Hoist Finance

Interim report Q1 2018

A strong start to the year, with growth and expansion into new asset classes

Q1

January – March 2018

- Net operating income increased 13 per cent to SEK 684m (603).
- Profit before tax amounted to SEK 185m (185).
- Diluted earnings per share amounted to SEK 1.59 (1.66).
- Return on equity was 18 per cent (21).
- Carrying value of acquired loan portfolios totalled SEK 16,112m (15,024).
- The total capital ratio was 17.15 per cent (17.71) and the CET1 capital ratio was 11.35 per cent (11.70).

Figures in brackets refer to first quarter 2017 for profit/loss comparisons and to the closing balance at 31 December 2017 for balance sheet items.

Events during the quarter

- Klaus-Anders Nysteen new CEO of Hoist Finance as of 15 March.
- Hoist Finance introduces a new organisational model to increase growth and improve operational efficiency.
- Hoist Finance continues expansion in new asset classes through the acquisition of portfolios of performing and non-performing secured loans.

Subsequent events

- Christer Johansson appointed as new CFO.

34%
EBIT margin
Target 40%

11.35%
CET1 ratio

27%
Portfolio growth over the last 12-month period

74%
C/I ratio

18%
Return on equity
Target: 20%

Hoist Finance AB (publ) (the "Company" or the "Parent") is the parent company of the Hoist Finance group of companies ("Hoist Finance"). The Company is a regulated credit market company. Hence, Hoist Finance produces financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

This information is information that Hoist Finance AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication by Michel Fischier at 08:00 AM CET on 15 May 2018.

Growth and operational efficiency on top of the agenda

It is truly a great pleasure for me to present my first quarterly report as CEO of Hoist Finance. Since I took office on 15 March 2018, I've had the opportunity to meet all parts of our organisation and many of our clients, the leading financial institutions in Europe. I am both proud and enthused by the dedication of our highly skilled staff that demonstrates a strong loyalty for both our customers, our clients and our company.

I am also impressed by the strong reputation our organisation has built with all relevant stakeholders. We add value by reducing tied-up capital for our clients and enable them to focus fully on their core competence. We also play an important role when we help people keep their commitments and enable our customers to re-enter the financial ecosystem.

Evolve to capture market growth

Our industry is currently shaped by three trends; growth, consolidation and market maturation.

Firstly, we estimate that the market will continue to develop favourably, with a growth exceeding 10 per cent per annum up until 2020. This is driven by regulatory changes and changes in accounting principles, but also by the fact that financial institutions see that our industry is becoming more professional. We add value by delivering a service that is both professional, and knowledge based. We prioritise investments in building skills and collection practices that support our target to capture and outpace the market growth that lies ahead of us.

Secondly, the market is consolidating. We have seen several small and large transactions over the last couple of years, and my belief is that this is a process that will continue. Increasing regulation and the need to become more effective and efficient are strong drivers for the industry consolidation. Hoist Finance has the ambition to play an active role in this process.

Finally, the market is maturing at a steady pace. We have seen that prices are up, but also that risks are down. The future winners are those organizations that have the best operations and deliver the value proposition that addresses the clients' needs. We believe that specialisation is of great importance both for operational excellence and differentiation. Consequently, Hoist Finance will focus on some prioritized European markets with an undivided focus on financial institutions.

"Helping people keep their commitments

Since taking the helm of Hoist Finance, we have reorganized the company, giving it a setup that is more efficient than before. We will increase the level of integration and collaboration and work as One Hoist Finance. The new Executive Management Team is committed to deliver on our growth ambitions, but also to take Hoist Finance to the next level in terms of harmonised best-practices, digitalised processes and organizational design.

New segment reporting and accounting principles

The new and more efficient organisational structure also means that there are some changes to how we report. We will now report our segments based on countries instead of regions. As for our financial reporting it will now be based on IFRS 9. This increases both clarity and transparency, and is also natural since we grow in loans which are not defaulted, meaning that we increase in resemblance to the banking sector in general.

A solid quarter with growth and financial development according to plan

During the quarter we acquired portfolios amounting to SEK 904 million which translates into the best first quarter in our history when it comes to acquisitions. We have also entered into a forward-flow agreement with an Italian financial institution. The agreement is one of the first large forward flow contracts entered in Italy and reaffirms our strong position in the Italian market.

Furthermore we entered into an agreement to acquire a UK mortgage portfolio. The portfolio consists of performing and non-performing secured loans on residential and commercial properties. This acquisition underpins our capability to expand into other asset classes and also our ability to do so in the prudent and disciplined manner, which has become the hallmark of Hoist Finance.

The quarter's profit before tax amounted to SEK 185 million and return on equity was 18 per cent which is broadly in line with our performance same period last year and also in line with our full year plan.

Strong pipeline and roadmap for intense development

Let me use this opportunity to thank Jörgen Olsson for his contribution to developing Hoist Finance into one of the leading institutions of our industry. I am both honoured and excited to take the helm at such an interesting point in the history of our company and our industry.

Looking into the coming year we can see that a solid pipeline of possible NPL portfolio acquisitions and partnerships bodes well for a strong financial performance. While we have an intense roadmap for developing our company and the way we operate further, focus remains fixed on growth and increased efficiency on all levels to reach our financial targets.

Klaus-Anders Nysteen
CEO
Hoist Finance AB (publ)

Key ratios

SEK million	Quarter 1 2018	Quarter 1 2017	Change, %	Full year 2017
Net operating income	684	603	13	2,365
Profit before tax	185	185	0	581
Net profit	140	145	–3	453
Basic earnings per share, SEK	1.59	1.66	–4	5.10
Diluted earnings per share, SEK[1)]	1.59	1.66	–4	5.09
Net interest income margin, %[2)]	15			
C/I ratio, %[3)]	74	71	3 pp	76
EBIT margin, %	34	38	–4 pp	34
Return on equity, %[4)]	18	21	–3 pp	15
Portfolio acquisitions	904	611	48	4,253

SEK million	31 Mar 2018	31 Dec 2017	Change, %
Carrying value on acquired loan portfolios[5)]	16,112	15,024	7
Gross 180-month ERC[6),7)]	26,932		
Gross 120-month ERC[6)]	24,700	23,991	3
Total capital ratio, %	17.15	17.71	−0.6 pe
CET1 ratio, %	11.35	11.70	−0.4 pe
Liquidity reserve	7,003	6,800	3
Number of employees (FTEs)	1,384	1,335	4

1) Includes effect of outstanding warrants. Following the 1:3 share split conducted in 2015, each warrant entitles the holder to subscribe for three new shares.
2) New key ratio as of 2018; see Definitions for calculation of Net interest income margin. Where calculation of net interest income under IFRS 9 is not comparable with IAS 39, Hoist Finance has elected not to present comparative figures.
3) New key ratio as of 2018; see Definitions for calculation of C/I ratio.
4) The definition of Return on equity has changed from 1 January 2018; see Definitions. Comparative figures have been adjusted for all periods in 2017.
5) Including run-off consumer loan portfolio and portfolios held in the Polish joint venture.
6) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture.
7) From 1 January 2018, Hoist Finance has decided to extend the future cash flow forecast horizon for acquired loan portfolios to 180 months, as compared with the previous horizon of 120 months. Comparative figures have not been restated.

Development during first quarter 2018

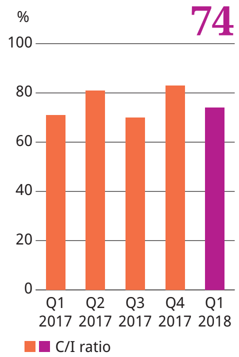
Unless otherwise indicated, all comparative market, financial and operational information refers to first quarter 2017.

Operating income

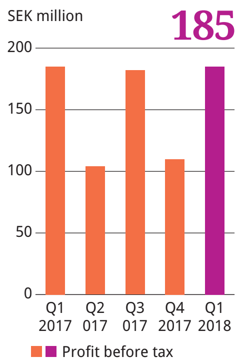
Interest income acquired loan portfolios is a new income statement item as from 1 January 2018 and follows the introduction of IFRS 9 "Financial instruments", which took effect at the turn of the year. In this item, interest income from acquired loan portfolios is calculated as the effective interest rate multiplied by the opening carrying amount of acquired loan portfolios for the period. This interest income totalled SEK 645 million for the first quarter. Net revenues from acquired loan portfolios as previously reported, was calculated as gross collections from acquired loan portfolios less portfolio amortisation and revaluation. These revenues totalled SEK 664 million for the comparative quarter; this figure includes the effects of actual collections exceeding projected collections and of portfolio revaluations. As from 1 January 2018, deviations between actual and projected collections, as well as portfolio revaluations, are recognised in income statement item Impairment gains and losses, after Net interest income.

