

January – September 2013

Acquisitions

SEK 1.9 bn

Carrying value of purchased debt portfolios

SEK 4.7 bn 

Liquidity ratio

55%

Gross collections

SEK 1.1 bn 

Operational EBIT

SEK 212 m 

Capital quota

1.56

Operating cash flow before
portfolio acquisitions

SEK 635 m

SEK thousand	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012	Change
Net revenue from directly owned portfolios*	669,113	368,563	+82%
Profit from joint venture	28,136	38,027	-26%
Revenue from servicing	81,986	26,114	+214%
Other income**	14,181	2,773	+411%
Total operating income	793,416	435,477	+82%
EBIT	212,480	153,681	+38%
<i>EBIT-margin</i>	27%	35%	-24%

* Including interest income from consumer loans of SEK 12.8 million in July – September 2013 (SEK 25.2 million in July – September 2012), corresponding to SEK 58.4 million in January – September 2013 (SEK 25.2 million in January – September 2012)

**Net of group-internal items

The third quarter has been eventful for Hoist Finance from a number of perspectives. At the beginning of August, we completed the acquisition of the Lewis group – a Leeds-based debt collection agency, having a portfolio of 690,000 accounts with a principal value of GBP 1.2 billion. The acquisition, together with the successful purchase of Robinson Way in late 2012, represents a strategically important step into the sizeable and growing UK market.

We have successfully continued to deepen and broaden our relationships with a number of renowned financial institutions. The total acquisition volume of SEK 1.9 billion for the period January – September places Hoist Finance as one of the largest acquirers of non-performing consumer debt in Europe in 2013.

In the past two years, Hoist Finance has pursued an active strategy of growth and balanced geographical diversification. As a result, the total carrying value of our purchased debt portfolios totalled approximately SEK 4.7 billion as of September 30, a doubling from the same period last year. Our new markets, Italy, Poland and the UK, accounted for approximately 90 per cent of the growth on a year-to-year basis and now represent almost half of the total carrying value. Total gross collections on purchased debt portfolios were SEK 1.1 billion in January – September 2013, which is a 74 per cent increase compared to the same period in 2012. In the first nine months of 2013, we increased our operational EBIT to SEK 212 million, despite transaction costs associated with the acquisition of the Lewis group and the costs for the integration of the secured business in Germany.

In early September Hoist Finance successfully issued a 10-year subordinated unsecured bond of SEK 350 million. The offering was significantly oversubscribed, following strong demand from institutional and retail investors. The bond is structured as a Tier 2 capital base instrument and is used to further strengthen and diversify our capital base. On October 11, the bond was listed on NASDAQ OMX. The proactive management of our liquidity position, alongside our strengthened and diversified capital structure, vouches for a continued strong position within the European non-performing debt purchasing market.

Following the close of the quarter, at the beginning of October, Hoist Finance entered into an agreement concerning an acquisition of a landmark portfolio in the Netherlands. This transaction represents the largest acquisition of unsecured consumer receivables in the Netherlands to date, and will add significant scale and further strengthen our presence in the Benelux.

Our performance during the first nine months of 2013 is a testament to our strong commitment to growth and long-term strategies for our established and newly-entered markets. The approaching implementation of a new regulatory environment for banks in 2014 is likely to further enhance the trend of increased outsourcing and divestments of non-performing consumer debt portfolios. Through our committed strategy to be the preferred debt restructuring partner for European banks and financial institutions, it is my firm belief that Hoist Finance is very well positioned to capture the opportunities arising.

Jörgen Olsson
Chief Executive Officer

Administration Report

Unless otherwise stated, all comparisons of market, financial and operational data apply to January – September 2012.

Market development and future outlook

During the third quarter, Hoist Finance maintained its active acquisition strategy, with further geographical diversification and penetration into the new markets, Poland, UK and Italy. In the beginning of August, Hoist Finance completed the acquisition of the Lewis group – a Leeds-based debt collection agency, having a portfolio of 690,000 accounts with a principal value of GBP 1.2 billion. The acquisition, together with the successful purchase of Robinson Way in late 2012, represents a strategically important step into the sizeable and growing UK market.

