Hoist Finance

Annual Report 2019

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Financial Review

Reference to statutory annual report and sustainability report:
The statutory annual report comprises pages 7-9, 21-36, 40-49 and 80-160. The statutory sustainability report in accordance with the Swedish Annual Accounts Act (ÅRL) is included in the statutory annual report and comprises pages 7–9, 21-36 and 40–49.

Hoist Finance AB (publ) is a regulated credit market company and parent company of the Group, and prepares its financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL). The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS).

The year in brief

Highlights

Digital highlights

- Launch of customer interaction via RCS and the chatbot Kai in the UK.
- Launch of customer interaction via WhatsApp in Italy.
- The upgraded customer portal 2.0 implemented in France, Germany, Poland and Spain.

Mitigating actions as an adaptation to regulatory changes

- Successful completion of the first-ever Italian investment grade rated securitisation.
- Successful unrated securitisation of Italian NPLs.

Acqusitions

- Hoist Finance became the second largest debt purchaser in Poland through the acquisition of assets from GetBack.
- Acquisition of Italian company Maran Group, adding to Hoist Finance servicing capabilities
- The acquisition of a French non-performing mortgage portfolio, with an outstanding balance of EUR ~375 million, is the largest investment in company history. The transaction also makes us market leading within this segment.

Strategic initiatives

- Outsourcing of IT infrastructure.
- Continued site consolidation by closing of contact centre in Bayonne, France.
- Continued expansion of Shared Service Centre in Wroclaw, Poland.
- Initial establishment of a Nearshoring Centre in Bucharest, Romania.
- Establishment of a new business area: Retail Banking and Business Development.

Changes in Senior Management and the Board of Directors

- Robert Kraal and Lars Wollung elected as new members of the Board of Directors at the AGM.
- Fabien Klecha, Country Manager for France, assumed the responsibility for the Centre of Excellence for Secured NPLs.
- Emanuele Reale appointed new Chief Sales Officer.

Key figures of 2019

5,952
PORTFOLIO ACQUISITIONS (SEK m)

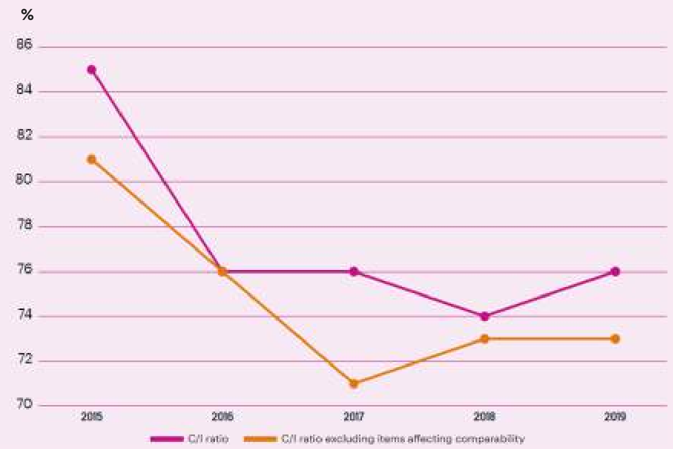
76%
C/I RATIO

748
PROFIT BEFORE TAX (SEK m)

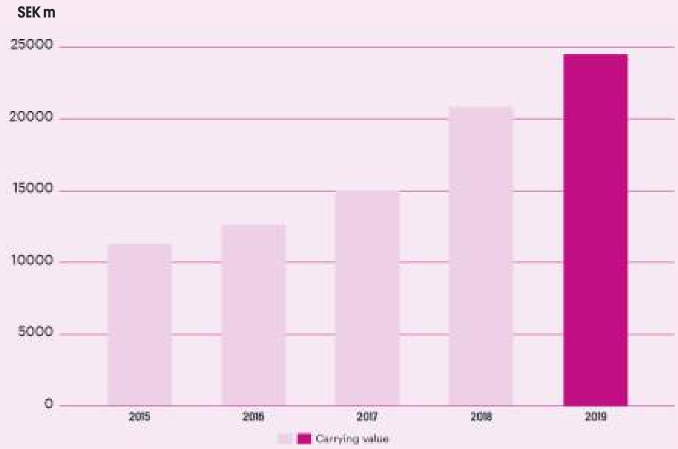
13%
RETURN ON EQUITY

Key figures of 2019

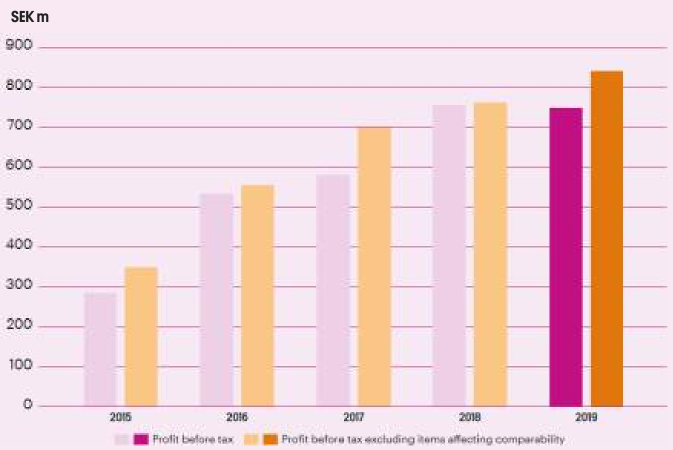
C/I Ratio



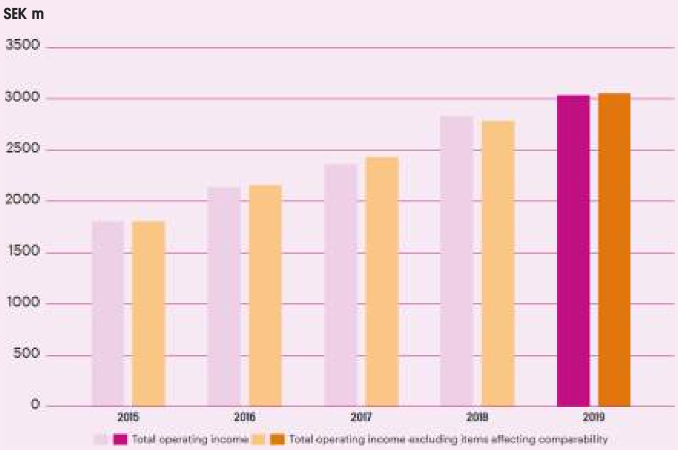
Carrying value



Profit before tax



Total operating income



SEK million	2019	2018	2017
Total operating income	3,038	2,829	2,365
Profit before tax	748	755	581
Net profit	605	590	453
Basic and diluted earnings per share, SEK	6.07	6.29	5.10
Net interest income margin, %	13	14	N/A
C/I ratio, %	76	74	76
Return on equity, %	13	16	15
Portfolio acquisitions	5,952	8,048	4,253

Hoist Finance mission, purpose and position

Helping People Keep Their Commitments

is our mission and purpose, it is what we do and why we go to work every day.

By Your Side

is how we see ourselves fulfilling our mission, to always be by our customers' side, how we support them to be part of and included in the financial ecosystem.

Uncomplicated, Helpful and Humane

is our personality.

Financial targets

ROE [(A)]	EPS Growth [(B)]	Cost-to-income Ratio
>15%	15% CAGR [(C)]	65% by 2021

CET1	Dividend policy
1.75-3.75% ABOVE REGULATORY REQUIREMENTS	DIVIDEND WILL IN THE LONG-TERM CORRESPOND TO **25-30%** OF ANNUAL NET PROFIT, AND WILL BE DETERMINED ANNUALLY, WITH RESPECT TO THE COMPANY'S CAPITAL TARGET AND THE OUTLOOK FOR PROFITABLE GROWTH

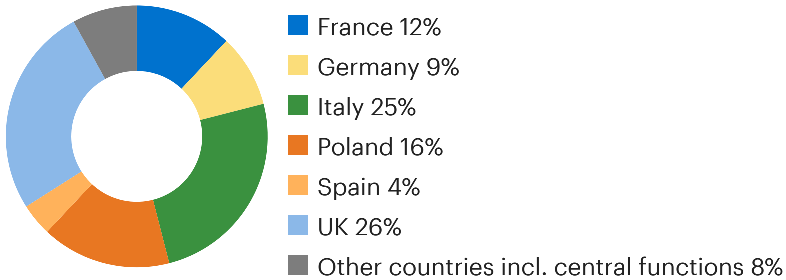
A) Net profit for the period adjusted for accrued unpaid interest on AT1 capital calculated on annualised basis, divided by equity adjusted for AT1 capital reported in equity, calculated as an average for the financial year based on a quarterly basis.
B) Adjusted for AT1 costs
C) When comparing 2021 vs. 2018 and excluding items affecting comparability (IAC)

Our Presence

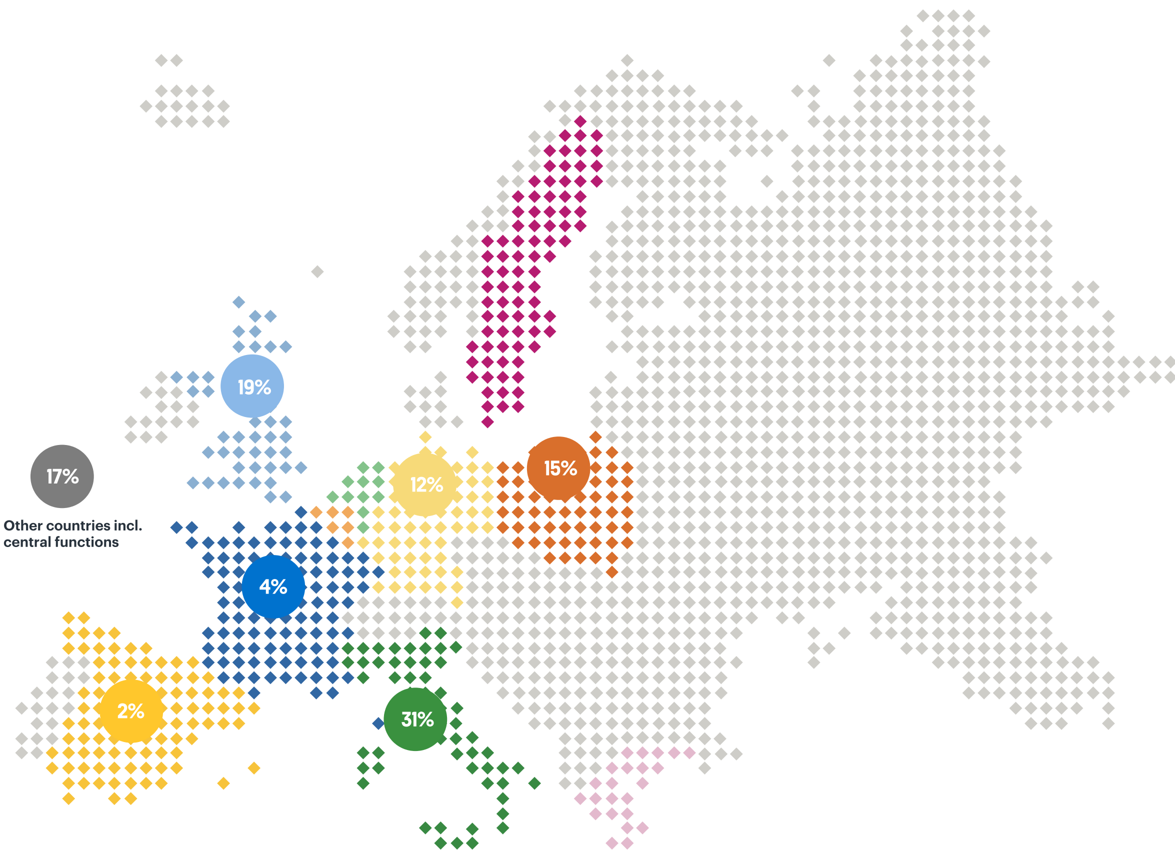
Hoist Finance has operations in 11 European countries, a presence that provides us with an ability to invest on a Pan-European basis. In 2019, the presence in our six largest markets enabled us to capture 70 per cent of the European NPL stock, primarily managed through our own servicing platform, which is the core business for Hoist Finance.

Since we are already present in the main European NPL markets, our strategy is not to expand our operations into smaller jurisdictions but instead to grow and develop our presence in existing markets. A key element of this strategy is our expansion into new asset classes, which allows for additional profitable acquisition opportunities whilst leveraging upon the extensive knowledge and expertise in our local operations, and strengthening the core relationships with banks and financial institutions, which we have successfully established over our many years.

Carrying amount of Hoist Finance acuired loan portfolios



Share of Hoist Finance's total operating income



A Year of Execution

In 2019, we improved operational efficiency and completed several significant acquisitions, while maintaining our focus of helping people keep their commitments.

Customers first

Hoist Finance's mission is to help people keep their commitments. Being in financial difficulty can happen to anyone, and during 2019, we have continued to support our customers with setting repayment plans that fit their unique situation and financial capability. Our new vision "By your side" is how we see ourselves fulfilling our mission, by always being by our customers' side, in how we support them to be included in the financial ecosystem. I frequently listen in on calls 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, understanding and humane. By deploying our core competence, we help people back to financial inclusion. This is a key component of our new sustainability strategy that we have developed as underwriters of UN's Sustainability Development Goals.

"By deploying our core competence, we help people back to financial inclusion"

Focus areas in 2019

Setting a digital agenda was truly a focus area in 2019. We want to offer our customers flexibility to go online, to chat and the ability to be self-sufficient. We have developed an industrialised approach, in order to operate in the same way and deliver the same digital services in all our markets. We took some important first steps in 2019 and at the end of the year about 15 per cent of our customer contacts were digital only, which will continue to increase significantly going forward. To our help we have the chatbot *Kai*, our new virtual co-worker who is always friendly, a fast learner and works around the clock.

Another important focus area in 2019 was managing the consequences of new regulations. Our industry is well served with regulation to protect customers and investors, as well as society at large. Regulation is important to protect consumers in general, and in many ways helps the industry to become more professional. This also benefits the banks that are divesting non-performing or non-core loans to the debt resolution industry.

Our total operating income was SEK 3,038 million (2,829 in 2018) and profit before tax SEK 748 million (755). The underlying cost control is good, several important actions have been taken and benefits from these initiatives will materialise in 2020 and onwards. I remain confident that we will reach our financial targets.

To be successful in our industry, you need to have efficient operations and the lowest funding costs. Thanks to our deposit business, we have enjoyed being in pole position on the latter for many years. In order to keep this benefit, we completed the first-ever Italian investment grade rated securitisation, backed by a portfolio of unsecured non-performing loans. Our banking model has been profitable for many years and we continue seeing it as one of our most important competitive advantages.

Major acquisitions

We acquired portfolios for a total of SEK 5,952 million. The acquisitions included the largest portfolio investment ever by Hoist Finance and the first non-performing mortgage portfolio of its size to be sold in France. The portfolio included over 3,500 claims with an outstanding balance of some SEK 3.9 billion. The transaction positions Hoist Finance as the market leader in the French secured NPL segment.

Another major acquisition included the SEK 990 million in assets from Polish debt management and collection company GetBack. Over 95 per cent of the assets were non-performing unsecured consumer loans. As a result, we welcomed and on-boarded about 560,000 new customers in Poland and Hoist Finance is now the second largest debt resolution company in that market.

Our acquisitions, especially in France, demonstrate that the European market has opened up. Driven by regulatory changes, we now see banks divesting loan stocks to a greater extent than previously. These developments go hand in hand with Hoist Finance's strategy to grow in selected European markets.

“

Operational excellence will continue to be a priority in 2020, underpinning our capacity to deliver attractive returns going forward, while maintaining our focus of helping people keep their commitments.

”

Outlook for 2020

Our proven ability to execute on our strategy despite a rather turbulent environment tells me that we are on the right track. We have a strong foundation and organisation, a recovered capital position including a significant extension on the duration of our financing, the industry's lowest funding costs and the only company in our field with an investment grade rating.

The outlook is more uncertain as a result of the rapid coronavirus development. In the near term we are seeing a temporary pause in the supply of debt portfolios, but in the long run we firmly believe that the market outlook remains positive. We anticipate that banks will continue to divest portfolios and will do so at an earlier stage than historically. The European estimated loan stock has decreased from EUR 1.2 trillion in 2014, to approximately EUR 635 billion in 2019. This is good for the financial eco-system, and I am confident in the market for non-performing loans as all market participants have become more diligent and structured, which has resulted in favourable margin developments over the last year. There is also an increased amount of transactions in the secondary market, both for non-performing loans as well as for performing loans.

Change continues 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. I am very proud of having deeply committed employees, working together with a relentless drive towards creating long-term value for our customers and shareholders. 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. In 2019, we launched our leadership programme, Hoist Finance Academy, which fosters a learning environment where our managers can become strong leaders. By investing in our people, we are investing in our future.

If we can offer customers and employees the best experience possible, both in the current challenging times as well as in the long run, I am convinced financial performance will benefit. This is why operational excellence will continue to be a priority in 2020, underpinning our capacity to deliver attractive returns going forward, while maintaining our focus of helping people keep their commitments.

Klaus-Anders Nysteen, CEO

How we create value

Our business model and strategies are focused on delivering value to all stakeholders

Business model for value creation

Competitive factors

Hoist Finance Unique Operating Model

- Amicable settlements
- Centers of Exellence

Credit market license

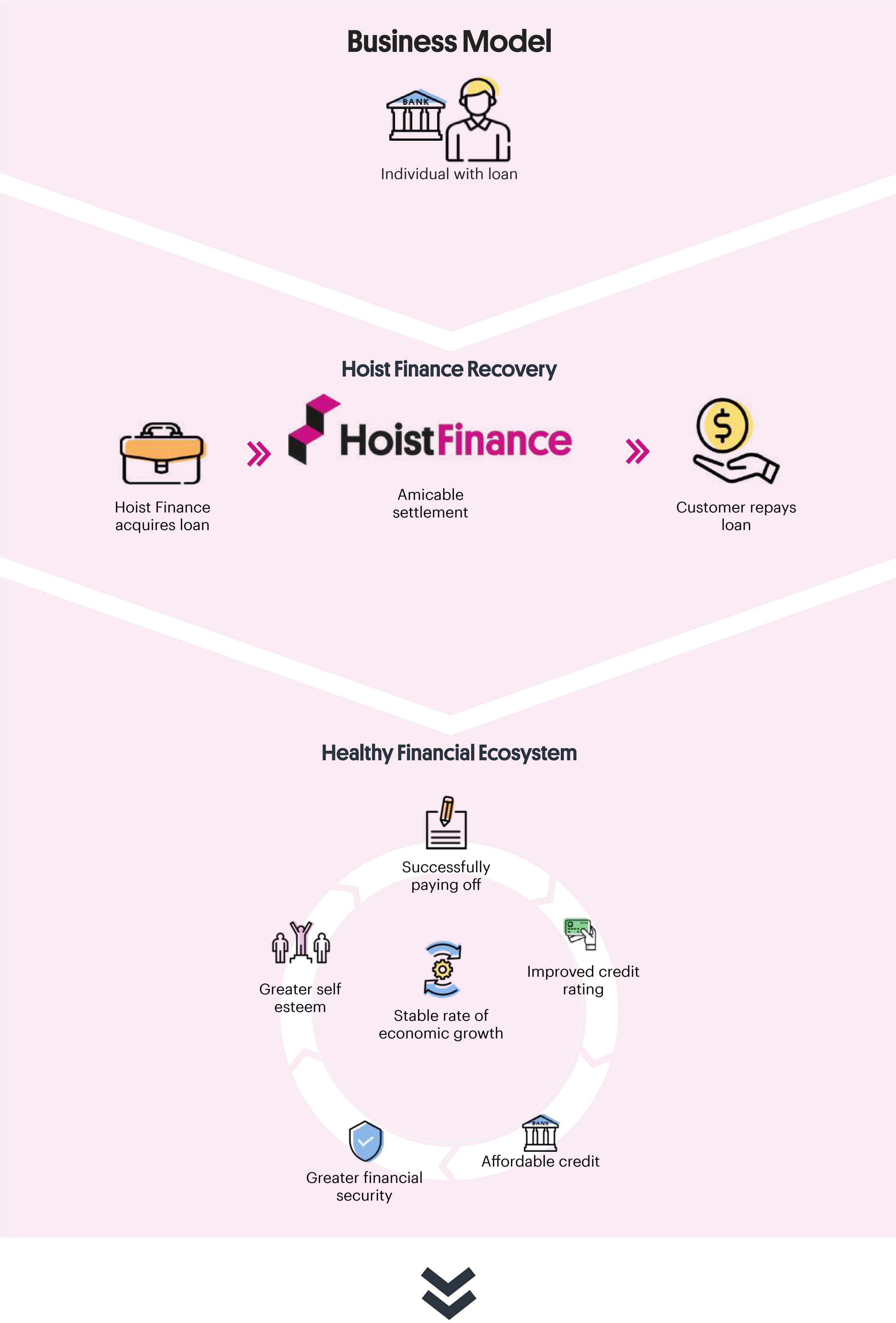
- Banking platform
- Solid governance and compliance

Our People

- One Hoist Finance
- 1,725 skilled and committed employees
- Hoist Finance Academy
- TRUST (our values)

Business Mix

- More than 25 years of experience in debt restructuring solutions
- Full-service and flexible supplier capable to service various stages of the credit risk cycle

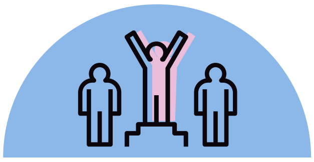

Business Model
BANK
Individual with loan
Hoist Finance Recovery
Hoist Finance acquires loan
Hoist Finance
Amicable settlement
Customer repays loan
Healthy Financial Ecosystem
Successfully paying off
Improved credit rating
Affordable credit
Greater financial security
Greater self esteem
Stable rate of economic growth

Value for our stakeholders

Stakeholders	Value	...in numbers 2019
Customers	Sustainable payment plans so that customers can regain control over their finances.	**170,000** monthly customer dialougues **200,000** new payment plans set up **EUR 54** average affordable, monthly customer payments
Shareholders	A long-term investment with a healthy dividend and a good value growth.	**7,429** Shareholders **16%** return on share
Deposit customers	Online deposit savings platform in Sweden (HoistSpar) and Germany with competitive interest rates.	**75,791** Deposit customers Up to **1.75%** interest rate
Our People	» Opportunity to work in a stimulating environment with engaging company culture. » Opportunities for personal development.	**90%** response rate in Great Place to Work survey **12%** increase in the number of employees saying Hoist Finance is a *Great Place to Work*, compared to 2018. **216** Managers completed educations in Hoist Finance Academy.
Banks and financial institutions	» Reduced risk exposure. » Increased cash flow, strengthening liquidity. » Higher return on equity. » Increased focus on core business.	**SEK 5,952** million in portfolio acquisitions. **35%** of acquisitions within the Secured NPL asset class.
Society	» Contribute to a healthy financial eco-system. » Meet customer needs and societal expectations through our digital developments. » Preventative actions to support people not to end up in bad debt.	**5 SDGs** and targets selected **15%** digital collections

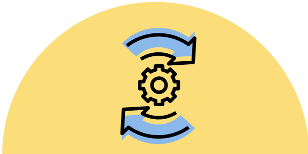
Our Strategy

In 2019 we really started to execute on our strategy, which was presented during our Capital Markets Day in November 2018. Despite the regulatory changes that greatly affected Hoist Finance later that year, we feel that the strategy holds ground and we have now started to implement many of the actions set out in the strategy. Although the strategy remains the same, we have this year updated the presentation of the strategic pillars, from six pillars to substantially four pillars. The customer perspective still permeates our whole strategy.



Market leadership

We strive to be in markets where we are, or can become, one of the top three players. This ensures economies of scale and allows for in-depth trusted relationships with our partners.



Effective & Efficient

Our culture is performance and knowledge driven. We strive for continuous improvement and embrace change, and we always want to be agile and lean, proactive and innovative.

Digital Leader

We want to be the digital frontrunner and inventor in our industry. Digital By Default is how we execute on this strategic pillar, and means that our digital channels are the preferred choices for us and customers.

Banking Platform

Thanks to our credit market license, we can offer a deposit service, which in turn provides cheaper funding for our portfolio investments than that of our peers.

The Four Pillars of our Strategy

We limit ourselves to a few prioritised markets where we are, or have the potential to become, one of the most important actors. This ensures the greatest market insight and means we can build and maintain strong relationships with our stakeholders. We have a diverse product and service offering in our prioritised markets, including unsecured and secured non-performing loans to individuals and SME's as well as performing loans. Through standardisation and harmonisation of our organisation, we work with best practices rather than local practices. This means that we continuously improve our efficiency and effectiveness.

Our Centres of Excellence for the various asset classes are instrumental in this process. We also acknowledge the untapped potential that digital technology has for our industry, and we are constantly improving our digital and analytics capabilities, in order to serve the customer in the way they want to be served. Finally, our banking platform offers a unique funding model, and the opportunity to engage more broadly with our customers. Our way of working in order to carry out our strategy is characterised by harmonised practices, where we collaborate rather than duplicate, working as one team towards a clear goal and with a united purpose. We call it working as One Hoist Finance. In this way we believe we are best equipped to deliver on our mission to help people keep their commitments and on our promise to be by our customers' side on their way towards financial inclusion.