Other interest income decreased somewhat to SEK –4 million (–1) in line with expectations, as the interest rate on liquidity portfolio assets remains negative. Interest expense for the period decreased to SEK –75 million (–77) despite the strong increase in issued debt during 2017. This is a consequence of Hoist Finance's long-

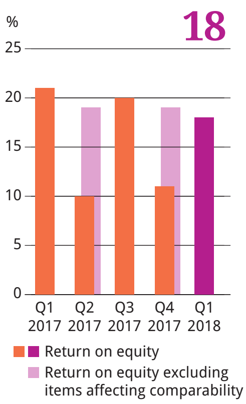
C/I ratio



Profit before tax



Return on equity



term financing strategy, with a strong credit rating and a favourable market enabling the Company to issue new debt at attractive levels. Interest expense from Deposits from the public was marginally lower quarter-on-quarter, with a lower interest rate preventing a rise in interest expense despite a large increase in volume.

Impairment gains and losses totalled SEK 103 million. SEK 4 million of this amount is attributable to portfolio revaluations resulting from adjusted collection projections for future periods. The remaining SEK 99 million represents collections realised during the period in excess of projections for the period. The collection level, which is somewhat better than the comparative figure for full-year 2017, corresponds to 108 per cent of the projected level for the quarter.

Fee and commission income for the quarter decreased somewhat, from SEK 21 million to SEK 17 million, in line with the previously communicated strategy of focusing on the acquisition and management of loan portfolios.

Net result from financial transactions totalled SEK –5 million (–9). The result for the three main components – changes in value for interest rate hedging instruments, changes in market value for bonds in the liquidity portfolio, and profit/loss from FX hedging – was limited.

Total operating income increased 13 per cent to SEK 684 million (603), mainly due to portfolio growth in Italy and Spain. Portfolio growth includes an increase in secured loans and SME loans, as well as continued efforts to expand the Company's presence in the relatively new Spanish market.

Operating expenses

Personnel expenses increased 15 per cent during the quarter to SEK –194 million (–169). A shift in focus in the Polish market away from legal collection activities towards long-term voluntary repayment plans resulted in increased personnel expenses, which should be viewed in relation to an expected reduction in the share of legal collection costs over time. In addition to the foregoing, a significant portion of the cost increase during the period was attributable to continued strong portfolio growth, which is largely connected to an increased focus on SME and collaterals. There has been a need for expanded expertise in these asset classes, mainly in the Italian and French markets. Strategic and digital initiatives were also reflected in the increase in personal expenses within Central Functions as compared with previous periods.

Collection costs increased 15 per cent during the quarter to SEK –194 million (–169). A large part of this increase pertains to increased costs on the Polish market, where regulatory changes led to the acceleration of certain legal collection activities during the quarter. The rest of the increase is fully in line with expectations, as portfolio growth has remained good.

Administrative expenses increased to SEK –112 million (–94). The increase was largely attributable to advisory services regarding potential portfolio acquisitions, for which the market was uncommonly strong during the quarter. External advisory services related to the above-referenced strategic and digital initiatives also contributed to the cost increase.

Depreciation and amortisation of tangible and intangible assets was unchanged at SEK –14 million (–14). However, this does not reflect the increased pace of investment, which includes investments in new collection systems that have not yet been put into operation.

Total operating expenses increased to SEK –514 million (–446).

Net profit

Profit from participations in joint ventures decreased 44 per cent to SEK 15 million (28). The decrease was due entirely to the fact that the comparative quarter included performance-based remuneration of SEK 13 million for work performed in 2016.

Income tax expense totalled SEK –45 million (–40), representing an effective tax rate of 24 per cent (22).

Net profit totalled SEK 140 million (145).

Balance sheet

Total assets increased SEK 1,491 million quarter-on-quarter and totalled SEK 24,028 million (22,537). The change is primarily due to acquired loan portfolios, which increased to SEK 1 089 million, with the growth attributable to acquisitions in the UK, Italy and Poland and to the weakening of the Swedish krona during the quarter against all of Hoist Finance's relevant currencies.

Funding and capital structure

SEK million	31 Mar 2018	31 Dec 2017	Change, %
Cash and interest-bearing securities	7,071	6,861	3
Acquired loan portfolios	15,855	14,766	7
Other assets[1)]	1,102	910	21
Total assets	**24,028**	**22,537**	**7**
Deposits from the public	14,345	13,227	8
Unsecured debt	4,571	4,355	5
Subordinated liabilities	848	803	6
Total interest-bearing liabilities	**19,764**	**18,385**	**7**
Other liabilities[1)]	862	924	–7
Equity	3,402	3,228	5
Total liabilities and equity	**24,028**	**22,537**	**7**

1) This item does not correspond to an item of the same designation in the balance sheet, but instead includes additional items.

Total liabilities amounted to SEK 24,028 million (22,537). The increase was mainly attributable to deposits from the public, which increased SEK 1,117 million. Hoist Finance funds its operations through deposits in Sweden and Germany as well as through the international bond markets. In Sweden, deposits from the public, which are carried out under the HoistSpar brand, totalled SEK 12,048 million (12,242), of which SEK 4,583 million (4,569) is attributable to fixed term deposits of 12, 24, and 36 months duration. In Germany, deposits for retail customers have been offered since September 2017 under the Hoist Finance name. At 31 March 2018, deposits from the public in Germany were SEK 2,297 million (985), of which SEK 207 million is attributable to fixed term deposits of 12 and 24 months duration.

At 31 March 2018, the outstanding bond debt totalled SEK 5,419 million (5,158), of which SEK 4,571 million (4,355) was unsecured debt. Equity totalled SEK 3,402 million (3,228). The increase was mainly attributable to net profit for the year.

Cash flow

Comparative figures refer to first quarter 2017. Hoist Finance has elected not to restate comparative figures following the effective date of IFRS 9 (1 January 2018). Presentation of cash flows within operating activities are therefore not entirely comparable.

SEK million	Quarter 1 2018	Quarter 1 2017	Full year 2017
Cash flow from operating activities	49	445	2,495
Cash flow from investing activities	–670	–1,116	–5,439
Cash flow from financing activities	1,042	–9	2,751
Cash flow for the period	**421**	**–681**	**–193**

Cash flow from operating activities totalled SEK 49 million (445). Amortisation of acquired loan portfolios is presented as a separate cash flow item as from 1 January 2018, and totalled SEK 649 million. This amount is included in the cash flow item "Increase/decrease in other assets and liabilities" as presented in the financial statements. Other effects pertain to realised cash flows from other assets and liabilities, which totalled SEK –670 million (–265).

Cash flow from investing activities totalled SEK –670 million (–1,116). Portfolio acquisitions increased during the quarter as compared with Q1 2017, totalling SEK –904 million (–611). A net total of SEK 248 million in bonds and other securities was sold during the quarter.

Cash flow from financing activities totalled SEK 1,042 million (–9) and is attributable to the inflow from deposits from the public. Deposits in Germany accounted for SEK 1,228 million of the inflow, with most of that amount related to variable interest rate deposits. This effect was somewhat offset by a reduction in variable interest rate deposits in the Swedish HoistSpar deposit operation.

Total cash flow for the quarter amounted to SEK 421 million, as compared to SEK –681 million for first quarter 2017.

Significant risks and uncertainties

Hoist Finance is exposed to a number of uncertainties through its business operations and due to its broad geographic presence. New and amended bank and credit market company regulations may affect Hoist Finance directly, (e.g. through Basel IV capital and liquidity regulations), and indirectly through the impact of these regulations on the market supply of loan portfolios. Hoist Finance's cross-border operations involve consolidated tax issues relating to subsidiaries in several jurisdictions. The Group is therefore exposed to potential tax risks arising from varying interpretations and application of existing laws, treaties, regulations, and guidance.

Development of risks

Credit risk for Hoist Finance's loan portfolios is deemed to have remained virtually unchanged during the quarter. Credit risk in the liquidity portfolio remains low, as investments are made in government, municipal and covered bonds of high credit quality.

Operational risk is deemed to have increased somewhat during the quarter as a natural consequence of operational reorganisation following the new CEO taking up his post in mid-March. This increase is expected to be temporary and to return to previous levels following completion of the reorganisation. The Group works continuously to improve the quality of its internal processes in order to limit operational risks.

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

Capitalisation for Hoist Finance remains strong. The capital ratios exceed regulatory requirements by a healthy margin. Hoist Finance is therefore better able to absorb unanticipated events without jeopardising its solvency, and the Company is well capitalised for continued growth.

Liquidity risk was low during the quarter. Hoist Finance's liquidity reserve well exceeds the limits set by the Group. Due to its strong liquidity position, Hoist Finance is well equipped for future acquisitions and growth.

Other disclosures

Parent Company disclosures

The subsidiary Hoist Kredit AB (publ) ("Hoist Kredit") was merged into the Parent Company Hoist Finance AB (publ) on 2 January 2018. Accordingly, as of Q1 2018 the Parent Company's financial position includes operations that were previously part of Hoist Kredit.

Net interest income for the Parent Company totalled SEK 191 million (6) during the first quarter. This increase is attributable to former operations within Hoist Kredit and comprises interest income from loan portfolios and internal loans, as well as interest expense from deposits and issued bonds. Other interest income decreased SEK 7 million year-on-year due to the renegotiation of internal loans in mid-2017 and lower market-based interest rates. Interest expense decreased SEK –5 million during the first quarter.