In addition, Hoist Finance strengthened its presence in Austria. In total, the Group completed debt portfolio acquisitions of close to SEK 1.9 billion, compared to SEK 469 million in the first nine months of 2012.

The Group takes an optimistic view of the future with continued high transaction volumes. The extended geographical coverage and the expansion into new segments of non-performing receivables provide better opportunities for growth.

Business

Gross collections for the Group's purchased debt portfolios totalled SEK 1,122 million in January – September 2013, which is an increase of 74 percent compared to the same period in 2012. Net revenue from collections, excluding revaluation effects, totalled SEK 603 million, which was an increase of 76 per cent or SEK 260 million. The growth in both gross collections and net revenue relates mainly to the high acquisition activity of purchased debt portfolios in particular in the latter part of 2012 and in 2013.

The carrying value of purchased debt portfolios is SEK 4,717 million, which is more than double compared to the end of September last year. Further expansion into the new markets (Poland, UK and Italy) accounted for approximately 90 per cent of the asset growth.

The Group's operating revenue totalled SEK 624 million, which is an increase of SEK 276 million or 79 per cent. A substantial part of the increase relates to the effects from the acquisition activity in late 2012 and in 2013 as well as the contribution from interest income on the consumer loans portfolio of SEK 58 million (SEK 25 million in January – September 2012).

Net interest income, which consists of interest expenses relating to the Group's cost of deposit-taking from the general public and interest income from the performing portfolio of consumer receivables, totalled SEK -56 million (compared to SEK -12 million for the same period last year). The increase in the interest expense relates to a large extent to the substantially higher deposit volumes and the associated excess liquidity that has been built up to accommodate expected high acquisition volumes. In addition, interest expenses have increased following the issue of the Tier 2 capital instrument. Both interest income and interest expenses in the corresponding period in 2012 were higher as a result of a hedging arrangement involving interest rate swaps. The Tier 1 instrument that was issued in April 2013 and was previously accounted for as subordinated loan has been reclassified as equity. The reclassification of interest expenses related to this Tier 1 instrument into dividend has had a positive impact upon interest expenses of approximately SEK 10 million.

Fee and commission income relates to the contingency collection business. This income increased significantly to SEK 82 million in January – September 2013 (SEK 26 million in January – September 2012) as a result of the acquisition of Robinson Way Ltd and the Lewis group Ltd, with contingency collection as their main area of business.

Operating expenses totalled SEK 563 million, which was an increase of SEK 256 million or 83 per cent compared to the corresponding period of 2012. The increase in expenses relates to the expansion that took place in 2012, including the acquisition of Robinson Way Ltd as well as the initial costs associated with newly acquired portfolios. During 2013, the Group has further strengthened its central functions, including legal, compliance and risk. In addition, the operating expenses for the period include non-recurring costs of approximately SEK 10 million related to the integration of the secured operations in Germany, involving closing of the Eschborn office and transfer of operations to Duisburg. The transaction costs and stamp duty associated with the acquisition of the Lewis group totalled approximately SEK 18 million.

The depreciation of tangible and intangible fixed assets totalled SEK -12 million, which is roughly in line with the same period last year (SEK -9 million).

The consolidated profit before tax was SEK 90 million (SEK 79 million). Net profit totalled SEK 59 million (SEK 35 million). The tax cost for the period was 34 per cent of the profit before tax, the reason being that some taxable losses cannot currently be fully offset within the Group and thus have to be carried forward.

Comprehensive income, including currency translation differences recorded directly in shareholders' equity, was SEK 63 million, compared to SEK 15 million for the same period in 2012.

Capital structure

Cash and cash equivalents, and interest-bearing securities, totalled SEK 5,251 million as of September 30, 2013 (SEK 2,469 million), which by far exceeds Hoist's internal targets for liquidity reserves for its deposit operations. Net debt was SEK 4,361 million (SEK 2,523 million) at the end of the period, resulting in a liquidity ratio of 55 per cent. Shareholders' equity totalled SEK 786 million (SEK 526 million).

As of September 30, 2013, the Group funded its operations through deposits from the general public that are covered by the state deposit insurance scheme (Insättningsgarantin). Hoist attracts a substantial amount of deposits from the general public due to its competitive product offering. Deposits from the general public increased by SEK 4,292 million to SEK 9,284 million as of September 30, 2013 (SEK 4,991 million).

