as secured loans and SME loans.

In late 2016 a forward flow agreement was signed for portfolio acquisitions in 2017 valued at SEK 800 million. Along with the strong start to 2017 and the healthy market growth we see ahead of us, this reinforces our ambition to reach our targets.

Jörgen Olsson
CEO
Hoist Kredit AB (publ)

Fourth quarter 2016

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

Revenues

Total revenue rose 9 per cent to SEK 676m (622) and gross cash collections on acquired loan portfolios increased 7 per cent to SEK 1,105m (1,032). The increase is mainly due to operations in Italy, the UK and Spain, where significant portfolio acquisitions were made in 2016. Portfolio acquisitions during the quarter totalled SEK 1,568m (1,451) and are mainly attributable to significant acquisitions in Italy, the UK and Spain. Portfolio amortisation and revaluation increased to SEK 486m (469). Adjusted for portfolio revaluations totalling SEK 23m (5) during the quarter, the growth rate is in line with the increase in gross collections. Net revenue from acquired loan portfolios increased 10 per cent to SEK 620m (565) due to volume growth. Fee and commission income declined 25 per cent to SEK 30m (39). The decline is primarily attributable to the UK and is due to a decrease in the scope of collections on behalf of external parties that are part of earlier acquisitions, which is in line with the Company's strategy. Profit from participations in joint ventures, which include the Polish and Greek joint ventures in which Hoist Kredit has invested in, totalled SEK 15m (14).

Operating expenses

Total operating expenses increased to SEK 423m (399), due primarily to more comprehensive collection activities. Hoist Kredit continuously adapts its workforce based on efficiency measures and on the amount of NPLs managed by each individual unit. During 2016 this entailed a 5 per cent reduction in the workforce (FTEs) due to changes in the UK, Poland and Germany. Personnel expenses decreased 2 per cent to SEK 177m (181). Collection costs totalled SEK 146m (107), with the comparative figure affected by the previous reporting of non-deductible VAT related to collection costs under Other expenses. Reclassification was conducted as of Q4 2016 and adjust-

ed accordingly for historical figures for the first three quarters of 2016; this also impacted the comparative figure for Other operating expenses, which totalled SEK 88m (101). Depreciation and amortisation of tangible and intangible assets increased to SEK 13m (10) due primarily to investments in IT systems, including improved support for the internal management of operational risks. Hoist Kredit established operations in Spain and Greece during 2016. Operating expenses in the two new markets totalled SEK 5m during the fourth quarter, with most of the amount attributable to Spain.

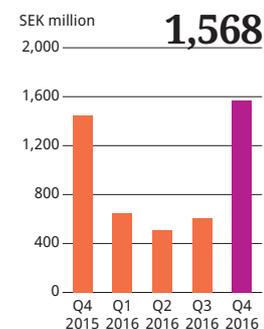
Financial items

Financial items as per Hoist Kredit's operating income statement totalled SEK -93m (-79). Interest income (exclusive of run-off consumer loan portfolio) totalled SEK 1m (6). The negative interest on income is due to the prevailing interest rates, under which Treasury bills and similar securities, which comprise the majority of Hoist Kredit's liquidity portfolio, no longer offer positive returns.

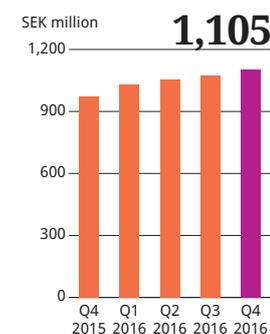
Interest expense totalled SEK -86m (-86) and is mainly comprised of interest expenses for issued bonds and interest expense related to HoistSpar deposits. The portion attributable to HoistSpar decreased due to lower deposits volumes and lower interest rates. In contrast, the portion attributable to interest expense for bonds issued during the Q2 and Q3 increased. Hoist Kredit regularly hedges interest-rate and currency risks through derivatives. These items are reported under Net financial income, along with changes in the market value of bonds in the liquidity portfolio.

Net financial income during the fourth quarter totalled SEK -8m (1), a reflection of a negative contribution from currency hedging which was partially offset by a positive interest rate hedge result. Results for the quarter regarding changes in the market value of bonds in the liquidity portfolio were neutral.

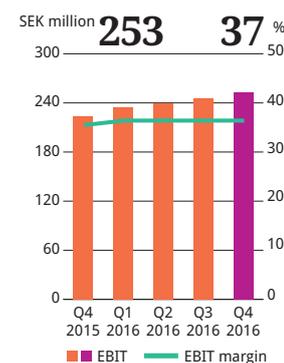
Portfolio acquisitions



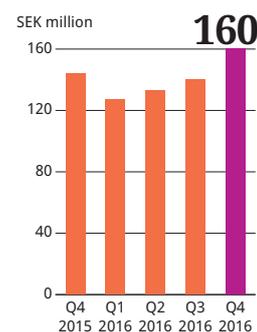
Gross cash collections



EBIT and EBIT margin



Profit before tax



Balance sheet

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

Assets

Total assets increased SEK 1,537m to SEK 19,148m (17,611). Bonds and other securities increased SEK 1,235m, due primarily to the contribution from the issue of unsecured bonds. Acquired loan portfolios increased SEK 1,371m, mainly due to acquisitions in Italy, the UK and Spain. The carrying value of participations in joint ventures increased SEK 36m. These increases are offset by a SEK –804m reduction in Treasury bills and Treasury bonds, a SEK –60m reduction in Lending to credit institutions and a SEK –241m reduction in Other assets. The decline in Other assets is primarily due to changes in the market value of currency forwards.

Liabilities

Total liabilities amounted to SEK 16,423m (15,402). The change comprises an increase of SEK 1,888m in senior unsecured debts as the result of buybacks and the issue of senior bond loans, as well as a SEK 70m increase in Other liability items. The increase is offset by a SEK –942m decrease in Deposits from the public.

Funding and capital debt

SEK million	31 Dec 2016	31 Dec 2015	Change, %
Cash and interest bearing securities	5,548	5,177	7
Other assets ¹⁾	13,600	12,434	9
Total assets	19,148	17,611	9
Deposits from the public	11,849	12,791	-7
Subordinated liabilities	342	337	1
Senior unsecured debt	3,126	1,238	>100
Total interest-bearing liabilities	15,317	14,366	7
Other liabilities ¹⁾	1,106	1,036	7
Equity	2,726	2,209	23
Total liabilities and equity	19,148	17,611	9
CET1 ratio, %	12.46	12.32	0.14 pp
Total capital ratio, %	16.76	15.21	1.55 pp
Liquidity reserve	5,789	5,156	12
Acquired loans			
Carrying value of acquired loans ²⁾	12,658	11,279	12
Gross 120-month ERC ³⁾	21,375	19,367	10

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 11,849m (12,791). Of this amount, SEK 4,266m is attributable to fixed term deposits of 12-, 24- and 36-month durations.

As at 31 December 2016, outstanding bond debt totalled SEK 3,126m (1,238). The change during the year is attributable to Hoist Kredit's issuance of a EUR 250m senior bond

loan during the second quarter under a newly established EMTN programme. The bond, listed on the Dublin stock exchange, was expanded during the third quarter with the issuance of an additional EUR 50m. In conjunction with the transaction during the second quarter, a nominal amount of SEK 667m in previously issued senior bonds denominated in SEK and EUR was repurchased through a public offering. The remaining portion of the SEK-denominated bond, totalled SEK 58m, matured during the fourth quarter.

Group equity totalled SEK 2,726m (2,209). The increase is attributable to Net profit for the year and Hoist Kredit's issuance of EUR 30m in Additional Tier 1 (AT1) capital during the fourth quarter for the purpose of further optimising the capital structure. The instrument, listed on the Dublin stock exchange, has a perpetual maturity with a redemption option after 6.5 years.