Total operating income was SEK 113 million (85), with change in market value of FX derivatives accounting for SEK –144 million (1) of that amount. This was offset by other operating income of SEK 65 million (78) attributable to management fees invoiced to subsidiaries.

Operating expenses totalled SEK –223 million (–71). In conjunction with the merger, Hoist Kredit staff moved to Hoist Finance. This had an impact on operating expenses, as Hoist Finance had no staff prior to the merger. Other administrative expenses increased SEK 16 million. The increase is attributable to expenses related to internal business process improvements and initiatives to prepare new types of assets.

Operating profit totalled SEK –110 million (15). Impairment gains and losses, totalling SEK 28 million, mainly pertain to differences between actual and expected cash flows from acquired loan portfolios. Shares in participating interests totalled SEK 19 million.

Net profit for the period totalled SEK –70 million (11), with tax expenses representing SEK –7 million (–4) of that amount. The tax expense includes income from CFC subsidiaries that are taxed in Sweden.

Assets and liabilities were transferred from Hoist Kredit in the merger, which increased balance sheet items in the Hoist Finance AB (publ) balance sheet. On the asset side, these items primarily comprise the liquidity portfolio, acquired loans, and loans to associated companies. On the liability side, the major items taken over by the Parent Company are deposits from the public and issued bonds.

Related-party transactions

The nature and scope of related-party transactions are described in the Annual Report.

Group structure

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

Hoist Finance AB (publ) and Hoist Kredit AB (publ) were merged on 2 January 2018. All of Hoist Kredit's assets and liabilities were transferred to Hoist Finance through the merger, and Hoist Kredit was dissolved. The previously announced simplification of the corporate structure has been completed and Hoist Finance has transitioned from a holding company into the operational Parent Company of the Group. The merger has no material financial effects for Hoist Finance. Like Hoist Kredit, Hoist Finance is a credit market company under the supervision of the Swedish FSA. The operating Parent Company, including its subgroup, acquires and holds loan portfolios, which are managed by the Group's subsidiaries or foreign branch offices. These units also provide provision-based administration services to third parties.

See the 2017 Annual Report for details on the Group's legal structure.

The share and shareholders

The number of shares totalled 81,184,546 at 31 March 2018, unchanged from 31 December 2017.

The share price closed at SEK 76.70 on 29 March 2018. A breakdown of the ownership structure is presented in the table below. As at 31 March 2018 the Company had 3,445 shareholders, compared with 3,298 at 31 December 2017.

Ten largest shareholders, 31 March 2018	**Share of capital and votes, %**
Carve Capital AB	9.7
Swedbank Robur Funds	8.8
Zeres Capital	8.6
Handelsbanken Funds	8.4
Didner & Gerge Funds	4.6
Jörgen Olsson privately and through companies	4.1
Danske Invest Funds	3.9
AFA Insurance	3.2
Costas Thoupos	3.0
Carnegie Funds	2.8
Ten largest shareholders	**57.1**
Other shareholders	42.9
Total	**100.0**

Sources: Modular Finance AB, 31 March 2018; ownership statistics from Holdings, Euroclear Sweden AB; and changes confirmed and registered by the Company.

Review

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

Subsequent events

Christer Johansson appointed as new CFO.

Quarterly review

SEK million	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017
Net revenues from aquired loan portfolios		700	634	646	664
Interest income acquired loan portfolios	645				
Other interest income	–4	–3	–3	–2	–1
Interest expense	–75	–75	–68	–85	–77
Net interest income	**566**	**622**	**563**	**559**	**586**
Impairment gains and losses	103				
Fee and commission income	17	17	17	18	21
Net result from financial transactions	–5	0	7	–49	–9
Other operating income	3	5	2	2	5
Net operating income	**684**	**644**	**589**	**530**	**603**
General and administrative expenses					
Personnel expenses	–194	–219	–171	–171	–169
Collection costs	–194	–203	–143	–157	–169
Administrative expenses	–112	–118	–90	–100	–94
Depreciation and amortisation of tangible and intangible assets	–14	–14	–14	–14	–14
Total operating expenses	**–514**	**–554**	**–418**	**–442**	**–446**
Net operating profit	**170**	**90**	**171**	**88**	**157**
Profit from participations in joint ventures	15	21	11	**16**	**28**
Profit before tax	**185**	**111**	**182**	**104**	**185**
Income tax expense	–45	–25	–37	**–27**	**–40**
Net profit	**140**	86	145	**77**	**145**

Key ratios

SEK million	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017
Net interest income margin, %[1)]	15	–	–	–	–
C/I ratio, %[2)]	74	83	70	81	71
EBIT margin, %	34	25	37	35	38
EBIT margin, adjusted for items affecting comparability, %[3)]	–	33	–	–	–
Return on equity, %[4)]	18	11	20	10	21
Return on equity, adjusted for items affecting comparability, %[3),4)]	–	19	–	19	–
Portfolio acquisitions	904	2,075	781	786	611

SEK million	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Carrying value on acquired loan portfolios[5)]	16,112	15,024	13,170	13,079	12,783
Gross 180-month ERC[6),7)]	26,932				
Gross 120-month ERC[6)]	24,700	23,991	21,421	21,417	21,297
Total capital ratio, %	17.15	17.71	19.43	19.73	16.79
CET1 ratio, %	11.35	11.70	12.72	12.99	12.51
Liquidity reserve	7,003	6,800	5,702	5,605	5,671
Number of employees (FTEs)	1,384	1,335	1,308	1,267	1,268

1) New key ratio as of 2018; see Definitions for calculation of Net interest income margin. Where calculation of net interest income under IFRS 9 is not comparable with IAS 39, Hoist Finance has elected not to present comparative figures.
2) New key ratio as of 2018; see Definitions for calculation of C/I ratio.
3) Key figures have been adjusted due to restructuring costs and an adjustment of previous cost accruals during the fourth quarter 2017.
4) The definition of Return on equity has changed from 1 January 2018; see Definitions. Comparative figures have been adjusted for all periods in 2017.
5) Including run-off consumer loan portfolio and portfolios held in the Polish joint venture.
6) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture.
7) From 1 January 2018, Hoist Finance has elected to extend the future cash flow forecast horizon for acquired loan portfolios to 180 months, as compared with the previous horizon of 120 months. Comparative figures have not been restated.

Financial statements

Consolidated income statement

SEK million	Quarter 1 2018	Quarter 1 2017	Full-year 2017
Net revenues from aquired loan portfolios		664	2,644
Interest income acquired loan portfolios	645		
Other interest income	–4	–1	–10
Interest expense	–75	–77	–305
Net interest income	**566**	**586**	**2,329**
Impairment gains and losses	103		
Fee and commission income	17	21	73
Net result from financial transactions	–5	–9	–50
Other operating income	3	5	13
Total operating income	**684**	**603**	**2,365**
General and administrative expenses			
Personnel expenses	–194	–169	–730
Collection costs	–194	–169	–672
Administrative expenses	–112	–94	–402
Depreciation and amortisation of tangible and intangible assets	–14	–14	–56
Total operating expenses	**–514**	**–446**	**–1,860**
Net operating profit	**170**	**157**	**505**
Profit from participations in joint ventures	15	28	76
Profit before tax	**185**	**185**	**581**
Income tax expense	–45	–40	–128
Net profit	**140**	**145**	**453**
Profit attributable to:			
Owners of Hoist Finance AB (publ)	140	145	453
Basic earnings per share SEK [1]	1.59	1.66	5.10
Diluted earnings per share SEK [1]	1.59	1.66	5.09

1) Following the 1:3 share split, each warrant entitles the holder to subscribe for three new shares.

Consolidated statement of comprehensive income

SEK million	Quarter 1 2018	Quarter 1 2017	Full–year 2017
Net profit for the period	**140**	**145**	**453**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of defined benefit pension plan	–	–	1
Revaluation of remuneration after terminated employment	–	–	–1
Tax attributable to items that will not be reclassified to profit or loss	–	–	0
Total items that will not be reclassified to profit or loss	–	–	**0**
Items that may be reclassified subsequently to profit or loss			
Translation difference, foreign operations	118	30	90
Translation difference, joint ventures	7	10	18
Hedging of currency risk in foreign operations	–132	–40	–180
Hedging of currency risk in joint ventures	–10	–12	–26
Transferred to the income statement during the year	3	2	7
Tax attributable to items that may be reclassified to profit or loss	31	14	45
Total items that may be reclassified subsequently to profit or loss	**17**	**4**	**–46**
Other comprehensive income for the period	**17**	**4**	**–46**
Total comprehensive income for the period	**157**	**149**	**407**
Profit attributable to:			
Owners of Hoist Finance AB (publ)	157	149	407