In early September Hoist Finance successfully completed the issuance of a 10-year subordinated unsecured bond of SEK 350 million, of which SEK 75 million was paid in Q3. On October 11, the bond was listed on NASDAQ OMX. As a supplement to its funding through deposits from the general public, Hoist Finance is currently investigating the possibility of diversifying its funding base through other types of fixed term financing besides deposit taking.

Subsequent events

At the beginning of October, Hoist Finance entered into an agreement concerning an acquisition of a landmark portfolio in the Netherlands. This transaction represents the largest acquisition of unsecured consumer receivables in the Netherlands to date, and will add significant scale and further strengthen Hoist Finance's presence in the Benelux.

Accounting Policies

Applied accounting policies

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) as well as the Finansinspektionen (Swedish Financial Supervisory Authority) regulations and general recommendations on annual reports for credit institutions and securities companies,

FFFS 2008:25. The Parent Company adopts the same accounting policies as the Group taking into account the limitations under ÅRKL and FFFS 2008:25. The accounting policies and calculation methods are unchanged compared to the annual report for 2012.

The subordinated loan that was issued in April 2013 is accounted for as equity in the consolidated accounts. The paid interest is classified as dividend in equity.

Financial Statements

CONSOLIDATED INCOME STATEMENT

SEK thousand	Note	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Income purchased debt portfolios	1	610,712	343,404
Interest income		121,282	122,044
Interest expenses		-177,296	-134,301
Fee and commission income		81,986	26,114
External costs for collection services		-76,499	-20,444
Net income from financial transactions		-8,555	-37,178
Other income		72,625	48,389
Total operating income		624,255	348,028
General and administrative expenses		-551,291	-298,022
Depreciation and amortisation of tangible and intangible assets		-11,590	-8,946
Total operating expenses		-562,881	-306,968
Profit from shares and participations in joint ventures	2	28,136	38,027
Profit before income tax		89,510	79,087
Income tax expense		-30,491	-43,619
Net profit for the period		59,019	35,468

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Net profit for the period	59,019	35,468
Other comprehensive income		
Currency translation differences	3,621	-19,985
Other comprehensive income for the period, net of tax	3,621	-19,985
Total comprehensive income for the period	62,640	15,483
Attributable to		
Owners of the Parent Company	62,640	15,483

CONSOLIDATED BALANCE SHEET

ASSETS

SEK thousand	Note	Sep. 30, 2013	Sep. 30, 2012
Cash		115	37
Loans to credit institutions		4,054,905	1,734,792
Lending to the public			
Loans to the public		404,696	512,919
Purchased debt portfolios	3	4,717,227	2,329,664
Receivables from affiliated companies		204,887	140,949
Total		5,326,810	2,983,532
Bonds and other securities		1,196,326	733,771
Shares and participations in joint venture	2	195,162	161,907
Total intangible fixed assets		31,965	45,999
Total tangible fixed assets		29,562	39,418
Other assets		85,659	57,364
Deferred tax assets		44,945	1,706
Prepaid expenses and accrued income		12,181	5,355
Total		142,785	64,425
Total assets		10,977,630	5,763,881

SHAREHOLDERS' EQUITY AND LIABILITIES

SEK thousand	Sep. 30, 2013	Sep. 30, 2012
Liabilities		
Deposits and borrowings from the public	9,283,762	4,991,382
Other liabilities	381,741	192,194
Deferred tax liabilities	24,158	20,764
Accrued expenses and prepaid income	90,806	19,687
Provisions	82,348	13,571
Subordinated loans	328,414	-
Total liabilities and provisions	10,191,229	5,237,598
Shareholders' equity		
Share capital	50,000	50,000
Other reserves	531,452	315,730
Retained earnings	145,930	125,085
Profit for the period	59,019	35,468
Total shareholders' equity	786,401	526,283
Total liabilities and shareholders' equity	10,977,630	5,763,881

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, GROUP

SEK thousand	Share capital	Other reserves	Retained earnings	Profit for the period	Total shareholders' equity
Balance as of Jan. 1, 2012	50,000	335,385	125,415		510,800
Total comprehensive income for the period					
Net profit for the period				35,468	35,468
Currency translation differences		-19,655	-330		-19,985
Total comprehensive income for the period		-19,655	-330	35,468	15,483
Balance as of Sep. 30, 2012	50,000	315,730	125,085	35,468	526,283