Centres of Excellence

To strengthen our strategy of operational efficiency, Hoist Finance has created three Centres of Excellence (CoE). One for unsecured assets, one for secured assets and one for performing assets (descriptions of the different asset classes can be found here). The purpose of these three CoE's is to ensure that the company harmonises and standardises processes across markets and share best practices in an efficient way.

Unsecured Centre of Excellence

The unsecured CoE was formed in early 2019 and includes a team that focuses on implementing transformational change within the unsecured asset class, as well a Business Insights team that supports all asset classes.

The unsecured CoE is divided into **four key areas:**

Business Insights focuses on providing analytics and insight, delivering automated and aligned reporting and the use of data science to drive collections.

Transformational Change are a group of Operations experts who assist the local country teams in implementing some of our larger initiatives such as nearshoring, digital implementations and workflow optimisation. They also act as a liaison point between CoE and local teams when implementing items such as propensity models from the Data Science team.

Collections Strategy is driving the implementation of standard and harmonised collections strategies, which is somewhat regulation dependent. These will all eventually be delivered through the same centralised system, and so this area works very closely not only with local strategy teams but also with our central IT function who are tasked with delivery of the required technology.

Operations Effectiveness is focusing on areas such as Quality Assurance, Complaints Handling, Operations Training and Colleague Development. Hence, they work closely with Hoist Finance Academy and People teams.

During 2019, we have focused on building strong foundations for future change and improvements, as well as delivering on short term initiatives with already proven cost-savings. Some of these include customer predictive models, extensive digital analytical support and creating a community for the Heads of Operation accross all markets.

Secured Centre of Excellence

The secured CoE consists of a multi-jurisdictional team of professionals, who are focusing on optimising our secured operations across markets and the value chain.

The Secured CoE is structured into **three key areas:**

The **Investment Strategy** area has a dual responsibility. Firstly, to set the direction in terms of capital allocation across markets and sub-asset classes, based on market opportunities, macro trends, and concentration risk management. Secondly, to establish best in class practices for the underwriting of secured portfolio (common asset underwriting framework, implementation of a due diligence software, and secured portfolio modelling).

The **Operations & Portfolio Management** area focuses on developing a scalable and integrated operating model, delivering economies of scale and providing a blueprint for swift new market entries. A particular attention is given to People Capabilities (attraction, retention and training of top performers), Information Systems Upgrades, Customer Journeys and Reporting & Analytics.

The **Real Estate Management** area is designed to inform the decision making during defensive auctions as well as manage the pool of Real Estate Owned units that have been on-boarded.

During 2019, the teams have focused on building strong foundations for future change and improvements, as well as delivering on short term initiatives which deliver more immediate revenue and cost savings.

Performing Centre of Excellence

The Performing CoE was created in 2019, building upon the foundations of the Polish mortgage platform acquired by Hoist Finance in 2018. The background is that we seek to increase our investments in performing loans and also maximise the value of our credit market license.

The Performing CoE is structured into **three key areas:**

The **Operational Excellence** area is wide-ranging and covers the entire performing loan lifecycle, from day-to-day customer interactions and correspondence to performance monitoring, credit approvals and an arrears management process that benefits from Hoist Finance existing expertise in non-performing loans. In line with One Hoist Finance, processes are aligned as much as possible between countries to drive efficiencies and avoid duplication.

The **Data & IFRS9 Reporting Infrastructure** workstream ensures that we are able to manage our portfolios' performance actively and in a manner which is compliant with all relevant financial regulations, including making provisions for expected credit losses. Financial reporting and capital requirements are monitored together with our financial experts across all markets.

As Performing loans remain a relatively new asset class for Hoist Finance, the **Investment Strategy** workstream ensures that we are making the right investments to support the growth of our business, including our move towards fully-internalised servicing capabilities. As the Performing CoE drives improvement in our operations, complemented by our competitive cost of funds, we expect performing loans to remain a key target asset class for our business in the future.

By developing an infrastructure for performing loans management that is flexible and scalable, we create a holistic solution for the group that may be rolled out across all of our jurisdictions as acquisition opportunities become available.

Customers

Hoist Finance's mission is helping people keep their commitments. This requires building trust and relationships with a sensitivity to what can often be a challenging situation for the customer. In all customer interactions, we focus on amicable solutions wherever possible. This has proven to result in better outcomes for all parties. We have many years of experience in helping individuals get back on track, as well as helping all of our customers to regain control of their financial situation and be a part of a stable financial eco-system.

How we define our customers

Our customers are individuals and SME's with a non-performing or performing loan with Hoist Finance. We also have deposit customers through our online savings platforms in Sweden and Germany.

"He was an honest and compassionate person who managed my claim with such professionalism and always treated me as a person, and not just a number."

Our promise

Whenever a customer is in contact with Hoist Finance, they can rely on being treated in a consistent, responsible, humane and ethical way. This is how we work as one company, One Hoist Finance. To further strengthen our ways of working with our customers, building on best practices and experiences as well as scaling across our company, Centres of Excellence have been set up.

Helping people get back on track and be a part of the financial ecosystem is at the core of what we do. At the same time, we are contributing to upholding fair and stable credit markets. This is important not only to our customers and the banking sector, but also to society as a whole. At times we deal with customers who find themselves in distressed circumstances. In these situations we always ensure that we act with respect and empathy, to earn the trust of the customer. We do this through our values TRUST, which are the cornerstones of how we behave. In addition to this we also offer a deposit service for customers in Sweden and Germany.

Customers within the unsecured NPL segment

At Hoist Finance we are always doing the utmost to come to amicable arrangements with our customers. This means that we always strive to maximise the agreements based on voluntary repayment solutions. We find that a great majority of customers want to reduce their debt burden, and we take pride in standing by their side, supporting them in finding a solution for their specific situation.

A responsive and respectful customer dialogue is, and has therefore always been, of major importance to Hoist Finance. It lays the ideal foundation for jointly reaching a solution satisfactory to all parties. A sustainable repayment plan is often a decisive factor in this solution. If a repayment plan is to be successful over time, it needs to be based on the customer's specific situation. In practice, this quite often means small monthly payments during a longer period of time. For the cases when customers choose not to engage with us at all, we can take legal action.

Continuous dialogue

The customer's personal financial situation is monitored regularly to enable an assessment of any changes to repayment conditions. Customer dialogue has been mainly conducted by phone, but is increasingly moving towards e-mail, sms and digital channels. Through our digital communication channels we can make things easier for our customers, giving them direct access to their personal profile and data, at any time of the day. This serves the customers who prefer to manage their own accounts, without needing to go through our customer contact center.

Work methods can vary across markets due to legal and regulatory differences between countries. The regulatory landscape tends to be more extensive in more mature markets. Among Hoist Finance's markets, the UK has the most comprehensive customer contact regulations. Selected local partner organisations are sometimes used for customer contacts for reasons that include these regulatory differences.

Our program for vulnerable customers

An important part of achieving tailored outcomes and solutions for our customers is ensuring that we have effective processes and controls in place to identify those displaying signs of potential vulnerability and to understand the impact that their vulnerability has on their ability to deal with us and repay their debt.

We define vulnerable customers are those individuals who, due to their personal circumstances, are more susceptible to detriment. We understand that vulnerability can look differently and that the same condition or situation can impact individuals in different ways, therefore varying levels of support or services adaptations will be applied accordingly. This includes signposting to specialist organisations and the application of appropriate breathing space and tailored communication methods and strategies.

To support the identification and treatment of vulnerable customers we provide training to our employees on an ongoing basis to equip them with the skills and techniques needed to understand the nature and impact of vulnerable conditions. This includes the application of industry recognised tools and models that provide structure and guidance to conversations with vulnerable customers to ensure that we provide appropriate and tailored solutions for them.

Customers within the secured NPL segment

Hoist Finance is now placing greater focus on acquiring portfolios with secured assets, encompassing both performing and non-performing customers. We are implementing amicable solutions wherever possible, ensuring that better outcomes are achieved for all parties. We have received consistent positive feedback from our customers regarding our approach, which we consider to be a strong endorsement given these customers are invariably experiencing tough personal circumstances. This experience of working with customers facing financial difficulties has also proven to be beneficial in respect of our performing portfolios, since we are very well-placed to assist customers in managing their financial obligations prudently and effectively.

Deposit Customers

In Germany and Sweden we offer savings accounts at competitive interest rates. In 2019, we had approximately 53,000 accounts in Sweden (HoistSpar) and 32,000 accounts in Germany.

Customer Data Privacy

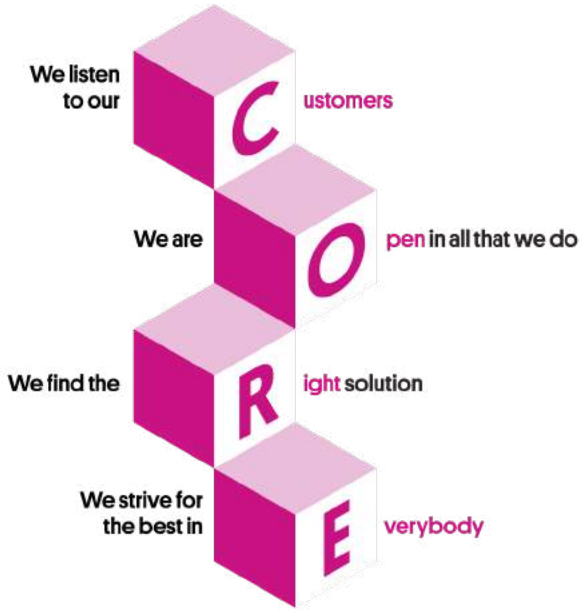
As stated in Hoist Finance's Privacy Policy, access and use of personal customer data is treated according to legal requirements including those of confidentiality and security. This is to protect the individuals, our customers, to whom the personal data relates. In brief, we only make personal customer data available and accessible on a need-to-know job role basis, and we keep personal customer data from unauthorised access and use, including any accidental destruction, loss, or alteration.

Continuously improving the understanding of customer needs

Our customers are the core of our business, which is reflected in our mission "Helping people keep their commitments". To help our customers keep their commitments, we know that we need to be equally committed. We promise to stand by our customers' side all the way, supporting them to deliver on their commitments. How we make sure to do this is described in our CORE commitments.

In brief CORE stands for

- Listening to and understanding the customers' needs
- Communicating openly and transparently and ensuring that customers understand their options
- Identifying the right solutions depending on the situation
- Helping employees develop so they are able to give customers the best experience



Customer Satisfaction surveys

Whilst we have a range of internal measures that focus on customer experience and treatment, we added customer satisfaction surveys in 2018 to gather feedback directly from our customers. With this we have been able to measure the quality of our customer interactions, mainly in our customer contact centres, for both quality assurance and improvements. Going forward, with this as a base and input, a standard framework for customer satisfaction management across all our interaction points with customers is under development. The main objective will be to in a consistent way measure customer satisfaction and ensure that our customers are in focus across all of Hoist Finance workstreams.

Through the customer satisfaction surveys we conducted in 2019 we got qualitative feedback from our customers and below are some gathered quotes.

“Very satisfied with everything and the outcome thank you”

UK customer

“Excellent service, everything I asked about was excellent I cannot ask for any more thank you”

Polish customer

“Made a difficult experience quite a painless and very happy one”

German customer

Internal Focus groups

Our employees should not only believe in our mission “Helping people keep their commitments”, they need to live it. To achieve this we have embedded a structure of internal focus groups, forums and committees throughout the organisation concentrating on the outcomes we achieve for our customers. This gives our employees the chance to review our practices and share feedback, ideas and suggestions, therefore empowering them to contribute to our culture and drive improvement in how we achieve our mission.

> **In 2019, 36 focus groups took place in the UK – with 93 improvements actioned!**
>
> **Julian Winfield, Country Manager UK**

Customer complaints process

Hoist Finance has a group policy outlining our principles for how to handle customer complaints. We have a Customer Complaints Officer on Group level, and each market has appointed local Customer Complaints Officers. The Hoist Finance policy for customer complaints is protecting the customer interests and many of the principles are above the local legal requirements in some countries. The local customer complaints officers are responsible for reporting regularly to the local management team and the Hoist Finance Chief Operating Officer. To monitor and manage customer complaints, there is a quarterly process that reports the complaints country-wise: the number of complaints, the type of complaint and how they were resolved. The reports are sent to and consolidated by the Group's Customer Complaints Officer, who prepares a quarterly report for the Executive Management Team and the Board's Risk and Audit Committee.

Debt resolution process overview

Ensure customer satisfaction

An important improvement area is following up all customer feedback and using this as a basis to change procedures as needed.

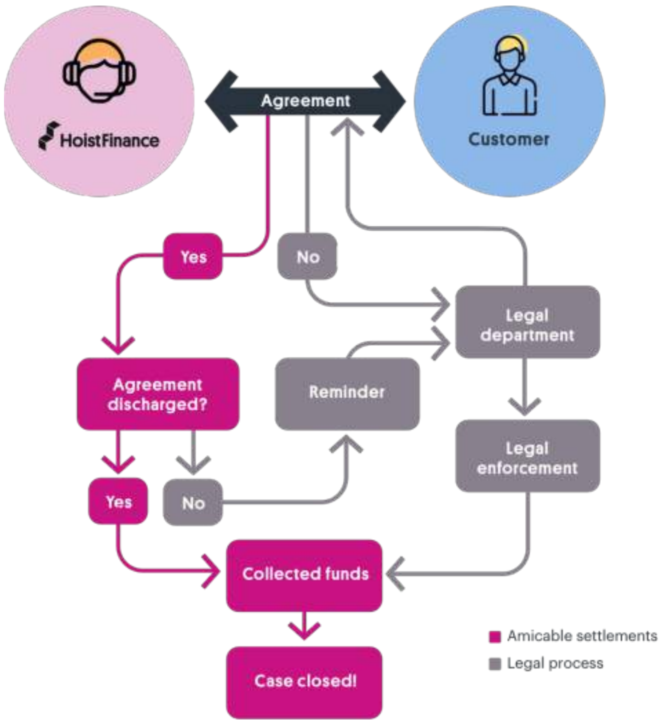
Hoist Finance's framework for ensuring customer satisfaction is focused on:

» Listening to and understanding the customers' needs

» Communicating openly and transparently and ensuring that customers understand their options

» Identifying the right solutions depending on the situation

» Helping employees to develop so they are able to give customers the best customer experience



Meeting customers in the channel of their choice

Our aim is to offer our customers the ability to self–serve and interact with Hoist Finance through a choice of digital channels at any time and via any device. This empowers them to decide for themselves how and when to go through their financial commitments and subsequently also create their own repayment plans. This allows customers to more easily take control of their personal financial situation and engage with us through the digital channel of their choice.

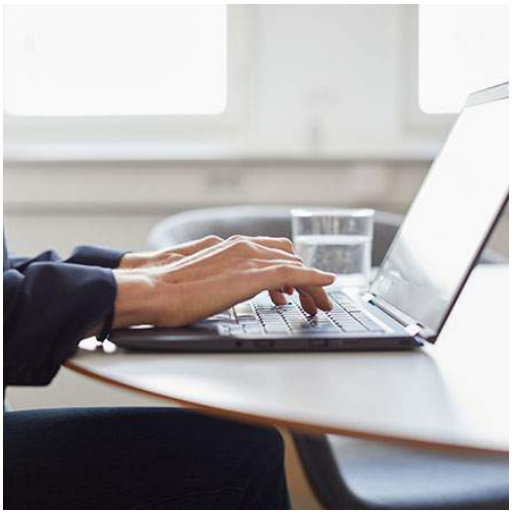
Increasing collections through our digital channels

2019 has seen the successful deployment of the Hoist Finance self-service portal in all countries. This means that all customers can now manage their debt online. The new Hoist Finance customer portal, launched in France, Germany, Poland and Spain in 2019, additionally enables customers to access all of their accounts through a secure registration process, get detailed account information, set up repayment plans and keep track of their progress. Hoist Finance UK has continued to be our lead market for innovation and new functionality releases through 2019. This has enabled the UK to reach 24 per cent of NPL collections through digital self-serve. These features are planned to be rolled out rapidly across all markets throughout 2020.

Hoist Finance overall is now successfully converting 15 per cent NPL collection through digital self-serve channels, with the ambition to reach 30 per cent by end of 2020. This will be supported by conversion rate optimisation, natural traffic improvement and omni-channel communication strategies.

Being digital improves the understanding of our customers

Our digital solutions also facilitate the capture and analysis of customer data that helps us understand customer behaviour and customer needs. With continuous improvements to Hoist Finance's data analytics, our digital solutions will become more customer-oriented and personalised to optimise our customer engagement. All data is secured through limited access, automatic monitoring and sensitive data encryption in accordance with applicable data protection regulations.



Digital by Default

We live and breathe digital in our everyday work across all touchpoints. We want to be perceived as the Digital frontrunner and inventor in our line of business. Digital by Default means that we use digital channels as the first choice across our business, internally and in contact with our customers, banks and other stakeholders, wherever possible and efficient.

New digital solutions launched and more in the pipeline

A key to achieve our goal of being Digital by Default is our continued development of omni-channel strategies. Here, we are learning from the retail industry which has applied omni so well that it has become an intrinsic part of the shopping experience, in store and online. It’s so common in everyday transactions that our customers take it for granted and they expect us to offer the same type of solutions. In order to not disengage customers, we need to offer them the ability to complete their transaction in their channel of choice. Omni will therefore join our strategy seamlessly with our communication channels.

We closely monitor the emergence of new technologies. SMS is still an essential part of our operational strategy to ensure we can deliver a low cost, high quality channel experience for our customers, replacing parts of our normal customer contact centre interaction. However, we see that SMS will start to be aged out and replaced by Rich Communication Services (RCS), Apple Business Chat, WhatsApp, etc. In-line messaging will change how call-to-actions for websites are achieved. To meet this demand for new communication channels we have developed and launched new messaging solutions through WhatsApp for business and RCS during the fourth quarter of 2019 and will follow the adaption of the solutions closely.

Online automation via chat-bots is a useful tool to decrease costs, but they need to serve customers meaningfully for information requests or customer service. We are aiming at providing automated Artificial Intelligence (AI) driven chat-bots behind webchat, SMS and e-mail. Beyond an ability to answer numerous questions from our customers, we are pursuing AI usage in a virtual agent strategy where our chatbots can identify a customer, give them information on their case and status, and propose individual payment solutions. As a start we have launched our chat-bot in the UK during the fourth quarter 2019, and we will continue to evolve and roll out this technology in our other markets in 2020 and onwards.

Investments now and onwards

During 2019, Hoist Finance invested in and built a team that provides the resource capacity and skills to both deliver the technology and embed this operationally to achieve our operational and financial goals. We recruited new competence and talents with expertise in the digital area including digital marketing, digital customer experience and omni-channel. Furthermore, we have been able to offer new opportunities to our existing employees, such as the first internal recruitment of Artificial Intelligence trainers. This provides us with the organisational platform to drive and deliver on our strategy to become digital leader in our industry.

Giuseppe's story

Can you describe your situation when we first contacted you?

I had been paying a monthly amount to the former debt owner. When Hoist Finance first contacted me my Customer Contact Representative offered me the chance to close my claim for a discounted amount. Unfortunately, I could not afford to pay that amount right then, which was why we agreed to postpone the proposal and I continued to pay a small monthly amount. A couple of months later, once I had saved enough money, I paid off my debt.

How did you end up in that financial situation?

My father became very sick. At the time when I applied for a loan to cover his healthcare costs, I already had another debt. I was nevertheless able to manage both of my debts, even though one of them was a bigger amount. After three years, an unexpected event happened and I was no longer able to keep my monthly commitments. Furthermore, I had to pay rent for my house in Rome because I was there for work, and I also had to support my father's health travels. So due to these circumstances I had to turn to a legal consulting firm for support.

“

I had a great experience, and I am indefinitely thankful to my Customer Contact Representative for his work and friendliness together with all the other people at Hoist Finance who helped me solve my situation

”

What was your reaction when we contacted you?

I felt relieved because I was offered the possibility to renegotiate and my Customer Contact Representative presented the opportunity to pay off all my debt at once. I felt relieved also because I really felt seen and cared for. He understood my financial difficulties and helped me solve them. I had a great experience, and I am indefinitely thankful to him for his work and friendliness together with all the other people at Hoist Finance who helped me solve my situation.

How were you treated by our Customer Contact Representative?

All people have been very kind to me. Of course most of the dialogue I had with my Contact Representative, he was always friendly and kind from the beginning to end, and always kept me informed about all the procedures in an exhaustive way.

Did you get the support you needed?

Definitely yes!

Do you have any advice you would like to give to other people in a similar situation?

If I would give advice to other people in a similar situation, I would advise them to try to take control over their finances in order to avoid ending up in an even more difficult situation. If an unexpected event happens, as it happened to me, I would recommend them to contact Hoist Finance, or whomever manages their debt, for support, or to do some basic research and budgeting where you check your expenses and the current interest rates of your loans.

Giuseppe, customer in Italy

Sustainability integrated into our core

During 2019, we made the active decision to put sustainability at the heart of our business strategy and operations. To deliver on this, we ensured and appointed ownership throughout the organisation, including members of the executive management team. This was made through a process designed to achieve close interaction and input from a large number of internal stakeholders across markets and functions. The process allowed us to align our views and priorities around sustainability and to visualize why it is an essential part of our purpose. The result is an improved, more robust sustainability strategy, with goals and measurable indicators as well as a strengthened governance model of the sustainability area.

“I’m proud to say that we at Hoist Finance put our customers and employees first and have made them the key drivers of our sustainability strategy. It is in the social aspects where Hoist Finance can make the most significant impact on people’s lives and society at large.”

Camilla Backström, Head of Sustainability

A few highlights from the identified aspects

Environmental

Our major negative environmental footprint is the large number of letters we send out to our customers each year: approximately 10 million letters* per year and growing. A new target in the strategy is to reduce our total paper consumption, by making the shift over to digital communication whenever possible.

* Excluding BeNe, Italy and Spain.

Social

Our customers and employees are the main drivers of our sustainability strategy. We are deeply committed to understanding our customers' needs and we will develop new services that will support them in re-entering the financial ecosystem, as well as take preventative measures and work with financial education in different ways.

Governance

Our work within governance is closely linked to human rights and the right to privacy and integrity. Here, we work diligently with protecting both customer and employee integrity and have a network of Data Protection Officers, throughout the company to ensure we comply with GDPR and similar regulations.

Sustainability strategy

Hoist Finance sustainability strategy is aligned around four pillars and clearly connected to our business and value creation model. The strategy's vision is to contribute to sustainable development where we create long-term shared value for all stakeholders. The strategy's objective is to ensure customer satisfaction and offer new services, treat customers and employees ethically and fairly, while complying with applicable laws and regulations.

To ensure that the sustainability strategy is integrated into our core business and part of our DNA, we have since the beginning of 2020 started to track our progress through the existing business review process on a quarterly basis. This will allow us to have full transparency moving forward and ensure a continuous focus on our activities in this area.

Within these four pillars, we have established a dual focus, where we do our best to mitigate negative aspects as well as identifying what actions have a positive impact and how we can proactively implement them throughout the company.

We believe that what gets measured is what gets done, and we have therefore developed measurable indicators for each pillar. Last but not least, we have created incentives to increase collaboration across all markets, and an environment which allows good initiatives to be amplified.

By your side

VISION

Helping People Keep Their Commitments

MISSION

OUR 4 PILLARS

We combat climate change — Environmental

We contribute to an inclusive financial ecosystem — Social

We create a great place to work — Social

We uphold the highest ethical standards — Governance

We combat climate change

We are strongly committed to protecting the environment and will continuously work to mitigate our environmental footprint. We strive to minimize our negative impact by paying attention to the details that we can control in our day-to-day operations and the individual behavior of our fellow colleagues. One of our largest negative environmental footprints is the large amount of letters we send out to our customers each year. As part of our Digital by Default strategy we are now taking important steps in decreasing our communication through physical letters.

Our Goals

- Reduce indirect and direct CO_2 emissions.
- Reduce paper consumption.
- Reduce business risks connected to climate change.

SDGs

Our Indicators

- Reduce CO_2 Emissions by 10% (direct and indirect) per employee.
- Reduce amount of letters sent by 10% per customer.
- Pilot and learn climate change risk assessment on portfolios within the Secured segment.

UN Global Compact

Principle 7 - Businesses should support a precautionary approach to environmental challenges.

Principle 8 - Businesses should undertake intitiatives to promote greater environmental responsibility.

Principle 9 - Businesses should encourage the develpment and diffusion of environmentally friendly technologies.

We combat climate change

Supported Sustainability Development Goals (SDG) and Targets

Target 13:1 – We are disclosing GHG emission data and material climate risk information through adequate disclosure initiatives. We also identify risks and opportunities caused by climate change.

Target 13:2 – We have set clear GHG reduction targets, that are communicated within all operations. We are working with our suppliers to improve supplier sustainability management, as well as building the tools to ensure that we can conduct climate change risk assessment on our secured portfolio investments.