Consolidated balance sheet

SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
ASSETS			
Cash	0	0	3
Treasury bills and Treasury bonds	2,137	1,490	1,595
Lending to credit institutions	1,493	1,681	1,064
Lending to the public	20	37	33
Acquired loan portfolios	15,855	14,766	12,508
Bonds and other securities	3,441	3,689	3,052
Shares and participations in joint ventures	239	238	245
Intangible assets	303	287	243
Tangible assets	51	42	41
Other assets	403	200	221
Deferred tax assets	30	21	42
Prepayments and accrued income	56	86	92
Total assets	**24,028**	**22,537**	**19,139**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	14,345	13,227	11,838
Tax liabilities	62	84	71
Other liabilities	354	394	267
Deferred tax liabilities	158	148	158
Accrued expenses and deferred income	201	211	190
Provisions	87	87	54
Senior debt	4,571	4,355	3,144
Subordinated debts	848	803	343
Total liabilities	**20,626**	**19,309**	**16,065**
Equity			
Share capital	27	27	27
Other contributed equity	2,099	2,102	2,073
Reserves	–96	–113	–63
Retained earnings including profit for the period	1,372	1,212	1,037
Total equity	**3,402**	**3,228**	**3,074**
Total liabilities and equity	**24,028**	**22,537**	**19,139**

Consolidated statement of changes in equity

SEK million	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2018	**27**	**2,102**	**–113**	**1,212**	**3,228**
Transition effects IFRS 9				17	17
Adjusted opening balance 1 Jan 2018	**27**	**2,102**	**–113**	**1,229**	**3,245**
Comprehensive income for the period					
Profit for the period				140	140
Other comprehensive income			17		17
Total comprehensive income for the period			**17**	**140**	**157**
Transactions reported directly in equity					
Reclassification		–3		3	0
Total transactions reported directly in equity		**–3**		**3**	**0**
Closing balance 31 Mar 2018	**27**	**2,099**	**–96**	**1,372**	**3,402**

SEK million	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2017	**27**	**2,073**	**–67**	**892**	**2,925**
Comprehensive income for the period					
Profit for the period				453	453
Other comprehensive income			–46	0	–46
Total comprehensive income for the period			**–46**	**453**	**407**
Transactions reported directly in equity					
Dividend				–105	–105
New share issue	0	29			29
Warrants, repurchased and cancelled		0			0
Interest paid on capital contribution				–28	–28
Total transactions reported directly in equity	**0**	**29**		**–133**	**–104**
Closing balance 31 Dec 2017	**27**	**2,102**	**–113**	**1,212**	**3,228**

SEK million	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance 1 Jan 2017	**27**	**2,073**	**–67**	**892**	**2,925**
Comprehensive income for the period					
Profit for the period				145	145
Other comprehensive income			4		4
Total comprehensive income for the period			**4**	**145**	**149**
Closing balance 31 Mar 2017	**27**	**2,073**	**–63**	**1,037**	**3,074**

Consolidated cash flow statement summary

SEK million	Quarter 1 2018	Quarter 1 2017	Full-year 2017
Profit before tax	185	185	581
– of which, paid-in interest	*644*	*2*	*5*
– of which, interest paid	*–52*	*–76*	*–356*
Portfolio amortisation and revaluation		523	2,233
Adjustment for other items not included in cash flow	–37	34	122
Realised profit from divestment of shares and participations in joint ventures	–16	–17	–62
Income tax paid	–30	–11	–52
Total	**102**	**713**	**2,822**
Amortisations on acquired loan portfolios	649		
Increase/decrease in other assets and liabilities	–702	–269	–327
Cash flow from operating activities	**49**	**445**	**2,495**
Acquired loan portfolios	–904	–611	–4,253
Investments in/divestments of bonds and other securities	248	–516	–1,150
Other cash flows from investing activities	–14	11	–36
Cash flow from investing activities	**–670**	**–1,116**	**–5,439**
Deposits from the public	1,042	–1	1,407
Other cash flows from financing activities	–	–8	1,344
Cash flow from financing activities	**1,042**	**–9**	**2,751**
Cash flow for the period	**421**	**–681**	**–193**
Cash at beginning of the period	3,172	3,338	3,338
Translation difference	38	4	27
Cash at end of the period[1)]	**3,631**	**2,661**	**3,172**

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

Parent Company income statement

SEK million	Quarter 1 2018	Quarter 1 2017	Full-year 2017
Interest income	266	7	30
Interest expense	–75	–1	–5
Net interest income	**191**	**6**	**25**
Fee and commission income	1	–	–
Net result from financial transactions	–144	1	2
Other operating income	65	78	243
Total operating income	**113**	**85**	**270**
General administrative expenses			
Personnel expenses	–87	–1	–5
Other administrative expenses	–129	–68	–331
Depreciation and amortisation of tangible and intangible assets	–7	–1	–6
Total operating expenses	**–223**	**–70**	**–342**
Profit before credit losses	**–110**	**15**	**–72**
Impairment gains and losses	28		
Profit from participations in joint ventures	19	–	–
Net operating profit	**–63**	**15**	**–72**
Appropriations	–	–	156
Taxes for the period	–7	–4	–19
Net profit	**–70**	**11**	**65**

Parent company statement of comprehensive income

SEK million	Quarter 1 2018	Quarter 1 2017	Full-year 2017
Net profit	**–70**	**11**	**65**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation difference, foreign operations	2	–	–
Total items that may be reclassified subsequently to profit or loss	2	–	–
Other comprehensive income for the period	**2**	–	–
Total comprehensive income for the period	**–68**	**11**	**65**
Profit attributable to:			
Owners of Hoist Finance AB (publ)	–68	11	65

Parent Company balance sheet

SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
ASSETS			
Cash	0	–	–
Treasury bills and Treasury bonds	2,137	–	–
Lending to credit institutions	677	275	499
Lending to the public	23	–	–
Acquired loan portfolios	2,899	–	–
Receivables, Group companies	11,381	193	239
Bonds and other securities	3,441	–	–
Shares and participations in subsidiaries	2,148	1,688	1,688
Shares and participations in joint ventures	28	–	–
Intangible assets	118	64	26
Tangible assets	29	1	2
Other assets	256	24	–
Deferred tax assets	6	–	–
Prepayments and accrued income	37	9	8
TOTAL ASSETS	**23,180**	**2,254**	**2,462**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	14,345	–	–
Tax liabilities	40	35	28
Other liabilities	514	301	517
Deferred tax liabilities	2	–	–
Accrued expenses and deferred income	71	4	5
Provisions	59	0	0
Senior debt	4,571	–	–
Subordinated debts	848	–	–
Total liabilities and provisions	**20,450**	**340**	**550**
Untaxed reserves	**165**	**84**	**60**
Equity			
Restricted equity			
Share capital	27	27	27
Statutory reserve	13	3	3
Revaluation reserve	64	–	–
Development expenditure fund	12	6	3
Total restricted equity	**116**	**36**	**33**
Non-restricted equity			
Other contributed equity	2,099	1,722	1,694
Reserves	2	–	–
Retained earnings	418	7	114
Profit for the period	–70	65	11
Total non-restricted equity	**2,449**	**1,794**	**1,819**
Total equity	**2,565**	**1,830**	**1,852**
TOTAL LIABILITIES AND EQUITY	**23,180**	**2,254**	**2,462**

Accounting principles

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

As from 2 January 2018 – the merger date of Parent Company Hoist Finance AB (publ) and its subsidiary Hoist Kredit AB (publ) – Parent Company Hoist Finance AB (publ) prepares its interim reports in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulatory code issued by the Swedish Financial Supervisory Authority on Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25), including applicable amendments. As a result of the merger, the Parent Company transitioned from a holding and purchasing company into an operating company, and all assets and liabilities of Hoist Kredit AB (publ) were transferred to Hoist Finance AB (publ). Comparative figures in the Parent Company's accounts have been restated to align presentation with FFFS 2008:5 for the income statement and with 1995:1559 for the balance sheet. The Parent Company's Notes have not been restated and are therefore not entirely comparable. The Swedish Financial Board's RFR 2, Accounting for Legal Entities, was also applied.

Hoist Finance began to apply a number of new or amended IFRSs in 2018. The effects of the implementation of IFRS 9 were first reported in the 2017 year-end report, and subsequently in the 2017 annual report and a press release of 23 April 2018. The following is a general description of changes to income statement and balance sheet items under IFRS 9, as compared with previous years' reporting under IAS 39, as well as other IFRS amendments.

IFRS 9 ”Financial instruments”

The new standard covers classification and measurement, impairment, and general hedge accounting, and replaces the previous requirements in these areas imposed by IAS 39. Hoist Finance began to apply IFRS 9 requirements for classification, measurement and impairment as from 1 January 2018. Hoist Finance continues to follow IAS 39 for hedge accounting. The aggregate effect on the Group's opening retained earnings as at 1 January 2018 was SEK 16 million.

Net revenue from acquired loan portfolios

This item is deleted from the income statement as from 2018.

Interest income

From 2018, interest income pertaining to ”Acquired loan portfolios” is recognised under "Interest income." Interest income is calculated using the effective interest method and is capitalised under "Acquired loan portfolios." Cash flows from customers are recognised as capital repayments on receivables. Realised cash flows that deviate from projected cash flows are recognised under "Impairment gains/losses." Changes in the present value of projected future cash flows are also recognised in "Impairment gains/losses."