SEK thousand	Share capital	Other reserves	Retained earnings	Profit for the period	Total shareholders' equity
Balance as of Jan. 1, 2013	50,000	434,831	156,003		640,834
Total comprehensive income for the period					
Net profit for the period				59,019	59,019
Currency translation differences		3,621			3,621
Total comprehensive income for the period		3,621		59,019	62,640
Transactions recorded directly in equity					
Paid interest on subordinated loans			-10,073		-10,073
Capital contribution		93,000			93,000
Total transactions recorded directly in equity		93,000	-10,073		82,927
Balance as of Sep. 30, 2013	50,000	531,452	145,930	59,019	786,401

CONSOLIDATED CASH FLOW STATEMENT

SEK thousand	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
OPERATING ACTIVITIES		
Collections on purchased debt portfolios	1,121,860	646,233
Interest income	121,282	122,044
Fee and commission income	81,986	26,114
Other income	71,699	48,389
Interest expenses	-177,296	-134,301
External costs for collection services	-76,499	-20,444
Operating expenses	-551,291	-298,022
Other operating income	80,367	4,309
Net cash flow from financial transactions	-8,555	-37,178
Profit from redeemed certificates in joint venture	4,866	917
Income tax paid	-33,009	-25,356
Total	635,410	332,705
Increase/decrease in receivables portfolios net of revaluations	-1,864,468	-269,104
Increase/decrease in lending to general public	129,550	-503,691
Increase/decrease in deposits from general public	2,917,506	496,281
Increase/decrease in other assets	-6,175	33,426
Increase/decrease in other liabilities	32,482	-28,595
Changes in other balance sheet items	58,072	-8,802
Total	1,266,967	-280,485
Cash flow from operating activities	1,902,377	52,220
INVESTING ACTIVITIES		
Investments in intangible fixed assets	-34,470	-1,257
Investments in tangible fixed assets	-6,627	-1,676
Investments in securities	-463,654	-234,303
Subscribed certificates in joint venture	-12,889	-25,103
Redeemed certificates in joint venture	16,542	14,185
Cash flow from investing activities	-501,098	-248,154
FINANCING ACTIVITIES		
Capital contribution	93,000	-
Issued subordinated loans	328,414	-
Interest paid on subordinated loans	-10,073	-
Cash flow from financing activities	411,341	-
Cash flow for the period	1,812,620	-195,934
Cash at the beginning of the period	2,242,400	1,930,763
Cash at the end of the period	4,055,020	1,734,829

PARENT COMPANY INCOME STATEMENT

SEK thousand	Note	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Income purchased debt portfolios	1	263,218	162,138
Interest income		163,413	139,491
Interest expenses		-178,720	-134,422
External costs for collection services		-13,702	-10,727
Net income from financial transactions		-8,420	-35,701
Other income		14,072	5,618
Total operating income		239,861	126,397
General and administrative expenses		-149,407	-72,431
Depreciation and amortisation of tangible and intangible assets		-2,204	-4,851
Total operating expenses		-151,611	-77,282
Profit from shares and participations in joint ventures	2	4,866	917
Dividends		-	1,875
Periodic fund		-27,095	-
Profit before income tax		66,021	51,907
Income tax expense		-18,336	-23,075
Net profit for the period		47,685	28,832

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Net profit for the period	47,685	28,832
Other comprehensive income		
Currency translation differences	50	-330
Other comprehensive income for the period, net of tax	50	-330
Total comprehensive income for the period	47,735	28,502
Attributable to		
Owners of the Parent Company	47,735	28,502

PARENT COMPANY BALANCE SHEET

ASSETS

SEK thousand	Note	Sep. 30, 2013	Sep. 30, 2012
Cash		4	0
Loans to credit institutions		3,762,084	1,627,982
Lending to the public			
Loans to the public		404,177	512,919
Purchased debt portfolios	3	2,462,336	1,894,008
Receivables from affiliated companies		2,509,056	579,788
Total		5,375,569	2,986,715
Bonds and other securities		1,171,326	733,771
Shares and participations in subsidiaries		238,893	136,815
Shares and participations in joint venture	2	86,808	101,449
Total intangible fixed assets		18,118	3,420
Total tangible fixed assets		998	960
Other assets		19,885	31,912
Deferred tax assets		393	392
Prepaid expenses and accrued income		3,846	2,693
Total		24,124	34,997
Total assets		10,677,924	5,626,109

