Year-end report 2019

Fit for growth

Q4

October – December 2019

- Total operating income amounted to SEK 768m (766).
- Items affecting comparability before tax totalled SEK –47m and are attributable to securitisation expenses and to start-up expenses related to IT outsourcing.
- Profit before tax totalled SEK 147m (186).
- Profit before tax excluding items affecting comparability totalled SEK 194m (210).
- Basic and diluted earnings per share amounted to SEK 1.07 (1.59).
- Return on equity was 9 per cent (16).
- Return on equity excluding items affecting comparability was 12 per cent (18).
- Carrying value of acquired loans totalled SEK 24,303m (20,605).
- The total capital ratio was 14.01 per cent (14.14) and the CET1 ratio was 9.94 per cent (9.66).

Figures in brackets refer to the fourth quarter of 2018 for profit comparisons and to the 31 December 2018 closing balance for balance sheet items.

Events during the quarter

- Hoist Finance completed landmark transaction when closing the first-ever Italian investment grade rated securitisation backed by unsecured NPLs.
- Largest ever portfolio investment completed in France. This clearly positions Hoist Finance as the leader within the secured segment in a very promising market.
- Continued progress in ambition to become the digital leader. The ability to interact and make payments via WhatsApp in Italy and RCS in the UK are two examples of digital developments during the quarter.

9.94%
CET1 ratio

18%
Portfolio growth over the last 12-month period

76%
C/I ratio excluding items affecting comparability
Target 65%

12%
Return on equity excluding items affecting comparability
Target 15%

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.

The information in this interim report has been published by Hoist Finance AB (publ) pursuant to the EU Market Abuse Regulation. This information was submitted by Andreas Lindblom for publication on 12 February 2020 at 7:30 AM CET.

Fit for growth

> Helping people keep their commitments

2019 has been a challenging year for Hoist Finance, but we are finishing the year on a positive note. Having found long-term solutions for the challenges we face, the organisation is more competent and robust than ever. There is no doubt that we have spent a lot of effort on regulatory changes and mitigating actions, but do not think for a minute that it is all we have done. On the contrary, we have moved forward in a number of areas, and we are thus starting 2020 with both confidence and optimism.

Regulation is still our friend

I have frequently said that regulation is our friend. With the changes that were introduced a year ago, I have to admit that I was beginning to wonder if this was still true. However, at this point in time, I still come to that same conclusion and believe that our industry is well served with regulation to protect customers and investors, as well as society at large. Over the last 25 years, Hoist Finance has been amongst the most regulated of all market participants, and this offers all our stakeholders the very best assurance that we have the governance, capabilities and competence to run our business in a safe, compliant ant ethical manner. Our assets and our operations are of high quality and have been tested and proven in 2019. Our overall investment grade rating has been confirmed and through the securitisation structures that we conducted last year, three rating agencies all gave our Italian assets the same, very strong rating. Our Italian operations were also rated, and were notched up compared to one year ago. We are committed to developing the securitisation strategy, while continue to grow the business, and maximise the efficient use of available capital.

Helping people keep their commitments

Our mission is “Helping people keep their commitments”. I frequently listen in on calls that our agents have with our customers, and I am very proud to say that we have skilled, passionate and professional colleagues who always find ways to be helpful. We support the UN’s Sustainability Development Goals and through deploying our core competence, we help people back to financial inclusion. Being in financial difficulties can happen to anyone, and we offer ways forward for 6.5 million customers in our markets.

Our business development and our initiatives to become the digital leader in our industry are very much customer centric. Our solutions, products and channels should be easy to understand, flexible and offer friendly and easy ways to communicate with us. We have thousands of daily customer interactions and it is great to see how customers are now moving towards digital channels. Our chatbot Kai is learning fast, and our new payment solutions through WhatsApp for business and RCS are hassle free. The digital transformation is happening now, and we have in Hoist Finance an operating model where we can develop once and then deploy to all our markets. This offers ways to improve our operations and to become more effective and efficient.

Continued growth in core markets

In 2019, we are particularly happy to have deployed significant investments to two of our large core markets, Poland and France. In April we closed a substantial investment in Poland, acquiring a third of the portfolios from GetBack and in December we acquired our second secured NPL portfolio in France. This portfolio is the largest ever sold in this market and we are happy to see that the important French market is opening up. Through these investments we have strengthened our market position significantly, becoming the market leader in secured NPLs in France and number two in the Polish market. The market outlook for portfolio investments remains positive and we have experienced lower price pressure and a more disciplined competition as many of our competitors have felt the burden from increased cost of financing and high leverage.

Focus on cost

Our cost savings program is well underway. Major efforts have been made to become a more efficient operator. We have closed our Bayonne office, ramped up our shared service centre in Wroclaw and outsourced IT. The positive effects from these actions are not visible in the 2019 numbers, but will have a strong impact going forward. The share of digital collection is increasing, and this will be a high priority also in 2020. We are committed to deliver on our cost to income target of 65 per cent.

Updated financial targets

In 2019, we delivered portfolio growth of 18 per cent. Most of the growth came in the fourth quarter and portfolios onboarded towards the end of the year have for obvious reasons not had much of an impact on the fourth quarter numbers. As the market outlook is very positive, we propose not to pay out dividend for 2020, but to continue to grow our core business. However, we maintain our long-term dividend policy of paying out 25-30 per cent of net profits per annum. With further growth, we are increasing our EPS target from 10 per cent to 15 per cent per annum. Last, but not least, we now target RoE of above 15 per cent.

Moving into 2020 confidently

Changes continue to be the only constant. The best way to deal with change is to make sure that everything we do is firmly grounded in our values and with a clear purpose. All my colleagues have done an outstanding job in 2019, moving the company forward in many areas despite the negative, but unintended, effects from regulatory changes. In our Great Place to Work® survey in 2019, the feedback from the organisation was the best ever with improvements in all markets and dimensions. Having proven that we can execute on our strategy in a rather turmoil environment tells me that we are on the right track.

Let me take this opportunity to thank you all for good conversations in 2019. We are as motivated as ever before to deliver on our targets and I am happy to dedicate even more of my time to operations in 2020. The winners in this industry are those companies with the lowest cost of funding and the best operations. We have put in place structures that protect our unique access to low cost funding and I feel confident that we will take important steps forward to improve our operations while maintaining our focus of helping people keep their commitments.

Klaus-Anders Nysteen
CEO
Hoist Finance AB (publ)

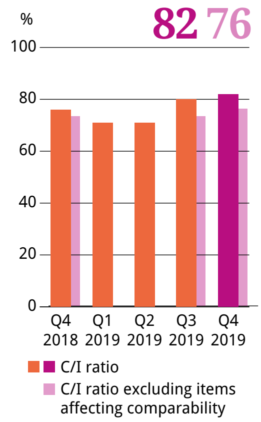
Key ratios[1)]

SEK m	Quarter 4 2019	Quarter 4 2018	Change, %	Full-year 2019	Full-year 2018	Change, %
Total operating income	768	766	0	3,038	2,829	7
Profit before tax	147	186	–21	748	755	–1
Net profit	111	165	–33	605	590	2
Basic and diluted earnings per share, SEK	1.07	1.59	–33	6.07	6.29	–3
Net interest income margin, %	12	13	–1 pp	13	14	–1 pp
C/I ratio, %	82	76	6 pp	76	74	2 pp
Return on equity, %	9	16	–7 pp	13	16	–3 pp
Portfolio acquisitions	2,988	2,257	32	5,952	8,048	–26

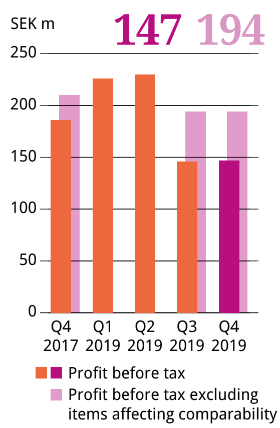
SEK m	31 Dec 2019	31 Dec 2018	Change, %
Acquired loans	24,513	20,834	17
Gross 180-month ERC	38,874	33,602	16
Total capital ratio, %	14.01	14.14	–0.13 pp
CET1 ratio, %	9.94	9.66	0.28 pp
Liquidity reserve	8,024	7,399	8
Number of employees (FTEs)	1,575	1,556	1

1) See Definitions.