Interest income on "Acquired loan portfolios" is based on the credit-adjusted effective interest rate established on initial recognition of the portfolios comprised of credit-impaired assets. For acquired performing loans the effective interest income is based on the gross value of the asset. The effective interest rate is established based on 15-year projected cash flows excluding collection costs. Previously, projected cash flows excluding collection costs applied a 10-year horizon. The credit-adjusted effective interest rate was recalculated for all portfolios on the transition to IFRS 9.

Impairment gains/losses

From 2018, changes in the loss allowance for ”Acquired loan portfolios” and recognised expected credit losses pertaining to other financial assets classified at amortised cost are also recognised under this item. For acquired loan portfolios, IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, as summarised below:

- All financial assets that are not credit impaired at initial recognition are classified at Stage 1
- Stage 2 financial assets are those with a significant increase in credit risk
- Stage 3 financial assets are those which are credit impaired

Hoist Finance has not restated any comparative figures for 2017. Comparative items, that have not been restated, are marked in grey in the tables, financial statements and notes to the interim report.

IFRS 15 ”Revenue from contracts with customers”

The new standard took effect on 1 January 2018 and introduces a five-step model for determining how and when revenue is to be recognised. The purpose of the standard is to have one single principle-based standard for all sectors. The standard does not apply to financial instruments, insurance contracts or lease contracts.

The transition to IFRS 15 has not had any significant impact on Hoist Finance's financial reports, capital adequacy or large exposures.

Other IFRS amendments

No other IFRS or IFRIC Interpretations that came into effect in 2018 had any significant impact on the Group's financial reports or capital adequacy.

Future regulatory changes

IFRS 16

IASB has published a new standard, IFRS 16 ”Leases", which was endorsed by the EU Commission in 2017. All lease contracts will initially be reported as an asset with right of use and a liability (i.e. future lease payments) in the lessee's balance sheet. Asset depreciation is reported in the income statement, with lease payments allocated as interest expense in the income statement and as amortisation in the balance sheet. However, the standard includes two recognition exemptions for reporting the lease as an asset and a liability respectively – short-term leases (i.e. leases with a lease terms of 12 months or less) and leases of low-value assets. Reporting requirements for lessors remain mostly unchanged. The new standard includes increased disclosure requirements, which will expand the content of note disclosures.

The new standard is effective as from annual periods beginning on or after 1 January 2019. Earlier application is permitted. Hoist Finance does not intend to apply IFRS 16 in advance. The standard is to be applied using either the full retrospective approach, which requires entities to retrospectively apply the new standard to each prior reporting period, or the modified retrospective approach, recognising the cumulative effect as an adjustment to the opening balance of equity.

The Group intends to apply the modified retrospective approach, i.e. recognising the cumulative effect of IFRS 16 in retained earnings in the opening balance of equity as at 1 January 2019. There will be no restatement of comparative figures. Hoist Finance is in the process of analysing the financial effects of the new standard. Calculations of the monetary effect of IFRS 16 have not been conducted. The final transition effect of IFRS 16 in the financial reports will be affected by future economic conditions, including the funding rate in the Group as at 1 January 2019, the composition of the lease portfolio at that date and the Group's latest assessment of whether options prolonging a lease contract will be used. Hoist Finance's assessment is that the new standard will entail changes to accounting and that the Group will need to account for new assets and liabilities for leases.

Changed presentation in income statement and balance sheet

Revaluations were previously presented in ”Net revenue from acquired loan portfolios”. As from 1 January 2018, revaluations are presented in ”Impairment gains and losses”.

The run-off consumer loan portfolio that was reported as Lending to the public at year-end has not been reclassified.

For additional details, see the Accounting Principles section of the 2017 annual report.

Hoist Finance introduced a new segment reporting model as a result of the new organisation that took effect 27 March 2018. Operations are no longer classified into three regions; rather, segment reporting is presented by country and central functions, in accordance with IFRS 8, Operating segments. Comparative figures for 2017 have been restated.

In all other material respects, the Group's and Parent Company's accounting principles, bases for calculation and presentation remain unchanged from those applied in the 2017 annual report.

	Quarter 1 2018	Quarter 1 2017	Full-year 2017
1 EUR = SEK			
Income statement (average)	9.9639	9.5051	9.6331
Balance sheet (at end of the period)	10.2931	9.5464	9.8497
1 GBP = SEK			
Income statement (average)	11.2790	11.0521	10.9991
Balance sheet (at end of the period)	11.7617	11.1273	11.1045
1 PLN = SEK			
Income statement (average)	2.3845	2.1991	2.2629
Balance sheet (at end of the period)	2.4478	2.2634	2.3606

Notes

Note 1 Segment reporting

Segment reporting has been prepared based on the manner in which executive management monitors operations. This follows statutory account preparation, with the exception of internal funding cost. The internal funding cost is included in total operating income and allocated to the segments based on acquired loan portfolio assets in relation to a fixed internal monthly interest rate for each portfolio. The difference between the external financing cost and the internal funding cost is reported in Central Functions under total operating income. This Central Functions item pertains to the net income for intra-group financial transactions.

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

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

Income statement, Quarter 1, 2018

SEK million	Great Britain	Italy	Germany	Poland	Other segments	Central Functions	Eliminations	Group
Total operating income	**152**	**176**	**98**	**99**	**110**	**52**	**–3**	**684**
of which, internal funding costs	*–46*	*–30*	*–15*	*–24*	*–17*	*132*	–	*0*
Total operating expenses	**–92**	**–91**	**–71**	**–61**	**–80**	**–119**	–	**–514**
Profit from participations in joint ventures	–	–	–	–	3	12	–	15
Profit before tax	**60**	**85**	**27**	**38**	**33**	**–55**	**–3**	**185**

Income statement, Quarter 1, 2017

SEK million	Great Britain	Italy	Germany	Poland	Other segments	Central Functions	Eliminations	Group
Total operating income	**140**	**111**	**103**	**84**	**96**	**69**	–	**603**
of which, internal funding costs	*–46*	*–38*	*–25*	*–19*	*–28*	*156*	–	*0*
Total operating expenses	**–101**	**–73**	**–60**	**–43**	**–77**	**–92**	–	**–446**
Profit from participations in joint ventures	–	–	–	–	14	14	–	28
Profit before tax	**39**	**38**	**43**	**41**	**33**	**–9**	–	**185**

Income statement, Full-year 2017

SEK million	Great Britain	Italy	Germany	Hoist Finance Poland	Other segments	Central Functions	Eliminations	Group
Total operating income	**551**	**518**	**369**	**294**	**360**	**460**	**–187**	**2,365**
of which, internal funding costs	*–205*	*–153*	*–99*	*–78*	*–111*	*646*	–	*0*
Total operating expenses	**–361**	**–333**	**–287**	**–144**	**–335**	**–402**	**2**	**–1,860**
Profit from participations in joint ventures	–	–	–	–	25	51	–	76
Profit before tax	**190**	**185**	**82**	**150**	**50**	**109**	**–185**	**581**

Note 1 *Segment reporting, cont.*

Acquired loans, 31 March 2018

SEK million	Great Britain	Italy	Germany	Poland	Other segments	Central Functions	Group
Run-off consumer loan portfolio			20				20
Acquired loan portfolios	5,044	4,249	2,016	2,022	2,524		15,855
Shares and participations in joint ventures[1)]						237	237
Acquired loans	**5,044**	**4,249**	**2,036**	**2,022**	**2,524**	**237**	**16,112**

Acquired loans, 31 December 2017

SEK million	Great Britain	Italy	Germany	Poland	Other segments	Central Functions	Group
Run-off consumer loan portfolio			21				21
Acquired loan portfolios	4,499	4,028	1,937	1,879	2,423		14,766
Shares and participations in joint ventures[1)]						237	237
Acquired loans	**4,499**	**4,028**	**1,958**	**1,879**	**2,423**	**237**	**15,024**

Acquired loans, 31 March 2017

SEK million	Great Britain	Italy	Germany	Poland	Other segments	Central Functions	Group
Run-off consumer loan portfolio			30				30
Acquired loan portfolios	3,717	3,083	1,909	1,542	2,257		12,508
Shares and participations in joint ventures[1)]						245	245
Acquired loans	**3,717**	**3,083**	**1,939**	**1,542**	**2,257**	**245**	**12,783**

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

Note 2 Acquired loan portfolios

	GROUP			PARENT COMPANY		
SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017	31 Mar 2018	31 Dec 2017	31 Mar 2017
Gross carrying amount	15,749	14,766	12,508	2,871	–	–
Loss allowance	106	n.a	n.a	28	n.a	n.a
Net carrying amount	**15,855**	**14,766**	**12,508**	**2,899**	**–**	**–**

Acquired credit-impaired loan portfolios

	GROUP		
SEK million	Gross carrying amount	Loss allowance	Net carrying amount
Opening balance 1 Jan 2018	**14,766**	**–**	**14,766**
IFRS 9 transition effects	11	–	11
Acquisitions	617	–	617
Interest income	645	–	645
Gross collections	–1,294	–	–1,294
Impairment losses and gains	–	103	103
Translation differences	714	3	717
Closing balance 31 Mar 2018	**15,459**	**106**	**15,565**

Note 2 Acquired loan portfolios, cont.