SHAREHOLDERS' EQUITY AND LIABILITIES

SEK thousand	Sep. 30, 2013	Sep. 30, 2012
Liabilities		
Deposits and borrowings from the public	9,283,762	4,991,382
Other liabilities	338,866	134,030
Accrued expenses and prepaid income	25,901	7,701
Provisions	97	-
Subordinated loans	328,414	-
Total liabilities and provisions	9,977,040	5,133,113
Untaxed reserves	45,457	-
Shareholders' equity		
Share capital	50,000	50,000
Other reserves	538,429	345,586
Retained earnings	19,313	68,578
Profit for the period	47,685	28,832
Total shareholders' equity	655,427	492,996
Total liabilities and shareholders' equity	10,677,924	5,626,109

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, PARENT COMPANY

SEK thousand	Share capital	Other reserves	Retained earnings	Profit for the period	Total shareholders' equity
Balance as of Jan. 1, 2012	50,000	345,586	68,908		464,494
Total comprehensive income for the period					
Net profit for the period				28,832	28,832
Currency translation differences			-330		-330
Total comprehensive income for the period			-330	28,832	28,502
Balance as of Sep. 30, 2012	50,000	345,586	68,578	28,832	492,996

SEK thousand	Share capital	Other reserves	Retained earnings	Profit for the period	Total shareholders' equity
Balance as of Jan. 1, 2013	50,000	445,379	29,386		524,765
Total comprehensive income for the period					
Net profit for the period				47,685	47,685
Currency translation differences		50			50
Total comprehensive income for the period		50		47,685	47,735
Transactions recorded directly in equity					
Paid interest on subordinated loans			-10,073		-10,073
Capital contribution		93,000			93,000
Total transactions recorded directly in equity		93,000	-10,073		82,927
Balance as of Sep. 30, 2013	50,000	538,429	19,313	47,685	655,427

PARENT COMPANY CASH FLOW STATEMENT

SEK thousand	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
OPERATING ACTIVITIES		
Collections on purchased debt portfolios	626,097	432,580
Interest income	163,413	139,491
Other income	14,072	7,493
Interest expenses	-178,720	-134,422
External costs for collection services	-13,702	-10,727
Operating expenses	-149,407	-72,430
Other operating income	26,458	5,403
Net cash flow from financial transactions	-8,420	-35,701
Profit from redeemed certificates in joint venture	4,866	917
Income tax paid	-18,197	-30,932
Total	466,460	301,672
Increase/decrease in receivables portfolios net of revaluations	-431,854	-270,467
Increase/decrease in lending to general public	-1,308,329	-524,323
Increase/decrease in deposits from general public	2,917,506	496,281
Increase/decrease in other assets	2,555	31,207
Increase/decrease in other liabilities	109,325	11,595
Changes in other balance sheet items	73	-221
Total	1,289,276	-255,928
Cash flow from operating activities	1,755,736	45,744
INVESTING ACTIVITIES		
Investments in intangible fixed assets	-25,928	-3,367
Investments in tangible fixed assets	-236	-
Investments in securities	-438,654	-234,303
Divestments of subsidiaries	112,399	-1,231
Subscribed certificates in joint venture	-12,889	-25,102
Redeemed certificates in joint venture	16,542	14,145
Cash flow from investing activities	-348,766	-249,858
FINANCING ACTIVITIES		
Capital contribution	93,000	-
Issued subordinated loans	328,414	-
Interest paid on subordinated loans	-10,073	-
Cash flow from financing activities	411,341	-
Cash flow for the period	1,818,311	-204,114
Cash at the beginning of the period	1,943,777	1,832,096
Cash at the end of the period	3,762,088	1,627,982

Notes

NOTE 1 Income by Geographical Region

The segmentation follows the geographical distribution of income from purchased debt portfolios:

SEK thousand	GROUP		PARENT COMPANY	
	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Revenue by geographical region				
Germany	265,037	223,709	124,350	94,896
Austria	8,671	-	4,041	-
France	43,948	51,235	-	-
Belgium	28,038	15,534	28,038	15,534
The Netherlands	22,403	25,314	22,403	25,314
Italy	81,771	26,394	81,771	26,394
UK	76,316	1,218	-	-
Poland	84,528	-	2,615	-
Total revenue	610,712	343,404	263,218	162,138

SEK thousand	GROUP		PARENT COMPANY	
	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Gross collections				
Germany	449,563	413,695	308,876	284,882
Austria	15,598	-	10,968	-
France	71,939	77,571	-	-
Belgium	84,904	43,906	84,904	43,906
The Netherlands	58,522	66,816	58,522	66,816
Italy	161,172	36,976	161,172	36,976
UK	143,229	7,269	-	-
Poland	136,933	-	1,656	-
Total gross collections	1,121,860	646,233	626,098	432,580

SEK thousand	GROUP		PARENT COMPANY	
	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Changes in fair value				
Germany	-184,526	-189,986	-184,526	-189,986
Austria	-6,927	-	-6,927	-
France	-27,991	-26,336	-	-
Belgium	-56,866	-28,372	-56,866	-28,372
Netherlands	-36,119	-41,502	-36,119	-41,502
Italy	-79,401	-10,582	-79,401	-10,582
UK	-66,913	-6,051	-	-
Poland	-52,405	-	959	-
Total changes in fair value	-511,148	-302,829	-362,880	-270,442

See Note 3 for further information.

NOTE 2 Joint Venture

Shares and participations in joint ventures relate to Hoist Kredit AB (publ)'s holding in "BEST III" Sec Fund, which is a Polish closed-end fund for the purpose of individual purchases of receivables portfolios. The initial investment was PLN 40 million (SEK 90 million) and the investment is consolidated according to the equity method.

SEK thousand	GROUP	
	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Opening balance	180,843	123,869
Acquisitions	12,889	25,102
Disposals	-16,542	-14,145
Profit	23,270	37,110
Currency adjustments	-5,298	-10,029
Closing Balance	195,162	161,907

The profit of the Parent Company totalled SEK 4,866 thousand. Hence the total profit related to the shares and participations in joint ventures is SEK 28,136 thousand (SEK 23,270 thousand plus SEK 4,866 thousand).

NOTE 3 Purchased debt portfolios

This note refers to the purchased debt portfolios that are wholly-owned.

SEK thousand	GROUP		PARENT COMPANY	
	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Opening balance	3,363,907	2,363,389	2 393 361	1 893 983
Acquisitions	1,994,965	393,142	468 505	356 539
Disposals	-108,065	-	-	-
Translation differences	-22,432	-124,038	-36 651	-86 072
Changes in fair value				
Based on opening balance forecast (amortisation)	-518,454	-302,829	-362 879	-270 442
Based on revised estimates	7,306	-	-	-
Carrying value	4,717,227	2,329,664	2,462,336	1,894,008
Revaluation gains and losses recognised in the income statement	-511,148	-302,829	-362,879	-270,442

SEK thousand	GROUP		PARENT COMPANY	
	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Carrying value of purchased debt portfolios per geographical region				
Germany	1,708,277	1,547,507	1,708,280	1,547,506
France	500,027	428,991	-	-
Belgium	197,073	123,430	197,073	123,430
Netherlands	177,815	119,512	177,815	119,512
Italy	319,311	103,560	319,311	103,560
UK	1,118,707	6,664	-	-
Poland	662,992	-	26,832	-
Austria	33,025	-	33,025	-
Total carrying value	4,717,227	2,329,664	2,462,336	1,894,008

NOTE 4 Acquisitions of operations

On August 8, 2013, Hoist Finance UK Ltd acquired 100 per cent of the share capital in the Lewis group Ltd. The consideration that was paid in connection with the closing of the transaction totalled SEK 743,501 thousand.