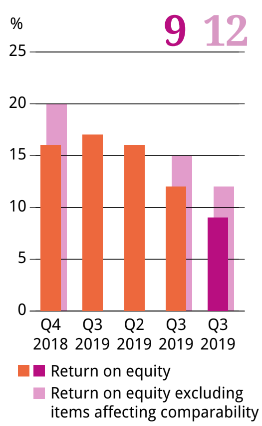
C/I ratio



Profit before tax



Return on equity



Developments during fourth quarter 2019

Unless otherwise indicated, all comparative market, financial and operational information refers to fourth quarter 2018.

Operating income

Interest income from acquired loan portfolios increased 13 per cent during the quarter to SEK 865m (764), driven by portfolio growth in Poland, France, the UK and Italy and acquisition of the first loan portfolio in the Greek market. The Greek acquisition was concluded in late November 2018 and, accordingly, the portfolio did not make full contribution during the comparative quarter. Other interest income totalled SEK –3m (–5).

Interest expense for the quarter increased to SEK –149m (–104). The raising of new funding via securitisation of Italian loan portfolios contributed to the increase in interest expense during the quarter. The increase is also largely attributable to greater deposits from the public volumes in the German market, driven entirely by deposits with longer maturities. Deposits in the Swedish market also increased somewhat in volume and saw a shift towards longer maturities.

Portfolio revaluations totalled SEK –32m during the quarter and are mainly attributable to Italy and France, where collections ahead of forecast has resulted in a downward revision on future expectations on those portfolios. The price of a number of portfolios in the UK was adjusted as a result of a guarantee commitment. Adjusted for the price adjustment, portfolio revaluations totalled SEK –19m. Collections exceeding forecast during the quarter totalled SEK 54m, corresponding to 103 per cent of the projected level. Loss allowances for performing loans totalled SEK –1m (1) during the quarter. In total, impairment gains and losses amounted to SEK 22m (61) during the quarter.

Fee and commission income totalled SEK 30m (30) during the quarter. Net financial income totalled SEK 1m (16), with changes in value for hedging instruments accounting for SEK –6m of that amount. This was mitigated by a positive change in value for interest rate hedging instruments.

Total operating income remained basically unchanged and totalled SEK 768m (766), despite an increase in interest expense during the quarter due mainly to negative portfolio revaluation and higher funding costs.

Operating expenses

Personnel expenses decreased 7 per cent during the quarter to SEK –211m (–228), mainly due to restructuring costs in Germany during the comparative quarter. Previous restructuring activities in the UK, Germany and France has resulted in more cost-effective operations. A portion of the effect between Central Functions and the markets, mainly in the UK, refers to resources reallocated to Central Functions to support groupwide initiatives.

Collection costs increased 10 per cent during the quarter to SEK –231m (–209), attributable mainly to the Spanish, Polish and Greek markets. The increase in Spain and Poland relates to higher legal expenses, which are to some degree seasonal, and by portfolio growth. Collection costs in Greece are attributable to the first Greek portfolio, acquired at the end of the comparative quarter.

Administrative expenses increased to SEK –180m (–150). The increase is mainly related to expenses from the securitisation of Italian portfolios (SEK –36m) and by start-up expenses related to IT outsourcing (SEK –11m). This is somewhat mitigated by the new accounting standard for leases, IFRS 16, under which lease-related expenses formerly reported as administrative expenses are now reported as interest expense and depreciation and amortisation of tangible and intangible assets. Lease expenses totalled SEK –13m during the quarter, of which SEK –12m is attributable to depreciation and amortisation with the remaining amount attributable to interest expense.

Depreciation and amortisation of tangible and intangible assets increased during the quarter to SEK –29m (–17). The increase is mainly due to the transition to IFRS 16, with the rest of the increase due to a new collection system in Spain and Germany.

Total operating expenses increased 8 per cent to SEK –651m (–604).

Net profit for the period

Profit from participations in joint ventures increased year-on-year and totalled SEK 30m (24).

Income tax expense totalled SEK –36m (–21). Net profit totalled SEK 111m (165).

Balance sheet

Total assets increased SEK 5,130m as compared with 31 December 2018 and totalled SEK 34,387m (29,255). The change is primarily due to an increase of SEK 3,698m in acquired loan portfolios – mainly attributable to acquisitions in France, Poland, the UK and Italy – and to a net increase of SEK 1,098m in cash and interest-bearing securities. Tangible assets increased SEK 210m, of which SEK 207 is attributable to the transition to IFRS 16.

Funding and capital structure

SEK m	31 Dec 2019	31 Dec 2018	Change, %
Cash and interest-bearing securities	8,573	7,476	15
Acquired loan portfolios	24,303	20,605	18
Other assets[1]	1,511	1,174	29
Total assets	**34,387**	**29,255**	**18**
Deposits from the public	21,435	17,093	25
Debt securities issued	5,900	5,950	–1
Subordinated debt	852	839	2
Total interest-bearing liabilities	**28,187**	**23,882**	**18**
Other liabilities[1]	1,302	960	35
Equity	4,898	4,413	11
Total liabilities and equity	**34,387**	**29,255**	**18**

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

Total interest-bearing debt amounted to SEK 28,187m (23,882). The change is mainly attributable to deposits from the public, which increased SEK 4,342m. Hoist Finance funds its operations through deposits in Sweden and in Germany as well as through the international bond market and the Swedish money market. In Sweden, deposits from the public under the HoistSpar brand amounted to SEK 12,243m (11,292), of which SEK 6,400m (4,324) is attributable to fixed term deposits of one-, two- and three-year durations. In Germany, deposits of one- and two-year durations have been offered to retail customers since 2017 under the Hoist Finance name. Savings products with three-, four- and five-year durations were added during the year. At 31 December 2019, deposits from the public in Germany were SEK 9,192m (5,801), of which SEK 6,163m (1,728) is attributable to fixed term deposits.

At 31 December 2019, the outstanding bond debt totalled SEK 6,752m (6,789), of which SEK 5,900m (5,950) was comprised of issued debt securities. The change in issued debt securities is attributable to bonds issued by securitisation company Marathon SPV S.r.l and is mitigated by decreased borrowing under Hoist Finance's Swedish commercial paper programme.

Other liabilities increased SEK 340m, of which SEK 221m is attributable to an increase in lease liabilities due to the transition to IFRS 16.

Equity totalled SEK 4,898m (4,413). The increase is mainly attributable to net profit for the period.

Cash flow

SEK m	Quarter 4 2019	Quarter 4 2018	Full-year 2019	Full-year 2018
Cash flow from operating activities	722	810	3,117	2,828
Cash flow from investing activities	–2,670	–2,948	–5,098	–8,055
Cash flow from financing activities	–1,963	1,554	3,923	5,861
Cash flow for the period	**–3,911**	**–584**	**1,942**	**634**

Cash flow from operating activities totalled SEK 722m (810). Amortisation of acquired loan portfolios during the fourth quarter totalled SEK 805m (748), with the increase attributable to portfolio growth during the year. Cash flow from other assets and liabilities amounted to SEK –51m (–30).

Cash flow from investing activities totalled SEK –2,670m (–2,948). Portfolio acquisitions increased during the quarter as compared with fourth quarter 2018, totalling SEK –2,988m (–2,257).

Cash flow from financing activities totalled SEK –1,963m (1,554). Issued debt securities totalled SEK 508m and pertain to bonds issued by securitisation company Marathon SPV S.r.l. Repurchase of issued debt securities during the quarter totalled SEK –2,236m, with most of this amount attributable to repurchase of a senior bond issued by securitisation company Pinzolo SPV S.r.l. Net cash flow to deposits from the public totalled SEK –224m (1,625) during the quarter. Other cash flow from financing activities pertains to amortisation of lease liability.

Total cash flow for the quarter amounted to SEK –3,911m, as compared with SEK –584m for fourth quarter 2018.

Risks and uncertainties

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

Development of risks

Credit risk for Hoist Finance's loan portfolios is considered to be 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.

In order to diversify the existing stock of assets in a positive way from a risk perspective, Hoist Finance will continue to assess upcoming opportunities to acquire portfolios of non-performing secured loans as well as portfolios of performing loans.

Hoist Finance has an internal framework which serves as the foundation for follow-up and oversight of the Group's operational risks. The Group is committed to continuously improving the quality of its internal procedures to minimise operational risks. The level of operational risks is deemed to be unchanged from the previous quarter.