Acquired credit-impaired loan portfolios

	PARENT COMPANY		
SEK million	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	**–**	**–**	**–**
Merger	2,464	–	2,464
IFRS 9 transition effects	7	–	7
Acquisitions	141	–	141
Interest income	123	–	123
Gross collections	–266	–	–266
Impairment losses and gains	–	28	28
Translation differences	111	0	111
Closing balance 31 Mar 2018	**2,580**	**28**	**2,608**

Acquired performing loan portfolios

	GROUP AND PARENT COMPANY					
SEK million	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	–	–	–	–	–	–
Acquisitions	287	–	–	–	–	287
Translation differences	3	–	–	–	–	3
Closing balance 31 Mar 2018	**290**	**–**	**–**	**–**	**–**	**290**

Acquired loan portfolios

	GROUP	
SEK million	**31 Dec 2017**	**31 Mar 2017**
Opening balance	**12,386**	**12,386**
Acquisitions	4,253	611
Translation differences	361	35
Changes in value		
Based on opening balance forecast (amortisation)	–2,244[1)]	–528
Based on revised estimates (revaluation)	10	5
Carrying value	**14,766**	**12,508**
Changes in carrying value reported in the income statement	**–2,233**	**–523**

Of which, designated at fair value

	GROUP	
SEK million	**31 Dec 2017**	**31 Mar 2017**
Opening balance	**1,045**	**1,045**
Translation differences	28	–2
Changes in value		
Based on opening balance forecast (amortisation)	–120	–33
Based on revised estimates (revaluation)	–13	–7
Carrying value	**940**	**1,003**
Changes in carrying value reported in the income statement	**–133**	**–40**

1) Including SEK –108m related to a partial disposal of a Polish loan portfolio.

Note 3 Financial instruments

Carrying amount and fair value of financial instruments

GROUP, 31 MARCH 2018

SEK million	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Assets/liabilities recognised at fair value through profit or loss: Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	*0*
Treasury bills and treasury bonds		2,137			2,137	2,137
Lending to credit institutions				1,493	1,493	1,493
Lending to the public				20	20	20
Acquired loan portfolios				15,855	15,855	15,855
Bonds and other securities		3,441			3,441	3,441
Other financial assets				362	362	362
Total		**5,578**		**17,730**	**23,308**	**23,308**
Deposits from the public				14,345	14,345	14,345
Derivatives	18		103		121	121
Senior debt				4,571	4,571	4,740
Subordinated debt				848	848	851
Other financial debts				418	418	418
Total	**18**		**103**	**20,182**	**20,303**	**20,475**

GROUP, 31 DECEMBER 2017

SEK million	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Assets/liabilities recognised at fair value through profit or loss: Designated	Loans and receivables	Hedging instruments	Other liabilities	Total carrying amount	Fair value
Cash			0			0	0
Treasury bills and treasury bonds		1,490				1,490	1,490
Lending to credit institutions			1,681			1,681	1,681
Lending to the public			37			37	37
Acquired loan portfolios							
of which, at fair value		*940*				*940*	*940*
of which, at amortised cost			*13,826*			*13,826*	*13,426*
Bonds and other securities		3,689				3,689	3,689
Derivatives	4			7		11	11
Other financial assets			189			189	189
Total	**4**	**6,119**	**15,733**	**7**		**21,863**	**21,463**
Deposits from the public					13,227	13,227	13,227
Derivatives	4			6		10	10
Senior debt					4,355	4,355	4,532
Subordinated debt					803	803	811
Other financial debts					536	536	536
Total	**4**			**6**	**18,921**	**18,931**	**19,116**

Note 3 *Financial instruments, cont.*

GROUP, 31 MARCH 2017

SEK million	Assets/liabilities recognised at fair value through profit or loss						
	Held for trading	Designated	Loans and receivables	Hedging instruments	Other liabilities	Total carrying amount	Fair value
Cash			3			3	3
Treasury bills and treasury bonds		1,595				1,595	1,595
Lending to credit institutions			1,064			1,064	1,064
Lending to the public			33			33	33
Acquired loan portfolios							
of which, at fair value		*1,002*				*1,002*	*1,002*
of which, at amortised cost			*11,506*			*11,506*	*11,628*
Bonds and other securities		3,052				3,052	3,052
Other financial assets			193			193	193
Total		**5,649**	**12,799**			**18,448**	**18,570**
Deposits from the public					11,838	11,838	11,838
Derivatives	5			47		52	52
Senior debt					3,144	3,144	3,290
Subordinated debt					343	343	394
Other financial debts					352	352	352
Total	**5**			**47**	**15,677**	**15,728**	**15,926**

PARENT COMPANY, 31 MARCH 2018

SEK million	Assets/liabilities recognised at fair value through profit or loss					
	Held for trading	Mandatorily	Hedging instruments	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,137			2,137	2,137
Lending to credit institutions				677	677	677
Lending to the public				23	23	23
Acquired loan portfolios				2,899	2,899	2,899
Receivables, Group companies				13,273	13,273	13,273
Bonds and other securities		3,441			3,441	3,441
Other financial assets				235	235	235
Total		**5,578**		**17,107**	**22,685**	**22,685**
Deposits from the public				14,345	14,345	14,345
Derivatives	18		103		121	121
Senior debt				4,571	4,571	4,740
Subordinated debt				848	848	851
Other financial debts				453	453	453
Total	**18**		**103**	**20,217**	**20,338**	**20,510**

Note 3 *Financial instruments, cont.*

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.

Fair value measurements

	GROUP, 31 MARCH 2018			
SEK million	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	2,137			2,137
Acquired loan portfolios			15,855	15,855
Bonds and other securities	3,441			3,441
Total assets	**5,578**		**15,855**	**21,433**
Derivatives		121		121
Senior debts		4,740		4,740
Subordinated debts		851		851
Total liabilities		**5,712**		**5,712**

Fair value measurements

	Group, 31 December 2017			
SEK million	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	1,490			1,490
Acquired loan portfolios				
of which, carried at fair value			*940*	*940*
of which, carried at amortised cost			*13,426*	*13,426*
Bonds and other securities	3,689			3,689
Derivatives		11		11
Total assets	**5,179**	**11**	**14,366**	**19,556**
Derivatives		10		10
Senior debts		4,532		4,532
Subordinated debts		811		811
Total liabilities		**5,353**		**5,353**

Note 3 *Financial instruments, cont.*

SEK million	Level 1	Level 2	Level 3	Total
	GROUP, 31 MARCH 2017			
Treasury bills and Treasury bonds	1,595			1,595
Acquired loan portfolios				
of which, carried at fair value			*1,002*	*1,002*
of which, carried at amortised cost			*11,628*	*11,628*
Bonds and other securities	3,052			3,052
Total assets	**4,647**		**12,630**	**17,277**
Derivatives		52		52
Senior debts		3,290		3,290
Subordinated debts		394		394
Total liabilities		**3,736**		**3,736**

Note 4 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 consolidation 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.

Comparative figures for Hoist Finance AB (publ) refer to the merged company Hoist Kredit AB (publ), which was the regulated entity within the Hoist Finance Group up until the merger on 2 January 2018. As a result of the merger, all assets and liabilities of Hoist Kredit AB (publ) were transferred to Hoist Finance AB (publ) and Hoist Kredit was dissolved.

Own funds

The table below shows own funds used to cover the capital requirements for Hoist Finance and the regulated entity Hoist Finance.

	Hoist Finance consolidated situation			Hoist Finance AB (publ)		
SEK million	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2017**	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2017**
Capital instruments and related share premium accounts	1,287	1,287	1,287	1,287	483	483
Retained earnings	1,053	745	775	239	402	565
Accumulated comprehensive income and other reserves	295	282	335	611	1,081	1,082
Independently reviewed interim profits net of any foreseeable charge or dividend[1)]	98	299	–	–70	183	–
Intangible assets (net of related tax liability)	–303	–287	–243	–118	–44	–34
Deferred tax assets that rely on future profitability	–30	–21	–42	–6	–3	–3
Common Equity Tier 1	**2,400**	**2,305**	**2,112**	**1,943**	**2,102**	**2,093**
Capital instruments and the related share premium accounts	380	380	380	380	380	380
Additional Tier 1 capital	**380**	**380**	**380**	**380**	**380**	**380**
Tier 1 capital	**2,780**	**2,685**	**2,492**	**2,323**	**2,482**	**2,473**
Capital instruments and the related share premium accounts	848	803	343	848	803	343
Tier 2 capital	**848**	**803**	**343**	**848**	**803**	**343**
Total own funds	**3,628**	**3,488**	**2,835**	**3,171**	**3,285**	**2,816**

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

Note 4 *Capital adequacy, cont.*

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 Finance.