SEK thousand

The net assets of the acquired company as of the acquisition date:

Intangible fixed assets	1,933
Tangible fixed assets	9,794
Accounts receivable and other receivables	802,725
Cash and cash equivalents	63,930
Accounts payable and other liabilities	-66,374
Total identifiable net assets	812,008

The acquisition balance sheet includes net assets of SEK 812,008 thousand. Hence the acquisition has resulted in a negative goodwill of SEK 68,506 thousand that has been recorded directly as income in the consolidated income statement. The reason behind the consideration being lower than the acquired net assets (and consequently a negative goodwill) is explained by the necessary restructuring activities that have been provided for in connection with the acquisition and totalled SEK 68,506 thousand.

Acquisition-related costs of SEK 18,055 thousand are included in the administrative expenses in the consolidated income statement for 2013. SEK 3,620 thousand of those relate to stamp duties on the acquisition. The acquired company is consolidated starting from August 2013, and has contributed by SEK 44,317 thousand to the consolidated income and by SEK 13,579 thousand to the consolidated operating profit.

The consideration included cash and cash equivalents of SEK 63,930 thousand. This implies that the cash flow-affecting value of the acquisition was SEK -679,571 thousand (SEK -743,501 thousand plus SEK 63,930 thousand).

The above figures are preliminary.

NOTE 5 Related Parties Transactions

SEK thousand	GROUP		PARENT COMPANY	
	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Loans				
Hoist Group S.A.*	22,917	22,221	22,917	22,221
Hoist International AB (publ)	86,000	86,000	86,000	86,000
Hoist Portfolio Holding Ltd	-	-	416,969	414,349
Hoist Portfolio Holding 2 Ltd	-	-	310,390	365,559
Hoist Finance UK Ltd	-	-	785,515	-
Konstruktur Development AB	-	-	508,407	-
Calor S.A.*	5,769	8,272	5,769	8,272
Paradox AB*	4,304	4,992	4,304	4,992
Short-term receivables				
Hoist International AB (publ)	118,888	121,539	116,766	89,696
Hoist Immobilien GmbH	-	-	-	1,038
Hoist Portfolio Holding Ltd	-	-	123,310	87,217
Hoist SAS	-	-	46	44
Hoist GmbH	-	-	35,316	30,456
Aurora GmbH	-	-	-	915
European Digital Capital*	605	612	-	-
Liabilities				
Hoist International AB (publ)	45,900	45,900	45,900	45,900
Short-term liabilities				
Hoist International AB (publ)	105,541	145,756	59,528	72,926
Hoist Portfolio Holding 2 Ltd	-	-	-	1,233
Hoist Immobilien GmbH	-	-	-	18,914
Hoist SAS	-	-	6,203	10,066
Hoist GmbH	-	-	21,547	2,205
Hoist B.V.	-	-	145	578
Hoist Group S.A.*	30,626	-	-	-

SEK thousand	GROUP		PARENT COMPANY	
	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012	Jan. 1–Sep. 30, 2013	Jan. 1–Sep. 30, 2012
Interest income				
Hoist Group S.A.*	885	763	885	763
Hoist International AB (publ)	2,367	3,564	2,367	3,564
Hoist Portfolio Holding Ltd	-	-	20,815	24,676
Hoist Portfolio Holding 2 Ltd	-	-	14,261	3,114
Hoist Finance UK Ltd	-	-	7,103	-
Calor S.A.*	171	289	171	289
Paradox AB*	192	358	192	358
Other income				
Hoist International AB (publ)	58,444	40,835	13,021	12,433
Hoist SAS	-	-	195,605	293
Hoist GmbH	-	-	-	147
European Digital Capital*	-	1,502	-	-
Lindenau, Prior & Partner*	-	43	-	-
Interest expenses				
Hoist International AB (publ)	1,276	2,074	1,276	2,071
Hoist Immobilien GmbH	-	-	-	309
Hoist SAS	-	-	9	4
Hoist GmbH	-	-	435	-
Konstruktur Development AB	-	-	1,339	-
Other expenses				
Hoist Group S.A.*	5,262	-	-	-
Hoist International AB (publ)	86,336	121,936	48,275	33,559
Hoist SAS	-	-	-	289
Hoist B.V.	-	-	2,083	3,425
Hoist GmbH	-	-	6,824	3,211
Aurora GmbH	-	-	-	1,508
Lindenau, Prior & Partner*	44	1,497	44	431
European Digital Capital*	2,934	-	-	-