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

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

Changes to the Capital Requirements Regulation (CRR) regarding minimum loss coverage for non-performing exposures came into effect during second quarter 2019. The proposal will affect Hoist Finance and involves making a deduction from own funds for exposures classified as non-performing. The deduction is gradually increased based on the amount of time elapsed since the exposure entered default, with full deduction required to be made after three years for unsecured exposures. The new regulations apply to loans issued after the regulations' effective date. Hoist Finance expects the regulations to have a material effect on Hoist Finance's capitalisation in a few years' time, provided that non-performing loans continues to be acquired at a historical rate. Hoist Finance is working with procedures to mitigate the consequences of the regulatory change to ensure sustainable growth.

During the fourth quarter Hoist Finance conducted the second securitisation of a significant part of the Italian loan portfolio. The previous structure was dissolved and the assets held in it, along with additional portions of the Italian loan portfolio, were transferred to the new structure. Hoist Finance owns the entire senior note portion of the new securitisation, corresponding to 85 per cent of the total amount issued. Hoist Finance also owns 5 per cent of the mezzanine note portion, corresponding to 10 per cent of the total amount issued, and 5 per cent of the junior note portion, corresponding to the remaining 5 per cent of the total amount issued. The remaining 95 per cent of the mezzanine and junior notes have been subscribed in their entirety by an external investor. The transaction, aimed at achieving a "significant credit risk transfer" pursuant to the CRR, strengthens Hoist Finance's Common Equity Tier 1 ratio. The transaction can be regarded as involving an increased regulatory risk, given that Hoist Finance is obliged to continuously monitor and ensure that the requirements for "significant credit risk transfer" are fulfilled at all times.

In parallel with its work to develop capital market instruments for risk transfer to external counterparties, Hoist Finance continues to evaluate the option of seeking a permit to apply an internal ratings-based (IRB) approach to calculate risk-weighted assets with regards to credit risk. As a first step, the regulatory aspects of the IRB approach for an institution like Hoist Finance are being evaluated.

Other disclosures

Parent Company

The subsidiary Hoist Finance SAS was merged into Parent Company Hoist Finance AB (publ) on 2 January 2019. Accordingly, as of 2 January 2019 the Parent Company's financial position includes operations that were previously part of Hoist Finance SAS.

Net interest income for the Parent Company totalled SEK 311m (298) during the fourth quarter. The increase is mainly attributable to acquired secured loan portfolios in France and to a Greek loan portfolio acquired in late 2018. Net interest income also includes interest income from internal loans and interest expense from deposits and issued debt securities. Interest expense increased SEK –22m, due mainly to larger deposit from the public volumes in the German market, where Hoist Finance has added savings products of three-, four- and five-year durations.

Net operating income totalled SEK 342m (1,738). The comparative period was positively impacted by dividends from subsidiaries totalling SEK 1,386m. Net financial items amounted to SEK 28m (–32) and pertain mainly to exchange rate fluctuations for assets and liabilities in foreign currencies. Other income totalled SEK 60m (85) and refers mainly to management fees invoiced to subsidiaries.

Operating expenses totalled SEK –329m (–295). The increase is primarily attributable to advisory costs regarding operational improvement initiatives and expansion into new asset classes, and to start-up expenses related to IT outsourcing.

Operating profit totalled SEK 52m (40).

Impairment gains of SEK 14m (23) are attributable to the differences between actual and projected collections, to portfolio revaluations and to loss allowances for performing loans. Shares in participating interests totalled SEK 25m (28).

Net profit for the period totalled SEK –64m (17) and the tax expense totalled SEK –69m (34). A large portion of the period's tax expense is attributable to revaluation of uncertainties about the tax treatment for previous years, for which SEK –29m was transferred from the Group to the Parent Company.

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 AB (publ) has been listed on NASDAQ Stockholm since March 2015.

Hoist Finance AB (publ) 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 commission-based administration services to third parties.

For a more detailed description of the Group's legal structure, please refer to the 2018 Annual Report.

The share and shareholders

The number of shares totalled 89,303,000 at 31 December 2019, unchanged from 31 December 2018.

The share price closed at SEK 49.94 on 30 December 2019. A breakdown of the ownership structure is presented in the table below. As at 31 December 2019 the Company had 7,429 shareholders, compared with 4,301 at 31 December 2018.

Ten largest shareholders, 31 Dec 2019	**Share of capital and votes, %**
Erik Selin Fastigheter AB	12.8
Swedbank Robur Funds	9.0
Avanza Pension	7.4
Carve Capital AB	5.0
Dimensional Fund Advisors	3.3
Per Arwidsson	2.9
Jörgen Olsson privately and through companies	2.9
Confederation of Swedish Enterprise	2.8
BlackRock	2.7
Catella Funds	2.4
Ten largest shareholders	**51.2**
Other shareholders	48.8
Total	**100.0**

Source: Modular Finance AB per 31 December 2019; ownership statistics from Holdings, Euroclear Sweden AB; and changes confirmed and/or registered by the Company

Proposed dividend

To enable continued growth, the Board of Directors proposes that the 2020 AGM make an exception to the dividend policy and will be recommending that the AGM resolve not to distribute a dividend for 2019.

Review

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

Annual General Meeting

The AGM will be held on Thursday, 14 May 2020, in Stockholm.

Quarterly review

SEK m	Quarter 4 2019	Quarter 3 2019	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018
Interest income acquired loan portfolios	865	836	848	810	764
Other interest income	–3	–2	3	0	–5
Interest expense	–149	–138	–105	–104	–104
Net interest income	**713**	**696**	**746**	**706**	**655**
Impairment gains and losses	22	12	35	51	61
Fee and commission income	30	29	30	32	30
Net financial income	1	–45	–18	–16	16
Derecognition gains and losses	–3	–2	–1	–3	–3
Other operating income	5	8	5	4	7
Total operating income	**768**	**698**	**797**	**774**	**766**
General and administrative expenses					
Personnel expenses	–211	–236	–220	–208	–228
Collection costs	–231	–178	–187	–190	–209
Administrative expenses	–180	–123	–131	–134	–150
Depreciation and amortisation of tangible and intangible assets	–29	–31	–33	–29	–17
Total operating expenses	**–651**	**–568**	**–571**	**–561**	**–604**
Net operating profit	**117**	**130**	**226**	**213**	**162**
Profit from participations in joint ventures	30	16	4	13	24
Profit before tax	**147**	**146**	**230**	**226**	**186**
Income tax expense	–36	–6	–51	–50	–21
Net profit for the period	**111**	**140**	**179**	**176**	**165**

Key ratios[1)]

SEK m	Quarter 4 2019	Quarter 3 2019	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018
Net interest income margin, %	12	13	14	14	13
C/I ratio, %	82	80	71	71	76
C/I ratio adjusted for items affecting comparability, %	76	73	–	–	73
Return on equity, %	9	12	16	17	16
Return on equity adjusted for items affecting comparability, %	12	15	–	–	18
Portfolio acquisitions	2,988	689	1,665	610	2,246

SEK m	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Acquired loans	24,513	22,604	22,313	21,343	20,834
Gross 180-month ERC	38,874	36,595	35,966	34,214	33,602
Total capital ratio, %	14,01	14,87	14,12	13,70	14,14
CET1 ratio, %	9,94	10,29	9,91	9,47	9,66
Liquidity reserve	8,024	12,671	7,670	7,971	7,399
Number of employees (FTEs)	1,575	1,544	1,557	1,532	1,556

1) See Definitions.