The total capital ratio improved to 16.76 per cent (15.21) and the CET1 ratio to 12.46 per cent (12.32). Hoist Kredit is thus well capitalised for further expansion.

Hoist Kredit's liquidity reserve, presented in accordance with the Swedish Bankers' Association's template, totalled SEK 5,789m (5,156).

Cash flow

Comparative figures refer to Q4 2015.

SEK million	Quarter 4 2016	Quarter 4 2015	Full year 2016	Full year 2015
Cash flow from operating activities	-792	-814	-1,505	-714
Cash flow from investing activities	-484	961	-1,328	508
Cash flow from financing activities	220	-41	1,968	514
Cash flow for the period	-1,057	106	-864	308

Cash flow from operating activities totalled SEK –792m (–814). HoistSpar deposit volumes decreased SEK –404m (47) during the fourth quarter, largely attributable to the outflow of non-fixed deposits. Cash flow from gross cash collections on acquired loan portfolios increased to SEK 1,075m (1,032) due to the increased volume of loan portfolios during the year. Portfolio acquisitions during the quarter, exclusive of translation differences, totalled SEK 1,568m (1,451).

Cash flow from investing activities totalled SEK –484m (961), primarily as a result of divestments of bonds and other interest-bearing securities to finance the portfolio acquisitions conducted during the quarter.

Cash flow from financing activities totalled SEK 220m (–41) and is attributable to the issuance of EUR 30m in AT1 capital. This is somewhat offset by repayment of the SEK-denominated senior bond that matured during the quarter.

Total cash flow for the quarter totalled SEK –1,057m as compared with SEK 106m for the fourth quarter of 2015.

Significant risks and uncertainties

Hoist Kredit's loan portfolio credit risk is deemed to have increased proportionally with the volume of loans acquired during the quarter. Liquidity portfolio credit risk remains low, as investments are in government, municipal and secured 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 currency risks on a short- and medium-term horizon.

Hoist Kredit's capitalisation remains strong. The CET1 ratio for the consolidated situation was 12.46 per cent (12.32) during the fourth quarter, well in excess of the regulatory requirement. Hoist Kredit therefore has good prospects for absorbing unanticipated events without risk to its solvency and is well capitalised for continued expansion.

Liquidity risk was low during the quarter. Hoist Kredit's liquidity reserve totalled SEK 5,789m (5,156), which exceeds the Company's target. With its strong liquidity position, the Company is well prepared for future acquisitions and growth.

Other information

Parent Company

The Parent Company, Hoist Kredit AB (publ), reported a pre-tax profit of SEK 95m (135) for Q4 2016. Net revenue from acquired loans decreased SEK 36m year-on-year. The comparative figure for 2015 is positively affected by unusually large VAT recoveries in Region Mid Europe loan portfolios.

Interest expense is on a par with last year, totalling SEK 85m. Net financial items totalled SEK -11m (0), comprised primarily of profit/loss from foreign exchange risk hedges. Market value changes are reclassified from Interest income to Net financial income as from first quarter 2016. Comparative figures have been reclassified pursuant to this change.

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

Hoist Kredit issued Additional Tier 1 (AT1) capital of EUR 30m during the fourth quarter for the purpose of further optimising its capital structure.

Hoist Kredit provides funding for Group subsidiaries for major acquisitions and, accordingly, receivables from Group companies increased during the year. Hoist Finance AB (publ) took up a new loan of SEK 65m in connection with dividend distribution to the Company's shareholders.

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

Related-party transactions

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

Group structure

Hoist Finance AB (publ), corporate identity number 556012-8489, is the Parent Company in the Hoist Finance Group. The Company is a Swedish publicly traded limited liability company headquartered in Stockholm, Sweden. Hoist Finance AB (publ) has been listed on NASDAQ Stockholm since March 2015. 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. Loans are managed by the Group's 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.

A Spanish subsidiary (Hoist Finance Spain S.L.) has been established. This subsidiary is also the parent company of acquired company Optimus Portfolio Mgmt S.L. and Greek subsidiary Hoist Hellas S.A. For administrative reasons Hoist Finance has transferred ownership of Hoist Portfolio Holding 2 Ltd (former subsidiary of Hoist Finance UK Ltd) to subsidiary Hoist Portfolio Holding Ltd.

A Greek joint venture (PQH Single Special Liquidation S.A.) was added during the second quarter of the year, under which Hoist Kredit AB (publ), in partnership with Qualco S.A. ("QC") and PricewaterhouseCoopers Business Solutions S.A. ("PWC"), entered into an agreement with the Bank of Greece for the management of a portfolio of NPLs and other assets from 16 Greek banks and financial institutions under liquidation and to supervise the restructuring process and optimisation of these banks.

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

Review

This year-end report has not been reviewed by the Company's auditors.

Quarterly review

Segment reporting

SEK thousand	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015
Gross cash collections on acquired loan portfolios	1,104,772	1,074,719	1,075,877	1,055,974	1,032,221
Portfolio amortisation and revaluation	-485,532	-467,240	-470,902	-482,533	-469,138
Interest income from run-off consumer loan portfolio	1,153	-1,092	3,391	2,389	1,550
Net revenue from acquired loan portfolios	620,393	606,387	608,366	575,650	564,633
Fee and commission income	29,513	28,451	28,983	29,870	39,351
Profit from shares and participations in joint ventures	15,222	27,479	14,636	28,705	13,868
Other income	10,620	4,185	3,258	3,287	4,149
Total revenue	675,748	666,502	655,243	637,512	622,001
Personnel expenses	-176,796	-156,158	-164,689	-167,612	-180,741
Collection costs ¹⁾	-145,560	-171,319	-149,077	-129,959	-107,284
Other operating expenses ¹⁾	-87,804	-81,991	-90,398	-94,227	-101,100
Depreciation and amortisation of tangible and intangible assets	-12,615	-11,573	-11,904	-11,814	-9,955
Total operating expenses	-422,775	-421,041	-416,068	-403,612	-399,080
EBIT	252,973	245,461	239,175	233,900	222,921
Interest income excl. run-off consumer loan portfolio ²⁾	1,358	-824	-1,687	-1,714	6,437
Interest expense	-86,489	-80,303	-73,324	-70,179	-85,774
Net financial income ²⁾	-7,904	-24,141	-30,903	-35,255	515
Total financial items	-93,035	-105,268	-105,914	-107,148	-78,822
Profit before tax	159,938	140,193	133,261	126,752	144,099

1) Comparative figures have been adjusted, as non-deductible VAT related to Collection costs in 2016 and of bank charges in 2015 and first quarter 2016 are now recorded as Collection costs (Region Mid Europe).

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

Key ratios

SEK million	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015
EBIT margin, %	37	37	37	37	36
Return on book, % ¹⁾	11.1	10.8	11.1	10.7	11.2
Portfolio acquisitions	1,568	607	507	648	1,451

SEK million	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015
Carrying value of acquired loans ²⁾	12,658	11,658	11,359	11,346	11,279
Gross 120-month ERC ³⁾	21,375	19,450	19,230	19,221	19,367
Return on equity, % ⁴⁾	19	19	19	18	14
Total capital ratio, %	16.76	15.45	15.73	15.25	15.21
CET1 ratio, %	12.46	12.63	12.87	12.34	12.32
Liquidity reserve	5,789	6,520	6,785	5,266	5,156
Number of employees (FTEs)	1,285	1,341	1,358	1,305	1,349

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.

4) The definition of Return on equity was revised in conjunction with the AT1 capital issue in December 2016. For information on the calculation of key ratios, see Definitions.