We contribute to an inclusive financial ecosystem

Financial inclusion is a growing pan-European challenge with increasing attention from governments and the financial sector. Unfortunately, it is not always enough to pay off a debt in order to be included in the financial ecosystem. Most of our customers are still categorized as so-called high risk individuals and consequently often don't get access to affordable financial products and services. This truly concerns us. We are therefore forming external partnerships with organisations focusing on mitigating this challenge. We have the data, knowledge and experience, to create positive change in this area.

Our mission to "help people keep their commitments" clearly communicates our intention to support our customers in their journey to re-enter the financial ecosystem. This requires us to build trust and relationships with a sensitivity to what can often be a challenging situation for the customer. In all customer interactions we therefore focus on meeting them on their terms through amicable solutions. In our Digital by Default strategy, we are making great efforts to understand our customers' needs and developing processes that support customer driven development.

An equally important stakeholder are the banks and financial institutions who entrust us with their portfolios. We always strive to do our best to keep our commitment in delivering solutions that suits their needs. Therefore we have a strong focus on continuous dialogue to ensure business partner satisfaction.

Our Goals

- Excellence in customer satisfaction.
- Digital channel development for improved servicing.
- Forming external partnerships with organisations that have new innovative ideas for increased financial inclusion.
- Business partner satisfaction.

SDGs

Our Indicators

- To design a One Hoist Finance customer satisfaction management process.
- To implement a systematic continuous partner satisfaction survey.

UN Global Compact

Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights, within the scope of their influence

Principle 2 - Businesses should make sure that they are not complicit in human rights abuses

We contribute to an inclusive financial ecosystem

Supported Sustainability Development Goals (SDG) and Targets

Target 9:3 – By focusing our business and service development on our current customers, that have ended up in financial distress and giving them a second chance, we provide increased access to financial markets.

Target 10:2 – By helping people pay off their debts, our core business contributes to increased inclusion to the financial ecosystem and in the long-term we influence social norms.

Target 10:5 – We contribute to upholding a healthy financial eco system in all our markets, by supporting our business partners in offloading non-performing debt. We have robust processes to comply with international and national regulations of financial institutions and adhere to international standards, including those preventing money laundering and terrorist financing. We report the business' own financial information each year, having it independently audited, to ensure transparency, completeness and accuracy.

Target 17:6 – We are a Global Compact signatory.

Target 17:17 – We are looking to engage with external parties, to partner up around financial inclusion in different ways.

We create a great place to work

Our success is dependent on our employees. As part of running a sustainable business operation, we ensure we recruit and retain the best professionals, with the right passion and drive to make sure we deliver on our mission and goals. To create a great place to work, our ambition is to focus on employee health and well-being, diversity and gender equality to ensure our employees feel empowered, supported and proud to work at Hoist Finance.

Our Goals

- Employee health and well-being.
- Diversity and equal opportunity.
- Gender equality.

SDGs

Our Indicators

- 70% score in employee well-being in annual Great Place to Work survey.
- 85 – 90% score in diversity category in the annual Great Place to Work survey.
- 68% score in TRUST index in the annual Great Place to Work survey.
- Create groupwide initiatives to improve gender equality in management.

UN Global Compact

Principle 3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5 - Businesses should uphold the abolition of child labour.

Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation.

We create a great place to work

Supported Sustainability Development Goals (SDG) and Targets

Target 3:4 – To ensure employee health, we support access to preventative health care program for health and well-being. The call center profession can at times be very stressful and therefore we offer access to mental health care and coaching, when needed.
Whenever possible we also offer opportunity for flexible work hours and working from home.

Target 10:1 – In all our markets we work for promoting equal remuneration for men and women, for work of equal value. We respect human rights ensuring non-discrimination.

Target 10:2 – We have embedded policies promoting diversity and inclusion throughout our operations and we encourage suppliers and other business partners to do the same.

Target 10:3 – We respect and support human rights, communicating our expectations in this area to business partners across the supply chain. We have implemented group wide policies ensuring that hiring, placement, remuneration, job assignments and prospects, training and mentorships, performance assessment and advancement, discipline, maternity protection, security of tenure and termination decisions are based on objective factors and are not connected to gender, gender reassignment, age, nationality, ethnicity, sexual orientation, marital / civil partnership status, race, religion and beliefs, and disability. We ensure all employees have access to parental leave and can return to work, whilst at the same time offering flexible working options to promote a good work life balance. We also encourage an inclusive culture and will not tolerate behaviours that breach our policies. We have established a group wide whistle blowing system, offering anonymous grievance mechanisms for all employees which maintains a positive, safe and supportive working environment.

Target 17:17 – To achieve targets around employee health and well-being, we actively develop different external partnerships to create programmes and different initaitives that will engage our employees. Employee pride is also established by forming external partnerships in the local communities and to support our customers, to achieve our goal of giving people a second chance and ensuring that employees can make a positive difference to our customers lives as they stand by their side during difficult times.

We uphold the highest ethical standards

Human rights and strong ethical standards are hygien factors for us. To ensure clarity around how we manage and make decisions related to these areas, we have implemented a new governance model for sustainability and ethics. A Business Ethics and Sustainability Committee has been established to provide recommendations to the Executive Management Team on sustainability and ethical related matters. The Committee sets precedent decisions and gives guidance and supervision to the organisation on matters relating to sustainability issues in the areas of ethical dilemmas, environment, social and human rights, human resources and customer matters.

Our Goals

- Strong customer integrity processes.
- Robust framework on anti-corruption practices.
- Sustainable and local sourcing practices.

SDGs

Our Indicators

- 100% of staff trained in data protection and how to treat personal data.
- At least one Data Protection Officer (DPO) per jurisdiction where we have customers.
- Transparent reporting on number of confirmed incidents of corruption.
- 100% of employees to undergo anti-corruption training.
- 100% of new suppliers above a certain size to be screened according to sustainable procurement practices (ESG).

UN Global Compact

Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights, within the scope of their influence.

Principle 2 - Businesses should make sure that they are not complicit in human rights abuses.

Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5 - Businesses should uphold the abolition of child labour.

Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.

We uphold highest ethical standards

Supported Sustainability Development Goals (SDG) and Targets

Target 16:2 – We are taking active measures to abolish risks of forced labour and child exploitation through robust procurement-processes.

Target 16:4 – We contribute to combatting financial crime by developing and implementing effective measures against money laundering and terrorist financing. We frequently evaluate the strength and relevance of our existing policies, procedures and employee training.

Target 16:5 – Corruption is unacceptable for us whatever the circumstances and we are working to prevent and detect acts of corruption and bribery through controls, training and escalation procedures.

Sustainability Milestones 2019

Being a geographically widespread company, with many languages and cultures to adhere to, requires extra effort to ensure that everyone is aligned with Group wide initiatives. In being responsive to our stakeholders, we decided to take a deep dive into the area of sustainability during 2019. We have focused our resources to build a more robust sustainability framework, broadly anchored in the whole organisation. The focus has been to listen to our colleagues in all countries and all parts of our operations, to understand their views of what they see as the most material aspects.

The work can be summarized in a few milestones accomplished during the year.

SUSTAINABLE DEVELOPMENT GOALS

Selected Global Sustainable Development Goals (SDG)

Hoist Finance General Management Team worked through the SDG's, applied them to our value creation model and chose to prioritize five of them: number 3, 9, 10, 13 and 17. A process to integrate those targets into the new sustainability strategy has also been initiated this year.

Customer needs

An important part of the aspects collected from our employees was to build and develop our understanding of our customers' needs. It was decided to leverage on the processes already in place, such as the customer complaints process and the customer satisfaction monitoring process.

One Hoist Finance Sustainability Strategy

We have chosen to align our sustainability efforts around four pillars and integrate them into our core business, to ensure they are part of our DNA. In addition, we will starting 2020 integrate the follow-up of our goals and targets into our existing business review process, on a quarterly basis. This will allow us to ensure full transparency moving forward.

WE SUPPORT
UN GLOBAL COMPACT

Signatory Global Compact

The UN Global Compact provides a universal language for corporate responsibility and provides a framework to guide all businesses regardless of size, complexity or location. To further strengthen the sustainability efforts, Hoist Finance became a signatory of Global Compact in October 2019. This will support our work going forward when it comes to implementing and communicating our sustainability strategy.

Ambassadors selected

To ensure local anchoring and integration of sustainability into our operations, local sustainability ambassadors were appointed in 2019. They represent all different functions of the company.

Societal engagement – Financial Inclusion

Financial exclusion is a growing pan-European challenge, receiving increasing attention from governments and the financial sector. Hoist Finance strives to enable a society with a financial ecosystem where everyone is included, based upon sustainable and healthy credit markets that are open for everyone. We also contribute to and deliver a positive impact on our local communities by supporting new innovation and development of financial inclusion. Our work within this area will focus on supporting our customers and their reintroduction into the financial ecosystem. Concrete measurable targets will be developed within the context of concrete initiatives together with partners.

Signatory CSR Europe Call to Action

During 2019, Hoist Finance signed the CSR Europe Call to Action for a New Deal for Europe. This Call to Action was presented to the European Commission, the Council of the European Union and the European Parliament on December 5, 2019. This is the largest group of CEO's ever mobilized in Europe. The message to the politicians and policymakers is clear: European business is mobilised for sustainability and ready for collaboration.

Updated sustainability policy

Our new policy has taken a more principle-based and stakeholder perspective.

Education and workshop sessions in all management teams – both country and group functions

With the objective to align our views around sustainability and why it is important for us, a group-wide educational effort around sustainability was conducted during the spring 2019. The educational part was combined with collaborative work sessions to collect the most important aspects for Hoist Finance to focus on, according to our employees. The result from this process is a robust sustainability framework with goals and measurable indicators, including a strengthened governance model of the sustainability area.

NASDAQ ESG Transparency Partner

Hoist Finance is part of Nasdaq's ESG portal and regarded as a NASDAQ Transparency Partner. The portal captures a wide range of actionable environmental, social and corporate governance data.

Stakeholder engagement process and strategy

During the past two years, we have conducted a wide stakeholder dialogue process to serve as a basis for our materiality analysis. This has been presented in previous annual reports. We have identified several areas for improvement in this process and step one was to develop a more detailed stakeholder interaction strategy, to better allow us to target our dialogues at different stakeholder groups. Starting 2020, we will conduct our stakeholder dialogues, with the new strategy and engagement process as a base and have more of a continuous dialogue using existing channels whenever possible.

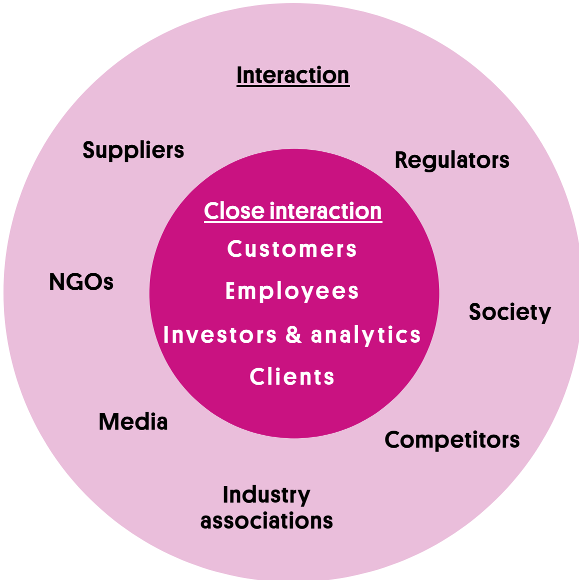
Stakeholder matrix and interaction strategies

Hoist Finance initiated a formal stakeholder dialogue process already in 2017. In our aim to always improve ourselves, we conducted an analysis during 2019 to identify learnings from prior stakeholder dialogues and identified areas where we can enhance our process. Based on the findings, we have developed a more detailed stakeholder matrix and connected it to how we would like to engage with different stakeholder groups. This will allow us to be more relevant and target our dialogues in a more effective way. Starting 2020, we will conduct our stakeholder dialogues, with the new matrix and engagement strategy as a base, allowing a more continuous dialogue using existing channels whenever possible.

How we define our stakeholders

Hoist Finance's stakeholders are groups and individuals who, directly or indirectly, are affected by the company's operations: employees, shareholders, business partners, customers and society at large.

The Executive Management Team and the Board of Directors have overall responsibility for balancing these interests, while securing the company's survival.



Materiality analysis and stakeholder engagement process

The new stakeholder matrix and engagement strategy will serve as the foundation in gaining a deeper understanding of what sustainability aspects our different stakeholders think we should focus on. This, combined with our new stakeholder engagement process, will allow us to conduct more relevant materiality assessments and help us make sense of our sustainability landscape. These new tools will build our mandate for focusing and acting on those issues that are of the highest priority for the business.

During 2019, our focus has been to create a close dialogue with our employees throughout the company, to understand what sustainability aspects they find most important for us to address. When creating the new sustainability strategy, we combined the input from this dialogue with the results from the main areas identified from previous stakeholder dialogues, which were the following: respect for customers' privacy, compliance with laws and regulations, ethical and fair treatment of customers and ensuring customer satisfaction.

Our five step stakeholder engagement process:

1. Analysis of external and internal perspectives

Identify mega, industry and sustainability trends relevant to Hoist Finance and our stakeholders. The trends may include climate change, societal change (e.g. financial/social exclusion), digitalisation, emerging regulations (e.g. sustainable finance) and other trends affecting Hoist Finance as well as benchmarking with industry peers. We also identify Hoist Finance's current priorities and future initiatives based on existing sustainability strategy, previous stakeholder dialogues and business strategy.

2. Stakeholder mapping and prioritization

Hoist Finance has many different stakeholders that are important to our business. In order to ensure effective and efficient engagement we take stance from our stakeholder matrix and prioritize select stakeholder groups for the coming year. Based on the prioritized stakeholder groups strategies are created for interaction and engagement.

3. Design process

Define the level of ambition for the engagement to align expectations for all parties and identify issues relevant for chosen stakeholder groups. Identify and choose format for how to approach selected stakeholder groups for most effective engagement.

4. Engagement

Stakeholder dialogues are performed with selected stakeholder groups through surveys, interviews or workshops to create an understanding of the stakeholders' perspective.

5. Review, Report and Act

After reviewing and analyzing the results from the stakeholder dialogues, an action plan is developed with the aim to translate the findings, insights, and agreements from the engagement into action and to communicate these actions to our stakeholders.

Our Reporting Logic

This is Hoist Finance's third integrated sustainability report, presented annually each accounting year, in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, Standard Core option. Our sustainability reporting covers all of our operations, unless otherwise stated. The scope of the sustainability report is presented in the GRI-index below.
The most recent sustainability report was presented in April 2019. The table of contents found in the GRI-index contains all standard disclosures and the specific disclosures that have been identified as the most relevant to our long-term sustainability targets.
Please contact Group Head of IR, Andreas Lindblom with questions concerning sustainability.

Our statutory sustainability report for 2019, pursuant to the Annual Accounts Act, is included in this statutory annual report.

- GRI Index
- Our business model
- A description of our people
- Sustainability section
- Hoist Finance's sustainability strategy including organisation of sustainability efforts, goals and key metrics
- Table of applicable policies and governance
- Identified risks within and outside the company

	2019	2018	2017
We contribute to an inclusive financial ecosystem			
Customer satisfaction, %	74	79	N/A
We uphold the highest ethical standards			
Number of confirmed incidents	-	-	-
We create a great place to work (scores in GPTW-survey)			
TRUST-index, %	68	61	61
Diversity, %	89	85	85
Well-beeing, %	68	62	58
We combat climate change			
Energy consumption within the organisation, kWh	1,873,049 1)	2,688,076 2)	2,258,212 2)
Direct CO2 emissions, Metric tonnes	109	3 3)	70
Indirect CO2 emissions, Metric tonnes	1,107 1)	1,607 2)	1,346 2)
Indirect emissions per sq. m. office space, Metric tonnes	0.08 1)	0.10 2)	0.10 2)
Other indirect GHG emissions, Metric tonnes	1,406	1,309 4)	832 5)
Other indirect emissions per employee, Metric tonnes	0.9	0.9 4)	0.7 5)
Amount of letters sent per customer "Baseline"	N/A	N/A	N/A

1) The quality of the customer satisfaction reporting has improved during 2019.
2) Excluding BeNe, Greece and Poland.
3) Excluding BeNE, Greece, London and Spain.
4) Excluding Poland, which is the only market where we have company cars.
5) Excluding Greece and Spain.
6) Excluding Greece, London and Spain.

- Energy consumption (GRI 302-1) - refers to all electricity purchased for internal office spaces and server halls.
- Direct GHG emissions (GRI 305-1) - includes all emissions by owned sources, in our case it refers to company cars.
- Indirect GHG emissions (GRI 305-2) - includes all emission generated from purchased electricity and heating, including data centres in Germany.
- Other indirect GHG emissions (GRI 305-3, 305-4) - includes all other indirect emissions, which in our case refers to business travel by plane, car or train.

Overview of activities during 2019

Pillar	Our Goals	Activities 2019
We combat climate change	Reduce indirect and direct Co2 emmissions.	Procurement process in place for a groupwide travel agency. Conversion to green energy supplier in most of our markets.
	Reduce paper consumption.	Digital customer portals launched.
	Reduce business risks connected to climate change.	Pilot in progress with the aim to report back in 2020.
We contribute to an inclusive financial eco-system	Excellence in customer satisfaction.	Establishment of groupwide customer communication forum to simplify customer communications. Development of employees within amicable settlements and meeting customer at their need.
	Digital channel development for improved servicing.	Digital customer portals launched, new local customeroriented web pages in progress, and other launched digital channels such as Chatbot in the UK and WhatsApp in Italy.
	Forming external partnerships with organisations that have new innovative ideas for increased financial inclusion.	Established partnership in the Netherlands with the ONS bank to help young people that are outside the financial ecosystem with education about financials and how to find a job.
	Business Partner satisfaction.	Development of a groupwide automatic survey, to be sent out after every transaction/participated tender, to be launched early 2020.
We create a great place to work	Employee health and well-being.	Access to preventative health care programs in all markets.
	Diversity and equal opportunity.	We have embedded group-wide policies promoting diversity and inclusion throughout our operations and we encourage suppliers and other business partners to do the same. We ensure all employees have access to parental leave and can return to work, in all markets.
	Gender equality.	In all our markets we work to promote equal remuneration for men and women, for work of equal value.
We uphold the highest ethical standards	Strong customer integrity processes.	Decision taken to have at least one DPO per market. There were nine DPOs in total 2019. GDPR e-learning launched and completed by 86 % during 2019.
	Robust framework on anti-corruption practises.	No confirmed incidents reported in 2019. E-learnings launched and completed by 91 % (Germany not included). During 2019 a "Corruption risk assesment survey" was sent to all markets, with a response rate of 46 %.
	Sustainable and local sourcing.	During 2019 a Group Procurement Officer was recruited and sustainability criteria established in the procurement process.

GRI Index

Standard disclosures

Disclosure	Reference and Comment
102-1 Name of the organisation	Startpage, page 80
102-2 Activities, brands, products, and services	Our business
102-3 Location of headquarters	Page 86
102-4 Location of operations	Our presence
102-5 Ownership and legal form	The share, page 80 and 86.
102-6 Markets served	Our presence, Competitive positions, Asset classes
102-7 Scale of the organisation	Startpage, The value we create
102-8 Information on employees and other workers	Our People, People in figures, page 117.
102-9 Supply chain	The value we create, Stakeholders, Sustainability strategy
102-10 Significant changes to the organisation and its supply chain	Highlights 2019, CEO letter, Our strategy, Our presence, Our asset classes, Digital channels, Our people
102-11 Precautionary Principle or approach	Sustainability
102-12 External initiatives	Investors, CEO letter, Adapting to market changes, Sustainability reporting
102-13 Membership of associations	Sustainability milestones UN Global Compact
102-14 Statement from senior decision-maker	CEO letter
102-16 Values, principles, standards, and norms of behaviour	Our business, Our strategy, Our People, Sustainability, Our customers, Risk management
102-17 Mechanisms for advice and concerns about ethics	Sustainability Reporting
102-18 Governance structure	Page 86
102-40 List of stakeholder groups	Stakeholders, The value we create
102-41 Collective bargaining agreements	Our People, People in figures
102-42 Identifying and selecting stakeholders	Stakeholders
102-43 Approach to stakeholder engagement	Stakeholders, The value we create
102-44 Key topics and concerns raised	Stakeholders
102-45 Entities included in the consolidated financial statements	Page 121.
102-46 Defining report content and topic boundaries	Sustainability reporting
102-47 List of material topics	Stakeholders
102-50 Reporting period	Page 106.
102-51 Date of Most recent report	Sustainability reporting
102-52 Reporting cycle	Sustainability reporting
102-53 Contact point for questions regarding the report	Sustainability reporting
102-54 Claims of reporting in accordance with the GRI Standards	Sustainability reporting
102-55 GRI content index	GRI index
102-56 External assurance	Page 163. The Sustainability Report is not audited.

Management approach

Disclosure	Reference and Comment
103-1 Explanation of the material topic and its boundary	CEO Letter, Our Strategy, Our customers, Our People, Sustainability, page 86.
103-2 The management approach and its components	Our Customers, Our People, Sustainability strategy, Sustainability management, page 86.
103-3 Evaluation of the management approach	Sustainability reporting, Sustainability strategy, page 86.

Specific disclosures

Disclosure	Reference and comments
201-1 Direct economic value generated and distributed	Startpage, The value we create, The share
201-3 Defined benefit plan obligations and other retirement plans	Page 117
205-1 Operations assessed for risks related to corruption	Risk management
205-2 Communication and training about anti-corruption policies and procedures	Sustainability report
205-3 Confirmed incidents of corruption and actions taken	Sustainability report
302-1 Energy consumption within the organisation	Sustainability report
305-1 Direct (Scope 1) GHG emissions	Sustainability report
305-2 Energy indirect (Scope 2) GHG emissions	Sustainability report
305-3 Other indirect (Scope 3) GHG emissions	Sustainability report
305-4 GHG emissions intensity	Sustainability report
308-1 New suppliers that were screened using environmental criteria	A process is initiated with the goal of systematic reporting in all markets during 2020.
401-1 New employee hires and employee turnover	People in figures
403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Our People, People in figures
404-1 Average hours of training per year per employee	Our people
405-1 Diversity of governance bodies and employees	People in figures, page 93 and 95.
405-2 Ratio of basic salary and remuneration of women to men	During 2020 a groupwide Human Resource Management System will be implemented.
406-1 Incidents of discrimination and corrective actions taken	None reported.
414-1 New suppliers that were screened using social criteria	A process is initiated with the goal of systematic reporting in all markets during 2020.
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability strategy, Sustainability reporting
419-1 Non-compliance with laws and regulations in the social and economic area	Sustainability management

Sustainability Management

We continuously work to assess risks within our business. Management of identified risks is based on the implementation of strict procedures throughout the organisation. Hoist Finance’s capacity to influence and control these risks varies, depending on whether the risks are located within or outside the organisation. A summary of Hoist Finance's risks is presented in the risk section.

Sustainability policy

Hoist Finance’s sustainability policy defines our approach to, and governance of, sustainability. With a new sustainability strategy, including new governance, the sustainability policy needed to be renewed. The new policy has taken more of a principle based and stakeholder perspective.

The purpose of the policy is to serve as a governing policy for all business decisions in all Hoist Finance markets and constitute the foundation to build trust and commitment with all our stakeholders:

- That we always do our best to show respect for the integrity of our customers and partners.
- That our colleagues are supported via a healthy and safe working environment.
- That we respect the environment through initiatives to minimize our environmental footprint.
- That our culture is focused on good ethics and doing the right things, with support from a robust internal governance and policy framework, as well as adherence to external laws and regulations.

The ethical guidelines expressed in the sustainability policy provides the foundation for how human rights are to be observed.

New governance model

The policy also introduces a new governance model for our sustainability efforts. The highest governing body of the sustainability work is the **Hoist Finance Board of Directors**, which will be updated with our sustainability work and progress at least annually. **The Executive Management Team** is the appointed owner and responsible for managing and ensuring the execution and delivery of the sustainability targets and strategy. **The Business Ethics and Sustainability Committee** provides recommendations to the Executive Management Team on sustainability and ethical related matters. The Committee makes precedential decisions and gives guidance and supervision to the organisation on matters relating to ethical dilemmas, environmental, social and human rights, human resource and customer matters.

Hoist Finance **Head of Sustainability** is responsible for developing and supporting the implementation of the sustainability strategy in collaboration with operational and functional units.

Country management and **Group functional units** are responsible for developing strategies and activity plans that correspond to the sustainability goals and targets ensuring integration and execution into daily management.

Contribution to sustainability targets are followed up on a quarterly basis and integrated in the business review process.

Human rights

We are committed to the respect and promotion of human rights with regards to our colleagues, customers, shareholders, suppliers and communities. This includes robust processes to ensure customer integrity is respected at all times, continuous activities to prevent discrimination and practices that infringe on the individual's dignity, taking measures to abolish risks of forced labour and child exploitation, to respect the freedom of association and help eradicate all forms of corruption.