Financial statements

Consolidated income statement

SEK m	Quarter 4 2019	Quarter 4 2018	Full-year 2019	Full-year 2018
Interest income acquired loan portfolios	865	764	3,359	2,799
Other interest income	–3	–5	–2	–13
Interest expense	–149	–104	–494	–351
Net interest income	**713**	**655**	**2,863**	**2,435**
Impairment gains and losses	22	61	120	261
Fee and commission income	30	30	121	79
Net result from financial transactions	1	16	–79	43
Derecognition gains and losses	–3	–3	–9	–5
Other operating income	5	7	22	16
Total operating income	**768**	**766**	**3,038**	**2,829**
General and administrative expenses				
Personnel expenses	–211	–228	–875	–826
Collection costs	–231	–209	–787	–750
Administrative expenses	–180	–150	–568	–509
Depreciation and amortisation of tangible and intangible assets	–29	–17	–122	–61
Total operating expenses	**–651**	**–604**	**–2,352**	**–2,146**
Net operating profit	**117**	**162**	**686**	**683**
Profit from participations in joint ventures	30	24	62	72
Profit before tax	**147**	**186**	**748**	**755**
Income tax expense	–36	–21	–143	–165
Net profit	**111**	**165**	**605**	**590**
Profit attributable to:				
Owners of Hoist Finance AB (publ)	111	165	605	590
Basic and diluted earnings per share SEK	1.07	1.59	6.07	6.29

Consolidated statement of comprehensive income

SEK m	Quarter 4 2019	Quarter 4 2018	Full-year 2019	Full-year 2018
Net profit for the period	**111**	**165**	**605**	**590**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Revaluation of defined benefit pension plan	–3	1	–3	1
Revaluation of remuneration after terminated employment	–1	1	–1	1
Tax attributable to items that will not be reclassified to profit or loss	1	0	1	0
Total items that will not be reclassified to profit or loss	**–3**	**2**	**–3**	**2**
Items that may be reclassified subsequently to profit or loss				
Translation difference, foreign operations	–2	–6	32	96
Translation difference, joint ventures	–2	–4	–1	–4
Hedging of currency risk in foreign operations	–38	–56	–114	–233
Hedging of currency risk in joint ventures	–4	0	–8	–8
Transferred to the income statement during the year	5	2	9	10
Tax attributable to items that may be reclassified to profit or loss	9	10	26	50
Total items that may be reclassified subsequently to profit or loss	**–32**	**–54**	**–56**	**–89**
Other comprehensive income for the period	**–35**	**–52**	**–59**	**–87**
Total comprehensive income for the period	**76**	**113**	**546**	**503**
Profit attributable to:				
Owners of Hoist Finance AB (publ)	76	113	546	503

Consolidated balance sheet

SEK m	31 Dec 2019	31 Dec 2018
ASSETS		
Cash	0	0
Treasury bills and Treasury bonds	2,729	2,653
Lending to credit institutions	3,075	1,187
Lending to the public	10	14
Acquired loan portfolios	24,303	20,605
Bonds and other securities	2,769	3,635
Shares and participations in joint ventures	201	215
Intangible assets	382	387
Tangible assets	269	59
Other assets	511	425
Deferred tax assets	32	22
Prepayments and accrued income	106	53
Total assets	**34,387**	**29,255**
LIABILITIES AND EQUITY		
Liabilities		
Deposits from the public	21,435	17,093
Tax liabilities	86	92
Other liabilities	823	380
Deferred tax liabilities	150	188
Accrued expenses and deferred income	154	232
Provisions	89	68
Debt securities issued	5,900	5,950
Subordinated debts	852	839
Total liabilities	**29,489**	**24,842**
Equity		
Share capital	30	30
Other contributed equity	2,965	2,965
Reserves	–258	–202
Retained earnings including profit for the period	2,161	1,620
Non-controlling interest	–	–
Total equity	**4,898**	**4,413**
Total liabilities and equity	**34,387**	**29,255**

Consolidated statement of changes in equity

SEK m	Share capital	Other contributed capital	Translation reserve	Retained earnings including profit for the year	Non-con-trolling interest	Total equity
Opening balance 1 Jan 2019	**30**	**2,965**	**–202**	**1,620**		**4,413**
Comprehensive income for the period						
Profit for the period				605		605
Other comprehensive income			–56	–3		–59
Total comprehensive income for the period			**–56**	**602**		**546**
Transactions reported directly in equity						
Interest paid on capital contribution				–62		–62
Share-based payments				1		1
Change in non-controlling interests[1)]					0	0
Total transactions reported directly in equity				**–61**	**0**	**–61**
Closing balancs 31 Dec 2019	**30**	**2,965**	**–258**	**2,161**	**0**	**4,898**

1) Attributable to securitisation of Italian loan portfolios.

SEK m	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				590	590
Other comprehensive income			–89		–89
Total comprehensive income for the period			**–89**	**590**	**501**
Transactions reported directly in equity					
Dividend				–154	–154
New share issue	3	552[1)]			555
Reclassification		–3		3	0
Additional Tier 1 capital instrument		311[2)]		–7	304
Interest paid on capital contribution				–41	–41
Tax effect on items reported directly in equity		3			3
Total transactions reported directly in equity	**3**	**863**		**–199**	**667**
Closing balance 31 Dec 2018	**30**	**2,965**	**–202**	**1,620**	**4,413**

1) Nominal amount of SEK 566m was reduced by transaction costs of SEK 13m.
2) Nominal amount of SEK 410m was reduced by transaction costs of SEK 6m and repurchased nominal amount of SEK 100m was reduced by transaction costs of SEK 7m.

Consolidated cash flow statement summary

SEK m	Quarter 4 2019	Quarter 4 2018	Full-year 2019	Full-year 2018
Profit before tax	147	186	748	755
– of which, paid-in interest	*855*	*749*	*3,365*	*2,778*
– of which, interest paid	*–181*	*–88*	*–374*	*–289*
Adjustment for other items not included in cash flow	–121	–40	142	–122
Realised result from divestment of loan portfolios	–	–	–	1
Realised result from divestment of shares and participations in joint ventures	–16	–17	–60	–65
Income tax paid	–42	–37	–124	–109
Total	**–32**	**92**	**706**	**460**
Amortisations on acquired loan portfolios	805	737	3,040	2,881
Increase/decrease in other assets and liabilities	–51	–30	–629	–513
Cash flow from operating activities	**722**	**799**	**3,117**	**2,828**
Acquired loan portfolios	–2,988	–2246	–5,952	–8,048
Disposed loan portfolios	–	–	–	66
Investments in/divestments of bonds and other securities	309	–629	866	64
Other cash flows from investing activities	9	–62	–12	–137
Cash flow from investing activities	**–2,670**	**–2,937**	**–5,098**	**–8,055**
Deposits from the public	–224	1,625	4,204	3,832
New share issue	–	–	–	555
Debt securities issued	508	289	3,450	3,991
Repurchase and repayment of Debt securities issued	–2,236	–360	–3,629	–2,631
Additional Tier 1 capital	–	–	–	310
Other cash flows from financing activities	–11	–	–102	–196
Cash flow from financing activities	**–1,963**	**1,554**	**3,923**	**5,861**
Cash flow for the period	**–3,911**	**–584**	**1,942**	**634**
Cash at beginning of the period	9,743	4,422	3,840	3,172
Translation difference	–28	2	22	34
Cash at end of the period[1)]	**5,804**	**3,840**	**5,804**	**3,840**

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

Parent Company income statement

SEK m	Quarter 4 2019	Quarter 4 2018	Full-year 2019	Full-year 2018
Interest income	438	403	1,813	1,338
Interest expense	–127	–105	–458	–355
Net interest income	**311**	**298**	**1,355**	**983**
Dividends received	–	1,386	10	1,947
Fee and commission income	1	2	5	6
Net result from financial transactions	–28	–32	–147	–196
Derecognition gains and losses	–2	–1	–8	–2
Other operating income	60	85	232	310
Total operating income	**342**	**1,738**	**1,447**	**3,048**
General and administrative expenses				
Personnel expenses	–86	–102	–393	–364
Other administrative expenses	–231	–185	–767	–593
Depreciation and amortisation of tangible and intangible assets	–12	–8	–49	–32
Total operating expenses	**–329**	**–295**	**–1,209**	**–989**
Profit before credit losses	**13**	**1,443**	**238**	**2,059**
Impairment gains and losses	14	23	56	83
Amortisation of financial fixed assets	–	–1,454	–	–1,454
Profit from participations in joint ventures	25	28	71	82
Net operating profit	**52**	**40**	**365**	**770**
Appropriations	–47	–57	–47	–57
Taxes	–69	34	–121	–66
Net profit	**–64**	**17**	**197**	**647**

Parent company statement of comprehensive income

SEK m	Quarter 4 2019	Quarter 4 2018	Full-year 2019	Full-year 2018
Net profit	**–64**	**17**	**197**	**647**
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss				
Translation difference, foreign operations	0	0	0	3
Total items that may be reclassified subsequently to profit or loss	**0**	**0**	**0**	**3**
Other comprehensive income for the period	**0**	**0**	**0**	**3**
Total comprehensive income for the period	**–64**	**17**	**197**	**650**
Profit attributable to:				
Owners of Hoist Finance AB (publ)	–64	17	197	650