Segment overview

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

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

Quarter 4, 2016

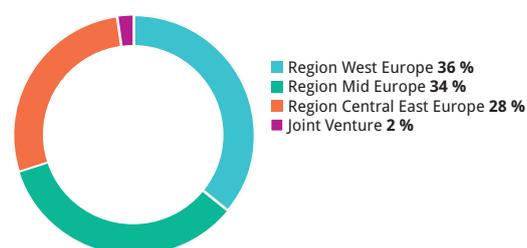
SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Net revenue from acquired loan portfolios	188,430	215,007	216,956	–	620,393
Total revenue	202,513	217,388	237,943	17,904	675,748
Total operating expenses	–129,207	–113,910	–92,912	–86,746	–422,775
EBIT	73,306	103,478	145,031	–68,842	252,973
EBIT margin, %	36	48	61	–	37
Carrying value of acquired loan portfolios, SEKm ¹⁾	4,522	4,331	3,564	241	12,658
Gross 120-month ERC, SEKm ²⁾	7,927	7,117	6,331	–	21,375

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

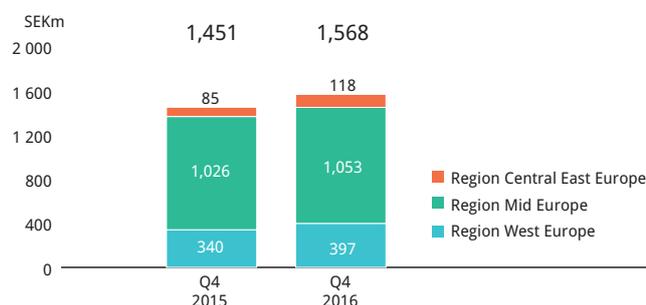
2) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture. For information on the calculation of key ratios, see Definitions.

Distribution by segment

Carrying value, acquired loan portfolios,
31 December 2016



Acquisitions by segment



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

Our markets

Region West Europe

France, Spain and the UK

Revenues

Gross cash collections on acquired loan portfolios increased 21 per cent to SEK 346m (285). All markets contributed positively, including the Spanish market, which is new in 2016. Portfolio amortisation and revaluation totalled SEK 158m (178) during the quarter, with the decrease primarily attributable to lower revaluations totalling SEK -38m (-73) during the quarter. Fee and commission income, which comprises services offered to third parties, decreased in pace with the strategy to focus on acquisition and management of in-house platforms. The currency trend, with a GBP weakened by 10 per cent since year-end 2015, had a negative effect on Total revenue.

Operating expenses

Operating expenses increased 11 per cent to SEK 129m (116) during the fourth quarter. The increase is primarily attributable to collection costs in the UK, where portfolio growth was strong during the year. Personnel expenses and collection costs associated with the newly acquired Spanish portfolios also account

for the cost increased during the period. Total operating expenses are also positively affected by the GBP currency trend.

Profitability

EBIT

The segment's EBIT totalled SEK 73m (15) for the quarter with a corresponding EBIT margin of 36 per cent (12). The improvement is primarily due to major negative revaluations during the corresponding period last year and to the Spanish market's contribution during the fourth quarter.

Return on book

The segment's return on book for the fourth quarter of 2016 was 6.7 (1.6). The improvement is attributable to lower year-on-year revaluations, increased collections in France and entering the Spanish market.

Acquisitions

Acquisitions during the quarter totalled SEK 397m, representing an increase as compared with Q4 2015. This is primarily due to portfolio acquisitions in Spain. The carrying value of acquired loan portfolios increased to SEK 4,522m (3,883). Gross ERC increased to SEK 7,927m (6,973) as compared with last year.

Other

In late 2016 a major forward flow contract for the acquisition of predetermined volumes in 2017 was signed.

Earnings trend*

SEK thousand	Quarter 4 2016	Quarter 4 2015	Change, %	Full-year 2016	Full-year 2015	Change, %
Gross cash collections on acquired loan portfolios	346,275	285,111	21	1,296,766	935,880	39
Portfolio amortisation and revaluation	-157,845	-177,992	-11	-487,587	-351,476	39
Net revenue from acquired loan portfolios	188,430	107,119	76	809,179	584,404	38
Fee and commission income	14,083	24,599	-43	65,629	114,846	-43
Other income	-	-81	-100	-	1,152	-100
Total revenue	202,513	131,637	54	874,808	700,402	25
Personnel expenses	-57,771	-64,351	-10	-231,502	-237,937	-3
Collection costs	-45,304	-16,534	>100	-246,005	-214,681	15
Other operating expenses	-23,551	-33,170	-29	-112,356	-102,522	10
Depreciation and amortisation of tangible and intangible assets	-2,581	-2,181	18	-11,977	-6,931	73
Total operating expenses	-129,207	-116,236	11	-601,840	-562,071	7
EBIT	73,306	15,401	>100	272,968	138,331	97
EBIT margin, %	36	12	24 pp	31	20	11 pp
Return on book, %	6.7	1.6	5.1 pp	6.5	4.5	2.0 pp
Expenses/Gross cash collections on acquired loan portfolios, %	33	32	1 pp	41	48	-7 pp
Carrying value of acquired loan portfolios, SEKm	4,522	3,883	16	4,522	3,883	16
Gross 120-month ERC, SEKm	7,927	6,973	14	7,927	6,973	14

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

Region Mid Europe

Belgium, Greece, Italy and the Netherlands

Revenues

Gross cash collections on acquired loan portfolios increased 4 per cent to SEK 418m (401) during the fourth quarter. This increase is attributable to Italy, where significant portfolio acquisitions were conducted during the year. Portfolio amortisation and revaluation increased 15 per cent to SEK 203m (176), with the increase attributable to the strong growth seen since Q4 2015. Positive portfolio revaluations totalling SEK 5m (23) was conducted in Q4 and are included in the portfolio amortisation and revaluation amounts reported for the quarter.

Operating expenses

Total operating expenses for the fourth quarter increased 12 per cent to SEK 114m (101), primarily due to an increase in collection expenses related to the above-mentioned Italian portfolio acquisitions.

Non-deductible VAT related to collection costs was adjusted during the year and transferred from Other operating expenses to Collection costs, which impacts the comparative figure for Q4 2015.

Profitability

EBIT

The segment's EBIT totalled SEK 103m (126) for the quarter with a corresponding EBIT margin of 48 per cent (55). The decrease is primarily due to the 2015 comparative figure includes high positive revaluations and to VAT recoveries in loan portfolios.

Return on book

The segment's return on book for the fourth quarter of 2016 was 10.6 per cent (15.4). Comparative figures are affected by positive portfolio revaluations during the fourth quarter.

Acquisitions

The acquisition volume during the quarter totalled SEK 1,053m, on a par year-on-year, and

is mostly attributable to Italy. The carrying value of acquired loan portfolios increased 19 per cent to SEK 4,331m (3,643) and gross ERC increased to SEK 7,117m (6,179) since last year.

Other

Operations in Greece are proceeding as planned, with only a minor impact quarterly results.

Earnings trend*

SEK thousand	Quarter 4 2016	Quarter 4 2015	Change, %	Full-year 2016	Full-year 2015	Change, %
Gross cash collections on acquired loan portfolios	417,702	401,317	4	1,574,731	1,358,389	16
Portfolio amortisation and revaluation	-202,695	-176,263	15	-763,410	-650,236	17
Net revenue from acquired loan portfolios	215,007	225,054	-4	811,321	708,153	15
Fee and commission income	1,400	1,956	-28	5,006	5,892	-15
Profit from shares and participations in joint ventures	389	-	>100	616	-	>100
Other income	592	429	38	1,769	1,385	28
Total revenue	217,388	227,439	-4	818,712	715,430	14
Personnel expenses	-31,920	-26,139	22	-111,301	-93,021	20
Collection costs ¹⁾	-71,878	-56,189	28	-221,228	-160,775	38
Other operating expenses ¹⁾	-8,080	-17,731	-54	-53,821	-51,014	6
Depreciation and amortisation of tangible and intangible assets	-2,032	-1,305	56	-7,210	-6,786	6
Total operating expenses	-113,910	-101,364	12	-393,560	-311,596	26
EBIT	103,478	126,075	-18	425,152	403,834	5
EBIT margin, %	48	55	-7 pp	52	56	-4 pp
Return on book, %	10.6	15.4	-5.2 pp	10.7	12.3	-1.7 pp
Expenses/Gross cash collections on acquired loan portfolios, %	27	25	2 pp	25	22	3 pp
Carrying value of acquired loan portfolios, SEKm	4,331	3,644	19	4,331	3,644	19
Gross 120-month ERC, SEKm	7,117	6,179	15	7,117	6,179	15

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

1) Comparative figures have been adjusted, as non-deductible VAT related to Collection costs in 2016 and of bank charges in 2015 and first quarter 2016 are now recorded as Collection costs.