Hoist Finance's work on human rights is integrated into all policies that govern sustainability efforts. The diversity policy, personal data policy and the anti-corruption policy provide details in more specific areas. By emphasizing Hoist Finance's views on human rights, the company can reduce the risk that violations occur.

Anti-corruption and Compliance

We have an extensive anti-corruption programme where we have adopted guidelines specifying how the company and our employees are to conduct business in a responsible and ethical manner. Policies and regular training on the ethical guidelines are examples of measures taken to combat all forms of corruption. Other measures include recurring internal surveys, in respect of compliance and internal control. The company's anti-corruption work is instrumental in keeping corruption risk at an absolute minimum.

Since 2017, the Compliance function has been conducting a more extensive survey, regarding the risk of corruption in all business units. The survey's primary goal is to identify strengths and weaknesses in the area. Survey results for the past two years show that managers have a healthy understanding of what corruption comprises and the majority are very familiar with the internal rules and are well-trained on the subject. The survey also shows that work should continue with the anti-corruption framework, in order to constantly lower the risk for corruption.

During 2019, Hoist Finance was not subject to any financial or non-financial sanctions for compliance breach, by any supervisory authority in any operating country.

Whistleblowing

We have empowered our employees to report observations of behaviour considered to be unethical or illegal. Hoist Finance has developed a whistleblowing procedure through which employees can openly or anonymously notify the company of wrongdoings in the business.

Data Privacy

Comprehensive and strict data protection laws are essential for protecting human rights; most obviously, the right to privacy, but also many related freedoms that depend on our ability to make our own choices about how and with whom we share information about ourselves. In Hoist Finance, we take protection of personal data seriously and we are committed to processing personal information in a lawful, fair, and transparent manner. By implementing robust technical and organizational measures to protect customer and employee data, by regularly educating our employees about relevant data privacy laws and by appointing Data Protection Officers in each jurisdiction where we operate, we ensure that our customer's personal data is handled in accordance with applicable regulations and laws.

Employee protection

We continuously secure policies and processes to respect individual human rights as well as complying with labour laws in all our jurisdictions. This includes group wide policies around renumeration and equal pay for equal work, freedom of association, anti-discrimination and reasonable working conditions.

Policies governing Hoist Finance sustainability work in various ways

Hoist Finance Corporate Policies embrace our commitment to employees, customers, society and is the foundation of our corporate behavioural directions and framework. The policy framework is a fundamental part of our strategy, and the basis for how we drive sustainability within the company. All Corporate Policies and Instructions are in nature group wide and adhere to all Hoist Finance employees. Only Corporate Policies relating to our sustainability strategy and of external relevance are listed below.

- Anti-money laundering policy
- Code of Conduct policy
- Communication policy
- Complaint management policy
- Diversity policy
- Insider policy
- Instructions for incident reporting
- Internal governance and control policy
- Investment policy
- IT policy
- Operational risk policy
- Outsourcing policy
- Privacy policy
- Procurement instruction
- Policy for conflicts of interest
- Policy for management NPL portfolios
- Policy for management of performing portfolios
- Policy for new products
- Remuneration policy
- Risk management policy
- Security policy
- Sustainability policy
- Tax Policy
- Whistleblowing policy

Our People

Hoist Finance strives to create a great place to work by placing our employees at the heart of the company. We want to give our employees the best work environment and equal opportunities to develop and progress.

One Hoist Finance

Hoist Finance implemented a strategy during 2018 and 2019 aimed at, among other things, organisational optimization, productivity improvements, and equipping the organisation with a flexible platform for growth. A scalable organisational structure is a prerequisite for our achievement of our overall strategies of market leadership, being efficient and effective, as well as becoming the digital leader in our industry.

We are implementing digitalised interfaces with our customers in all markets and setting the foundation for the next generation of customer journeys.

In order to make development and innovation advancements, employees need to collaborate and share skills and experiences across the organisation. Harmonised and more efficient work methods have been introduced throughout the organisation as well as a matrix structure between functions and countries.

The new organisational structure, clearly-defined processes, and clear roles and responsibilities are focused on one thing: working effectively together as a unified company, One Hoist Finance, that always puts the customer first. With this well-defined purpose, a clear structure and a strong, healthy corporate culture, our ambition is to work together to create a great workplace.

Corporate culture and values

The foundation comprises our shared values, beliefs and behaviour. Building trust is what inspires and guides us every day.

Great Place to Work®

A collaboration with the company "Great Place to Work" was initiated in 2016 to measure the development of corporate culture and work environment over time. Great Place to Work conducts one of the world's largest employee surveys and ranking programmes, as well as provides tools to support and prioritise development areas. An employee survey that measures TRUST is a key tool, providing information about employee perceptions and experiences of the company. The survey also measures how far Hoist Finance has come in implementing company values.

The result for 2019 was an index of 68 per cent (61), an impressive 7 per cent increase from 2018. There was also a 12 per cent increase in number of employees saying that Hoist Finance is a great place to work. Sweden and Italy both received Great Place to Work certification in 2019. This gives Hoist Finance a high rank in comparison with companies of similar size in each market.

Our three key objectives for 2019 were to improve Internal Communications, to Develop our People and Improve Management Skills. Harmonised follow-up plans will be implemented in 2020 to further improve the results.

Great Place To Work® Certified 2019 SWEDEN

Great Place To Work® Certified DIC 2019 - NOV 2020 ITALIA

Ethical guidelines

The company’s ethical guidelines are designed to be applied by both employees and partners and specifies fundamental values and principles that shapes how we work. All employees receive regular training on ethical issues such as "When does a gift become bribery?", "Conflict of Interests" and "Code of Conduct".

Training statistics are monitored on a monthly basis to ensure that all employees receive regular training on ethical issues. Training topics delivered include IT security, methods used to discover and prevent money laundering and corruption, and coaching in guiding customers through difficult situations. The ethical guidelines not only require compliance with laws and regulations, but also provide guidance on ethical employee behaviour in line with Hoist Finance's values. Hoist Finance closely monitors the company's compliance with applicable legal requirements in operating countries.

Employee health and well being

Hoist Finance works continuously to ensure that all employees have a good physical and psychosocial work environment. Continuous operational improvements are made to guarantee employee well-being and ensure that employees reach their full potential. Hoist Finance works systematically with work environment and health issues, with a focus on creating a workplace that can accommodate at an early stage any employees needing extra support. This focus creates an inspiring environment for employees and customers—a workplace where employees feel comfortable and are happy to continue working.

Career and skills development

Continuous skills development is a key element in our ability to adapt to the new digitalised landscape and collaborative ways of working. Employees working directly with financially vulnerable individuals require empathy and understanding of complicated financial and social situations. Hoist Finance employees working in collection centres are trained in conducting dialogue with customers with the aim of reaching an agreement that is satisfactory to both parties.

Essential to our business is our employees' ability to handle potential problems in drawing boundaries between regulatory compliance and having good and humane personal contact with customers. During 2019, training hours per employee amounted to 28. We have a revised Personal Development Dialogue (PDD) to ensure a constructive and sustainable commitment between employee and manager. This aims to clarify objectives and ensure continuous feedback.

When it comes to leadership development, it is essential to our business that our managers are inspiring and able to develop the company in accordance with our strategy. This requires offering managers the opportunity to grow.

Leaders are developed by identifying key positions in the business and recognising and developing colleagues who are appropriate for these positions. Hoist Finance applies the same principle when replacing people in senior positions. We also arrange an annual leadership conference, Leaders in Hoist Finance, as part of developing the company's corporate culture. Topics addressed at this year's conference included performance management, sustainability and digitalisation — three important focus areas for Hoist Finance.

Hoist Finance Academy

With the purpose of building a strong foundation for developing our employees, we have created the Hoist Finance Academy. The goal is to create a learning environment where our leaders are focused on engaging and motivating our employees to increase good performance. Based on the Great Place to Work survey, we have focused on internal training of both managers and employees. External training has been provided as a complement in relevant areas.

Launched in 2019, the two programs within the Academy has seen many successes:

- 120 Managers from across eight markets attended the **Management Development Programme**, which included workshops delivering tools and techniques to create strong teams.
- 97 Managers from nine markets attended the **Leadership Development Programme**, which included workshops, webinars, and one-to-one coaching covering emotionally intelligent leaders, matrix management, in order to support the One Hoist Finance organisation.

The programmes were complimented by the roll out of a new Performance Management Framework concentrating on the performance dialogue and creating continuous conversations consistently.

Employee feedback has confirmed career development is important. These programmes, along with additional localised initiatives and the development of e-learning experiences, are now providing the framework for clear and consistent career planning.

Diversity and equal opportunity

The company's continued success is based on Hoist Finance creating a diverse work environment with equal opportunities for all employees. Hoist Finance aims to be a place where people respect each other and understand the individual needs of others. It is self-evident that everyone should have the same rights and obligations.

Hoist Finance's approach to diversity is clearly formulated in the company's diversity policy, adopted and implemented in 2017. The organisation has worked continuously since then to achieve these goals. Diversity is the area with the highest rating in the Great Place to Work survey, with 89 per cent of employees responding that they are treated respectfully.

Equality and fairness form the basis for employees' salaries, and the diversity policy is applied when setting salaries. Employee salaries are determined based on local salary levels, market practices and collective agreements where these are in place. The remuneration policy is reviewed and updated as required at least once a year.

Whistleblowing

We have empowered our employees to report observations of behaviour considered to be unethical or illegal. Hoist Finance has implemented a whistleblowing procedure through which employees can openly or anonymously notify the company of wrongdoings in the business. Cases of discrimination or other misconduct are encouraged to be reported through our whistleblowing system, which is an anonymous, web-based solution.

All concerns raised will be treated with strict confidence and the identity of the employee raising the concern is never disclosed without his or her prior consent. Anyone raising a concern will be treated fairly and Hoist Finance will do everything it can to ensure that he or she is not penalised or victimised in any way.

To continuously raise awareness of employees' responsibility in this area, E-learning courses on the whistleblowing procedures are in place. Less than five cases were reported through the whistleblower procedure in 2019.

Shared Service Center

A Shared Service Center was established in 2018, in Wroclaw, Poland as a central support function to the organisation. Types of services include accounting, IT, people, legal, tax, risk, internal audit and business control. The purpose of this centre is to gain efficiency through economies of scale and harmonisation.

Nearshoring

A nearshoring center was initially established in Bucharest, Romania, during 2019. The official establishment date was January 2020. The purpose is to increase benefits of scale and skills and help implement standardised and harmonised processes across markets.

Our People in figures

At 31 December 2019, Hoist Finance had 1,725 employees (1,703), including temporary employees, in 11 (11) countries. 26 per cent (36) of the employees are covered by collective agreements. Of these, 84 per cent (93) were permanent employees and 16 per cent (7) were temporary employees. Recalculated as full-time employees (FTEs), there were 1,575 employees (1,556) at year-end, of which 911 (888) were women and 664 (668) were men. The average number of employees in 2019 was 1,545 (1,531), of which 894 (872) were women and 651 (659) were men.

Calculated based on average number of employees, 58 per cent (57) of employees were women. At year-end, 13 per cent (13) of the members of the Executive Management Team were women. At 31 December 2019, 17 per cent (21) of the members of the Group Boards of Directors were women, and 50 per cent (63) of the members of the Parent Company's board were women. Within the Group, 45 per cent (39) of managers were women during the same period.

Our people in figures

Number of employees	**Women 2019**	**Women 2018**	**Men 2019**	**Men 2018**	**Total 2019**	**Total 2018**
Total number of employees, 31 December	1,026	1,001	699	702	1,725	1,703
Full-time employees (FTEs), 31 December	911	888	664	668	1,575	1,556
Average number of employees	894	872	651	659	1,545	1,531

Percentage women	**2019**	**2018**
Senior executives	32%	32%
Parent Company Board of Directors	50%	63%
Full-time employees (FTEs)	58%	57%

People turnover and sick leave

In 2019, 514 (556) new employees were recruited and staff turnover was 29.9 per cent (31.3). Short-term absence due to illness was 3.31 per cent (3.46), which we believe corresponds to that of other businesses with a high percentage of customer centre jobs.

During the year, operations in Bayonne were relocated to Lille. All employees were offered the opportunity to relocate with their jobs.

Great Place to Work results, Group

People have been treated fairly...	**2019**	**2018**
irrespective of age	83%	80%
irrespective of ethnic origin	95%	92%
irrespective of gender	90%	86%
irrespective of sexual orientation	95%	93%
irrespective of disability	93%	87%

The Investment Proposition

Good risk-adjusted returns on portfolio investments made possible through a disciplined, well-supported acquisition process.

Underlying reasons

Hoist Finance has strict financial requirements for investments and carries out standardised and disciplined acquisition processes. This means that the company's portfolios generate healthy cash flow and deliver significant returns. Analysis and data processing are fundamental requirements and are fully integrated in pricing and collection.

Progress in 2019

Continuous investment strategy improvements to achieve the company's return on equity target to exceed 15 per cent.

- 2019 return on equity, excluding items affecting comparability was 15 per cent.

In-house collection platforms focus on constructive solutions based on sensitivity towards customers.

Underlying reasons

The overall goal of Hoist Finance's working method is to achieve long-term, sustainable repayment plans that generate good results for customers as well as the shareholders.

Progress in 2019

Hoist Finance moved closer to the customers and improved customer service. This was done primarily through launching self-service platforms in all markets, as well as live-testing new functionalities better suited for customer needs.

The transaction market for non-performing loans is growing.

Underlying reasons

Hoist Finance considers there to be a number of long-term factors that will continue to increase sales volumes in coming years.

- Regulatory pressure continue to act to incentivise banks to sell NPLs.
- Growing outsourcing trend among European banks

Progress in 2019

Despite regulatory challenges limiting capacity in the first part of the year, Hoist Finance was able to grow in existing markets, both in unsecured as well as secured NPLs.

Focus on operational efficiency and effectiveness in strategic markets.

Underlying reasons

Over many years, Hoist Finance has built a strong position in selected European NPL markets. Profitability will be improved by leveraging operational economies of scale.

Progress in 2019

Improved operational efficiency and continued digitalization.

- Expanding shared services in Wroclaw, Poland as well as the initial launch of nearshoring in Bucharest, Romania to leverage scale and maximize skills.
- Outsourcing of IT infrastructure for improved functionalities as well as scalability in market growth and digital agenda.
- Continued market consolidation through closing of the Bayonne site in France, enabling specialization in Lille and Paris.

Hoist Finance is one of Europe's preferred partners to international banks in the restructuring of loans, with the know-how and expertise to carry out complex transactions.

Underlying reasons

Hoist Finance has a strong market position and long-term relationships with leading international banks. As a regulated credit market company, Hoist Finance has profound understanding of banking operations, and its licensed operations are a stamp of approval that distinguishes the company from other industry operators. Hoist Finance has partnered with all of Europe's ten largest banks by total assets within the past ten years.

Progress in 2019

Leveraged the company's status as a regulated entity

- Acquired assets from Getback as part of its restructuring process
- Acquired assets from one of the leading banks in France in largest-ever portfolio investment of non-performing mortgage portfolio
- Expanded relationships with new partners as a result of continued growth in the the secured asset class

Hoist Finance's business is underpinned by an efficient funding model.

Underlying reasons

Hoist Finance's operations are funded through deposits from the public and through capital and money market borrowing. In combination with a bilateral loan facility, this generates well-diversified, cost-efficient funding.

Progress in 2019

Maintained and developed the strong funding base with a shift from SEK to EUR denominated deposits as well as shifting to longer duration, in order to maximize capital efficiency.

Sustainable business practices.

Underlying reasons

Hoist Finance acts responsibly. Social responsibility is an integral part of our business model and our collaborations with all our stakeholders.

Progress in 2019

- Implementation of a new sustainability strategy, stakeholder matrix as well as a clear governance structure
- Global Compact signatory
- NASDAQ ESG Transparency Partner

The Share

Hoist Finance's market capitalisation was SEK 4,460 million based on the last price paid on 30 December 2019, which was SEK 49.94 per share.

Share performance in 2019

Hoist Finance's share price increased 15.7 per cent in 2019, while the total OMX Stockholm PI index increased 29.6 per cent. The highest closing price quoted during the year was SEK 61.40, on 13 September 2019, and the lowest closing price was SEK 36.60, on 27 March 2019.

Trading volume

A total of 148.9 million Hoist Finance shares[1)] were traded on all trading platforms during 2019, while the average daily trading volume was 595,701 shares. Trading on Nasdaq Stockholm accounted for 83.5 per cent (77.9) of total trading volume in the Hoist Finance share.

Beta value and volatility

The beta value of the Hoist Finance share was 0.85 in 2019 (1.09). The beta value shows the way in which a share price fluctuates in relation to the market as a whole – in this case, as compared with OMX Stockholm Pi. A beta value of 1.00 indicates that the share price has developed in line with the rest of the market. Share price volatility was 52.2 per cent (43.5) in 2019. This figure shows the daily share price movements in relation to its average value.

Share capital

At year-end, Hoist Finance's share capital amounted to SEK 29,767,666.66 divided among 89,303,000 shares. All shares carry equal entitlement to the company's earnings and equity, and equal voting rights.

Ownership structure

The number of shareholders was 7,429 at year-end 2019, an increase of 73 per cent compared to prior year. Of Hoist Finance's share capital, 84.6 per cent (79.7) is owned by Swedish investors [1)]. The US, Norway and Denmark account for the largest share of foreign ownership. The Hoist Finance share has been listed on Nasdaq Stockholm's Mid Cap list since 25 March 2015.

Dividend

The Board of Directors is proposing that an exception be made for financial year 2019 to the current dividend policy, and that no dividend be distributed for 2019. The non-payment of dividends has a positive impact of 0.40 percentage points on the CET1 capital ratio as at 31 December 2019 (assuming a 25 per cent dividend payout).

Credit rating

Hoist Finance has a long-term senior unsecured debt rating of Baa3, with a stable outlook. The short-term credit score is P-3. The credit rating is completed by the rating agency Moody's Investors and was confirmed in February 2020. This is important as a high rating indicates a stronger credit profile and will typically result in lower funding costs.

1. Source: Modular Finance AB and Bloomberg.

Hoist Finance share data 2019

Closing low, SEK	36.60
Closing high, SEK	61.40
VWAP	47.55
Share turnover	148,925,278
Daily turnover, shares	595,701
Number of trades	290,133
Average per day, trades	1,160.5
Average value per trade, SEK	24,408
Average daily turnover, SEK M	28.3
On Nasdaq (ordinary trading), %	83.5
Transactions on other trading platforms, %	15.8
Dark pools (Nasdaq), %	0.7

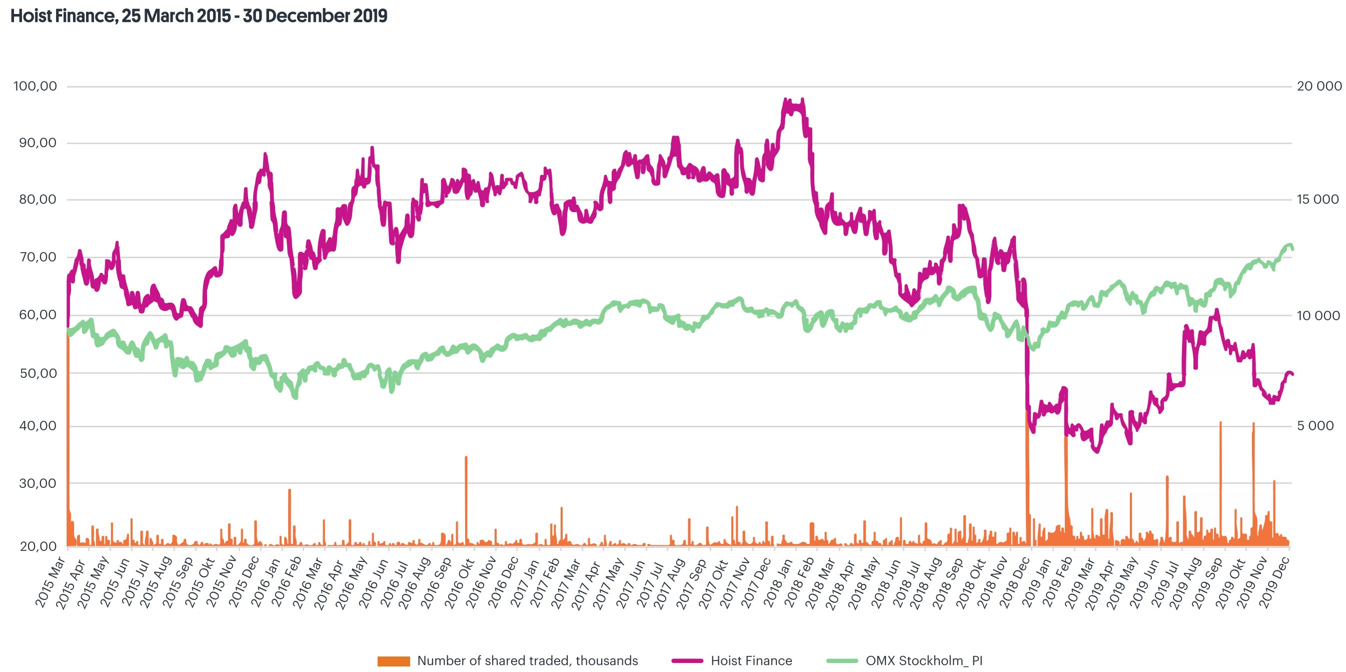
1) Source: Modular Finance AB.

Size	Number of shares	Capital, %	Votes, %	No. of shareholders	Shareholders, %
1–500	764,366	0.9	0.9	4,630	62.3
501–1,000	857,670	1.0	1.0	1,014	13.7
1,001–2,000	987,204	1.1	1.1	593	8.0
2,001–5,000	2,052,042	2.3	2.3	589	7.9
5,001–10,000	2,172,446	2.4	2.4	278	3.7
10,001–20,000	1,820,287	2.0	2.0	120	1.6
20,001–50,000	3,208,968	3.6	3.6	98	1.3
50,001–100,000	2,992,897	3.4	3.4	41	0.6
100,001 -	72,921,600	81.6	81.6	66	0.9
Owned anonymously	1,525,520	1.7	1.7	N/A	N/A
Total	**89,303,000**	**100.0**	**100.0**	**7,429**	**100.0**

Source: Modular Finance AB

	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	3.4
BlackRock	2.9
Per Arwidsson through closely related persons' holding	2.9
Jörgen Olsson privately and through companies	2.9
Confederation of Swedish Enterprise	2.8
Catella Fonder	2.4
Total 10 largest shareholders	**51.5**
Other shareholders	48.5
Total	**100.0**

Source: Modular Finance AB



Banks and Financial Institutions

Solid experience, knowledge of the regulatory environment and presence in eleven European markets enable Hoist Finance to offer banks and financial institutions extensive support with debt restructuring solutions.

Hoist Finance focuses on Europe's major banks and financial institutions. In the past ten years, we have done business with all of the ten largest European
banks and often in several countries. Offering flexible solutions and capacity to manage complex acquisitions that include multiple asset classes has been a key to success.

A bank's customers must be handled smoothly and with great care following the transfer of a portfolio to Hoist Finance. With strict procedures and processes, we can ensure fair treatment of customers in compliance with the selling bank's compliance criteria. The best results are always achieved when the transfer of customers is planned well in advance.

Some of the key components of Hoist Finance's offering are:

- Good understanding of the regulated banking environment.
- Flexible and customised service offering on the ground in major European markets.
- In-house customer relations, which safeguards superior understanding of the customers' situation as well as good operational control, including risk management and compliance.
- More than 25 years of experience in debt restructuring solutions.

Regulated as a bank

Hoist Finance has been a regulated credit market company since 1996; for almost 25 years. The regulated status has given us advantages such as access to low-cost funding through deposit savings.

Being regulated by the Swedish Financial Supervisory Authority, Hoist Finance is subject to most of Sweden's banking regulations. Operating in a regulatory environment has built trust in Hoist Finance and our ability to understand the challenges that banks are faced with.

Read about our Risk management

Read about Banking platform

Our offering

Hoist Finance is a full-service supplier, capable of servicing various stages of the credit risk cycle.

During 2019, the Secured NPL asset class became increasingly important for Hoist Finance. By expanding in this asset class, we have become more of a full service provider for a variety of debt resolution to banks and financial institutions.

Most portfolios acquired by Hoist Finance have historically been tertiary loans, which have been in default for 2-5 years. In more recent years, fresher debt has been acquired as debt markets have matured.

Acquired loans are generally categorised according to credit risk and impact on the loss allowance:

- Stage 1: No significant increase in credit risk
- Stage 2: Significant increase in credit risk, but no objective evidence of loss
- Stage 3: Objective evidence of loss

Read about our Asset classes

Our loan acquisition strategy

Our experience, knowledge and presence in the financial sector has resulted in our acqusisition strategy; to focus on bank-originated loans, to customize our business model to enable flexibility and to be geographically diversified.

Bank-originated loans

- High quality origination with less risky repayment profile.
- Larger ticket size.
- Long-tail stable cash flows.