Parent Company balance sheet

SEK m	31 Dec 2019	31 Dec 2018
ASSETS		
Cash	0	0
Treasury bills and Treasury bonds	2,729	2,653
Lending to credit institutions	1,455	365
Lending to the public	13	17
Acquired loan portfolios	7,394	5,593
Receivables, Group companies	17,432	15,182
Bonds and other securities	2,769	3,635
Shares and participations in subsidiaries	807	722
Shares and participations in joint ventures	16	22
Intangible assets	186	177
Tangible assets	29	24
Other assets	290	340
Deferred tax assets	2	1
Prepayments and accrued income	55	27
TOTAL ASSETS	**33,177**	**28,758**
LIABILITIES AND EQUITY		
Liabilities		
Deposits from the public	21,435	17,093
Tax liabilities	33	65
Other liabilities	912	524
Deferred tax liabilities	2	5
Accrued expenses and deferred income	60	68
Provisions	53	41
Debt securities issued	5,431	5,950
Subordinated debts	852	839
Total liabilities and provisions	**28,778**	**24,585**
Untaxed reserves	**268**	**221**
Equity		
Restricted equity		
Share capital	30	30
Statutory reserve	13	13
Revaluation reserve	74	66
Development expenditure fund	5	4
Total restricted equity	**122**	**113**
Non-restricted equity		
Other contributed equity	2,965	2,965
Reserves	3	3
Retained earnings	844	224
Profit of the period	197	647
Total unrestricted equity	**4,009**	**3,839**
Total equity	**4,131**	**3,952**
TOTAL LIABILITIES AND EQUITY	**33,177**	**28,758**

Accounting principles

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

The Parent Company Hoist 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. The Swedish Financial Board's RFR 2, Accounting for Legal Entities, is also applied.

Change in accounting principles 2019

Hoist Finance began to apply IFRS 16 Leases from 1 January 2019. The Parent Company applies the exception in RFR 2 regarding IFRS 16. The Group has elected to apply the modified retrospective approach, i.e. recognising the cumulative net effect of IFRS 16 in retained earnings in the opening balance of equity as at 1 January 2019. There are no restatements of comparative figures. The effects of the implementation of IFRS 16 are described in note 8.

IFRS 16 Leases

Contracts that are deemed as at their start date to transfer right-of-use for an identified asset for a specified period in exchange for consideration are reported as lease contracts by the Hoist Finance Group, with the exception of lease contracts classified as short-term leases, leases of low-value assets, and leases of intangible assets.

Lease contracts that include both a lease component and associated non-lease components are accounted for separately if an observable stand-alone price is available; otherwise, non-lease components are not accounted for separately but rather reported as a single leasing component.

Short-term leases and leases of low-value assets are charged to profit/loss on a straight-line basis over the leasing period and are reported as "Other operating expenses" in the income statement.

At a lease contract's start date, a right-of-use asset and a lease liability are reported in the balance sheet. Right-of-use is initially valued at an amount corresponding to the lease liability's original value plus any prepaid leasing fees or initial direct costs, and is then written off on a straight-line basis over its useful life. The carrying value of the right-of-use asset is adjusted for any revaluations of the lease liability.

The lease liability is initially valued at the present value of remaining leasing fees at the start of the lease contract, discounted by applying the Group's marginal lending rate. After initial recognition, the lease liability is valued at amortised cost pursuant to the effective interest method. Lease payments are allocated between interest and amortisation of the outstanding liability. Interest is allocated over the lease period so that every accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognised during the respective period.

Lease contracts may include provisions for extending or terminating agreements included in the lease period only if it is deemed to be reasonably certain that such provisions will be exercised. The lease liability is revalued to reflect the new assessment of the lease period.

Lease contracts in the Hoist Group are classified in the following categories:

- Equipment and furniture
- Office premises
- Vehicles
- IT hardware

The majority of the lease contracts relate primarily to leases of office premises for the company's normal business operations.

Other IFRS amendments

No other IFRS or IFRIC Interpretations that came into effect in 2019 had any significant impact on the Group's financial reports or capital adequacy.

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 2018 annual report.

	Full-year 2019	Full-year 2018
1 EUR = SEK		
Income statement (average)	10.5850	10.2522
Balance sheet (at end of the period)	10.4336	10.2753
1 GBP = SEK		
Income statement (average)	12.0706	11.5870
Balance sheet (at end of the period)	12.2145	11.3482
1 PLN = SEK		
Income statement (average)	2.4628	2.4072
Balance sheet (at end of the period)	2.4445	2.3904
1 RON=SEK		
Income statement (average)	2.2305	–
Balance sheet (at end of the period)	2.1814	–

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 net interest 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 Function. 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.

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

Income statement, Quarter 4, 2019

SEK m	Great Britain	Italy	Germany	Poland	France	Other countries	Central Functions	Elimina-tions	Group
Total operating income	**162**	**222**	**92**	**108**	**42**	**115**	**35**	**–8**	**768**
of which, internal funding costs	*–60*	*–49*	*–15*	*–43*	*–9*	*–17*	*193*	*–*	*0*
Total operating expenses	**–96**	**–125**	**–55**	**–59**	**–39**	**–85**	**–200**	**8**	**–651**
Profit from participations in joint ventures	–	–	–	–	–	9	21	–	30
Profit before tax	**66**	**97**	**37**	**49**	**3**	**39**	**–144**	**0**	**147**

1) Dividend from subsidiaries SEK 10m.

Income statement, Quarter 4, 2018

SEK m	Great Britain	Italy	Germany	Poland	France	Other countries	Central Functions	Elimina-tions	Group
Total operating income	**147**	**229**	**87**	**79**	**39**	**114**	**–6**[1]	**77**	**766**
of which, internal funding costs	*–55*	*–38*	*–16*	*–33*	*–6*	*–15*	*163*	*–*	*0*
Total operating expenses	**–109**	**–142**	**–76**	**–36**	**–34**	**–67**	**–142**	2	**–604**
Profit from participations in joint ventures	–	–	–	–	–	11	13	–	24
Profit before tax	**38**	**87**	**11**	**43**	**5**	**58**	**–135**	**79**	**186**

Income statement, Full-year 2019

SEK m	Great Britain	Italy	Germany	Poland	France	Other countries	Central Functions	Elimina-tions	Group
Total operating income	**590**	**931**	**350**	**446**	**125**	**469**	**153**[1]	**–26**	**3,038**
of which, internal funding costs	*–233*	*–156*	*–63*	*–161*	*–28*	*–71*	*712*	*–*	*0*
Total operating expenses	**–375**	**–506**	**–221**	**–192**	**–162**	**–281**	**–631**	**16**	**–2,352**
Profit from participations in joint ventures	–	–	–	–	–	9	53	–	62
Profit before tax	**215**	**425**	**129**	**254**	**–37**	**197**	**–425**	**–10**	**748**

1) Dividend from subsidiaries SEK 1,947m and write down of shares in subsidiaries SEK 1,454m.

Note 1 *Segment reporting, cont.*

Income statement, Full-year 2018

SEK m	Great Britain	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	**597**	**776**	**350**	**378**	**119**	**342**	**767**[1]	**–500**	**2,829**
of which, internal funding costs	*–203*	*–137*	*–63*	*–115*	*–22*	*–55*	*595*	*–*	*0*
Total operating expenses	**–381**	**–431**	**–296**	**–199**	**–125**	**–222**	**–500**	**8**	**–2,146**
Profit from participations in joint ventures	–	–	–	–	–	17	55	–	72
Profit before tax	**216**	**345**	**54**	**179**	**–6**	**137**	**322**	**–492**	**755**

1) 1) Dividend from subsidiaries SEK 1,947m and write down of shares in subsidiaries SEK 1,454m.