Region Central East Europe

Austria, Germany and Poland

Revenues

Gross cash collections on acquired loan portfolios decreased 1 per cent to SEK 341m (346) during the fourth quarter, with the decrease attributable to Poland and Germany, which is primarily due to somewhat lower acquisition activity during the year. Portfolio amortisation and revaluation during the quarter amounted to SEK 125m (115), with the increase mainly attributable to Poland. Positive portfolio revaluations totalling SEK 55m (54) were conducted in Poland and Germany during the quarter. Fee and commission income increased 10 per cent to SEK 14m (13) and is primarily attributable to Polish operations.

Operating expenses

Operating expenses decreased 5 per cent year-on-year to SEK 93m (97), primarily due to lower collection costs in Poland.

Profitability

EBIT

The segment's EBIT totalled SEK 145m (151) for the quarter with a corresponding EBIT margin of 61 per cent (61). The fourth quar-

ter's slightly lower EBIT is primarily due to the somewhat lower acquisition activity during the year. The EBIT margin for the quarter is unchanged, as total operating expenses decrease in relation to the change in EBIT.

Return on book

The segment's return on book for the fourth quarter of 2016 was 16.1 per cent (16.7), with comparative quarters both affected by positive revaluations to some extent.

Acquisitions

The acquisition volume during the quarter totalled SEK 118m, with contributions from Poland and Germany. Overall, the acquisition volume for the segment is higher than during the corresponding period last year. The carrying value of acquired loan portfolios totalled SEK 3,564m (3,546) and gross ERC increased to SEK 6,331m (6,215) as compared with last year.

Other

In accordance with Hoist Kredit strategy to focus on in-house collection platform, the Company has mutually agreed with our external partner to terminate a collection services contract. The contract, which will terminate during the first quarter of 2017, represents a substantial portion of fee and commission income in the Polish market. While Hoist Kredit intends to make staffing adjustments, the short- and long-term impact on earnings is expected to be limited. The German operations launched an initiative to upgrade its current collection system during the autumn. The new system is scheduled to be in service during Q4 2017, and the objective is to have the leading collection platform in the German market when the system is fully operational in Q1 2018.

Earnings trend*

SEK thousand	Quarter 4 2016	Quarter 4 2015	Change, %	Full-year 2016	Full-year 2015	Change, %
Gross cash collections on acquired loan portfolios	340,795	345,793	-1	1,439,665	1,336,763	8
Portfolio amortisation and revaluation	-124,992	-114,883	9	-655,210	-624,796	5
Interest income from run-off consumer loan portfolio	1,153	1,550	-26	5,841	10,176	-43
Net revenue from acquired loan portfolios	216,956	232,460	-7	790,296	722,143	9
Fee and commission income	14,030	12,796	10	46,182	45,967	-
Other income	6,957	3,573	95	14,502	12,176	19
Total revenue	237,943	248,829	-4	850,980	780,286	9
Personnel expenses	-48,016	-48,906	-2	-181,875	-172,412	5
Collection costs	-28,378	-34,561	-18	-128,682	-134,142	-4
Other operating expenses	-14,667	-12,052	22	-49,924	-39,760	26
Depreciation and amortisation of tangible and intangible assets	-1,851	-1,894	-2	-7,299	-7,195	1
Total operating expenses	-92,912	-97,413	-5	-367,780	-353,509	4
EBIT	145,031	151,416	-4	483,200	426,777	13
EBIT margin, %	61	61	-	57	55	2 pp
Return on book, %	16.1	16.7	-0.6 pp	13.6	12.1	1.5 pp
Expenses/Gross cash collections on acquired loan portfolios, %	21	23	-2 pp	21	22	-1 pp
Carrying value of acquired loan portfolios, SEK ¹⁾	3,564	3,546	1	3,564	3,546	1
Gross 120-month ERC, SEK ²⁾	6,331	6,215	2	6,331	6,215	2

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

1) Including run-off consumer loan portfolio.
2) Excluding run-off consumer loan portfolio.

Financial statements

Consolidated income statement

SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
Net revenue from acquired loan portfolios	619,240	563,083	2,404,955	2,004,524
Interest income ¹⁾	2,511	7,987	2,974	39,195
Interest expense	-86,489	-85,774	-310,295	-361,370
Net interest income	535,262	485,296	2,097,634	1,682,349
Fee and commission income	29,513	39,351	116,817	166,705
Net financial income ¹⁾	-6,644	515	-96,943	-46,461
Other income	10,620	4,149	21,350	17,959
Total operating income	568,751	529,311	2,138,858	1,820,552
General administrative expenses				
Personnel expenses	-176,796	-180,741	-665,255	-642,480
Other operating expenses	-233,364	-208,384	-950,335	-845,393
Depreciation and amortisation of tangible and intangible assets	-12,615	-9,955	-47,906	-39,697
Total operating expenses	-422,775	-399,080	-1,663,496	-1,527,570
Profit before credit losses	145,976	130,231	475,362	292,982
Net credit losses	-1,260	-	-1,260	-5,298
Profit from shares and participations in joint ventures	15,222	13,868	86,042	54,839
Profit before tax	159,938	144,099	560,144	342,523
Income tax expense	-41,813	-25,755	-124,972	-64,961
Profit for the period	118,125	118,344	435,172	277,562
Profit attributable to:				
Owners of Hoist Kredit AB (publ)	118,125	118,344	435,172	277,562

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

Consolidated statement of comprehensive income

SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
Profit for the period	118,125	118,344	435,172	277,562
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation of defined benefit pension plan	-1,941	1,408	-1,941	1 408
Revaluation of remuneration after terminated employment	-617	1,606	-617	1 606
Tax attributable to items that will not be reclassified to profit or loss	654	-781	654	-781
Total items that will not be reclassified to profit or loss	-1,904	2,233	-1,904	2 233
Items that may be reclassified subsequently to profit or loss				
Currency translation differences on foreign operations	-21,068	-29,788	-21,872	-35,485
Translation difference, joint venture	-5,956	-6,237	1,489	-4,948
Hedging of currency risk in foreign operations	5,075	4,762	-7,421	-849
Tax attributable to items that may be reclassified to profit or loss	-1,116	-	4,803	-
Total items that may be reclassified subsequently to profit or loss	-23,065	-31,263	-23,001	-41,282
Other comprehensive income for the period	-24,969	-29,030	-24,905	-39,049
Total comprehensive income for the period	93,156	89,314	410,267	238,513
Profit attributable to:				
Owners of Hoist Kredit AB (publ)	93,156	89,314	410,267	238,513

Consolidated balance sheet

SEK thousand	31 Dec 2016	31 Dec 2015
ASSETS		
Cash	3,073	281
Treasury bills and Treasury bonds	2,273,903	3,077,827
Lending to credit institutions	732,828	795,915
Lending to the public	35,789	77,994
Acquired loan portfolios	12,385,547	11,014,699
Receivables from Group companies	363,152	253,543
Bonds and other securities	2,538,566	1,303,214
Participations in joint ventures	241,276	205,557
Intangible assets	218,172	216,158
Tangible assets	38,398	38,481
Other assets	193,071	499,992
Deferred tax assets	47,268	62,688
Prepayments and accrued income	77,087	64,916
Total assets	19,148,130	17,611,265
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	-	62,813
Deposits from the public	11,848,956	12,791,377
Tax liabilities	25,729	5,561
Other liabilities	674,000	559,208
Deferred tax liabilities	150,065	178,826
Accrued expenses and deferred income	200,604	176,957
Provisions	55,480	52,081
Senior unsecured debt	3,125,996	1,238,469
Subordinated liabilities	341,715	336,892
Total liabilities	16,422,545	15,402,184
Equity		
Share capital	66,667	66,667
Other contributed capital	1,735,955	1,450,918
Reserves	-67,095	-44,094
Retained earnings including profit for the period	990,058	735,590
Total equity	2,725,585	2,209,081
Total liabilities and equity	19,148,130	17,611,265