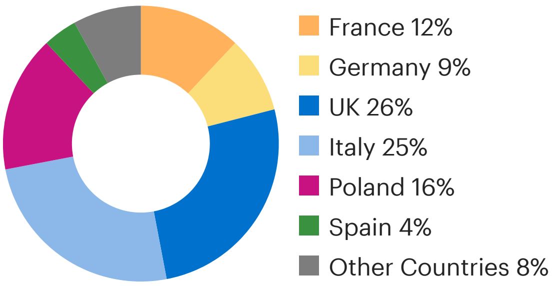
Asset-class flexibility

- Flexibility to buy all types of financial institution-originated debt.
- Increased proportion of performing loans and secured NPL:s in recent years.

Diversified geographic profile

- Reduction of single-market exposure from a risk and origination perspective.
- A more even flow of investment opportunities.
- Strengthened value proposition to banks and financial institutions.

Carrying value distribution per country (31 December 2019)



Different models for acquiring portfolios

Solution	Definition	Constrains and specifications	Present market status
Spot transaction/Direct sale	Direct sale of a precisely identified portfolio. Most of Hoist Finance's portfolios have been acquired through spot transactions	» High capital use, could limit future transactions.	Mature.
Forward flow	A pre-determined volume (fixed or range) of loans is acquired at a pre-determined price.	» Implementation of a durable and engaging relation and engaging relation for both parties.	Relatively mature for several institutions.
Servicing	Operational management on behalf of an institution.	» Implementation of durable and engaging relation for both parties. » No deconsolidation for the seller. With or without engagement on the recovery performance.	Mature. Potential additional services may be added.
Structural sale	Direct sale of a precisely identified portfolio. This option does however include a potential takeover personnel and/or systems.	» High capital use, could limit future transactions. » Ensure preserved know-how and infrastructure to secure transaction.	Mature, but less common.
SPV and securitisation	Sale of portfolio to an SPV with potential securitisation structure: » SPV detained by potentially multiple investors » Mutualisation of different portfolios originating from different institutions » Sale of securitisation notes to different potential investors including the sellers	» Dedicated to a seller or not (mutualisation of debts from multiple sources), possible share ownership of the SPV. » Possible securitisation of the SPV debt with offering to multiple investors.	Average maturity. Significant potential.

Fair pricing

Hoist Finance can evaluate a portfolio and give a fair offer based on our data warehouse that includes detailed data on collection performance and cash flow from acquisitions dating from the year 2000 and onwards. A guiding principle has always been, and still is, to be prudent when bidding for debt portfolios. With Hoist Finance's tools for examining and analysing potential acquisitions, predictions can be made on a 15-year horizon of future cash flows and debt recovery costs.

Case story: Crédit Agricole

What were the advantages for you, as a selling bank, to divest your portfolio to Hoist Finance?

Setting aside the price, Hoist Finance appeared to be a partner who's aim is to get to know our customers and offer them tailored solutions, while being respectful and having the same values as us.

What actions were taken to transfer the customers to Hoist Finance and how has it worked out?

We have worked jointly with Hoist Finance's teams in order to build a claims transfer process that has been validated by both parties.

> **"Hoist Finance shows a best in class professional approach by setting up a trustful relationship and trying to understand the situation that the customer is facing."**

What measures are Hoist Finance taking to treat your customers in a proper and compliant way?

When it comes to customer care, Hoist Finance has shown a best in class professional approach, setting up a trustful relationship and trying to understand the situation that the customer is facing. By taking into consideration the customer's capacity to pay, they have been able to offer the most suitable solution for each customer.

Why did you choose to cooperate with Hoist Finance?

Trust, transparency, professionalism and a sense of ethics. The fact that Hoist Finance is a credit institution, and hence regulated as any other European financial institution, has also been a differentiating element. Finally, the competitiveness of their financial offer helped us in the decision to choose Hoist Finance.

Vincent Mouriaux, Head of Credit at Crédit Agricole France

Competitive Position

European NPL Market

European loan portfolio market volumes in 2019 have decreased from the all-time peak in 2018, but remain healthy. Italy continues to represent over a third of the market in terms of number of transactions, and together with Spain made up over half of the deal volume during the year.

The composition of these portfolios is evolving, with Unlikely-to-Pay loans becoming increasingly prevalent in Italy, making up over a third of the 2019 transactions and pipeline. In Spain, Real Estate Owned portfolios make up over half of the market, with investors having taken assets onto their own balance sheets in the wake of the Spanish real estate crisis and now looking to liquidate their investments. Elsewhere in Europe, our other markets continue to present interesting opportunities. The French secured NPL market has been a key development during the course of 2019, as the domestic banks finally take steps to reduce their non-performing and non-core stocks. We have seen three significant transactions during the course of the year and Hoist Finance views this market as a key growth opportunity. This is truly demonstrated by the acquisition of a portfolio of non-performing mortgages in France, which was our largest portfolio investment ever.

Poland remains encouraging, with healthy numbers of small to medium-sized transactions. The demise of GetBack has served to push the market back towards more sustainable return levels. We also continue to see opportunities in the non-core performing loan portfolio space, an area of the market which we are well-placed to serve after we established our performing loans platform in Warsaw last year.

The UK and Germany, as our most mature unsecured NPL markets, continue to demonstrate relatively stable and predictable pipelines. The more interesting developments in these countries are likely to come in the secured space – real estate and shipping loans respectively.

Looking more deeply at the asset class mix, real-estate backed transactions continue to dominate the market. This includes portfolios with a mix of secured and unsecured assets, with banks seeking to drive down their NPL ratios quickly via bloc sales rather than granular disposals.

Expanding into secured acquisitions within our existing markets is a key element of Hoist's strategy since it will allow us to access much deeper pipelines whilst leveraging upon the people, infrastructure and relationships that we already have in these countries. Mixed portfolios are a particularly important part of this strategy, since they will often include unsecured assets for which Hoist Finance is highly competitive, but that historically we have not been able to acquire due to the barriers presented by the secured segments of the portfolios. By expanding our ability to acquire these new asset classes, we will also increase our ability to buy assets within Hoist Finance historic area of strength and expertise.

Our Competitive Position

Hoist Finance has historically been focused on the consumer unsecured NPL market, with minimal investments in other asset classes prior to 2018. We have been an asset specialist, concentrating on one asset class in which we have extensive knowledge and expertise.

Our strategy since 2018 has been to expand into new asset classes, ensuring we are able to support banks and financial institutions in various stages of the credit risk cycle. This allows us to better compete with peers in our industry who operate integrated servicing platforms in multiple countries.

However, we remain focused on our existing, prioritised markets, expanding the platforms we have already established rather than engaging in extensive, high-value M&A activity. To learn more about our expansion into new asset classes, click here.

Hoist Finance also operates under a banking model, having been a licensed credit institution since 1994. This provides us with a unique funding advantage, with our acquisitions funded primarily through the use of customer deposits from our HoistSpar platform in Sweden and Germany. However, beyond this funding advantage, we are yet to fully exploit the potential of our banking platform. We have in the year taken new initiatives to ensure we are able to derive full value for our banking platform.

Debt Purchase Market Landscape

Full-service	» Large industry players with integrated servicing platforms in multiple countries » Have tended to grow expertise through M&A transactions » Competing at the larger end, but not seeking to compete directly with PE
Asset Specialists	» Smaller, more specialist companies targeting a specific asset class » Typically tend to operate in one or a small number of jurisdictions » Candidates for M&A, being absorbed by the “One Stop Shops”
Banking Model	» Players who use banking model to fund their acquisitions » Well placed to manage more complex assets (performing, corporate, UtP) » May be a platform to develop into a true challenger bank
Capital-light	» Focus on servicing relationships, with fewer assets on balance sheet » May complement servicing revenues with some portfolio acquisitions » Look for strategic partnerships: selling banks, investors, securitisation etc.
Private Equity	» (Very large) investors who typically target a smaller number of high value deals » May acquire servicing platforms, but treat these more as parallel investments » Typically more visible in SME, corporate and secured NPL markets

Adapting to market changes

The end of 2018 introduced a number of regulatory changes, which affected us as a regulated entity. In order to adapt, and protect the business model, a plan was laid out. This plan included the below four areas, and has been very successfully delivered upon.

Securitisation

De-risking our prudential balance sheet by transferring portfolios to new vehicles financed through a combination of Hoist Finance and third party investors.

IRB

Using our comprehensive database of NPL LGD (recovery) observations to develop our own, more accurate risk assessment models.

Co-Investments

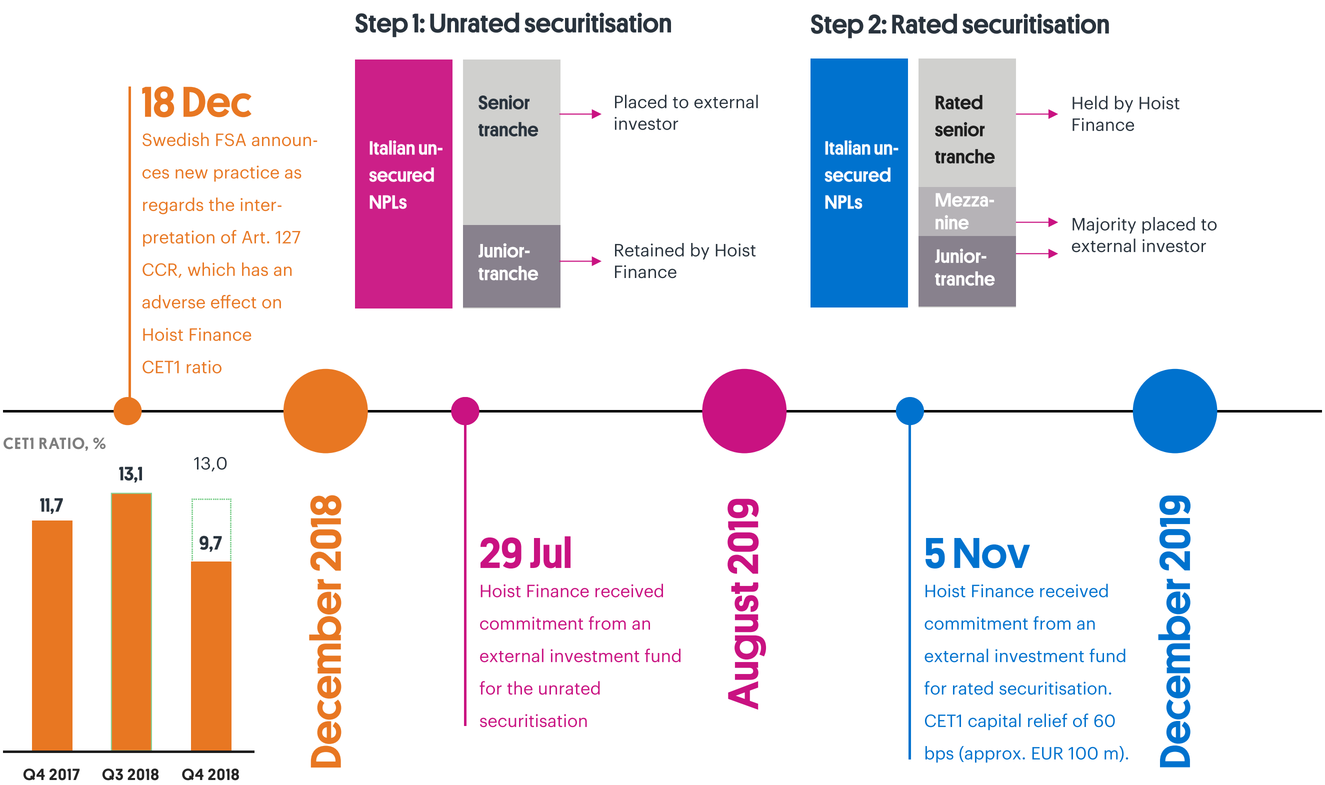
Working with co-investment partners in order to create synergies and diversify our acquisitions, accessing larger and more diverse portfolios.

Change in Asset Mix

Continuing to pursue our strategy of expanding into new asset classes, which continue to benefit from more favourable risk weights and less aggressive scheduling for the NPL Prudential Backstop.

Securitisation

The recent regulatory changes has required us to adjust our business model to ensure future growth. Securitisation is a key pillar of this process, permitting both the reduction of our risk weighted assets, and mitigation against the NPL Prudential Backstop through holding rated notes on our balance sheet instead of NPL assets.



Unrated securitisation

We successfully completed the inaugural EUR 225 million securitisation transaction backed by Italian NPLs. The transaction involved the issuance of two classes of unrated notes by an Italian securitisation vehicle to purchase the NPLs from Hoist Finance. The senior notes, representing 95 per cent of the issued amount, were fully subscribed by an external investor, and the junior tranche, representing 5 per cent of total issuance, were retained in full by Hoist Finance.

Rated securitisation

The fourth quarter saw the successful completion of the first-ever Italian investment grade rated transaction backed by unsecured NPLs. The transaction involved the issuance of EUR 337m notes across three tranches issued by the Italian securitisation vehicle Marathon SPV S.r.l. to finance the purchase of the NPL portfolio. The senior notes (Class A) were retained by Hoist Finance. The mezzanine (Class B) and junior notes (Class J) were to 95 per cent subscribed by an external investor, and the remaining 5 per cent were retained by Hoist Finance in order to comply with the risk retention requirements of the Securitisation Regulation.

1) DBRS / Moody's / Scope
2) Gross Book Value (GBV) of the securitised assets at closing was 5,027 MEUR
3) Up to the target IRR of 15%

Notes	Ratings 1)	Amount (MEUR)	% of notes	% of GBV 2)	Coupon %	Legal Final Maturity
Class A	BBB/Baa2/BBB+	286.5	85	5.7	1.8	Oct. 2034
Class B	B (high)/B1/BB	33.7	10	0.7	8.0	Oct. 2034
Class J	NR	16.9	5	0.3	15.0 + variable return 3)	Oct. 2034

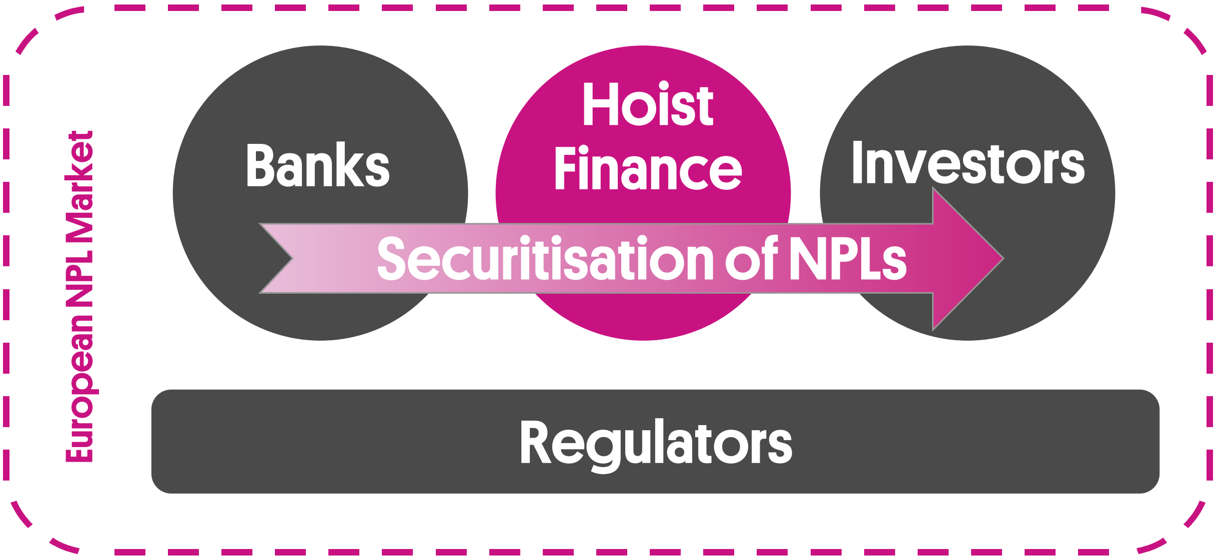
All the notes were placed at par. Excess collections from the assets will serve as credit support to all outstanding notes and thereafter be paid to Hoist Finance as deferred purchase price. In connection with the closing of this transaction, the notes of the unrated securitisation were redeemed in full and its assets refinanced through the rated securitisation.

The transaction is structured with a view to achieve significant risk transfer in accordance with Article 244 of Regulation (EU) No 575/2013 (as amended) on prudential requirements for credit institutions and investment firms.

Securitisation as a Sustainable Business Model

With the completion of a rated and unrated securitisations in 2019, we remain on track to ensure the sustainability of our business model. We strongly believe that our securitisation programme will allow us to better serve our key financial stakeholders – Banks, Investors and Regulators – as well as providing Hoist Finance with a competitive advantage in the market.

Creating stakeholder value through securitisation of NPL assets



Banks:

- Best prices
- Scope for large transactions
- Ability to sell all asset classes
- Outsourcing of structuring
- Reliable servicers

Regulators:

- Liquid market
- Standardised transactions
- Strong oversight of process
- No "backlog" of NPLs
- Reliable servicers

Investors:

- Access to NPL market without requiring servicing capability
- Familiar (rated) risk profiles
- Flexible investment amounts
- Reliable servicers

IRB

A bank's regulatory capital requirement can be calculated based on Standardised Approach or Internal Ratings-Based (IRB) approach. Hoist Finance currently applies the Standardised Approach, whereby the risk weights are set externally by regulators. It is for this reason that the EBA's new interpretation of the CRR required us to increase our risk weight for unsecured NPLs.

In order to calculate internally calculated risk weights, Hoist Finance needs to apply for an IRB permission. Banks with IRB permission are responsible for developing and maintaining their own models to estimate Probability of Default ("PD"), Percentage Loss Given Default ("LGD") and Exposure at Default ("EAD"), which in turn allow the calculation of a bank's total Risk Weighted Assets ("RWA"). The total capital which must be held is then calculated as a fixed percentage of the RWA. Typically, it would be expected that a bank that is awarded an IRB permission would lower its capital requirement compared to the Standardised Approach.

In 2019, Hoist Finance recruited an IRB specialist to conduct a pre-study to assess the viability of Hoist Finance applying for an IRB permission. The pre-study covered the regulatory aspects for a financial institution like Hoist Finance and a quantitative assessment of the impact of Hoist Finance capital requirement based on our extensive pool of NPL LGD data. In 2020, further IRB specialists are to be recruited in order to produce an IRB application that will be assessed by regulators upon submission to regulators.

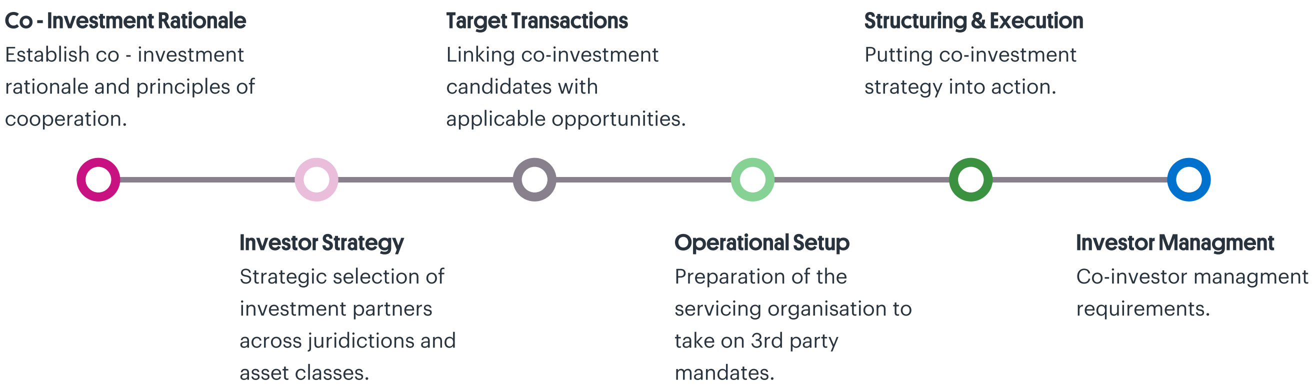
Co-Investments

Without any mitigating actions, the change to our unsecured NPL risk weights compels us to allocate more capital both to the portfolios that we have already acquired, and those that we will acquire in future. This had the short term impact of reducing our available capital base and also means that we are less able to diversify our capital allocation.

We are addressing both of these issues through an increased emphasis on Co-Investments, working collaboratively with a select pool of Investors around opportunities to acquire portfolios on a shared basis. Even before the risk weight change, Co-Investments were already a part of our strategic agenda as we look to access larger and more complex transactions. Hoist Finance targets investor partnerships with clear mutual synergies, with Hoist Finance retaining the servicing of portfolios but bene itting from Co-Investors' market reach and knowledge.

Future Co-Investments will focus on front-book opportunities, allowing us to ensure we maintain a diversi ied asset base despite the change to our risk weights. This workstream also has clear synergies with our Securitisation workstream as we adjust our business model to incorporate new external Investors.

Co-Investment Pillars



The Case for Co-Investments

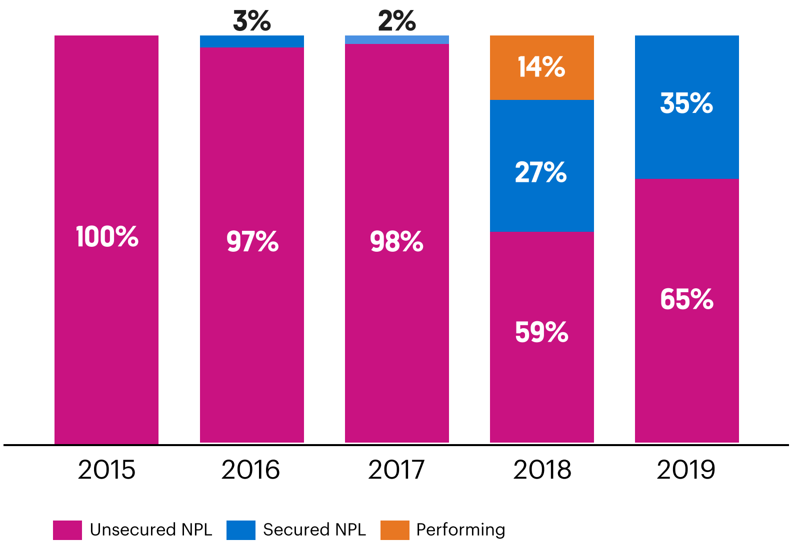
- **Capital considerations:** Allows for participation in higher investment tickets, through different capital setups
- **Additional Income:** Offers fee-based income from servicing and/or underwriting.
- **Business Development:** Strengthens relationships, presents new opportunities and continues to gather data.

Change in Asset Mix

Expanding our acquisition and servicing capabilities into new asset classes remains a key strategic focus for Hoist Finance. Our desire to pursue these assets is primarily driven by the needs of our client banks and inancial institutions, for whom we aim to be a holistic restructuring partner, as well as being a cornerstone of our growth strategy.

Our newer asset classes (Performing and Secured NPLs) provide a further bene it to our business since they are unaffected by the risk weight change, which applies only to Unsecured NPLs. This means that, through 2019 and beyond, we remain able to invest in these asset classes based on the same capital requirement as in 2018. This in turn provides scope for improved returns and increases the relative attractiveness of Performing and Secured NPL portfolios when compared with Unsecured NPLs (prior to mitigating actions).

Annual total acquisition composition by asset class %



Regulatory Changes in 2019

Hoist Finance has been regulated by the SFSA since 1996. We welcome regulations as these benefit our customers, banks and financial institutions as well as the credit management services industry as a whole. The new EU regulations aim to reduce the risks on European banks' balance sheets and increase the supply for sale of NPLs, which is a positive trend.

During 2019, regulators have continued to place significant emphasis upon tackling NPLs in the banking sector. With the main focus having previously been to reduce NPL stocks, we are increasingly seeing a shift towards flow management and safeguarding. The "NPL Prudential Backstop" is an example of an initiative which is designed to prevent future build-up of banking NPL volumes.

The NPL Prudential Backstop incentivises banks to sell their non-performing assets earlier and in a more structured manner. Simultaneously, it is therefore necessary to ensure that a competitive and responsive market exists for these assets. Several initiatives are ongoing which serve to improve transparency and efficiency for debt purchasers, including the development by the EBA of standard data structures for loan sale purposes. Developments such as these are highly beneficial for both buyers and sellers, since the consistency and reliability of data is a fundamental aspect of any transaction.

With NPL stocks reducing, we are also now seeing regulators' attentions turn towards assets which are not yet designated as non-performing, but show signs of credit impairment and are likely to become NPLs in future. In Italy, we are seeing an increasing number of portfolios of "Unlikely-to-Pay" (UtP) loans being marketed. These loans show varying degrees of distress, but are not terminated at the point of sale and at least retain some prospect of returning to a better performance status. Such assets are well-suited to Hoist Finance's business model given our focus on amicable customer interaction.

Regulatory changes in 2019 impacting Hoist Finance

Since Hoist Finance is a regulated financial institution, the changes to the regulatory landscape for banks do not only increase the size of our potential market, but also have a direct impact on our own business model.

We benefit from our banking platform, enjoying access to a unique source of funding from our deposit customers in Sweden and Germany. We are also in a strong position to understand the banks and financial institutions that we make business with, since we face many of the same challenges as they do.

Through tackling some of the recent regulatory challenges (as described below), we believe that we will make our business stronger and more resilient to future market developments, supporting us in our strategic goal to develop a leading position in our key markets.