Acquired loans, 31 Dec 2019

SEK m	Great Britain	Italy	Germany	Poland	France	Other countries	Central Functions	Group
Run-off consumer loan portfolio			10					10
Acquired loan portfolios	6,303	6,165	2,172	3,865	2,827	2,971		24,303
Shares and participations in joint ventures[1]							200	200
Acquired loans	**6,303**	**6,165**	**2,182**	**3,865**	**2,827**	**2,971**	**200**	**24,513**

Acquired loans, 31 Dec 2018

SEK m	Great Britain	Italy	Germany	Poland	France	Other countries	Central Functions	Group
Run-off consumer loan portfolio			14					14
Acquired loan portfolios	5,671	5,935	2,190	2,757	1,079	2,973		20,605
Shares and participations in joint ventures[1]							215	215
Acquired loans	**5,671**	**5,935**	**2,204**	**2,757**	**1,079**	**2,973**	**215**	**20,834**

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.
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Note 2 Acquired loan portfolios

	Group		Parent Company	
SEK m	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Gross carrying amount	23,921	20,346	7,267	5,532
Loss allowance	382	259	127	61
Net carrying amount	**24,303**	**20,605**	**7,394**	**5,593**

Note 2 *Acquired loan portfolios, cont.*

Acquired credit-impaired loan portfolios, 31 Dec 2019

	Group			Parent Company		
SEK m	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Opening balance 1 Jan 2019	19,334	262	19,596	5,133	63	5,196
Acquisitions	5,952	–	5,952	2,647	–	2,647
Interest income	3,271	–	3,271	936	–	936
Gross collections	–6,179	–	–6,179	–1,877	–	–1,877
Impairment gains and losses	–	122	122	–	67	67
Disposals	0	–	0	–	–	–
Translation differences	631	3	634	83	0	83
Closing balance 31 Dec 2019	**23,009**	**387**	**23,396**	**6,922**	**130**	**7,052**

Acquired credit-impaired loan portfolios, 31 Dec 2018

	Group			Parent Company		
SEK m	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Opening balance 1 Jan 2018	14,766	–	14,766	–	–	–
Merger	–	–	–	2,464	–	2,464
IFRS 9 transition effects	11	–	11	7	–	7
Acquisitions	6,925	–	6,925	3,532	–	3,532
Interest income	2,744	–	2,744	637	–	637
Gross collections	–5,533	–	–5,533	–1,509	–	–1,509
Impairment gains and losses	–	264	264	–	64	64
Disposals	–66	0	–66	–	–	–
Translation differences	487	–2	485	2	–1	1
Closing balance 31 Dec 2018	**19,334**	**262**	**19,596**	**5,133**	**63**	**5,196**

Undiscounted acquired loss allowances

The undiscounted acquired loss allowances at initial recognition for credit-impaired loan portfolios acquired by the Group during January to December totalled SEK 27,897m (43,261), of which SEK 7,498m (24,689) is attributable to Parent Company acquisitions.

Acquired performing loan portfolios, 31 Dec 2019

	Group					
SEK m	Gross carrying amount	Stage 1 12M ECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2019	1,012	–2	0	–1	–3	1,009
Interest income	88	–	–	–	–	88
Amortisations and interest payments	–220	–	–	–	–	–220
Changes in risk parameters	–	1	0	–3	–2	–2
Derecognitions	–9	–	–	–	–	–9
Translation differences	41	0	0	0	0	41
Closing balance 31 Dec 2019	**912**	**–1**	**0**	**–4**	**–5**	**907**

Note 2 *Acquired loan portfolios, cont.*

Acquired performing loan portfolios, 31 Dec 2018

	Group					
SEK m	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	–	–	–	–	–	–
Acquisitions	1,123	–	–	–	–	1,123
Interest income	56	–	–	–	–	56
Amortisations and interest payments	–148	–	–	–	–	–148
Changes in risk parameters	–	–2	0	–1	–3	–3
Derecognitions	–3	–	–	–	–	–3
Translation differences	–16	0	0	0	0	–16
Closing balance 31 Dec 2018	**1,012**	**–2**	**0**	**–1**	**–3**	**1,009**

Acquired performing loan portfolios, 31 Dec 2019

	Parent Company					
SEK m	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2019	399	–1	0	–1	–2	397
Interest income	34	–	–	–	–	34
Amortisations and interest payments	–107	–	–	–	–	–107
Changes in risk parameters	–	1	0	–2	–1	–1
Derecognitions	–8	–	–	–	–	–8
Translation differences	27	0	0	0	0	27
Closing balance 31 Dec 2019	**345**	**0**	**0**	**–3**	**–3**	**342**

Acquired performing loan portfolios, 31 Dec 2018

	Parent Company					
SEK m	**Gross carrying amount**	**Stage 1 12M ECL**	**Stage 2 LECL**	**Stage 3 LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2018	–	–	–	–	–	–
Acquisitions	460	–	–	–	–	460
Interest income	24	–	–	–	–	24
Amortisations and interest payments	–74	–	–	–	–	–74
Changes in risk parameters	–	–1	0	–1	–2	–2
Derecognitions	–1	–	–	–	–	–1
Translation differences	–10	0	0	0	0	–10
Closing balance 31 Dec 2018	**399**	**–1**	**0**	**–1**	**–2**	**397**

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

SEK m	
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	735
Fair value gain/loss during the period, if the acquired loan portfolio would not have been reclassified	–205
Effective interest rate of reclassified acquired loans on date of initial application, %	21
Interest revenue recorded during the period Jan–Dec 2019	143

Note 3 Financial instruments

Carrying amount and fair value of financial instruments

SEK m	Group, 31 Dec 2019: Assets/liabilities recognised at fair value through profit or loss – Held for trading	Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,729			2,729	2,729
Lending to credit institutions				3,075	3,075	3,075
Lending to the public				10	10	10
Acquired loan portfolios				24,303	24,303	25,820
Bonds and other securities		2,769			2,769	2,769
Derivatives	41		66		107	107
Other financial assets				367	367	367
Total	**41**	**5,498**	**66**	**27,755**	**33,360**	**34,877**
Deposits from the public				21,435	21,435	21,435
Derivatives	29		6		35	35
Debt securities issued				5,900	5,900	6,530
Subordinated debt				852	852	840
Other financial debts				896	896	896
Total	**29**		**6**	**29,083**	**29,118**	**29,736**

Carrying amount and fair value of financial instruments

SEK m	Group, 31 Dec 2018: Assets/liabilities recognised at fair value through profit or loss – Held for trading	Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,653			2,653	2,653
Lending to credit institutions				1,187	1,187	1,187
Lending to the public				14	14	14
Acquired loan portfolios				20,605	20,605	22,309
Bonds and other securities		3,635			3,635	3,635
Derivatives	11		117		128	128
Other financial assets				233	233	233
Total	**11**	**6,288**	**117**	**22,039**	**28,455**	**30,159**
Deposits from the public				17,093	17,093	17,093
Derivatives	5		14		19	19
Debt securities issued				5,950	5,950	5,922
Subordinated debt				839	839	826
Other financial debts				544	544	544
Total	**5**		**14**	**24,426**	**24,445**	**24,404**

Note 3 *Financial instruments, cont.*

Carrying amount and fair value of financial instruments

	Parent Company, 31 Dec 2019					
	Assets/liabilities recognised at fair value through profit or loss					
SEK m	Held for trading	Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,729			2,729	2,729
Lending to credit institutions				1,455	1,455	1,455
Lending to the public				13	13	13
Acquired loan portfolios				7,394	7,394	7,940
Receivables, Group companies		9		17,423	17,432	17,432
Bonds and other securities		2,769			2,769	2,769
Derivatives	41		66		107	107
Other financial assets				173	173	173
Total	**41**	**5,507**	**66**	**26,458**	**32,072**	**32,618**
Deposits from the public				21,435	21,435	21,435
Derivatives	29		6		35	35
Debt securities issued				5,431	5,431	4,925
Subordinated debt				852	852	840
Other financial debts				911	911	911
Total	**29**		**6**	**28,629**	**28,664**	**28,146**

Carrying amount and fair value of financial instruments

	Parent Company, 31 Dec 2018					
	Assets/liabilities recognised at fair value through profit or loss					
SEK m	Held for trading	Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,653			2,653	2,653
Lending to credit institutions				365	365	365
Lending to the public				17	17	17
Acquired loan portfolios				5,593	5,593	6,156
Receivables, Group companies				15,182	15,182	15,182
Bonds and other securities		3,635			3,635	3,635
Derivatives	11		117		128	128
Other financial assets				172	172	172
Total	**11**	**6,288**	**117**	**21,329**	**27,745**	**28,308**
Deposits from the public				17,093	17,093	17,093
Derivatives	5		14		19	19
Debt securities issued				5,950	5,950	5,922
Subordinated debt				839	839	826
Other financial debts				539	539	539
Total	**5**		**14**	**24,421**	**24,440**	**24,399**

Note 3 *Financial instruments, cont.*

Fair value measurement

Group

The Group uses observable data to the greatest possible extent when determining the fair value of an asset or liability. Fair values are categorised in different levels based on the input data used in the measurement 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) According to inputs that are not based on observable market data. This category includes all instruments for which the valuation technique is based on data that is not observable and has a substantial impact on the valuation. The carrying value of acquired loan portfolios is calculated by discounting cash flow forecasts at the average effective interest rate for purchased loan portfolios from the past 24 months in each jurisdiction.