* Companies controlled by senior executives

NOTE 6 Capital Adequacy

Capital Adequacy Assessment

The information in this Note contains such information as is to be disclosed in accordance with FFFS 2008:25 regarding annual reports for credit institutions and concerns such information as is specified in FFFS 2007:5. The information relates to the Hoist Kredit AB (publ) Financial Group. The Capital Coverage and Large Exposures Act (2006:1371) and FFFS 2007:1 as amended are used to conclude the statutory capital demand. The purpose of the rules is to ensure that the Financial Group is managing its risks and to protect the Group's depositors. The regulations state that the capital base is to cover the capital requirement including the minimum capital requirement (the capital requirement for Credit Risk, Market Risk and Operational Risk) and the capital requirement for all other material risks i.e. Pillar II risks.

Capital Planning

The capital structure is planned so that the Group is able to continue its operations and generate dividends to its shareholders. The strategies and methods used to obtain this include the management of risks that affect operations.

The Group operates in accordance with the model for the three defence lines, which means that risks are analysed, controlled and handled by the operations as well as the Compliance, Risk and Internal audit functions.

The outcome of the analysis performed by the Compliance, Risk and Internal audit functions is reported to the Board of Directors on a regular basis. These reports allow the Board of Directors to assess the risk level of the Group and, if necessary, take actions to reduce the risk.

Financial control is performed by a separate department for controlling that acts on the basis of the instructions provided by the Management with respect to follow-up and reporting of financial performance. The Group's systems allow daily assessments of financial development. In addition, the performance of the receivables portfolios and the follow-up of the Group's covenants are reported to the Group's lenders on a monthly basis.

In order to evaluate the capital basis and capital requirements, an internal capital assessment (ICAAP) is performed. This process aims at ensuring that the Group identifies, values and manages all relevant risks that the Group is exposed to in an explicit and correct manner. The process assesses the internal capital that is required based on the risks that the company is exposed to. The ICAAP is performed annually.

The starting point for the ICAAP is the identification of risks and assessment discussions with the senior management. The method can be briefly described as (i) identification of the risk that affects the operations, (ii) assessment of the probability of the risk incident occurring, (iii) evaluation of policies, routines and other internal actions taken to manage or eliminate the risk and finally (iv) the amount of capital the Group needs to hold in order to cover these risks. The assessment is done based on the Pillar I requirements, and additional capital is injected if deemed necessary.

An evaluation has been performed concerning the Group's opportunities for expansion providing certain capital scenarios. The ICAAP has been documented and reported to the Financial Supervisory Authority (*Finansinspektionen*).

The capital situation for the Financial Group can be summarised as follows:

SEK thousand	Sep. 30, 2013	Sep. 30, 2012
Total credit exposure	10,766,643	3,089,804
Total risk weighted assets	7,496,118	4,067,375
Pillar I		
Credit Risk (standardised approach)	519,889	247,184
<i>Institutions</i>	83,228	39,670
<i>Retail</i>	394,191	61,738
<i>Retail, past due items</i>	15,221	128,411
<i>Corporate (risk weight 100%)</i>	15,862	11,817
<i>Corporate (risk weight 20%)</i>	864	-
<i>Other</i>	10,523	5,548
Operational Risk (basic indicator approach)	77,789	77,421
Foreign Exchange Risk	2,011	785
Capital requirement Pillar I	599,689	325,390
Tier I capital	625,070	408,641
Capital base	937,605	408,641

Financial Group – calculation of capital base

	Sep. 30, 2013	Sep. 30, 2012
Shareholders' equity	763,105	484,863
Excluded profit	-23,440	-
Total equity in capital adequacy	739,665	484,863
Proposed dividend	-7,500	-
Goodwill	-	-38,510
Intangible fixed assets	-62,001	-20,349
Deferred tax assets	-45,094	-17,363
Tier I capital	625,070	408,641
Tier II capital	312,535	-
Capital base	937,605	408,641

The minimum capital requirement for the Financial Group as of September 30, 2013 was SEK 600 million (SEK 325 million as of September 30, 2012), which exceeds the capital requirement by a wide margin.

There are no current or foreseen material or legal impediments to the prompt transfer of own funds or repayment of liabilities between the companies and its subsidiaries.