Risk Weight Changes

In December 2018, Hoist Finance was required by the Swedish Financial Supervisory Authority (SFSA) to adjust risk weights for the unsecured NPLs on our balance sheet from 100 per cent to 150 per cent. This had an impact both on our purchasing capacity in 2019 and our level of competitiveness in the unsecured NPL portfolio market.

Article 127 of the EU's Capital Requirement Regulation (CRR) stipulates a risk weight of 100 per cent for non-performing exposures where so called "credit risk adjustments" of more than 20 per cent have been made, and a risk weight of 150 per cent in other cases. Hoist Finance had historically interpreted the regulations to mean that, if an acquired asset's purchase price reflects a write-down of more than 20 per cent, a 100 per cent risk weight is to be applied. This had also been the general interpretation of the financial industry as a whole and had been accepted by the SFSA.

On 21 September 2018, the European Banking Authority (EBA) published its final response concerning consideration of "specific credit adjustments" for non-performing loans from a capital perspective, referencing Article 127 of the regulation. The EBA's response indicated an alternative strict prescriptive interpretation of "credit risk adjustments" which only takes into account write-downs of the institution itself that have impacted equity, i.e. not historic write-downs undertaken by previous creditors (i.e. the selling banks). Since write-downs for most non-performing loans have impacted the seller's, not the purchaser's, balance sheet, the EBA's new interpretation requires Hoist Finance to apply a risk weight of 150 per cent for unsecured NPLs.

On 18 December 2018, the SFSA announced its endorsement of the EBA's response, thereby modifying its previous interpretation. As a result, Hoist Finance adjusted the necessary risk weights as of this date, and continues to operate with these revised risk weights.

We did not and continue not to agree with the EBA's interpretation, which fails to take into account the fact that the acquired loans are purchased at fair value and therefore inherently demonstrate a substantial reduction in risk which should in turn be re lected by lower risk weights, a key principle of Article 127 of CRR. According to EBA's interpretation, a NPL portfolio which is written down by more than 20% by the originating banks and subsequently acquired by us at an even lower purchase price would have a risk weight of 100 per cent for the originating bank and 150 per cent for us. This is in our view contradictory and inconsistent with the fundamental principle that an exposure risk weight should depend only on its risk and not its owner.

Our hope is of course that this inconsistency will be remedied in future, however Hoist Finance is in any case taking proactive actions to mitigate the impacts of the change to our risk weights.

NPL Prudential Backstop

In April 2019 the European Council adopted a new framework (Regulation (EU) 2019/630, which amends the Capital Requirements Regulation), known as the NPL Prudential Backstop, to deal with build-up of banks' non-performing loans. This new framework establishes common minimum loss coverage levels for all banks (including Hoist Finance), ensuring that they set aside enough money to cover future losses from non-performing exposures. The framework sets out a phased approach to deductions to own funds for non-performing exposures, with the pro ile of this phasing being dependent upon whether NPLs are secured or unsecured, and whether any collateral is movable or immovable. The different pro iles are shown in the table above.

This new framework came into effect on 25th April 2019 and applies only to exposures that were *originated* after this date, in order to facilitate a smoother transition for banks. For Hoist Finance, the transition period is effectively longer since we are an acquirer, as opposed to an originator, of loans, meaning that we will not be impacted by these provisions until we have acquired a portfolio which contains loans that were originated, and have become non-performing, since 25th April 2019. During 2019, we have not acquired any portfolios which include a meaningful volume of such loans. Nevertheless, this will have a longer-term impact upon us and therefore we have already adapted our business model and processes in light of this new framework.

Monitoring tools have been established in order to evaluate our levels of backstop-impacted assets, and pricing models have been updated to ensure that these assets are valued in a manner which appropriately re lects the updated loss coverage requirements. During 2019, we have worked on a number of mitigating actions which are intended to reduce the impact of the Prudential Backstop requirements.

Time from classification as Non Performing Exposure

Claim Type	Year 0	1	2	3	4	5	6	7	8	9	10
Secured by Real Estate	0%	0%	0%	25%	35%	55%	70%	80%	85%	100%	
Secured by movable collateral	0%	0%	0%	25%	35%	55%	80%	100%			
Unsecured	0%	0%	35%	100%							

Asset Classes

Definitions of Asset Classes

Non-performing loan ("NPL"): A loan that is deemed to cause probable credit losses including individually assessed impaired loans, portfolio assessed loans past due more than 60 days and restructured portfolio assessed loans. Hoist Finance primarily purchases loans that are credit-impaired on initial recognition.

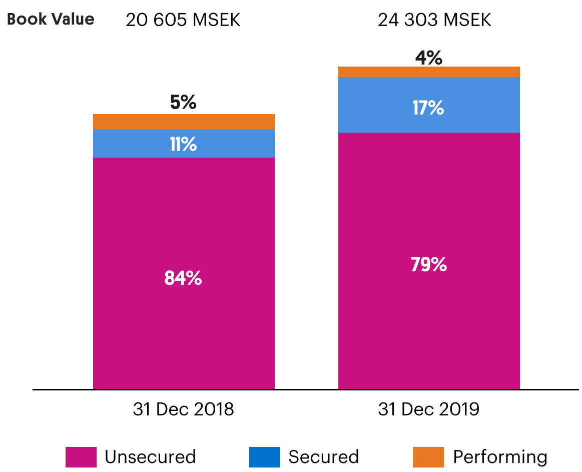
Performing loan: A loan in which payments of interest and principal are less than 90 days due.

Secured loan: A loan in which the borrower pledges some asset as collateral for the loan, which then becomes a secured debt owed to the creditor who gives the loan.

Unsecured loan: A loan that is issued and supported only by the borrower's creditworthiness, rather than by any type of collateral.

Consumer loan: A loan given to a person to finance specific types of expenditures.

SME loan: A business loan extended only to small- or medium-sized enterprises.



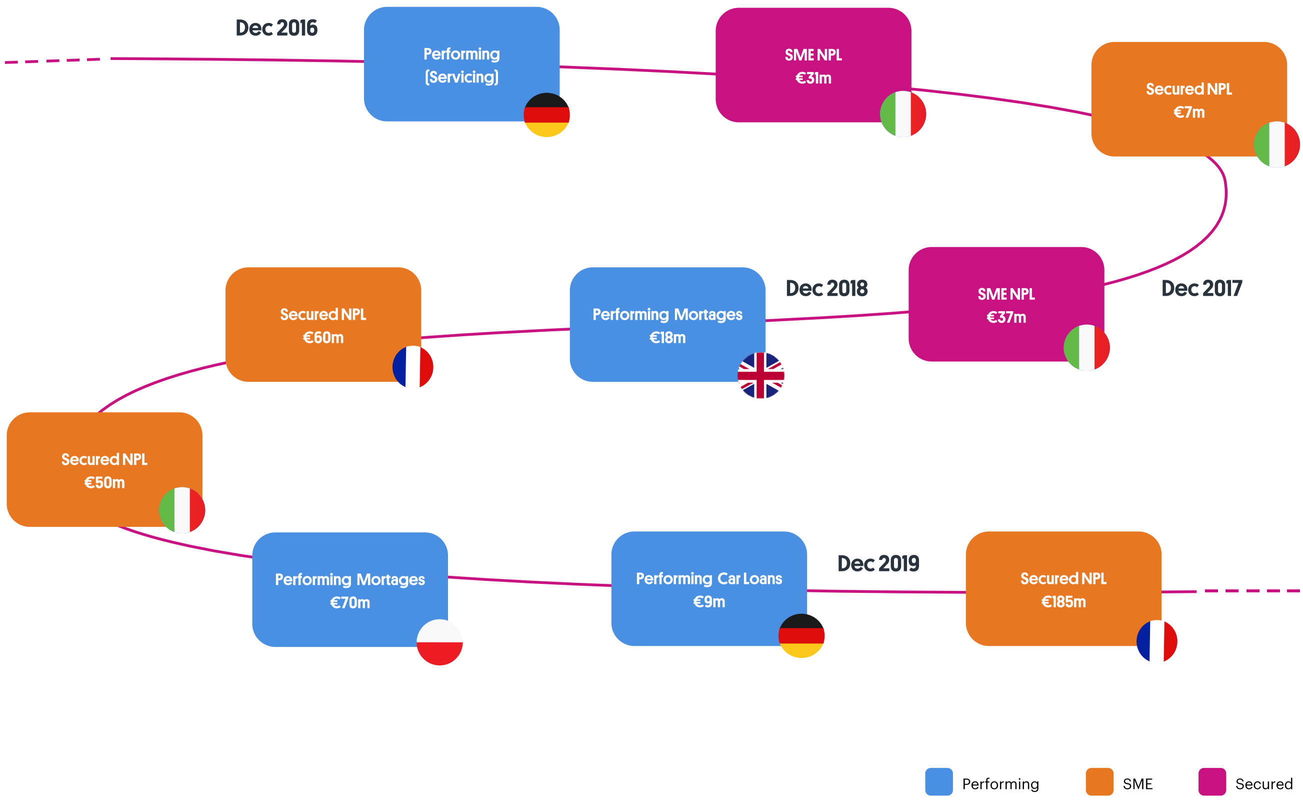
Hoist Finance main investments have been and still are within non-performing loans. However our strategy is focused upon expanding our purchasing capabilities within our existing markets, ensuring we are able to serve as a true restructuring partner to banks and financial institutions, allowing us to grow our book in a sustainable and diversified manner.

Hoist Finance's core competency has been as an acquirer and servicer of unsecured consumer NPLs and our journey towards developing the capacity to purchase our newer asset classes; SME, Secured and Performing, has been a careful and considered one.

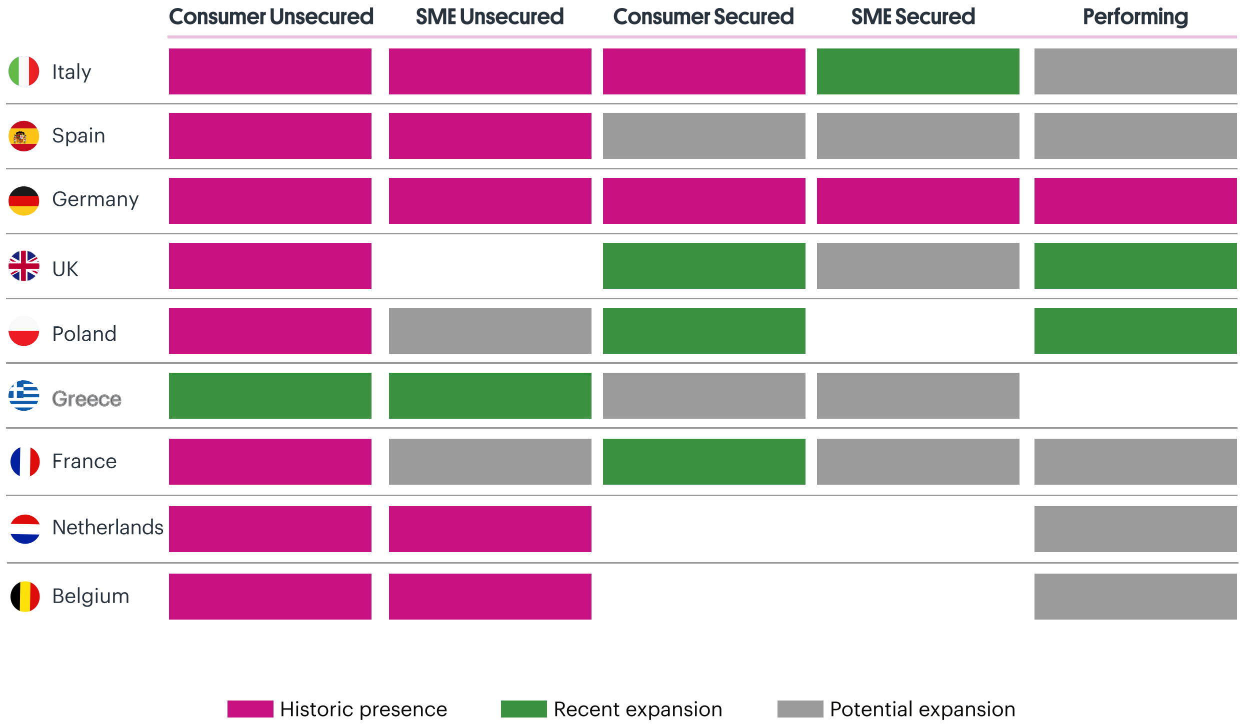
The year 2019 has seen a continuation of our growth in new asset classes, with focus on Secured NPLs, representing 35 per cent of our total acquisitions for the year.

These investments have the additional benefit of being subject to lower risk weights than our consumer unsecured portfolios, providing added mitigation against this regulatory change. Whilst consumer unsecured NPL portfolios will continue to represent our core business, we are now far better placed to pursue our growth strategy.

New Asset Classes



Typical Characteristics	Unsecured SME	Secured	Performing*
Average portfolio Size (€)	300m - 500m	40m - 70m	20m - 70m
Purchase Price by Claim (% of GBV)	1% - 5.5%	30% - 50%	75% - 95%
Average Claim Size (€)	10k - 2m	100k - 7m	50k - 200k
Average no. of Claims in Portfolio	2k - 5k	200 - 400	500 - 2k
Age at Acquisition (years since default / origination)	2 - 8 years	0 - 4 years	7 - 14 years (since origination)
Average Time to Collect	65 - 73 months	30 - 45 months (depending on legal status)	10 - 15 years


Consumer Unsecured
SME Unsecured
Consumer Secured
SME Secured
Performing
Italy
Spain
Germany
UK
Poland
Greece
France
Netherlands
Belgium
Historic presence
Recent expansion
Potential expansion

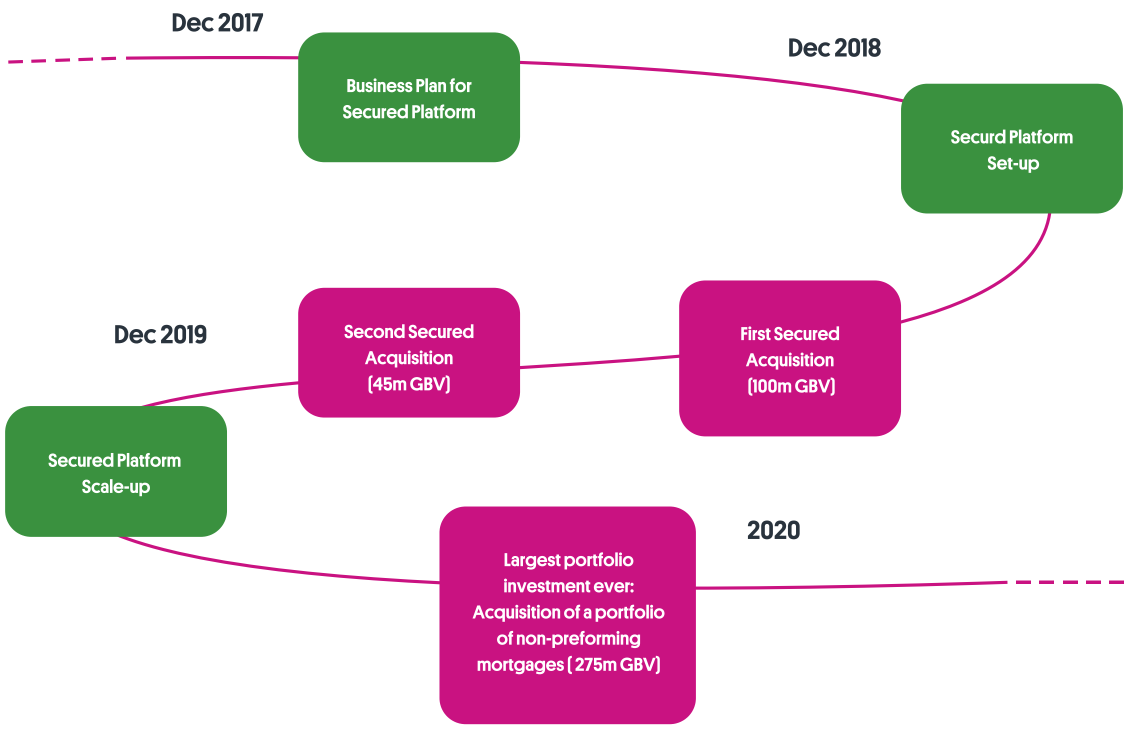
Transaction Case: Portfolio of non-performing mortgages in France

In December 2019, Hoist Finance closed the acquisition of a portfolio of non-performing mortgages sold by one of the major banks in France. The portfolio has a principal balance of approximately EUR 375 million, distributed over 3,500 loans, and represents not only the largest investment ever made by Hoist Finance (in both secured and unsecured) but also the largest Residential NPL transaction of the decade in France.

The acquisition process started in July 2019 with a Non-Binding Phase, with the binding phase starting in early September. The due diligence/underwriting phase then lasted for two months and included three weeks of on-site due diligence, where over 2,000 physical iles have been reviewed by our due diligence team, enabling us to capture valuation critical information. The binding bid took place mid-November and was followed by a month long SPA negotiation.

The acquisition is underpinned by sophisticated underwriting process, combining data driven forecasting on timings, discounts and costs, as well as a thorough analytical work the on legal statuses and underlying assets. Additionally, we leveraged insights acquired as part of a Secured transaction in July 2018, which consisted of similar loans. Indeed, the short timeframes in France, combined with the seasoning of the portfolio allowed for a substantial underwriting feedback loop on that investment.

Looking at the broader picture, this investment is the concretisation of an organic growth strategic plan devised in late 2017, designed to create a leading acquisition-servicing platform in the French secured market, in anticipation of a then likely market opening which eventually materialised in 2019. This success is therefore a testament to the strategic direction as well as our operational implementation, which has been facilitated by the One Hoist Finance culture and cross-jurisdictional best-practice sharing, notably with the Italian Secured unit. The increased operational scale achieved with this transaction puts us at the forefront to capture a signi icant portion of the secured pipeline expected to come to market in 2020 and beyond.

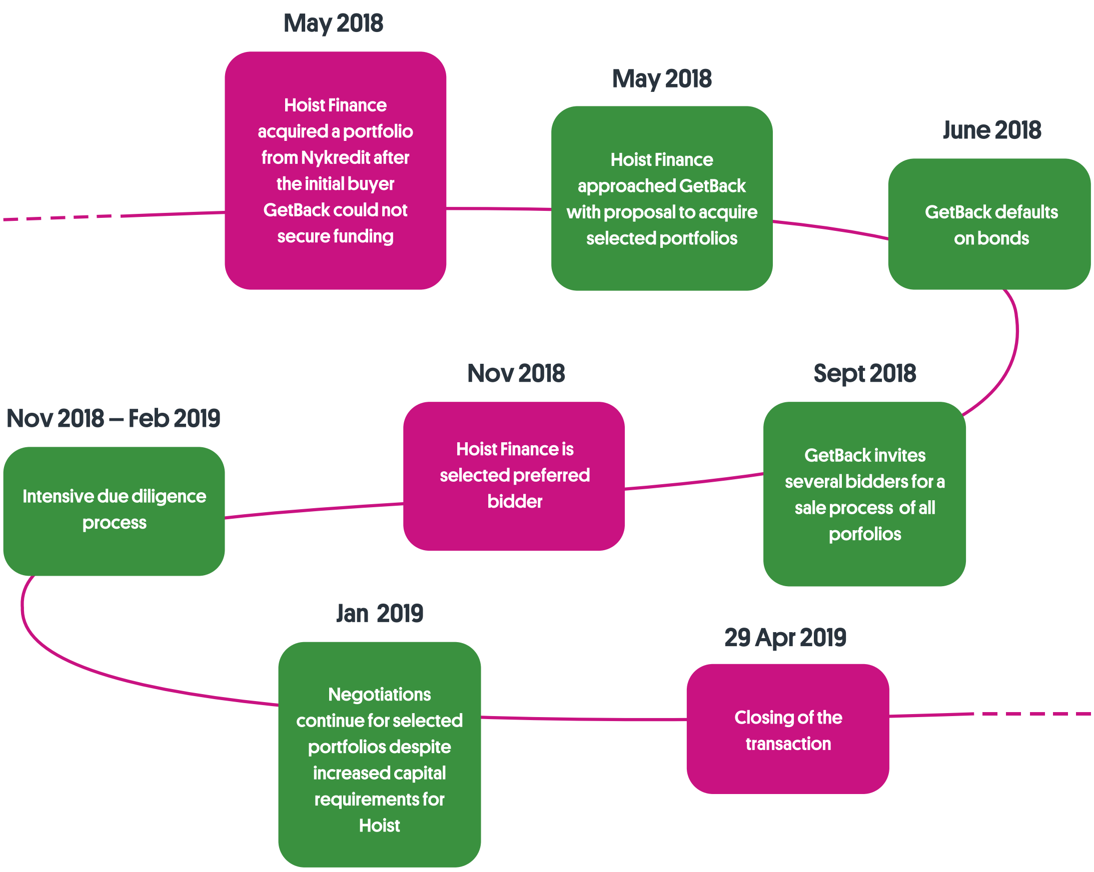


Transaction Case: Acquisition of NPL's in Poland

In April 2019, Hoist Finance closed the acquisition of a portfolio of Unsecured NPLs from the Polish debt management and collection company GetBack, for a purchase price of approximately PLN 400 million (SEK 888 million). GetBack's assets were being marketed for sale after the company had fallen into insolvency, following funding issues and a default on its bonds. This was a highly significant transaction, requiring strong collaboration across different areas of our business, and was completed under particularly challenging circumstances.

The sale process began in September 2018, with Hoist Finance selected as the preferred bidder in December 2018, immediately prior to the change to our risk weights. This change and the resulting reduction in our capital availability led to the requirement to reduce the transaction perimeter from the initial higher purchase volume. We were successful in maintaining our preferred bidder position despite this setback, and were able to conclude the purchase of the reduced perimeter.

This acquisition has increased our share of the Polish market from third position to second, supporting our strategy of increased operational efficiency and growth in a prioritised market. Furthermore, Hoist Finance Poland was leader on the market in terms of new investments in 2019.



Banking Platform

Hoist Finance benefits from a well-diversified and cost efficient funding. The Group's funding is comprised of retail deposits from the public and market funding through issued money market instruments, bonds and subordinated debt.

Deposits from the public amounted to SEK 21,4 billion (17,1), of which SEK 12,2 billion (11,3) relates to deposits in Sweden and SEK 9,2 billion (5,8) to German household deposits denominated in Euro. Total short-term and long-term market funding amounted EUR 610 million at year-end, of which EUR 30 million is attributable to money market instruments.

Deposits

Hoist Finance offers accounts with fixed and flexible interest rates at competitive terms to customers; in Sweden under the brand name "HoistSpar",
and in Germany "Hoist Finance". The savings accounts products are offered to retail customers and corporates. Customers can save up to SEK 950,000 (in Germany EUR 100,000).

During the year, Hoist Finance has actively focused on increasing the share of savings accounts with 12-month or longer maturities, and in 2019 Hoist Finance added to its German offering 4-year and 5-year savings accounts. As per 31 December 2019, Swedish deposits increased by 8 per cent to SEK 12,2 billion (11,3), distributed over 44,370 customers (36,120).
The deposits in Germany increased to EUR 881 million (565), distributed over 31,421 customers (17,368).

HoistSpar

Market funding

Hoist Finance continued to be active in the money market during 2019. At year-end we had two senior unsecured bonds and one subordinated bond outstanding under our Euro Medium Term Note (EMTN) programme. Outstanding issues under the commercial paper programme amounted to EUR 30 million (83) at year-end. Furthermore, in 2019 Hoist Finance successfully completed two securitisation transactions backed by Italian non-performing unsecured loans for risk transfer purposes.

Why invest with us?

European deposit guarantee
Deposits in Hoist Finance are covered by the deposit guarantee scheme, which in Sweden corresponds to SEK 950,000.

Regulated credit market company
Hoist Finance is a regulated credit market company under the supervision of the Swedish FSA.

Investment grade rating
Hoist Finance holds a long-term issuer rating of Baa3 with a stable outlook from Moody's. The short-term issuer rating is P-3.

Retail banking and Business Development

A key cornerstone of the Hoist Finance strategy is to maximize the value of our banking license and platform by offer a wider range of products and services. Therefore we have taken the next step in this development in establish a new business area: Retail banking and Business Development. This area is to explore new business development opportunities, further strengthen the sustainability area and develop the asset class performing loans. Our approach to debt resolution is very much built on a strong foundation of compliance, sustainability and company values. In our ambition to be the digital leader in our industry, we see that our new organisation will improve our value proposition and help diversify our business even further.

Risk management

Hoist Finance's core business is to acquire and manage loan portfolios, which is why we are actively exposed to credit risk. Being a regulated company under supervision from the Swedish Financial Supervisory Authority (SFSA) puts further emphasis on a solid understanding and management of all the risks facing the company.

The risk management framework

Risk management at Hoist Finance aims to:

- Increase certainty regarding the achievement of the company’s objectives through identification, analysis, measurement, governance, control and reporting of associated risks.
- Secure the company’s survival by maintaining adequate capital and liquidity levels.