Fair value measurements

	Group, 31 Dec 2019			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	2,729			2,729
Bonds and other securities	2,769			2,769
Derivatives		107		107
Total assets	**5,498**	**107**		**5,605**
Derivatives		35		35
Total liabilities		**35**		**35**

	Parent Company, 31 Dec 2019			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	2,729			2,729
Bonds and other securities	2,769			2,769
Receivables, Group companies			9	9
Derivatives		107		107
Total assets	**5,498**	**107**	**9**	**5,614**
Derivatives		35		35
Total liabilities		**35**		**35**

Fair value measurements

	Group and Parent Company, 31 Dec 2018			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	2,653			2,653
Bonds and other securities	3,635			3,635
Derivatives		128		128
Total assets	**6,288**	**128**		**6,416**
Derivatives		19		19
Total liabilities		**19**		**19**

Note 4 Capital adequacy

The information in this Note includes information that is required to be disclosed pursuant to FFFS 2008:25, including applicable amendments, regarding annual reports for credit institutions and FFFS 2014:12, including applicable amendments, concerning supervisory requirements and capital buffers. The information refers to the Hoist Finance AB (publ) consolidated situation ("Hoist Finance") and Hoist Finance AB (publ), the regulated entity.

The difference between the consolidated accounts and the consolidated situation for capital adequacy purposes is as follows. Joint ventures are consolidated with the equity method in the consolidated accounts, whereas the proportional method is used for the consolidated situation. Securitised assets are recognised in the consolidated accounts but are removed from the accounting records for the consolidated situation. Hoist Finance's participating interest in the securitised assets is always covered.

The following laws and regulations were applied when establishing the company's statutory capital requirements: Regulation (EU) No 575/2013 of the European Parliament and Council on prudential requirements for credit institution and investment firms; Swedish law 2014:968, Supervision of credit institutions and securities companies; and Swedish law 2014:966 on capital buffers.

Transitional rules, IFRS 9

After obtaining FSA approval, Hoist Finance has decided to apply the transitional rules regarding IFRS 9 for the period 30 April 2018 through 31 December 2022. Application of these transitional rules allow the gradual phase-in of expected credit losses to capital adequacy.

Risk weights for non-performing loans

From 18 December 2018, Hoist Finance assigns a risk weight of 150 per cent for unsecured non-performing loans, following the Swedish Financial Supervisory Authority's new interpretation of the capital adequacy regulation.

Own funds

The table below shows own funds used to cover the capital requirements for Hoist Finance consolidated situation and the regulated entity Hoist Finance AB (publ).

	Hoist Finance consolidated situation		Hoist Finance AB (publ)	
SEK m	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Capital instruments and related share premium accounts	1,913	1,913	1,913	1,913
Retained earnings	1,534	1,005	819	199
Accumulated comprehensive income and other reserves	133	191	694	649
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	605	590	197	647
Intangible assets (net of related tax liability)	–382	–387	–186	–177
Deferred tax assets that rely on future profitability	–27	–18	–2	–1
Exposure amount of securitisation positions which qualify for a RW of 1,250 %, where the institution opts for the deduction alternative	–9	–	–9	–
Other transitional arrangements	4	3	2	2
Common Equity Tier 1	**3,771**	**3,297**	**3,428**	**3,232**
Capital instruments and the related share premium accounts	690	690	690	690
Additional Tier 1 capital	**690**	**690**	**690**	**690**
Tier 1 capital	**4,461**	**3,987**	**4,118**	**3,922**
Capital instruments and the related share premium accounts	852	839	852	839
Tier 2 capital	**852**	**839**	**852**	**839**
Total own funds	**5,313**	**4,826**	**4,970**	**4,761**

1) The Board of Directors will propose that the 2019 Annual General Meeting make an exception to the prevailing dividend policy and resolve not to distribute a dividend for 2019. The AGM also resolved not to distribute a dividend for 2018. Accordingly, no dividend deduction has been included for financial years 2018 and 2019. For the third quarter 2018, regulatory dividend deduction was calculated at 30 per cent of period's reviewed profit after tax, which is the maximum dividend per the Group's internal dividend policy.

Note 4 *Capital adequacy, cont.*

Capital requirement

The tables below show the risk-weighted exposure amounts and own funds requirements per risk category for Hoist Finance and the regulated entity Hoist Finance AB (publ).

Risk-weighted exposure amounts	Hoist Finance consolidated situation		Hoist Finance AB (publ)	
SEK m	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	752	355	363	161
of which, counterparty credit risk	*60*	*48*	*60*	*48*
Exposures to corporates	319	142	14,565	15,286
Retail exposures	38	75	33	69
Exposures secured by mortgages on immovable property	368	402	101	112
Exposures in default	28,746	28,919	10,043	7,667
Exposures in the form of covered bonds	277	363	277	363
Equity exposures	–	–	807	722
Other items	382	117	84	51
Credit risk (standardised approach)	**30,882**	**30,373**	**26,273**	**24,431**
Securitisation positions in the banking book (external ratings-based approach)	**2,984**	**–**	**2,984**	**–**
Market risk (foreign exchange risk – standardised approach)	**78**	**25**	**78**	**25**
Operational risk (standardised approach)	**3,935**	**3,670**	**1,916**	**1,430**
Credit valuation adjustment (standardised approach)	**48**	**53**	**48**	**53**
Total risk-weighted exposure amount	**37,927**	**34,121**	**31,299**	**25,939**

Note 4 *Capital adequacy, cont.*

Capital requirements	Hoist Finance consolidated situation		Hoist Finance AB (publ)	
SEK m	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Pillar 1				
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	60	28	29	13
of which, counterparty credit risk	*5*	*4*	*5*	*4*
Exposures to corporates	26	11	1,165	1,223
Retail exposures	3	6	3	6
Exposures secured by mortgages on immovable property	29	32	8	9
Exposures in default	2,300	2,313	803	613
Exposures in the form of covered bonds	22	29	22	29
Equity exposures	–	–	65	58
Other items	31	9	7	4
Credit risk (standardised approach)	**2,471**	**2,428**	**2,102**	**1,955**
Securitisation positions in the banking book (external ratings-based approach)	**239**	**–**	**239**	**–**
Market risk (foreign exchange risk – standardised approach)	**6**	**2**	**6**	**2**
Operational risk (standardised approach)	**315**	**294**	**153**	**114**
Credit valuation adjustment (standardised approach)	**4**	**4**	**4**	**4**
Total own funds requirement – Pillar 1	**3,035**	**2,728**	**2,504**	**2,075**
Pillar 2				
Concentration risk	245	215	356	215
Interest rate risk in the banking book	129	54	129	54
Pension risk	3	3	3	3
Other Pillar 2 risks	37	31	37	31
Total own funds requirement – Pillar 2	**414**	**303**	**525**	**303**
Capital buffers				
Capital conservation buffer	948	853	783	649
Countercyclical buffer	128	103	94	73
Total own funds requirement – Capital buffers	**1,076**	**956**	**877**	**722**
Total own funds requirements	**4,525**	**3,987**	**3,906**	**3,100**

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 0.35 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.

Note 4 *Capital adequacy, cont.*

Capital ratios and capital buffers, %	Hoist Finance consolidated situation 31 Dec 2019	Hoist Finance consolidated situation 31 Dec 2018	Hoist Finance AB (publ) 31 Dec 2019	Hoist Finance AB (publ) 31 Dec 2018
Common Equity Tier 1 capital ratio	9.94	9.66	10.95	12.45
Tier 1 capital ratio	11.76	11.68	13.16	15.11
Total capital ratio	14.01	14.14	15.88	18.34
Institution-specific buffer requirements for CET1 capital	7.34	7.30	7.30	7.28
of which, capital conservation buffer requirement	*2.50*	*2.50*	*2.50*	*2.50*
of which, countercyclical capital buffer requirement	*0.34*	*0.30*	*0.30*	*0.28*
Common Equity Tier 1 capital available to meet buffers[1)]	**5.44**	**5.16**	**6.45**	**7.95**

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 December 2019 the internally assessed capital requirement for Hoist Finance was SEK 3,449m (3,031), of which SEK 414m (303) 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 not being able to meet payment obligations at maturity without a significant increase in the cost of obtaining means of payment

Because the Group's revenues and expenses are relatively stable, liquidity risk is primarily associated with the Group's funding which is based on deposits from the public. By definition this way of funding has a risk of major outflows of deposits at 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 funds in liquid assets or immediately saleable assets to ensure timely discharge of its payment obligations without incurring high additional costs.