Consolidated statement of changes in equity

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

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

SEK thousand	Share capital	Other contributed capital	Reserves/ Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2015	66,667	691,914	-2,812	651,549	1,407,318
Comprehensive income for the year					
Profit for the year				277,562	277,562
Other comprehensive income			-41,282	2,233	-39,049
Total comprehensive income for the year			-41,282	279,795	238,513
Transactions reported directly in equity					
Shareholders' contribution		759,004			759,004
Acquisition of minority shareholding in subsidiary				-32,584	-32,584
Interest paid on capital contribution				-15,000	-15,000
Group contributions paid				-182,890	-182,890
Tax effect on items reported directly in equity				34,720	34,720
Total transactions reported directly in equity		759,004		-195,754	563,250
Closing balance 31 Dec 2015	66,667	1,450,918	-44,094	735,590	2,209,081

Consolidated cash flow statement

SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
OPERATING ACTIVITIES				
Gross cash collections on acquired loan portfolios	1,075,237	1,032,220	4,281,632	3,631,031
Paid-in interest	-4,027	4,875	13,034	36,529
Provisions received	29,513	39,351	116,817	166,705
Other operating income	10,621	4,149	21,350	17,959
Interest paid	-131,219	-156,552	-295,008	-338,949
Operating expenses	-404,827	-361,502	-1,604,345	-1,453,281
Net cash flow from financial transactions	-27,755	513	-96,943	-46,463
Capital gain on redemption of joint venture certificates	13,839	14,441	42,526	44,404
Income tax paid	-2,059	-14,617	-31,664	-43,523
Total	559,323	562,878	2,447,399	2,050,012
Increase/decrease in acquired loans incl. translation differences	-1,470,278	-1,133,249	-3,277,061	-4,054,424
Increase/decrease in joint venture certificates	2,808	4,737	9,267	15,277
Increase/decrease in lending to the public	190,426	-103,056	-68,189	-39,670
Increase/decrease in deposits from the public	-403,680	46,759	-957,707	1,781,668
Increase/decrease in other assets	195,202	-270,696	295,974	-289,563
Increase/decrease in other liabilities	153,282	107,600	59,751	-232,879
Increase/decrease in provisions	-3,050	-4,128	3,399	-16,574
Change in other balance sheet items	-16,505	-24,427	-17,718	71,864
Total	-1,351,795	-1,376,460	-3,952,284	-2,764,301
Cash flow from operating activities	-792,472	-813,582	-1,504,885	-714,289
INVESTING ACTIVITIES				
Investments in intangible assets	-4,872	-20,137	-23,640	-37,867
Investments in tangible assets	-7,245	-7,920	-17,869	-18,158
Investments in business acquisitions	-	-	-40,788	-50,569
Investments in/divestments of bonds and other securities	-472,315	989,120	-1,245,413	615,093
Cash flow from investing activities	-484,432	961,063	-1,327,710	508,499
FINANCING ACTIVITIES				
Capital contribution	-	-	-	759,004
Additional Tier 1 capital instruments issued	285,396	-	285,396	-
Issued bonds	-7,476	-	2,771,917	-
Issued bonds, repurchased and cancelled	-	-33,858	-976,284	-229,833
Repayment of issued bonds	-58,000	-	-58,000	-
Interest paid on capital contribution	-	-7,500	-7,500	-15,000
Group contributions paid	-	-	-47,153	-
Cash flow from financing activities	227,396	-41,358	1,968,376	514,171
Cash flow for the period	-1,056,984	106,123	-864,219	308,381
Cash at the beginning of the period	4,066,788	3,767,900	3,874,023	3,565,642
Cash at the end of the period¹⁾	3,009,804	3,874,023	3,009,804	3,874,023

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

Parent Company income statement

SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
Net revenue from acquired loans	128,458	164,543	421,954	357,498
Interest income ¹⁾	135,106	114,090	524,516	460,291
Interest expense	-85,015	-84,280	-307,986	-359,876
Net interest income	178,549	194,353	638,484	457,913
Net income from financial transactions ¹⁾	-11,484	-120	-95,329	-58,547
Other income	33,296	19,073	99,045	74,588
Total operating income	200,361	213,306	642,200	473,954
General administrative expenses				
Personnel expenses	-35,672	-29,787	-133,228	-123,377
Other operating expenses	-59,779	-59,099	-225,226	-204,599
Depreciation and amortisation of tangible and intangible assets	-4,473	-3,381	-15,559	-14,380
Total operating expenses	-99,924	-92,267	-374,013	-342,356
Profit before loan losses	100,437	121,039	268,187	131,598
Net loan losses	-1,260	-	-1,260	-5,298
Profit from shares and participations in joint ventures	13,859	14,440	42,546	44,404
Earnings from participations in Group companies	-	-	62,387	133,668
Appropriations (tax allocation reserve provision)	-18,503	-	-18,503	-
Profit before tax	94,533	135,479	353,357	304,372
Income tax expense	-42,139	-34,449	-86,166	-44,349
Profit for the period	52,394	101,030	267,191	260,023
Profit attributable to:				
Owners of Hoist Kredit AB (publ)	52,394	101,030	267,191	260,023

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

Parent Company statement of comprehensive income

SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
Profit for the period	52,394	101,030	267,191	260,023
Other comprehensive income				
Total items that may be reclassified subsequently to profit or loss				
Currency translation differences on foreign operations	14	-412	719	-522
Total items that may be reclassified subsequently to profit or loss	14	-412	719	-522
Total other comprehensive income for the period	14	-412	719	-522
Total comprehensive income for the period	52,408	100,618	267,910	259,501
Profit attributable to:				
Owners of Hoist Kredit AB (publ)	52,408	100,618	267,910	259,501

Parent Company balance sheet

SEK thousand	31 Dec 2016	31 Dec 2015
ASSETS		
Cash	0	8
Treasury bills and Treasury bonds	2,273,903	3,077,827
Lending to credit institutions	215,953	78,503
Lending to the public	35,789	77,994
Acquired loan portfolios	2,584,666	2,646,612
Receivables from Group companies	10,055,046	8,769,553
Bonds and other securities	2,538,566	1,303,214
Participations in subsidiaries	570,038	581,972
Participations in joint ventures	40,703	49,974
Intangible assets	37,647	42,278
Tangible assets	4,155	4,523
Other assets	108,139	416,615
Deferred tax assets	2,734	2,224
Prepayments and accrued income	1,436	1,842
TOTAL ASSETS	18,468,775	17,053,139
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	-	87,723
Deposits from the public	11,848,956	12,791,377
Tax liabilities	15,476	3,550
Other liabilities	520,423	379,205
Accrued expenses and prepaid income	78,804	71,103
Provisions	67	132
Senior unsecured debt	3,125,996	1,238,469
Subordinated liabilities	341,715	336,892
Total liabilities and provisions	15,931,437	14,908,451
Untaxed reserves (tax allocation reserve)	80,752	62,248
Equity		
<i>Restricted equity</i>		
Share capital	66,667	66,667
Statutory reserve	10,000	10,000
Revaluation reserve	64,253	64,253
Development expenditures reserve	4,049	-
Total restricted equity	144,969	140,920
<i>Non-restricted equity</i>		
Other contributed equity	1,735,956	1,450,918
Reserves	578	-142
Retained earnings	307,892	230,721
Profit for the period	267,191	260,023
Total non-restricted equity	2,311,617	1,941,520
Total equity	2,456,586	2,082,440
TOTAL LIABILITIES AND EQUITY	18,468,775	17,053,139