This creates and maintains confidence in Hoist Finance among our stakeholders, thereby enabling sustainable shareholder value.

To fulfil these goals, the Board of Directors has adopted policies and strategies for the management, analysis, control and reporting of risks in day-to-day operations, which together comprises a risk management framework.

Hoist Finance’s core business and risk strategy is to generate returns through controlled exposure to credit risk in the form of acquired loan portfolios. Therefore, we actively pursue this type of credit risk. Other types of risk, such as operational risk and market risk, are undesirable but sometimes unavoidable. However, these risks are minimised as far as is economically justifiable.

Risk capacity, which consists of the capital and liquidity buffers in place, is set in order to ensure the survival of the company. Capital risk capacity is the difference between actual capital levels and regulatory minimum levels and demonstrates the capacity to absorb losses before critical levels are reached. Liquidity risk capacity is the scale of the liquidity outflow Hoist Finance can accommodate without breaching regulatory minimum requirements.

The Board of Directors determines our risk appetite within the available risk capacity. By weighing potential returns against potential risks, the Board decides on an appropriate risk and return level for Hoist Finance. Our risk appetite then provides the basis for business decisions and risk limits, which are applied in day-to-day business activities and in risk monitoring. Continuous monitoring performed by the Group’s Risk Control function ensures we do not assume any risks that exceed the established risk appetite, risk capacity or limits.

Three lines of defence

Hoist Finance's risk management is built around a sound risk culture; an efficient operating structure governed by policies and guidelines and transparent reporting and monitoring. The Board of Directors' risk management policy stipulates the framework, roles and responsibilities for risk management and the guidelines for ensuring that there is adequate capital and liquidity to withstand economic adversity.

Hoist Finance's risk management allocates roles and responsibilities in accordance with three lines of defence, described in the Corporate Governance Report.

Risk culture

We have a deep insight and understanding of how a sound risk culture is essential for efficient risk management. Therefore, structured efforts are taken to support and promote a sound risk culture within the company. We define a sound risk culture as:

- **Transparency**, where information is shared as far as possible and all communication and feedback is clear, concise and constructive.
- **Teamwork**, where the atmosphere is open and it is easy to share and learn from experience, both from successes and from failures.
- **Balance between risk/reward**, where all decisions and considerations take into account both the risk and the reward that the decision entails. We believe that constructive discussions on risk and reward are essential for sophisticated decision-making on business opportunities.
- **Sound incident management**, where incidents are reported, analysed and actions taken to mitigate risks as far as economically justifiable; and where a sound and formative risk culture promotes learning from mistakes to continuously improve.

Promoting a balanced risk culture is a long-term and continuous endeavour that permeates everything that we do. Internal rules, remuneration systems, incentives, ethical guidelines, formal educational initiatives and other governing mechanisms within the company are designed to ensure that the risk culture develops in a positive direction. We have ambitious targets to improve the risk culture further and have initiated work to broaden the risk management to ensure inclusion of emerging risks outside the traditional risk types for a bank. These risks include climate change, social inclusion, and more. The work is carried out in close collaboration with our Sustainability team. These efforts include initiating measurement of additional risk types and active participation in the Business Ethics and Sustainability Committee.

Security Management

The main focus in security management at Hoist Finance is to protect our customer data and business sensitive information. This is not only because we are regulated by the SFSA and need to adhere to GDPR, but given our business model we hold a lot of sensitive data that needs to be protected from external cyber-attacks. This means that we need agile processes and tools in place that can protect, detect and react on new upcoming cyber threats. Both regulatory and client based requirements have increased significantly in the past 5 years.

Our Executive Management Team and the Board of Directors are highly involved in the security management work. The CEO decides on the Security Strategy and the Board of Directors decides on the Security Policy. These policies and strategies are based on the business strategy and outlines the objectives and demands on the security function and other managers. Information Security is managed by the Head of Security. The security work is carried out in all three lines of defence.

We want to take an active role in safeguarding our business and customers and to contribute to stable and secured financial markets.

We have started and implemented several security initiatives. Among others, we have created an Information Security Management System (ISMS) which is now fully implemented in our business. An ISMS is an internal set of documentation of security requirements such as; how we classify information, how we technically must protect our data within each classification level, requirements in physical security, encryption rules and more.

We have also implemented a Security Operations Center that can monitor and react on deviations and incidents in our network. This is an important step towards a better security level in the company and enhances the work around protecting customer data. This team monitors our systems and takes care of any security related reports around the clock.

Even in these times not everything can be protected by technical means, therefore we have documented and implemented a training & awareness plan in the company. This regulates what a new employee needs to know about security at Hoist Finance as well as what needs to be done on a continuous basis. For certain key functions we have also introduced demands on security related certifications.

Regulatory changes

The European Parliament has introduced new capital regulations for non-performing exposures (NPE's). The new regulation is applicable for exposures originating after 26th April 2019, and meet the criteria's for NPE. The regulation will change how European credit institutions manage NPEs and will increase the capital requirements and monitoring of NPE's.

The NPL prudential backstop requires a deduction from own funds where NPE's are not sufficiently covered by provisions or other adjustments. The applicable amount of own funds deductions depends mainly on the size of the exposure, the numbers of years the exposure has been classified as NPE, the type and value of collateral and the amount of provisions.

This affects Hoist Finance as a large part of our claims are unsecured NPL's. We set up a plan to mitigate these changes in the beginning of 2019, and have during the year executed this plan in several areas, inclusing securitisation where portfolios of unsecured claims are moved off the balance sheet. During the year we finalized two such transactions with external counterparties.

Brexit

The conditions for cross-border trade in financial services to and from the UK as a consequence of Brexit are still uncertain. During the year Hoist Finance has investigated and evaluated the effects this will have on the Group and the direct and indirect impact of these effects on our operations. The areas that were analysed include legal structure, operational consequences, risk exposure, personal data management, funding, existing third-party agreements, and IT systems. The Brexit issue has been taken into account in the Group's strategy work and our preparation of business plans and decisions. The UK is an important part of Hoist Finance's operations. A sharp economic downturn as a result of Brexit would most likely impact the Group's collections on current portfolios.

Climate change risk assessment

As our level of investments in portfolios secured by real estate increases, Hoist Finance is placing greater focus on monitoring our collateral, including respect to environmental/climate change risks. An updated real estate database is currently under construction and pilot reports have been produced, which will permit us to monitor flooding and earthquake risk, across our secured book on an ongoing basis. This serves both to protect Hoist Finance against unforeseen deterioration in collateral asset quality and to ensure we are able to assess whether environmental factors pose any risk to our customers.

Risk exposure

The risks to which Hoist Finance is exposed can be divided into two groups: strategic risks relating to Hoist Finance in the context of its macro environment, and business-related risks which are more linked to Hoist Finance's financial and operational activities.

Strategic Risks

Risk type	Risk profile	Risk management
Competition The risk of increased competition in purchasing loan portfolios or in offering savings accounts to the public could result in lower earnings for Hoist Finance.	As regards the purchasing of loan portfolios, Hoist Finance operates in ten countries within Europe and offers savings accounts in Sweden and Germany.	Hoist Finance strives to be competitive through cost-efficient borrowing and credit operations.
Regulatory framework The risk of new regulations negatively impacting Hoist Finance's business model or otherwise adversely affecting earnings.	As a credit market company, Hoist Finance is regulated by the Swedish FSA and, accordingly, is subject to the majority of Sweden and where applicable European banking regulations.	Hoist Finance has a compliance function that works internationally across the jurisdictions in which the company operates. Forthcoming regulations are continuously monitored and subjected to risk analysis. Hoist Finance actively participates in dialogue with the regulator and makes statements on proposed regulatory frameworks.
Tax The risk that new or substantially altered products have not been properly assessed from a VAT or income tax perspective. The risk that appropriate processes are not in place, resulting in improper management of income tax and VAT. The risk that Hoist Finance will take over unknown tax liabilities in acquired companies.	Given that Hoist Finance operates in a large number of jurisdictions in Europe, tax issues are relatively complex. A high degree of complexity entails a risk that misinterpretations may have arisen.	There is ongoing work to ensure a sustainable structure includes analysing new tax rules and their i mpact on Hoist Finance's corporate structure. Hoist Finance also works continuously to ensure that the Group has the necessary processes in place and the expertise required to identify tax risks and clarify roles and responsibilities regarding income tax and VAT.

Business-related financial risks

Risk type	Risk profile	Risk management
Credit risk The risk of loss arising from a customer's failure to repay principal or interest or otherwise meet a contractual obligation.	Credit risk refers mainly to acquired NPL portfolios and the risk that collection on these will be lower than forecasted. Credit risk also includes the risk of credit losses on acquired performing loans. Other credit risk exposures are: (i) cash deposits with banks; (ii) investments in interest bearing instruments; and (iii) counterparty risk related to hedging FX and interest-rate risk.	Credit risk in acquired loan portfolios is monitored, analysed and managed by the management in each country, and by the Group's Business Control unit. Other credit risks are analysed and managed by the Group's Treasury function. The Risk Control function analyses and monitors all credit risk exposures.
Market risk The risk arising from adverse movements in foreign exchange rates and interest rates.	The main FX risks arise from the fact t hat the loan portfolios (the assets) are denominated in EUR, PLN and GBP, while the reporting currency is SEK and the majority of liabilities are denominated in SEK. Interest-rate movements have an effect on net interest income.	Market risks are hedged continuously by the Group's Treasury function and are i ndependently analysed by the Group's Risk Control function.
Liquidity risk The risk of difficulties in obtaining funding, and thus being unable to meet payment obligations when they fall due, without a significant increase in the cost of obtaining means of payment.	Liquidity risk is linked primarily to deposits from the public and the risk of large withdrawals occurring at short notice. Furthermore, i ncreased requirements for funds pledged as collateral for derivative positions, and refinancing risk associated with existing market funding, could potentially impact liquidity in a negative way.	The Group has a significant liquidity reserve to cover potential outflows of l iquidity. Hoist Finance also works pro-actively to diversify the number of funding sources.
Operational risk The risk of loss resulting from inadequate or failed internal processes, people, IT-systems or from external events including legal and compliance risk.	Operational risk is present across our operations and come in many forms. Common examples are to failure in our processes due to issues with our IT-systems or lack of or erroneous data to perform tasks.	Operational risks are identified, assessed and reported on a regular basis through different tools, such as Risk & Control Self Assessment and New Product Approval Process

Additional and more detailed information about Hoist Finance's risk management is presented in the Administration Report, Note 31 and in Hoist Finance's Pillar 3 report. This also includes quantitative risk measurements.

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Administration Report

Business overview

Hoist Finance AB (publ), corporate identity number 556012-8489, is the Parent Company within the Hoist Finance Group. Hoist Finance is a registered credit market company under the supervision of the Swedish Financial Supervisory Authority.

Hoist Finance is a leading debt restructuring partner to international banks and financial institutions, with loan acquisition and management operations in eleven countries across Europe. The Group specialises in the acquisition of non-performing loans (NPLs) originated by large international banks and other financial institutions with whom Hoist Finance has strong and long-term relationships. After purchasing a portfolio, Hoist Finance's primary method of collecting from its customers is through sustainable payment plan agreements. Most of Hoist Finance's recovery activities for its acquired portfolios are managed through its own call centres across Europe, supplemented in some cases by carefully selected external debt recovery partners. For over 20 years, the Group has focused exclusively on the acquisition of NPL portfolios. This distinguishes Hoist Finance from many of its competitors, which have evolved from being solely collection companies (i.e., collecting on behalf of a third party) and, therefore, have significantly shorter histories in acquiring claims. This long-term focus and the Group's flexible and tailored product offering have allowed Hoist Finance to develop the expertise to structure and execute complex transactions.

The Group has operated a traditional internet-based retail deposit product in Sweden since 2009 under the HoistSpar brand. In 2017, Hoist Finance also launched savings accounts in Germany, in partnership with one of the largest deposit savings platforms in Europe. As a regulated credit market company, Hoist Finance can offer the public a deposit service which is fully covered by the Swedish state deposit guarantee up to an amount of SEK 950,000 for each account. This gives the Group a cost-effective, flexible and reliable source of funding, which is primarily used for the acquisition of NPLs.

The market

Hoist Finance's geographic focus is Europe. The Group has acquired loan portfolios in Belgium, France, Greece, Italy, the Netherlands, Poland, Spain, the UK, Germany and Austria. In accordance with the Group's strategy, the prioritised markets are France, Italy, Poland, Spain, Germany and the UK. By selling their NPLs, banks and other originators can focus on their core business, free up capital, improve liquidity, limit the risk of doubtful payment profiles and improve key performance indicators. The European NPL market has grown in recent years, mainly as a result of the underlying market expansion of the consumer credit market and the new capital adequacy (Basel III) regulations, as well as the regulation for minimum loss coverage for non-performing exposures ("NPL prudential backstop") that took effect during the year. For further information on NPL prudential backstop, see section "NPL Prudential Backstop" on page 68, "Development of risks" in Administration report and note 31 "Risk management". Hoist Finance's main competitors include debt acquisition and collection companies, integrated players offering a wide range of financial services, and specialised investors.

Group structure and ownership

Hoist Finance was listed on the Nasdaq Stockholm Mid Cap list on 25 March 2015. At 30 December 2019, the number of shares totalled 89,303,000 and the share price closed at SEK 49.94, corresponding to a market capitalisation of SEK 4,460m. See Hoist Finance's website, www.hoistfinance.com, for additional information on the share and shareholders. The Articles of Association do not include any restrictions on the negotiability of the shares and there are no other circumstances that require disclosure under Chapter 6, 2a § 3–11 of the Swedish Annual Accounts Act.

Hoist Finance together with a number of subsidiaries acquire and hold loan portfolios for the Group. Day-to-day collection operations are mostly run by local branch offices and subsidiaries. Some of these companies also provide commission-based administration services to third parties.

Note 17 "Shares and participations in subsidiaries" sets out the Hoist Finance Group and its key subsidiaries and branch offices as of 31 December 2019.

Proposed dividend

The Board of Directors proposes that the 2020 Annual General Meeting resolve not to distribute a dividend to the shareholders of Hoist Finance AB (publ) for financial year 1 January – 31 December 2019. The Board deems that this exception to the current dividend policy will be instrumental in strengthening the Company's CET1 capital ratio and will facilitate the Company's growth in 2020.

Proposed appropriation of profits

According to the Parent Company's balance sheet, the following unappropriated earnings are at the disposal of the Annual General Meeting:	SEK
Other contributed capital	2,964,067,323
Retained earnings	844,366,574
Other non-restricted reserves	2,786,003
Net profit for the year	193,716,097
Total	**4,004,935,997**

The Board of Directors proposes that unappropriated earnings be distributed as follows:	SEK
Carried forward to:	
Other contributed capital	2,964,067,323
Retained earnings	1,040,868,674
Total	**4,004,935,997**

Key events during the year

- During the year Hoist Finance continued to actively acquire loan portfolios, primarily in two of its prioritised markets: France and Poland. A major portion of this growth was through continued expansion within secured NPLs.
- Hoist Finance conducted two securitisation transactions during the year. The transaction conducted during the fourth quarter, the first of its kind comprised solely of Italian unsecured NPLs, received an "Investment Grade" credit rating.
- One of Hoist Finance's strategic pillars is to be the digital leader in the industry. Several payment platforms were launched during the year, including a self-management platform, chat bot and options for paying via WhatsApp or RCS.
- Under an agreement signed during the third quarter and implemented during the fourth quarter, Larsen & Toubro Infotech Ltd took over Hoist Finance's IT infrastructure.
- The operational streamlining and centralisation initiated in 2017 continued in 2019, with the closure of the office in Bayonne, France.
- Hoist Finance continued its consolidation of internal functions to the Share service center in Poland and established a "nearshoring" office in Romania, both of which are focused on further streamlining the Company and reduce personnel expenses.

Developments during the 2019 financial year

Unless otherwise indicated, all comparative market, financial and operational information refers to full-year 2018.

Total operating income

Interest income from acquired loan portfolios increased 20 per cent during the year to SEK 3,359m (2,799), driven by portfolio growth in Poland, Italy and the UK and the first acquired NPL portfolio in the Greek market. The Greek acquisition was conducted late last year and, accordingly, the portfolio did not make a full contribution in 2018. Other interest income totalled SEK –2m (–13).

Interest expense increased to –494m (–351). The raising of new funding via securitisation of Italian loan portfolios contributed to the increase in interest expense during the year. 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 –145m during the year and are mainly attributable to the UK and Spain. Cash flow forecasts in Spain were adjusted due to lower-than-expected collections during the year. In the UK, a price adjustment to a number of portfolios was conducted due to a guarantee commitment. Adjusted for the price adjustment, portfolio revaluations totalled SEK –75m. Collections exceeding forecast during the year totalled SEK 267m, corresponding to 103 per cent of the projected level. Loss allowances for performing loans totalled SEK –2m (–3) during the year. In total, impairment gains and losses amounted to SEK 120m (261) during the year.

Fee and commission income totalled SEK 121m (80) during the year. Net financial income totalled SEK –79m (43), of which changes in value for hedging instruments accounted for SEK –69m and restructuring costs for interest rate swaps accounted for SEK –15m.

Total operating income increased to SEK 3,038m (2,829), due primarily to increased interest income.

Total operating expenses

Personnel expenses increased 6 per cent during the year to SEK –875m (–826), mainly as a consequence of business acquisitions in Italy and restructuring costs in the French operations. Previous restructuring in the UK and Germany has resulted in operational cost efficiency improvements.

Collection costs increased 5 per cent to SEK –787m (–750), mainly in the Spanish, Italian and Greek markets. The increase in Spain is due to increased legal costs, while the increase in Italy is related to business acquisitions. Collection costs in Greece are attributable to the first Greek portfolio, acquired in late 2018.

Administrative expenses increased to SEK –568m (–509). The increase is mainly attributable to costs related to securitisation of Italian portfolios (SEK –36m) and 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 –51m during the year, of which SEK –45m 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 year to SEK –122m (–61). The increase is mainly due to the transition to IFRS 16, with the rest of the increase due to a new collection system in Germany and Spain.

Total operating expenses increased 10 per cent to SEK –2,352m (–2,146).

Earnings before tax and total comprehensive income

Profit from shares and participations in joint ventures decreased year-on-year and totalled SEK 62m (72).

The year's tax expense was SEK –143m (–165). Net profit for the year totalled SEK 605m (590).

Balance sheet

Total assets increased SEK 5,132m year-on-year and totalled SEK 34,387m (29,255). The change mainly comprised acquired loan portfolios, which increased SEK 3,698m and were primarily attributable to acquisitions in France, Poland, the UK and Italy, and a net increase in cash and interest-bearing securities of SEK 1,098m. Tangible assets increased SEK 210m, of which SEK 207m is attributable to the transition to IFRS 16.

Funding and capital structure

SEK m	2019	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) Item does not correspond to an item of the same designation in the balance sheet; it includes additional 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 duration. In Germany, deposits of one- and two-year duration for retail customers have been offered since 2017 under the Hoist Finance name. Savings products of three-, four- and five-year duration 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 issued securities. The change in issued securities is attributable to bonds issued by special purpose vehicle Marathon SPV S.r.l, which was offset by reduced borrowing under Hoist Finance's Swedish commercial paper programme.

Other liabilities increased SEK 342m, of which SEK 211m is attributable to an increase in lease liability following the transition to IFRS 16.

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

Acquired loans

SEK m	2019	2018	Change, %
Acquired loan portfolios	5,952	8,048	–26
Carrying amount, acquired loans[1]	24,513	20,834	17

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

Hoist Finance continued to actively acquire loan portfolios during 2019 through expansion in existing markets. The total acquisition volume amounted to SEK 5,952m (8,048) in 2019. The carrying value of acquired loans totalled SEK 24,513m (20,834) at 31 December 2019, a year-on-year increase of SEK 3,679m.

Significant portfolio acquisitions were conducted mainly during the second and fourth quarters and entailed the acquisition of unsecured as well as secured NPLs, with major acquisitions conducted in France, Poland and the UK. To ensure opportunities for continued growth, Hoist Finance conducted a securitisation of Italian unsecured NPLs during the fourth quarter.

Cash flow

SEK m	2019	2018	Change, %
Cash flow from operating activities	3,117	2,828	10
Cash flow from investing activities	–5,098	–8,055	–37
Cash flow from financing activities	3,923	5,861	–33
Cash flow for the year	**1,942**	**634**	**>100**

Cash flow from operating activities totalled SEK 3,117m (2,828). Amortisation of acquired loan portfolios totalled SEK 3,040m (2,881), with the increase attributable to portfolio growth during the year. Cash flow from other assets and liabilities amounted to SEK –629m (–513), most of which pertains to realised cash flows from FX hedging.

Cash flow from investing activities totalled SEK –5,098m (–8,055). Portfolio acquisitions decreased year-on-year to SEK –5,952m (–8,048). Net cash flow from bonds and other securities totalled SEK 866m (64). Cash flows from matured covered bonds were mainly invested in treasury bills and treasury bonds.

Cash flow from financing activities totalled SEK 3,923m (5,861). Net cash flow from deposits from the public amounted to SEK 4,204m (3,832). Savings products with three-, four- and five-year durations were added in Germany in 2019, which collectively accounted for a cash flow of SEK 3,698m. Outflows from accounts with variable interest rates were offset by inflows to other fixed interest accounts in Sweden and Germany. Issued securities totalled SEK 3,450m (3,991) and repurchases and repayments of issued securities totalled SEK –3,629m (–2,631). Secured bonds totalling SEK 2,103m were issued in conjunction with Hoist Finance's first securitisation in August. These bonds were repurchased in their entirety in conjunction with Hoist Finance's second securitisation in December, when Italian special purpose vehicle Marathon SPV S.r.l issued bonds of SEK –3,572m, of which SEK –508m was subscribed by external parties. Net cash flow from Hoist Finance's Swedish commercial paper programme totalled SEK –554m. A senior bond of SEK –133m matured and was paid during the year. Other cash flows from financing activities are attributable to interest paid on Tier 1 capital contributions and amortisation of lease liability.

Total cash flow amounted to SEK 1,942m (634).

Segment overview

Hoist Finance works under an organisational structure with a focus on building a stronger, more integrated company to improve the Company's operational efficiency and better capture market growth. The division of segments into countries forms the basis for the Executive Management Team's monitoring of operations. See Note 1 "Segment Reporting" for additional details.

Sustainability report

Hoist Finance has prepared a Sustainability Report in accordance with the Annual Accounts Act. The Sustainability Report is included in the Annual Report on pages 7–9, 21–36 and 40–49. The auditor's assur-ance on the Sustainability Report can be found on page 163.

Other disclosures

Parent Company disclosures

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

The Parent Company's net interest income totalled SEK 1,355m (983) during 2019. The increase is mainly attributable to the acquisition of secured loan portfolios in France and a Greek loan portfolio acquired in late 2018. Net interest income also includes interest income from intra-group loans and interest expense from deposits and issued securities. Interest expense increased SEK –103m, mainly due to greater volumes related to deposits from the public of longer durations in the German market. Deposits in the Swedish market also increased in volume during the year and contributed to the increase in interest expense.

Total operating income amounted to SEK 1,447m (3,048). The comparative period was positively affected by SEK 1,947m in dividends received from subsidiaries. Net financial income totalled SEK –147m (–196) and is mainly attributable to exchange rate fluctuations in other assets and liabilities in foreign currencies. Other income totalled SEK 232m (310) and is mainly attributable to management fees invoiced to subsidiaries.

Operating expenses totalled SEK –1,209m (–989). 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 365m (770).

Impairment gains of SEK 56m (83) 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 71m (82).

Net profit for the year totalled SEK 197m (647) and the tax expense totalled SEK –121m (–66). During the year SEK –69m was provisioned for uncertainties about the tax treatment for previous years.

The carrying amount of acquired loan portfolios totalled SEK 7,394m at 31 December 2019, a year-on-year increase of SEK 1,801m primarily due to the acquisition of secured NPLs in France. Loans to subsidiaries totalled SEK 17,432m (15,182), an increase of SEK 2,250m attributable to the financing of subsidiaries' acquisitions of loan portfolios. Deposits from the public increased SEK 4,342m during the year to SEK 21,435m (17,093). The increase is primarily related to deposits in fixed interest savings accounts in Germany.

Significant risks and uncertainties

Hoist Finance is exposed to a number of uncertainties through its business operations and due to its broad geographic presence. New and amended bank and credit market company regulations may affect Hoist Finance directly (e.g. 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.

Details on Hoist Finance's risk management and its most significant risks are presented in the Risk Management section on pages 75–79 and in Note 31 "Risk Management".

Development of risks

Credit risk for Hoist Finance's loan portfolios is considered to have remained virtually unchanged during the year. 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 in place for reviewing and monitoring operational risks in the Group. The Group works continuously to improve the quality of its internal processes in order to limit operational risk. The operational risk level is deemed to be unchanged as compared with last year.

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

Liquidity risk was low during the year. 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 (NPL prudential backstop) came into effect during second quarter 2019. The proposal will affect Hoist Finance and will involve 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 within a few years, assuming that acquisition of non-performing loans continues at its historic rate. Hoist Finance has worked with and identified a number of measures to mitigate the consequences of the regulatory change and ensure sustainable growth.