Funding is mainly raised in the form of deposits from the public and through the capital markets through the issuance of senior unsecured debts, own funds instruments and equity. 41 per cent of deposits from the public are payable on demand (current account – "flex"), while 59 per cent (35) of the Group's deposits from the public are locked into longer maturities (fixed-term deposits) ranging from one to five years. About 99 per cent of deposits are is fully covered by the Swedish state deposit guarantee.

Funding

SEK m	Hoist Finance consolidated situation 31 Dec 2019	Hoist Finance consolidated situation 31 Dec 2018	Hoist Finance AB (publ) 31 Dec 2019	Hoist Finance AB (publ) 31 Dec 2018
Current account deposits	8,871	11,041	8,871	11,041
Fixed-term deposits	12,564	6,052	12,564	6,052
Debt securities issued	5,900	5,950	5,431	5,950
Convertible debt instruments	690	690	690	690
Subordinated debts	852	839	852	839
Equity	4,208	3,723	3,441	3,262
Other	1,302	960	1,329	924
Balance sheet total	**34,387**	**29,255**	**33,177**	**28,758**

Note 5 *Liquidity risk, cont.*

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity and its nature. Available liquidity totalled SEK 8,024m (7,399) as per 31 December, 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.

Liquidity reserve

SEK m	31 Dec 2019	31 Dec 2018
Cash and holdings in central banks	0	0
Deposits in other banks available overnight	2,526	1,111
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	2,207	1,622
Securities issued or guaranteed by municipalities or other public sector entities	522	1,031
Covered bonds	2,769	3,635
Securities issued by non-financial corporates	–	–
Securities issued by financial corporates	–	–
Other	–	–
Total	**8,024**	**7,399**

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

Note 6 Pledged assets

	Group		Parent Company	
SEK m	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	79	70	0	12

Note 7 Contingent liabilities

	Group		Parent Company	
SEK m	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Commitments	356	1,116	325	367

Note 8 IFRS 16 transition effects

The transition to IFRS 16 has not have any effect on the Group's opening balance of equity on 1 January 2019.

At the initial date of application, right-of-use assets are valued at an amount corresponding to the lease liability adjusted for any prepaid or accrued leasing fees related to lease contracts reported in the balance sheet immediately prior to the date of application. The lease liability is valued at an amount corresponding to the present value of remaining leasing fees discounted by applying the Group's marginal lending rate at the initial date of application. The Group's average marginal lending rate at transition is expected to be 3.74 per cent.

At the initial date of application, right-of-use assets are valued at an amount corresponding to the lease liability adjusted for any prepaid or accrued leasing fees related to lease contracts reported in the balance sheet immediately prior to the date of application.

Lease contracts that include both a lease component and associated non-lease components are accounted for separately if an observable stand-alone price is available; otherwise, non-lease components are not accounted for separately but rather reported as a single leasing component. Leases with lease terms ending within 12 months from the initial date of application are reported in the same manner as short-term leases.

SEK m	Originial carrying value under IAS 17 2018-12-31	Reclassification	IFRS 16 transition	New carrying value under IFRS 16 2019-01-01
Tangible assets	2	–0	171	173
Prepaid expenses and accrued income	1	–1	–	0
Total assets	**3**	**–1**	**171**	**173**
Other liabilities	2	–	171	173
Accrued expenses and prepaid income	1	–1	–	0
Total liabilities	**3**	**–1**	**171**	**173**
Net effect on equity	–	–	–	–

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, 11 February 2020

Ingrid Bonde
Chair of the Board

Cecilia Daun Wennborg
Board member

Malin Eriksson
Board member

Liselotte Hjorth
Board member

Robert Kraal
Board member

Marcial Portela
Board member

Joakim Rubin
Board member

Lars Wollung
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. C&I ratio, Return on equity, Net interest income margin and Adjusted EBITDA are alternative performance measures that provide information on Hoist Finance's profitability. "Estimated Remaining Collections" is Hoist Finance's estimate of the gross amount that can be collected on acquired loan portfolios. Definitions of alternative performance measures and other key figures are presented below. The financial fact book, available on ir.hoistfinance.com, provides details on the calculation of key figures.

Acquired loan portfolios

An acquired loan portfolio consists of a number of defaulted and non-defaulted consumer loans and SME loans that arise from the same originator.

Acquired loans

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

Additional Tier 1 capital

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

Adjusted EBITDA

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

Basic earnings per share

Net profit for the period, adjusted for interest on capital instruments recorded in equity, divided by the weighted average number of outstanding shares.

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.

C/I ratio

Total operating expenses in relation to Total operating income and Profit from shares and participations in joint ventures.

Diluted earnings per share

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

Fee and commission income

Fees for providing debt management services to third parties.

Gross 180-month ERC

"Estimated Remaining Collections" – the company's estimate of the gross amount that can be collected on the credit-impaired 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 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.

Internal funding cost

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

Items affecting comparability

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

Legal collection

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

Liquidity reserve

Hoist Finance's liquidity reserve is a reserve of high-quality liquid assets which is used to carry out planned acquisitions of loan portfolios and to secure the Company's short-term capacity to meet payment obligations in the event of lost or impaired access to regularly available funding sources.

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.

Non-performing loans (NPL)

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

Number of employees (FTEs)

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

Own funds

Sum of Tier 1 capital and Tier 2 capital.

Portfolio growth

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

Portfolio revaluation

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

Return on equity

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

Risk-weighted exposure amount

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

SME

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

Tier 1 capital

The sum of CET1 capital and additional Tier 1 capital.

Tier 1 capital ratio

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

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 capital ratio

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

Weighted average number of shares outstanding

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

Vision, mission and strategy

Financial targets

Profitability

By leveraging on operational efficiency efforts to become more cost-effective, we aim to reduce the cost-to-income ratio to 65 per cent in the medium term.

By ensuring the right balance between growth, profitability and capital efficiency we aim to achieve a return on equity exceeding 15 per cent in the medium term.

Capital structure

Under normal conditions, the CET1 ratio should be 1.75 – 3.75 percentage points above overall CET1 requirements specified by the Swedish Financial Supervisory Authority.

Growth

EPS (adjusted for AT1 costs) should by 2021 have grown by an average annual growth rate of 15 per cent compared to 2018, excluding IAC.

Dividend policy and dividend

Hoist Finance dividend will in the long-term correspond to 25-30 per cent of annual net profit. The dividend will be determined annually, with respect to the company's capital target and the outlook for profitable growth.

The Board will recommend to the Annual General Meeting (AGM) not to pay any dividend for the financial year 2020.

Our Mission – Your Trust

Our Vision

Helping people keep their commitments.

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.

- Market leading position in prioritised markets.
- Extensive local know-how and data providing competitive advantage and ability to capture future growth.
- Diversified product and service offerings on priority markets including unsecured loans to SMEs, unsecured consumer loans, secured loans to SMEs and performing loans.

- Maintain competitive advantage of unique funding model providing stability in capital constrained environments.
- Offer unique value proposition and offering to customers enabled through bank license.

- Specialised market leader in financial institutions originated debt.
- Diversified and deep relationships across markets.
- Expand services to meet the full spectrum of client needs.

- Spearhead industry development and use of digital and analytics.
- Utilise digital tools in order to make it possible for us to interact with our customers in multiple channels and touch points.

- Best in class ways of working in terms of efficiency.
- Ways of working harmonised across the organisation and based on expertise and learnings.
- Creating value by leveraging all of our tacit knowledge.

Financial calendar

Year-end report, 2019	12 February 2020
Annual report 2019	30 March 2020
Interim report, Q1 2020	6 May 2020
Interim report, Q2 2020	23 July 2020
Interim report, Q3 2020	30 October 2020

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