Accounting principles

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

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

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

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

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

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

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

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

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

	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
1 EUR = SEK				
Income statement (average)	9.4622	9.3553	9.4622	9.3553
Balance sheet (at end of the period)	9.5669	9.1350	9.5669	9.1350
1 GBP = SEK				
Income statement (average)	11.5849	12.8908	11.5849	12.8908
Balance sheet (at end of the period)	11.1787	12.3785	11.1787	12.3785
1 PLN = SEK				
Income statement (average)	2.1688	2.2372	2.1688	2.2372
Balance sheet (at end of the period)	2.1662	2.1545	2.1662	2.1545

Notes

Note 1 Segment reporting

Consolidated income statement SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
Revenues from acquired loan portfolios	619,240	563,083	2,404,955	2,004,524
<i>of which, gross cash collections</i>	1,104,772	1,032,221	4,311,162	3,631,032
<i>of which, portfolio amortisation and revaluation</i>	-485,532	-469,138	-1,906,207	-1,626,508
Interest income	2,511	7,987	2,974	39,195
<i>of which, interest income from run-off consumer loan portfolio</i>	1,153	1,550	5,841	10,176
<i>of which, interest income excl. run-off consumer loan portfolio¹⁾</i>	1,358	6,437	-2,867	29,019
Interest expense	-86,489	-85,774	-310,295	-361,370
Net interest income	535,262	485,296	2,097,634	1,682,349
Fee and commission income	29,513	39,351	116,817	166,705
<i>Net financial income¹⁾</i>	-6,644	515	-96,943	-46,461
Other income	10,620	4,149	21,350	17,959
Total operating income	568,751	529,311	2,138,858	1,820,552
General administrative expenses				
Personnel expenses	-176,796	-180,741	-665,255	-642,480
Other operating expenses	-233,364	-208,384	-950,335	-845,393
Depreciation and amortisation of tangible and intangible assets	-12,615	-9,955	-47,906	-39,697
Total operating expenses	-422,775	-399,080	-1,663,496	-1,527,570
Profit before credit losses	145,976	130,231	475,362	292,982
Net credit losses	-1,260	-	-1,260	-5,298
Profit from shares and participations in joint ventures	15,222	13,868	86,042	54,839
Profit before tax	159,938	144,099	560,144	342,523

Operating income statement based on segment reporting SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
Gross cash collections on acquired loan portfolios	1,104,772	1,032,221	4,311,162	3,631,032
Portfolio amortisation and revaluation	-485,532	-469,138	-1,906,207	-1,626,508
Interest income from run-off consumer loan portfolio	1,153	1,550	5,841	10,176
Net revenue from acquired loan portfolios	620,393	564,633	2,410,796	2,014,700
Fee and commission income	29,513	39,351	116,817	166,705
Profit from shares and participations in joint ventures	15,222	13,868	86,042	54,839
Other income	10,620	4,149	21,350	17,959
Total revenue	675,748	622,001	2,635,005	2,254,203
Personnel expenses	-176,796	-180,741	-665,255	-642,480
Collection costs ¹⁾	-145,560	-107,284	-595,915	-509,598
Other operating expenses ¹⁾	-87,804	-101,100	-354,420	-335,795
Depreciation and amortisation of tangible and intangible assets	-12,615	-9,955	-47,906	-39,697
Total operating expenses	-422,775	-399,080	-1,663,496	-1,527,570
EBIT	252,973	222,921	971,509	726,633
Interest income excl. run-off consumer loan portfolio ²⁾	1,358	6,437	-2,867	29,019
Interest expense	-86,489	-85,774	-310,295	-361,370
Net financial income ^{2) 3)}	-7,904	515	-98,203	-51,759
Total financial items	-93,035	-78,822	-411,365	-384,110
Profit before tax	159,938	144,099	560,144	342,523

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

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

3) Including financing costs.

Note 1 Segment reporting, cont.

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

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

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

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

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

Income statement, Quarter 4, 2016	Region West Europe ¹⁾	Region Mid Europe ²⁾	Region Central East Europe ³⁾	Central Functions and Eliminations	Group
SEK thousand					
Gross cash collections on acquired loan portfolios	346,275	417,702	340,795	–	1,104,772
Portfolio amortisation and revaluation	–157,845	–202,695	–124,992	–	–485,532
Interest income from run-off consumer loan portfolio	–	–	1,153	–	1,153
Net revenue from acquired loan portfolios	188,430	215,007	216,956	–	620,393
Fee and commission income	14,083	1,400	14,030	–	29,513
Profit from shares and participations in joint ventures	–	389	–	14,833	15,222
Other income	–	592	6,957	3,071	10,620
Total revenue	202,513	217,388	237,943	17,904	675,748
Personnel expenses	–57,771	–31,920	–48,016	–39,089	–176,796
Collection costs	–45,304	–71,878	–28,378	–	–145,560
Other operating expenses	–23,551	–8,080	–14,667	–41,506	–87,804
Depreciation and amortisation of tangible and intangible assets	–2,581	–2,032	–1,851	–6,151	–12,615
Total operating expenses	–129,207	–113,910	–92,912	–86,746	–422,775
EBIT	73,706	103,478	145,031	–68,842	252,973
Interest income excl. run-off consumer loan portfolio	–	–	2,260	–902	1,358
Interest expense	–	–46	–1,320	–85,123	–86,489
Net financial income ⁴⁾	–55,023	–49,511	–46,436	143,066	–7,904
Total financial items	–55,023	–49,557	–45,496	57,041	–93,035
Profit/loss before tax	18,283	53,921	99,535	–11,801	159,938

1) A total of SEK 198m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 150m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 152m of Region Central East Europe's revenues is attributable to Germany.

4) Including financing costs.

Note 1 Segment reporting, cont.

Income statement, Quarter 4 2015

SEK thousand	Region West Europe ¹⁾	Region Mid Europe ²⁾	Region Central East Europe ³⁾	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	285,111	401,317	345,793	-	1,032,221
Portfolio amortisation and revaluation	-177,992	-176,263	-114,883	-	-469,138
Interest income from run-off consumer loan portfolio	-	-	1,550	-	1,550
Net revenue from acquired loan portfolios	107,119	225,054	232,460	-	564,633
Fee and commission income	24,599	1,956	12,796	-	39,351
Profit from shares and participations in joint ventures	-	-	-	13,868	13,868
Other income	-81	429	3,573	228	4,149
Total revenue	131,637	227,439	248,829	14,096	622,001
Personnel expenses	-64,351	-26,139	-48,906	-41,345	-180,741
Collection costs ⁴⁾	-16,534	-56,189	-34,561	-	-107,284
Other operating expenses ⁴⁾	-33,170	-17,731	-12,052	-38,147	-101,100
Depreciation and amortisation of tangible and intangible assets	-2,181	-1,305	-1,894	-4,575	-9,955
Total operating expenses	-116,236	-101,364	-97,413	-84,067	-399,080
EBIT	15,401	126,075	151,416	-69,971	222,921
Interest income excl. run-off consumer loan portfolio ⁵⁾	133	-	506	5,798	6,437
Interest expense	-7	-16	-1,485	-84,266	-85,774
Net financial income ⁵⁾⁶⁾	-50,504	-42,054	-45,232	138,305	515
Total financial items	-50,378	-42,070	-46,211	59,837	-78,822
Profit/loss before tax	-34,977	84,005	105,205	-10,134	144,099

1) A total of SEK 179m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 108m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 151m of Region Central East Europe's revenues is attributable to Germany.

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

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

6) Including financing costs.

Note 1 Segment reporting, cont.