Risk-weighted exposure amounts

SEK million	Hoist Finance consolidated situation 31 Mar 2018	Hoist Finance consolidated situation 31 Dec 2017	Hoist Finance consolidated situation 31 Mar 2017	Hoist Finance AB (publ) 31 Mar 2018	Hoist Finance AB (publ) 31 Dec 2017	Hoist Finance AB (publ) 31 Mar 2017
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	374	381	254	187	150	34
of which, counterparty credit risk	*46*	*54*	*24*	*46*	*54*	*24*
Exposures to corporates	217	136	189	11,503	10,935	10,521
Retail exposures	20	16	22	20	16	22
Secured by immovable property	147	–	–	147	–	–
Exposures in default	16,663	15,349	13,309	2,729	2,496	2,573
Exposures in the form of covered bonds	344	369	305	344	369	305
Equity exposures	–	–	–	2,148	2,143	571
Other items	115	145	142	67	44	7
Credit risk (standardised approach)	**17,880**	**16,396**	**14,221**	**17,145**	**16,153**	**14,033**
Market risk (foreign exchange risk – standardised approach)	**95**	**113**	**44**	**95**	**113**	**44**
Operational risk (standardised approach)	**3,158**	**3,158**	**2,623**	**1,128**	**1,128**	**893**
Credit valuation adjustment (standardised approach)	**23**	**27**	**0**	**23**	**27**	**0**
Total risk-weighted exposure amount	**21,156**	**19,694**	**16,888**	**18,391**	**17,421**	**14,970**

Note 4 *Capital adequacy, cont.*

Capital requirements	Hoist Finance consolidated situation			Hoist Finance AB (publ)		
SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017	31 Mar 2018	31 Dec 2017	31 Mar 2017
Pillar 1						
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	30	30	20	15	12	3
of which, counterparty credit risk	*4*	*4*	*2*	*4*	*4*	*2*
Exposures to corporates	17	11	15	920	875	842
Retail exposures	2	1	2	2	1	2
Secured by immovable property	12	–	–	12	–	–
Exposures in default	1,333	1,228	1,065	218	200	206
Exposures in the form of covered bonds	28	30	24	28	30	24
Equity exposures	–	–	–	172	171	46
Other items	9	12	11	5	4	1
Credit risk (standardised approach)	**1,431**	**1,312**	**1,137**	**1,372**	**1,293**	**1,124**
Market risk (foreign exchange risk – standardised approach)	**8**	**9**	**4**	**8**	**9**	**4**
Operational risk (standardised approach)	**253**	**253**	**210**	**90**	**90**	**71**
Credit valuation adjustment (standardised approach)	**2**	**2**	**0**	**2**	**2**	**0**
Total own funds requirement – Pillar 1	**1,694**	**1,576**	**1,351**	**1,472**	**1,394**	**1,199**
Pillar 2						
Concentration risk	142	131	105	142	131	105
Interest rate risk in the banking book	48	36	33	48	36	33
Pension risk	3	3	4	3	3	0
Other Pillar 2 risks	27	26	0	27	26	0
Total own funds requirement – Pillar 2	**220**	**196**	**142**	**220**	**196**	**138**
Capital buffers						
Capital conservation buffer	529	492	422	460	436	374
Countercyclical buffer	10	11	10	9	8	19
Total own funds requirement – Capital buffers	**539**	**503**	**432**	**469**	**444**	**393**
Total own funds requirements	**2,453**	**2,275**	**1,925**	**2,161**	**2,034**	**1,730**

Capital ratios and capital buffers

Regulation (EU) No 575/2013 of the European Parliament and the Council requires credit institutions to maintain Common Equity Tier 1 capital of at least 4.5 per cent, Tier 1 capital of at least 6 per cent and a total capital ratio (capital in relation to risk-weighted exposure amount) of 8 per cent. Credit institutions are also required to maintain specific capital buffers. Hoist Finance is currently required to maintain a capital conservation buffer of 2.5 per cent of the total risk-weighted exposure amount and an institutional specific countercyclical buffer of 0.05 per cent of the total risk-weighted exposure amount.

The table below shows CET1 capital, Tier 1 capital and the total capital ratio in relation to the total risk-weighted exposure amount for Hoist Finance and for the regulated entity Hoist Finance. It also shows the total regulatory requirements under each pillar and the institution-specific CET1 capital requirements.

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

Note 4 *Capital adequacy, cont.*

Capital ratios and capital buffers, %	Hoist Finance consolidated situation 31 Mar 2018	31 Dec 2017	31 Mar 2017	Hoist Finance AB (publ) 31 Mar 2018	31 Dec 2017	31 Mar 2017
Common Equity Tier 1 capital ratio	11.35	11.70	12.51	10.56	12.07	13.98
Tier 1 capital ratio	13.14	13.63	14.75	12.63	14.25	16.52
Total capital ratio	17.15	17.71	16.79	17.24	18.86	18.81
Institution-specific buffer requirements for CET1 capital	7.05	7.05	7.06	7.05	7.05	7.12
of which, capital conservation buffer requirement	*2.50*	*2.50*	*2.50*	*2.50*	*2.50*	*2.50*
of which, countercyclical capital buffer requirement	*0.05*	*0.05*	*0.06*	0.05	*0.05*	*0.12*
Common Equity Tier 1 capital available to meet buffers[1)]	**6.85**	**7.20**	**8.01**	**6.06**	**7.57**	**9.48**

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

Internally assessed capital requirement

As per 31 March 2018, the internally assessed capital requirement for Hoist Finance was SEK 1,914 million (1,771), of which SEK 220 million (196) was attributable to Pillar 2.

Note 5 Liquidity risk

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

Liquidity risk is the risk of difficulties in obtaining funding, and thus 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 situation, 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 debt and own funds instruments, as well as equity. The majority of deposits from the public are payable on demand (variable deposits – "floating"), while about 33 per cent (35) 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.

Comparative figures for Hoist Finance AB (publ) refer to the merged company Hoist Kredit AB (publ), which was the regulated entity within the Hoist Finance Group up until the merger on 2 January 2018. As a result of the merger, all assets and liabilities of Hoist Kredit AB (publ) were transferred to Hoist Finance AB (publ) and Hoist Kredit was dissolved.

Funding

SEK million	Hoist Finance consolidated situation 31 Mar 2018	31 Dec 2017	31 Mar 2017	Hoist Finance AB (publ) 31 Mar 2018	31 Dec 2017	31 Mar 2017
Current account deposits	9,555	8,580	7,708	9,555	8,580	7,708
Fixed-term deposits	4,790	4,647	4,130	4,790	4,647	4,130
Senior debts	4,571	4,355	3,144	4,571	4,355	3,144
Convertible debt instruments	380	380	380	380	380	380
Subordinated debts	848	803	343	848	803	343
Equity	3,022	2,849	2,694	2,185	2,100	2,128
Other	862	923	740	851	613	534
Balance sheet total	**24,028**	**22,537**	**19,139**	**23,180**	**21,478**	**18,367**

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity. Available liquidity totalled SEK 7,003 million (6,800) as per 31 March, exceeding the limit and the target level by a significant margin.

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

Note 5 *Liquidity risk, cont.*

Liquidity reserve

SEK million	31 Mar 2018	31 Dec 2017	31 Mar 2017
Cash and holdings in central banks	0	0	3
Deposits in other banks available overnight	1,425	1,621	1,021
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,007	1,061	1,171
Securities issued or guaranteed by municipalities or other public sector entities	1,130	429	424
Covered bonds	3,441	3,689	3,052
Securities issued by non-financial corporates	–	–	–
Securities issued by financial corporates	–	–	–
Other	–	–	–
Total	**7,003**	**6,800**	**5,671**

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

Note 6 Pledged assets

	Group		
SEK million	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2017**
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	53	49	40

Note 7 Contingent liabilities

	Group			Parent Company		
SEK million	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2017**	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2017**
Commitments	2,239	698	1,532	261	–	–

Note 8 Reconciliation alternative performance measures

EBIT margin

SEK million	Quarter 1 2018	Quarter 1 2017	Full year 2017
Profit before tax	185	185	581
Net income financial transactions	5	9	50
Interest expense	75	77	305
Interest income excl. run-off consumer loan portfolio	4	3	15
EBIT	**269**	**274**	**951**
Net revenues from aquired loan portfolios	–	665	2,644
Interest income acquired loan portfolios	645	–	–
Interest income from run-off consumer loan portfolio	0	2	5
Impairment gains and losses	103	–	–
Fee and commission income	17	21	73
Profit from shares and participations in joint ventures	15	27	76
Other operating income	3	4	13
Total revenue	**783**	719	2,811
EBIT margin	34	38	34

Note 8 *Reconciliation alternative performance measures, cont.*

EBITDA, adjusted

SEK million	Quarter 1 2018	Quarter 1 2017	Full year 2017
Profit for the period	140	145	453
+ Income tax expense	45	40	128
+/– Net result from financial transactions	5	9	50
+ Interest expense	75	77	305
– Interest income (excl. interest from run-off performing portfolio)	4	3	14
+ Portfolio revaluations	–	–5	–11
+/– Impairment gains and losses	–103	–	–
+ Depreciation and amortisation of tangible and intangible assets	14	14	56
EBITDA	**180**	**283**	**995**
+ Amortisation on run-off portfolio	–	2	11
+ Amortisation on acquired loan portfolios	–	528	2,244
+ Gross cash collections on aquired loan portfolios	1,294	–	–
– Interest income on acquired loan portfolios	–645	–	–
EBITDA, adjusted	**829**	**813**	**3 250**

Return on equity, adjusted for items affecting comparability

SEK thousand	Quarter 1 2018	Quarter 1 2017	Full year 2017
Equity	3,402	3,074	3,228
Additional Tier 1 capital	–380	–380	–380
Reversal of interest expense paid for AT1 capital	–	–	28
Reversal of items affecting comparability[1)]	–	–	102
Total equity	3,022	2,694	2,978
Total equity (quarterly average)	**2,949**	**2,628**	**2,752**
Profit for the period	140	145	453
Reversal of items affecting comparability[1)]	–	–	102
Estimated annual profit	560	580	555
Adjustment of interest on AT1 capital	–40	–40	–40
Adjusted annual profit	**520**	**540**	**515**
Return on equity, %	**18**	**21**	**19**

1) Items affecting comparability refer to costs which arose in connection with the repurchase of subordinated debts and outstanding bonds during second quarter 2017 and with restructuring costs and adjustment of previous cost accruals during fourth quarter 2017, including tax.

Note 9 Classification and Measurement IFRS 9

Comparison between IAS 39 closing balance as at 31 Dec 2017 and IFRS 9 opening balance as at 1 Jan 2018, Group

SEK million	Original measurement category under IAS 39	Original carrying value under IAS 39	New measurement category under IFRS 9	Reclassification	Remeasu-rement	Net carrying value under IFRS 9
Cash	Loans and receivables	0	Amortised cost	–	–	0
Treasury bills and treasury bonds	FVPL identified	1,490	FVPL mandatorily	–	–	1,490
Lending to credit institutions	Loans and receivables	1,681	Amortised cost	–	–	1,681
Lending to the public	Loans and receivables	37	Amortised cost	–	–	37
Acquired loan portfolios	FVPL identified	940	Amortised cost	–940	–	–
Acquired loan portfolios	Loans and receivables	13,826	Amortised cost	940	11	14,777
Bonds and other securities	FVPL identified	3,689	FVPL mandatorily	–	–	3,689
Derivatives	FVPL Held for trading	4	FVPL Held for Trading	–	–	4
Derivatives	Hedging instruments	7	Hedging instruments	–	–	7
Other financial assets	Loans and receivables	189	Amortised cost	–	–	189
Deposits from the public	Other liabilities	13,227	Amortised cost	–	–	13,227
Derivatives	FVPL Held for trading	4	FVPL Held for Trading	–	–	4
Derivatives	Hedging	6	Hedging instruments	–	–	6
Senior unsecured liabilities	Other liabilities	4,355	Amortised cost	–	8	4 363
Subordinated liabilities	Other liabilities	803	Amortised cost	–	–	803
Other financial liabilities	Other liabilities	536	Amortised cost	–	–	536

Loss allowance

Acquired loan portfolios – prior to the introduction of IFRS 9, the portfolios' carrying value was based on expected cash flows and revaluation effects were reported under income statement item Net revenue from acquired loan portfolios. This method corresponds in large part with the calculation of loss allowance under IFRS 9; consequently, the transition impact in the opening balance is immaterial.

Other financial assets valued at amortised cost – the expected credit loss at transition to IFRS 9 was not material, and therefore, was not reported.

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

SEK million	
Fair value of the reclassified acquired loan portfolios as of 31 Dec 2017	940
Fair value as at reporting date, if the acquired loan portfolio would not have been reclassified	948
Fair value gain/loss during the period, if the acquired loan portfolio would not have been reclassified	8
Effective interest rate of reclassified acquired loans on date of initial application, %	21
Interest revenue recorded during the period	**44**

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 14 May, 2018

Ingrid Bonde
Chair of the Board

Cecilia Daun Wennborg
Board member

Malin Eriksson
Board member

Liselotte Hjorth
Board member

Joakim Rubin
Board member

Costas Thoupos
Board member

Gunilla Wikman
Board member

Jörgen Olsson
Board member

Klaus-Anders Nysteen
CEO

Definitions

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

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

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

Return on assets
Net result for the year as a percentage of total assets at the end of the year.

Gross 120/180-month ERC
"Estimated Remaining Collections" – the company's estimate of the gross amount that can be collected on the loan portfolios currently owned by the company. The assessment is based on estimates for each loan portfolio and extends from the following month through the coming 120/180 months. The estimate for each loan portfolio is based on the company's extensive experience in processing and collecting over the portfolio's entire economic life.

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

EBIT margin
EBIT (operating earnings) divided by total revenue.

EBITDA, adjusted
EBIT (operating earnings), less depreciation/impairments and amortisation ("EBITDA"), adjusted for depreciation of acquired loan portfolios.

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.

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 and SME loans that arise from the same originator.

Average number of employees
Average number of employees during the year converted to full-time posts (FTEs). The calculation is based on the total average number of FTEs per month divided by the year's twelve months.

C/I ratio
Total operating expenses in relation to Total operating income and Profit from shares and participations in joint ventures.

Fee and commission income
Fees for providing debt management services to third parties.

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

Nonrecurring items
Nonrecurring items are defined as items that disturb comparison in the sense that their occurrence and/or scale has an irregularity that does not apply to other items.

Own funds
Sum of Tier 1 capital and Tier 2 capital.

Capital requirements – Pillar 1
Minimum capital requirements for credit risk, market risk and operational risk.

Capital requirements – Pillar 2
Capital requirements beyond those stipulated in Pillar 1.

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

CET1 ratio
CET1 capital in relation to the total risk exposure amount.

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

Net interest income margin
Net interest income for the period, calculated on a full-year basis, in relation to the period's average Acquired loan portfolios, calculated as the period average based on quarterly values during the period.

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

Return on book
EBIT (operating profit) on a full-year basis, exclusive of Central Functions operating expenses, divided by average the carrying amount of acquired loan portfolios. In the financial statements, calculation of the average carrying amount is based on the opening balance at the beginning of the year and the closing balance at the end of the year. For the full year, the average value id based on the quarterly values during the financial year.

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

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

Portfolio growth
Changes in the carrying amount of acquired loan portfolios over the last 12 months (LTM).

Tier 1 capital
The sum of CET1 capital and additional Tier 1 capital.

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

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.

Diluted earnings per share
Net profit for the year, adjusted for interest on capital instruments recorded in equity, divided by the weighted average number of outstanding shares after full dilution.

Basic earnings per share
Net profit for the year, adjusted for interest on capital instruments recorded in equity, divided by the weighted average number of outstanding shares.

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

SMEs
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 2 capital
Capital instruments and the related share premium accounts that meet the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council and that may accordingly be included in own funds.

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

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

Weighted average number of shares outstanding
Weighted number of shares outstanding plus potential dilutive effect of warrants outstanding.

Internal funding cost
The internal funding cost is determined per portfolio applying the following monthly interest rate: (1+annual interest)^(1/12)-1.

Vision, mission and strategy

Our Mission – Your Trust

Our Vision

Helping people keep their commitments.

Financial targets

Profitability

Achieve an operating margin of over 40 per cent in the mediumterm horizon by leveraging our operational scale advantages.

By ensuring the right balance between growth, profitability and capital efficiency, we aim to achieve a 20 per cent return on equity in the medium-term horizon.

Capital structure

Under normal conditions, the CET1 ratio should be 2.5–4.5 percentage points above the overall CET1 requirements specified by the Swedish Financial Supervisory Authority.

Dividend policy

Pursuant to our dividend policy, we will initially pay a dividend of 25–30 per cent of the Group's net profit in the medium-term horizon. In light of the strong cash flow that our business has generated historically, our long-term goal is to pay a dividend of 50 per cent of our annual net profit.

Strategy

- Operating as one company
- Collaboration instead of duplication
- Strengthened functional capabilities and sharing of best practices
- Engaging, open, and rewarding place to work, with a clear sense of purpose

- Deeper and at scale in select priority markets
- Extensive local know-how and data providing competitive advantage and ability to capture future growth
- Diversified product and service offering in priority markets

- Specialized leader in FI originated debt
- Diversified and deep relationships across markets
- Expand services (DP and 3PC) to meet the full spectrum of client needs

- Maintain competitive advantage of unique deposit funding
- Offer unique value proposition and offering to customers enabled through bank license
- Leading stability and best equipped to weather capital constrained environments

- Spearhead industry development and use of digital and analytics
- Leverage cutting edge digital capabilities that will enable us to offer unique value to our partners

- Best in class ways of working in terms efficiency and effectiveness
- Ways of working harmonized across the organization and based on in-house expertise and learnings
- Creating value by leveraging all of our tacit knowledge, both internal and external

Financial calendar

Annual General Meeting	16 May 2018
Interim report Q2 2018	27 July 2018
Interim report Q3 2018	25 October 2018

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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.