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

1) A total of SEK 789m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 500m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 474m of Region Central East Europe's revenues is attributable to Germany.

4) Including financing costs.

Note 1 Segment reporting, cont.

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

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

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

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

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

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

6) Including financing costs.

Acquired loans, 31 Dec 2016	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
SEK thousand					
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	-	-	-	240,580	240,580
Acquired loans	4,522,429	4,331,437	3,563,875	240,580	12,658,321

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

Note 2 Financial instruments

Fair value measurements

Group

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

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

Level 2) Based on directly or indirectly observable market inputs not included in Level 1. This category includes instruments

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

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

Group, 31 December 2016

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

Group, 31 December 2015

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

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

Note 2 Financial instruments, cont.

Parent Company, 31 December 2016

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

Parent Company, 31 December 2015

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

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

Note 2 Financial instruments, cont.

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

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

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

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

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

Carrying values for accounts receivable and accounts payable are deemed approximations of fair value. The fair value of current loans corresponds to their carrying value due to the limited impact of discounting. No transfers between any of the levels took place during the period.

Acquired loan portfolios

SEK thousand	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Opening balance	11,014,699	8,586,782	2,646,612	2,860,220
Acquisitions	3,329,382	4,370,259	600,394	588,333
Adjustment of acquisition analysis	-29,536	-	-	-
Intra-Group sales	-	-	-204,853	-
Translation differences	-22,785	-315,835	125,464	-112,439
Changes in value				
Based on opening balance forecast (amortisation)	-1,911,916	-1,587,651	-637,537	-778,855
Based on revised estimates (revaluation)	5,703	-38,856	54,586	89,353
Carrying value	12,385,547	11,014,699	2,584,666	2,646,612
Changes in carrying value reported in the income statement	-1,906,213	-1,626,507	-582,951	-689,502

Of which, designated at fair value SEK thousand	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Opening balance	1,177,808	1,460,229	973,806	1,177,466
Translation differences	52,874	-53,671	43,838	-43,992
Changes in value				
Based on opening balance forecast (amortisation)	-186,090	-167,331	-150,115	-154,700
Based on revised estimates (revaluation)	68	-61,419	19,066	-4,968
Carrying values	1,044,660	1,177,808	886,595	973,806
Changes in carry values reported in the income statement	-186,022	-228,750	-131,049	-159,668

Note 2 Financial instruments, cont.

Sensitivity analysis

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

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

SEK thousand	Group	
	31 Dec 2016	31 Dec 2015
Carrying value of loan portfolios	12 385 547	11,014,699
A 5% increase in estimated cash flow over the 10-year forecast period would reduce the carrying value by:	558,977	540,638
<i>of which, valued at fair value</i>	<i>51,685</i>	<i>58,890</i>
A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by:	-558,977	-540,638
<i>of which, valued at fair value</i>	<i>-51,685</i>	<i>-58,890</i>
Carrying value of loan portfolios acquired prior to 1 July 2011	1,044,660	1,177,808
A 1% decrease in the market rate of interest would increase the carrying value by:	31,174	34,774
A 1% increase in the market rate of interest would reduce the carrying value by:	-29,483	-32,880
Shortening the forecast period by 1 year would reduce the carrying value by:	-26,534	-33,073
Lengthening the forecast period by 1 year would increase the carrying value by:	20,938	21,424

Portfolios valued at fair value through profit or loss

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

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

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

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

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

Note 3 Capital adequacy

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

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

Own funds

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

Own funds, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Capital instruments and related share premium accounts	1,286,805	1,286,805	482,963	482,963
Retained earnings	472,965	316,687	307,205	232,259
Accumulated comprehensive income and other reserves	331,293	361,363	1,081,949	1,062,749
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	292,004	161,366	267,191	190,866
Intangible assets (net of related tax liability)	-243,340	-235,632	-37,647	-42,278
Deferred tax assets that rely on future profitability	-47,268	-62,688	-2,734	-2,224
Common Equity Tier 1	2,092,459	1,827,901	2,098,927	1,924,335
Capital instruments and the related share premium accounts	379,577	93,000	379,577	93,000
Additional Tier 1 capital	379,577	93,000	379,577	93,000
Tier 1 capital	2,472,036	1,920,901	2,478,504	2,017,335
Capital instruments and the related share premium accounts	341,715	336,892	341,715	336,892
Regulatory adjustments	-	-	-	-
Tier 2 capital	341,715	336,892	341,715	336,892
Total own funds for capital adequacy purposes	2,813,751	2,257,793	2,820,219	2,354,227

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

Risk-weighted exposure amounts and capital requirements

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

Risk-weighted exposure amounts, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	261,882	339,617	78,060	195,897
<i>of which, counterparty credit risk</i>	29,036	89,598	29,036	89,598
Exposures to corporates	199,920	136,601	10,238,303	8,789,030
Retail exposures	24,146	43,774	24,146	43,774
Exposures in default	13,270,498	11,244,739	2,646,432	2,646,612
Exposures in the form of covered bonds	247,485	126,821	247,485	126,821
Equity exposures	-	-	570,038	581,973
Other items	132,315	320,316	6,116	126,006
Credit risk (standardised approach)	14,136,246	12,211,868	13,810,580	12,510,113
Market risk (foreign exchange risk - standardised approach)	28,858	26,573	28,858	26,573
Operational risk (basic indicator approach)	-	2,600,728	-	755,709
Operational risk (standardised approach)	2,622,373	-	893,024	-
Credit valuation adjustment (standardised approach)	0	664	0	664
Total risk-weighted exposure amount	16,787,477	14,839,833	14,732,462	13,293,059

Note 3 Capital adequacy, cont.

Capital requirements, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Pillar 1				
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	20,951	27,169	6,245	15,672
<i>of which, counterparty credit risk</i>	2,323	7,168	2,323	7,168
Exposures to corporates	15,994	10,928	819,064	703,122
Retail exposures	1,932	3,502	1,932	3,502
Exposures in default	1,061,640	899,579	211,715	211,729
Exposures in the form of covered bonds	19,799	10,146	19,799	10,146
Equity exposures	-	-	45,603	46,558
Other items	10,583	25,626	489	10,079
Credit risk (standardised approach)	1,130,899	976,950	1,104,847	1,000,808
Market risk (foreign exchange risk-standardised approach)	2,309	2,126	2,309	2,126
Operational risk (basic indicator approach)	-	208,058	-	60,457
Operational risk (standardised approach)	209,790	-	71,442	-
Credit valuation adjustment (standardised approach)	0	53	0	53
Total own funds requirement – Pillar 1	1,342,998	1,187,187	1,178,598	1,063,445
Pillar 2				
Concentration risk	101,991	82,671	101,991	82,671
Interest rate risk in the banking book	30,000	71,453	30,000	71,453
Pension risk	4,106	5,358	-	-
Other Pillar 2 risks	794	23,656	794	24,421
Total own funds requirement – Pillar 2	136,891	183,138	132,785	178,546
Capital buffers				
Countercyclical buffer	419,686	370,996	368,312	332,326
Total own funds requirement – Capital buffers	6,370	2,456	10,770	5,876
	426,056	373,452	379,082	338,202
Total own funds requirements				
Capital buffers	1,905,945	1,743,777	1,690,465	1,580,193

The own funds for the Company's consolidated situation totalled SEK 2,814m (2,258) as at 31 December 2016, 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 0.04 per cent of the total risk-weighted exposure amount. The table below shows CET1 capital, Tier 1 capital and the total capital ratio for Hoist Finance and for the regulated entity Hoist Kredit. The table also shows the institution-specific CET1 capital requirements.

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

Note 3 Capital adequacy, cont.

Capital ratios and capital buffers, %	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Common Equity Tier 1 capital ratio	12.46	12.32	14.25	14.48
Tier 1 capital ratio	14.73	12.94	16.82	15.18
Total capital ratio	16.76	15.21	19.14	17.71
Institution-specific buffer requirements for CET1 capital	7.04	7.02	7.07	7.04
<i>of which, capital conservation buffer requirement</i>	2.50	2.50	2.50	2.50
<i>of which, countercyclical capital buffer requirement</i>	0.04	0.02	0.07	0.04
Common Equity Tier 1 capital available to meet buffers¹⁾	7.96	6.94	9.75	9.18

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 1,480m (1,370) at 30 December 2016, of which SEK 137m (183) is attributable to Pillar 2.

Note 4 Liquidity risk

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

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

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

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

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

Funding primarily takes the form of deposits from the public and the issuance of senior unsecured bonds and own funds instruments, as well as 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)	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
SEK thousand				
Deposits from the public, floating	7,582,909	8,226,925	7,582,909	8,226,925
Deposits from the public, fixed	4,266,047	4,564,452	4,266,047	4,564,452
Senior unsecured debt	3,125,996	1,238,469	3,125,996	1,238,469
Convertible debt instruments	379,577	93,000	379,577	93,000
Subordinated liabilities	341,715	336,892	341,715	336,892
Equity	2,545,719	2,195,760	2,139,996	2,037,994
Other	907,963	795,979	632,535	555,407
Balance sheet total	19,149,926	17,451,477	18,468,775	17,053,139

The Group's Treasury policy stipulates limits on how much liquidity is to be available and the nature of such liquidity. As at 31 December, available liquidity totalled SEK 5,789m (5,156), which is well in excess of the limit.

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

Note 4 Liquidity risk, cont.

Liquidity reserve

SEK thousand	31 Dec 2016	31 Dec 2015
Cash and holdings in central banks	3,073	281
Deposits in other banks available overnight	1,036,749	799,199
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,528,116	1,181,728
Securities issued or guaranteed by municipalities or other public sector entities	745,786	1,896,099
Covered bonds	2,474,849	1,268,214
Securities issued by non-financial corporates	-	-
Securities issued by financial corporates	-	10,000
Other	-	-
Total	5,788,573	5,155,521

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

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

Note 5 Pledged asset

SEK thousand	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	478	639	478	639

Note 6 Contingent liabilities

SEK thousand	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Commitments ¹⁾	1,565,944	651,064	127,503	361,586

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

Note 7 Reconciliation alternative performance measures

Return on book SEK thousand	Quarter 4 2016	Quarter 4 2015	Full year 2016	Full year 2015
EBIT	252,973	222,921	971,509	726,633
+ Operating expenses in Central Functions	86,746	84,067	300,316	300,394
EBIT excl operating expenses in Central Functions ¹⁾	1,358,876	1,227,952	1,271,825	1,027,027
Average carrying value of acquired loans	12,158,301	10,958,586	11,968,471	10,099,774
Return on book, %	11.2%	11.2%	10.6%	10.2%

1) Calculated on an annualised basis (quarterly)

2) Calculated as average on previous period

Not 7 Reconciliation alternative performance measures, cont.

Adjusted EBITDA SEK thousand	Quarter 4 2016	Quarter4 2015	Full year 2016	Full year 2015
Profit for the period	118,125	118,345	435,172	277,562
+ Income tax expense	41,814	25,754	124,972	64,961
+ Portfolio revaluations	-22,662	-5,067	-5,703	38,856
- Interest income (excl. Interest from run-off performing portfolio)	-1,357	-6,435	2,868	-29,018
+ Interest expense	86,489	85,774	310,295	361,369
+/- Net result from financial transactions, incl. Net credit losses	7,904	-514	98,203	51,759
+ Depreciation and amortisation of tangible and intangible assets	12,615	9,955	47,906	39,697
EBITDA	242,928	227,812	1,013,713	805,186
+ Amortisation on run-off portfolio	6,735	12,498	26,171	60,434
+ Amortisation on acquired loan portfolios	508,193	474,204	1,911,916	1,587,651
Adjusted EBITDA	757,856	714,514	2,951,800	2,453,271
Book value of run-off consumer loan portfolio	32,194	58,365	32,194	58,365

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, 8 February 2017

Ingrid Bonde
Chair of the Board

Liselotte Hjorth
Board member

Annika Poutiainen
Board member

Costas Thoupos
Board member

Magnus Ugglå
Board member

Gunilla Wikman
Board member

Jörgen Olsson
CEO
Board member

A guide to our interim report

Operating income statement, Group

SEK thousand	Quarter 4 2016	Quarter 4 2015
Gross cash collections on acquired loan portfolios	1,104,772	1,032,221
Portfolio amortisation and revaluation	-485,532	-469,138
Interest income from run-off consumer loan portfolio	1,153	1,550
Net revenue from acquired loan portfolios	620,393	564,633
Fee and commission income	29,513	39,351
Profit from shares and participations in joint ventures	15,222	13,868
Other income	10,620	4,149
Total revenue	675,748	622,001
Personnel expenses	-176,796	-180,741
Collection costs	-145,560	-107,284
Other operating expenses	-87,804	-101,100
Depreciation and amortisation of tangible and intangible assets	-12,615	-9,955
Total operating expenses	-422,775	-399,080
Operating profit (EBIT)	252,973	222,921
Funding		
Interest income excl. run-off consumer loan portfolio	1,358	6,437
Interest expense	-86,489	-85,774
Net income from financial transactions	-7,904	515
Total financial items	-93,035	-78,822
Profit before tax	159,938	144,099

Statutory income statement, Group

SEK thousand	Quarter 4 2016	Quarter 4 2015
Revenue from acquired loan portfolios	619,240	563,083
Interest income	2,511	7,987
Interest expense	-86,489	-85,774
Net interest income	535,262	485,296
Fee and commission income	29,513	39,351
Net financial income	-6,644	515
Other income	10,620	4,149
Total operating income	568,751	529,311
General administrative expenses		
Personnel expenses	-176,796	-180,741
Other operating expenses	-233,364	-208,384
Depreciation and amortisation of tangible and intangible assets	-12,615	-9,955
Total operating expenses	-422,775	-399,080
Profit before credit losses	145,976	130,231
Net credit losses	-1,260	-
Profit from shares and participations in joint ventures	15,222	13,868
Profit before tax	159,938	144,099

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. 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.

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation ("EBITDA"), adjusted by further adding back amortisation on run-off portfolios and amortisation on acquired loan portfolios.

Capital requirements – Pillar 1

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

Capital requirements – Pillar 2

Capital requirements beyond those stipulated in Pillar 1.

Common Equity Tier 1

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

Common Equity Tier 1 ratio

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

Cost/Gross cash collections on acquired loan portfolios

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

EBIT

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

EBIT margin

EBIT (operating earnings) divided by total revenue.

Fee and commission income

Fees for providing debt management services to third parties.

Gross ERC 120 months

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

Gross cash collections

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

Legal collections

Legal collections relate to the cash received following the initiation of Hoist 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.

Number of employees

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

Own funds

Sum of Tier 1 capital and Tier 2 capital.

Portfolio amortisation

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

Portfolio revaluation

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

Non-performing loans (NPLs)

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

Return on book

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

Return on equity

Profit for the period adjusted for accrued unpaid interest on Additional Tier 1 capital, calculated on an annualised basis, divided by equity adjusted for AT1 capital reported in equity, calculated on a quarterly basis.

Risk-weighted exposure amount

The risk weight of each exposure multiplied by the exposure amount

SME

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

Tier 1 capital

The sum of CET1 capital and AT1 capital.

Tier 1 capital ratio

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

Tier 2 capital

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

Total capital ratio

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

Total revenue

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

Business concept, business model and strategies

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



Strategic objectives

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

Financial calendar

The annual report will be published on our homepage at the latest	23 March 2017
Annual general meeting	28 March 2017
Interim report Q1 2017	27 April 2017
Interim report Q2 2017	28 July 2017
Interim report Q3 2017	26 October 2017

Contact

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

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