Hoist Finance conducted the first securitisation of Italian loan portfolios during the third quarter, and the second securitisation of a significant part of the Italian loan portfolios during the fourth quarter. 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.

Hoist Finance conducted a dialogue with the Swedish Financial Supervisory Authority during the year and reviewed the Company's methods of measuring and capital covering interest rate risk in the banking book. Relevant methods were adjusted following the review, resulting in a marginal increase to the capital adequacy requirement.

Remuneration to senior executives

Information on the most recently approved guidelines for remuneration for senior executives is presented in Note 7 "Personnel expenses". A new remuneration policy was adopted by the Board at the AGM in May 2019. The Board will present the following proposed guidelines to the May 2020 AGM for approval. The guidelines have been updated in accordance with new regulations of the Swedish Companies Act.

The complete proposed guidelines for senior executive remuneration of the Board of Directors of Hoist Finance AB (publ), reg. no. 556012-8489

These guidelines cover senior executives in Hoist Finance AB (publ) ("*Hoist Finance*" or the "*Company*"). The term senior executives shall in this context mean the CEO and the other members of the executive management team, and board members to the extent they receive remuneration for services performed outside of their Board duties. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting 2020. The guidelines do not apply to any remuneration decided by the General Meeting.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

The remuneration in Hoist Finance shall encourage senior executives to promote the Company's business strategy, long-term interests and sustainability and a behaviour in line with the Company's ethical code of conduct and values. The remuneration shall also be structured to enable Hoist Finance to attract, retain and motivate employees who have the requisite skills. The remuneration shall encourage good performance, prudent behaviour and risk-taking aligned with customer and shareholder expectations. Hoist Finance's business strategy, long-term interests and sustainability work are described on the Company's webpage, www.hoistfinance.com.

Types of remuneration

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the General Meeting may, irrespective of these guidelines, resolve on, among other things, share-related or share price-related remuneration.

Fixed cash salary

Salaries shall be gender- and age-neutral and cannot be discriminatory. Hoist Finance views remuneration from a comprehensive perspective and, accordingly, takes all remuneration components into account. Remuneration is weighted in favour of fixed salary, which is based on the position's complexity and level of responsibility, prevailing market conditions and individual performance.

Variable cash remuneration

Variable remuneration for senior executives shall not exceed 100 per cent of the fixed annual cash salary. The variable remuneration consists to 40 per cent of cash remuneration and to 60 per cent of a long-term share-based incentive programme, a so-called LTIP. Since LTIP is resolved by the General Meeting it is excluded from the scope of these guidelines. Variable remuneration is based on various financial and non-financial criteria, and is linked to the performance of the Hoist Finance group and the relevant business unit respectively, and to individual targets. It is hence distinctly linked to the business strategy and thereby to the Company's long-term value creation, including its sustainability.

Variable remuneration takes into account the risks involved in the Company's operations and is proportional to the group's earning capacity, capital requirements, profit/loss and financial position. The payment of variable remuneration must not undermine the group's long-term interests and is contingent upon the recipient's compliance with internal rules and procedures. Variable remuneration is not paid to a senior executive who has participated in or been responsible for any action resulting in significant financial loss for the group or the relevant business unit.

For senior executives, payment of 60 per cent of the variable remuneration is deferred for a period of at least three years. Variable remuneration, including deferred remuneration, is only paid to the extent warranted by the group's financial situation and the performance of the group and the relevant business unit, and the senior executive's achievements.

The fulfilment of the criteria for payment of variable cash remuneration shall be measured during a period of one year. When the measurement period for the fulfilment of the criteria for the payment of variable cash remuneration has ended it shall be evaluated/determined to which extent the criteria have been fulfilled. The Remuneration Committee, and the Board of Directors with respect to remuneration to the CEO, are responsible for the assessment.

Pension benefits and other benefits

Pension and insurance are offered pursuant to national laws, regulations and market practices and are structured as collective agreements, company-specific plans or a combination of the two. Hoist Finance has defined-contribution pension plans. A few senior executives receive gross salary; in these instances, the Company does not make pension contributions. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to no more than 30 per cent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medicial insurance (Sw. sjukvårdsförsäkring) and company cars. Other benefits are designed to be competitive in relation to similar operations in each respective country. Such benefits may amount to no more than 10 per cent of the fixed annual cash salary.

For employments governed by other rules than Swedish rules, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Sign-on bonus

Remuneration for new hires, so-called "sign-on bonus", is only offered in exceptional cases and then only to compensate for the lack of variable remuneration in the senior executive's previous employment contract. Sign-on bonuses are paid during the year in which the senior executive begins to work. Decisions on exceptional cases are made in accordance with the decision-making process for variable remuneration.

Loans

Issuing loans to senior executives is not permitted.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and the increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The committee's tasks include the preparation of the Board of Director's decision on the proposal of guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall remain in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The members of the Remuneration Committee are independent of the Company and its executive management.team. The CEO and other members of the executive management team do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Termination of employment

Upon the Group's termination of an employment contract, the maximum notice period is 12 months and no redundancy payment is made.

Remuneration to board members for services performed outside of their Board duties

Directors, elected at General Meetings, may in certain cases receive remuneration for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board of Directors. Remuneration may be payable up to SEK 50,000 for a Director's work in the board of a subsidiary.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interest, including its sustainability, or to ensure the Company's financial viability. Since the Remuneration Committee's tasks include the preparation of the Board of Directors' resolution in remuneration-related matters, any resolutions to derogate from the guidelines shall also be prepared by the Remuneration Committee.

Information on remuneration resolved but not yet due

In the annual report 2019, note 7 "Personnel expenses", the total remuneration expensed to senior executives per 31 December 2019 is presented, including previous payment undertakings which are not yet due.

Information on derogations from the remuneration guidelines resolved by the previous Annual General Meeting

The Remuneration Committee has confirmed that Hoist Finance has complied with the guidelines adopted by the previous Annual General Meeting with one exception. The exception relates to the payment of severance pay amounting to SEK 3,588,000 to a former member of the executive management team. The reason for the exception is that the Remuneration Committee and the Board of Directors deems that the severance pay was necessary in order to avoid further claims for remuneration from the person.

Report on the most important elements of the system for internal control and risk management for financial reporting

The Board's report on the most important elements of the system for internal control and risk management for financial reporting for the 2019 financial year is presented as a separate section in the Corporate Governance Report.

Subsequent events

Hoist Finance is closely monitoring the development of COVID-19. Business continuity has been ensured, which includes that personnel can work remotely. This enables new ways of working all while continuing our focus to support our customers in the best possible way. In the first quarter of 2020, the previously seen unsatisfactory collection performance in Spain has accelerated as a result of COVID-19, which combined with a negative revision on future collections is expected to have an impact of approximately SEK 120m. Additionally, the turbulence in the financial markets have caused interest rates to drop, and bond spreads to widen, which in the first quarter of 2020 translates into estimated effects of SEK 50m. For further information, see www.hoistfinance.com.

No other significant events affecting operations took place.

Outlook

The outlook is more uncertain as a result of the rapid COVID-19 development. In the near-term we are seeing a temporary pause in the supply of debt portfolios, but in the long-run we firmly believe that the market outlook remains positive. More than ten years after the financial crisis, European banks still have significant exposures towards non-performing loans. Driven by regulatory changes implemented in 2018 and 2019, the supply of non-performing loans is expected to increase in the next few years.

Meanwhile, we see that the market is more consolidated than it has been and that the cost of funding through the bond market remains relatively high. Many companies in the CMS industry are aiming to reduce their leverage, which also impacts market demand. Margins improved in 2019, and going into 2020, the trend seems to be continuing.

Over the years, banks have become increasingly comfortable selling non-performing loans across various asset classes. As the CMS industry has proven to be a relevant restructuring partner, the outlook is positive for several NPL segments. We also believe that forward flow arrangements will continue to be a key factor in certain markets. Due to the regulatory changes implemented in 2019, banks will be driven to sell their NPLs at an early stage.

Hoist Finance continued to take important steps in 2019 to deliver on the strategy of acquiring NPLs in a number of assets classes in various markets. Hoist Finance is therefore excellently positioned to continue this expansion going forward. The new regulations address the need to reduce NPLs on banks' balance sheets. Accordingly, we expect the supply to increase - which is undoubtedly positive for the CMS industry.

Five-year overview

Consolidated income statement

SEK m	2019	2018	2017	2016	2015
Total operating income	3,038	2,829	2,365	2,139	1,808
of which net interest income	*2,863*	*2,435*	*2,329*	*2,107*	*1,681*
Total operating expenses	–2,352	–2,146	–1,860	–1,692	–1,572
Profit before tax	**748**	**755**	**581**	**533**	**285**
Net profit for the year	**605**	**590**	**453**	**417**	**231**

Consolidated balance sheet

SEK m	2019	2018	2017	2016	2015
Cash and lending to credit institutions	3,075	1,187	1,681	1,064	859
Treasury bills and treasury bonds	2,729	2,653	1,490	2,274	3,078
Lending to the public	10	14	37	36	78
Acquired loan portfolios	24,303	20,605	14,766	12,386	11,015
Bonds and other securities	2,769	3,635	3,689	2,539	1,303
Shares and participations in joint ventures	201	215	238	241	206
Fixed assets	651	446	329	284	278
Other assets	649	500	307	326	634
Total assets	**34,387**	**29,255**	**22,537**	**19,150**	**17,451**
Deposits from the public	21,435	17,093	13,227	11,849	12,791
Other liabilities and provisions	8,054	7,749	6,082	4,376	2,371
Equity	4,898	4,413	3,228	2,925	2,289
Total liabilities and equity	**34,387**	**29,255**	**22,537**	**19,150**	**17,451**

Key ratios, Group [1]

SEK m	2019	2018	2017	2016	2015
Net interest income margin, %	13	14			
C/I ratio, %	76	74	76	76	85
Return on equity, %	13	16	15	17	11
Return on assets, %	1,9	2,3	2,2	2,3	1,4
Portfolio acquisitions	5,952	8,048	4,253	3,329	4,370
Carrying value on acquired loans	24,513	20,834	15,024	12,658	11,279
Gross 180-month ERC	38,874	33,602			
Gross 120-month ERC	35,460	30,733	23,991	21,375	19,367
Total capital ratio, %	14,01	14,14	17,71	16,76	15,21
CET1 ratio, %	9,94	9,66	11,70	12,46	12,32
Liquidity reserve	8,024	7,399	6,800	5,789	5,156
Number of employees (FTEs)	1,575	1,556	1,335	1,285	1,349

1) See definitions.

Corporate Governance Report

Good corporate governance aims to create favourable conditions for active shareholder engagement. This is achieved through a well-defined and well-balanced assignment of responsibilities between the company's executive and shareholder functions, which ensures that accurate information is being presented to the market.

The aim of corporate governance is to ensure that the company is run as efficiently and effectively as possible in the interest of its shareholders, and that Hoist Finance AB (publ) (the "Company" or "Hoist Finance") complies with corporate governance and other rules prescribed by regulatory and supervisory authorities. Corporate governance also aims to create order and a systematic approach for the Board and for management. With a clear structure and well-defined rules and procedures, the Board can ensure that management and employees are focused on developing the business and, accordingly, on creating shareholder value.

Hoist Finance is a Swedish public limited liability company with corporate identification number 556012-8489. The Company has its registered office and headquarters in Stockholm, Sweden.

Application of the Swedish Corporate Governance Code

All companies with shares listed on Nasdaq Stockholm or NGM Equity, regardless of market capitalisation, have been required since 1 July 2008 to apply the Swedish Corporate Governance Code. The Code is based on the "comply or explain" principle, meaning that a company's deviation from the Code's provisions is not deemed a breach thereof if the company explains its reason for the deviation. Hoist Finance complies with and in 2019 complied with all provisions of the Code. This Corporate Governance Report is part of the Company's Administration Report and is reviewed by the Company's auditors.

Corporate governance within the Company

Hoist Finance is subject to external and internal control systems.

The external control systems, which serve as the framework for Hoist Finance's corporate governance, are the Swedish Companies Act, Annual Accounts Act, Banking and Financing Business Act, the Swedish Financial Supervisory Authority's regulations and general guidelines, Nasdaq Stockholm's Rule Book for Issuers, other relevant laws and regulations, and the Swedish Corporate Governance Code. Governance, management and control are, pursuant to Swedish corporate law, the Swedish Corporate Governance Code and the Articles of Association, allocated between the shareholders at the Annual General Meeting (AGM), the Board and the CEO.

The internal control systems include the Hoist Finance Articles of Association adopted by the AGM. The Board has also adopted policies and instructions that clarify the division of responsibilities within the Group.

The following are of particular importance in this context:

- Rules of procedure for the Board
- Instruction for the CEO
- Policy for internal governance and control
- Instructions for the Risk and Audit Committee
- Instructions for the Remuneration Committee
- Instructions for the Investment Committee and
- Order of Authorisation

Articles of Association

The Articles of Association are adopted by the Annual General Meeting and contain basic compulsory information about the Company.

The Articles of Association specify the type of business activities the Company will carry out, limits on share capital and the number of shares and the number of Board members allowed. The Articles of Association include no special provisions for amendments thereto or for the appointment or dismissal of Board members. The Articles of Association are available in their entirety at www.hoistfinance.com.

SHAREHOLDERS

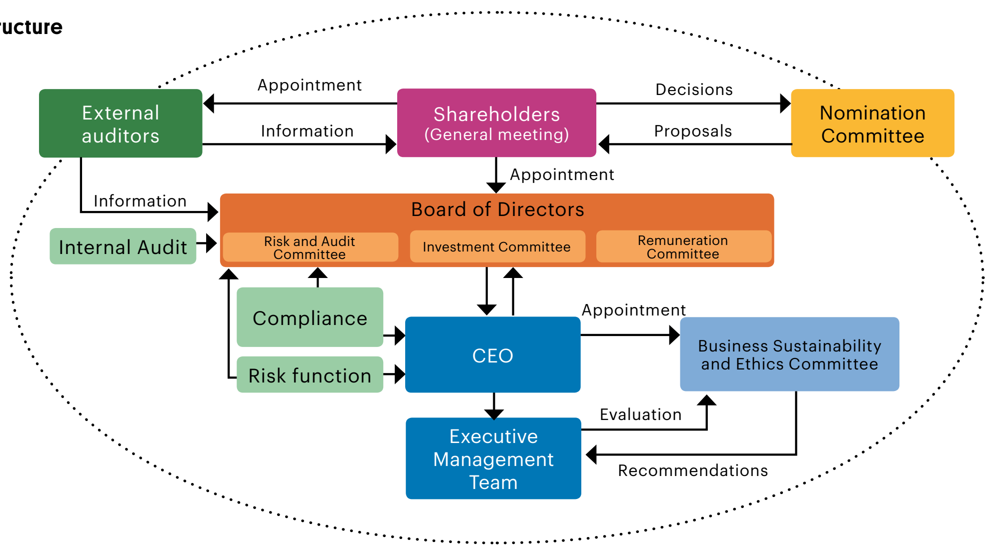
As of 31 December 2019, the total number of shares was 89,303,000 and the share capital was SEK 29,767,666.66. Each share carries one vote. The Company had 7,429 shareholders at year-end. The 15 largest shareholders held an aggregate of 59.7 per cent of total share capital at the end of 2019. Read more about the Company's largest shareholders at www.hoistfinance.com.

Annual General Meeting

The Annual General Meeting (AGM) is the Hoist Finance Group's highest decision-making body. All shareholders have an opportunity at the AGM to influence the Company by exercising their voting rights. The Companies Act and Hoist Finance's Articles of Association include rules that govern general meetings and their agenda.

Hoist Finance's financial year runs from 1 January to 31 December. Pursuant to the Companies Act, notice must be given no earlier than six weeks prior to, and no later than four weeks prior to, the AGM. The AGM resolves on adoption of the year's balance sheet and income statement, appropriation of profits, election of Board members and auditors, fees to

Governance structure



Board members and auditors and other business matters as prescribed by the Companies Act and the Articles of Association. All shareholders listed in the shareholders' register on the day prior to the AGM who have provided notification of their participation during the prescribed time-frame are entitled to participate in the AGM, either in person or by proxy, and to vote in relation to their holdings.

Every shareholder is entitled to request that a matter be addressed by the AGM. A shareholder who wishes to do so must submit a written request to the Board no later than one week before the earliest date on which notice of the meeting may be published (i.e. the request must be received no later than seven weeks prior to the AGM). Pursuant to Chapter 7, Section 32 of the Companies Act, all shareholders are entitled to ask the Board and CEO questions about matters addressed during the AGM and about the financial situation of the Company and the Group.

2019 Annual General Meeting

The most recent AGM was held on 16 May 2019 in Stockholm. 60 shareholders, representing 31.5 per cent of the shares and votes in the Company, were present at the AGM. The CEO, the majority of Board members, the Company's auditor, the Chairman of the Nomination Committee and the CFO also participated in the AGM.

In accordance with recommendations from the Board and the Nomination Committee, the AGM resolved, among other things:

- To adopt the balance sheet and income statements
- To not distribute a dividend and
- To discharge Board members and the CEO from liability.
- To re-elect Board members Ingrid Bonde, Cecilia Daun Wennborg, Malin Eriksson, Liselotte Hjorth, Marcial Portela and Joakim Rubin as Board members and to elect Robert Kraal and Lars Wollung as new Board members. The AGM re-elected Ingrid Bonde as Chairman of the Board. Former Board members Jörgen Olsson and Gunilla Öhman resigned from the Board at the AGM.
- On fees for the Chairman of the Board and other Board members.
- To re-elect KPMG, represented by Anders Bäckström, as auditor for the period until the close of the next AGM and to pay auditor's fees based on an approved invoice.
- To adopt guidelines for remuneration of senior executives.
- To approve the deferred bonus plan for 2019.
- To authorise the Board to issue shares.
- To authorise the Board to acquire own shares.

The complete minutes of the 2019 AGM are available at www.hoistfinance.com.

2020 Annual General Meeting

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

Nomination Committee

The Nomination Committee is composed of representatives of the three largest shareholders, based on shareholder statistics from Euroclear Sweden AB, as per the last banking day in August the year before the Annual General Meeting and on all other reliable ownership information that has been provided to the Company at this point of time, together with the Chairman of the Board. The Chairman is also responsible for convening the Committee's first meeting. If a shareholder who is offered to become a member of the Nomination Committee declines, the offer shall instead be made to next shareholder in order of size of holding. The Committee's composition may be changed to reflect changes to the shareholder structure.

The Nomination Committee submits proposals for the election of the AGM Chairman; the Board members and Chairman of the Board; remuneration to Board members; and proposals for the election of and remuneration to auditors. The Committee conducts its work in the interest of all shareholders. Instructions for the Nomination Committee and information on the options for submitting proposals to the Committee are available on the Company's website, www.hoistfinance.com.

The Nomination Committee is composed of the following members: Jan Andersson (representing Swedbank Robur Fonder AB) Chairman of the Nomination Committee, Erik Selin (representing Erik Selin Fastigheter AB), Peter Thelin (representing Carve Capital AB) and Ingrid Bonde (Chair of the Board of Hoist Finance). The Committee has held one minuted meeting ahead of the 2020 AGM and maintained regular contact between meetings. The Committee also held individual interviews with Cecilia Daun Wennborg (Chair of the Risk and Audit Committee), the CEO and the new proposed Board member.

The Nomination Committee's proposals, its report on Committee work performed in preparation for the 2020 AGM, and information on the new proposed Board member and auditors are published in connection with the AGM notice.

Board of Directors

Pursuant to the Articles of Association, Hoist Finance's Board shall be composed of at least three and no more than nine members. Members of the Board are appointed by the AGM for a one-year term. In accordance with the resolution of the 2019 AGM, the Board is composed of Ingrid Bonde (Chair of the Board), Cecilia Daun Wennborg, Malin Eriksson, Liselotte Hjorth, Marcial Portela, Joakim Rubin, Robert Kraal and Lars Wollung. Former Board members Jörgen Olsson and Gunilla Öhman resigned from the Board at the AGM.

At the end of the financial year, the Board had four female and four male members. All Board members were independent in relation to the Company's major shareholders (as defined in item 4.4 of the Swedish Corporate Governance Code), the Company and the Executive Management Team in 2019. For further information on the Board members, see the section on the Company's Board of Directors and Executive Management Team on the Company's website, www.hoistfinance.com.

See Note 7 "Personnel expenses" for details on the remuneration to the Board of Directors.

Diversity policy

The Company's Board as a whole shall have the appropriate collective expertise, experience and background in the Company's business operations to enable identification and understanding of the risks such operations entail. The objective is to have a Board composed of members with complementary experience and expertise and of varying ages, genders, geographic origins, and educational and professional backgrounds that, taken together, contribute to independent and critical reflection. The Company's Board has adopted a Diversity Policy applicable to the Board. To achieve a diverse Board, in preparing its proposal to the AGM, the Nomination Committee takes into consideration item 4.1 of the Swedish Corporate Governance Code, the Board's Diversity Policy and the European Banking Authority's guidelines on eligibility assessments for Board members. The Company continuously evaluates the composition of the Board and believes that its composition was satisfactory in 2019.

Work of the Board

The primary task of the Board is to serve the interests of the shareholders and the Company. The Board is responsible for the Company's organisation and the management of the Company's business, and for ensuring that the Group is suitably structured to enable the Company to optimally exercise its ownership responsibilities with respect to the Group subsidiaries. The Board is responsible for ensuring that the Company complies with applicable laws and regulations, the Articles of Association and the Swedish Corporate Governance Code. The Board is obliged to regularly assess the Company and the Group's financial situation and ensure that the Company's organisation is structured to enable satisfactory monitoring of its accounting, management of assets, and general financial situation.

The Board adopts financial targets for the Company, decides on the Company's strategy and business plans and ensures good internal control and risk management.

The Board's duties and working methods are regulated by the Companies Act, the Articles of Association and the Swedish Corporate Governance Code. The Banking and Financing Business Act also regulates the duties and work of the Board.

The Board has adopted written rules of procedure and instructions on internal reporting for the Board that deal with:

1. The Board's duties and responsibilities
2. Members of the Board
3. Chairman of the Board
4. Board meetings and
5. Board Committees

Board meetings in 2019

A total of 14 minuted Board meetings were held in 2019: seven ordinary meetings, one statutory meeting and six extraordinary meetings. All Board members attended these meetings, with the exception of the Board meetings held on 16 May when Malin Eriksson and Marcial Portela did not participate; 14 June when Marcial Portela did not participate, 14 November when Joakim Rubin did not participate and 12 December when Marcial Portela did not participate. The CFO and the Board's secretary participated in the Board meetings. A number of Company employees also participated in some of the Board meetings to report on specific issues.

The Board's work is carried out in accordance with an annual plan. This may be adjusted, however, depending on the year's events and projects. The majority of ordinary Board meetings are held in conjunction with the Company's reporting; the annual accounts were addressed in February, the Annual Report and issues related to the AGM in March, the interim accounts in May, July and October, strategy in June and the budget and business plan for the coming year in December. As a rule, governance documentation and instructions are adopted at the statutory Board meeting. At ordinary meetings the Board receives regular reports from its Committees and control functions.

The matters addressed by the Board in 2019 included organisation, strategy, digitalisation, security and remuneration matters, The Board also held a meeting with the external auditors without the Executive Management Team in attendance.

Training for the Board

The Board received training in various subjects during 2019, including risk management, data protection, return on equity, ICAAP/ILAAP,and anti-money laundering.

Board Committees

Risk and Audit Committee

The Risk and Audit Committee serves in an advisory capacity and prepares issues for consideration and decision by Hoist Finance's Board. The Risk and Audit Committee also has a mandate to make decisions in matters regarding the procurement of non-audit-related services from the Company's external auditors. The Committee is responsible for monitoring and ensuring the quality of financial reporting, the effectiveness of the Company's internal control and the tasks performed by the Internal Audit, Risk Control and Compliance functions. The Committee also discusses valuation issues and other assessments pertaining to the annual accounts. In matters relating to external audit, the Risk and Audit Committee is, notwithstanding the Board's responsibilities and duties, to regularly meet with and review reports from the Company's external auditors in order to remain informed about the focus and scope of the audit and to discuss the coordination of the external and internal audit with the external auditor. The Risk and Audit Committee is to inform the Board about audit results, the manner in which the audit contributed to the reliability of financial reporting, and the role played by the Committee in the process. The Committee is also to remain informed about the Swedish Inspectorate of Auditors' quality control of the Company's external auditors and is responsible for the auditors' independence and impartiality and the selection procedure ahead of the choice of auditor. The Committee is required to meet at least four times per financial year.

The Risk and Audit Committee has at least three members appointed by the Board on an annual basis. Committee members may not be employed by the Company. One member is elected Committee Chairman. The Chairman may not be the Chairman of the Board of Hoist Finance. Since the 2019 AGM, the Risk and Audit Committee members have been Cecilia Daun Wennborg (Chair), Ingrid Bonde and Liselotte Hjorth. Gunilla Öhman was a member of the Risk and Audit Committee until the 2019 AGM. The CEO,CFO and the Company's external auditors also attend the Committee's meetings. The Company's employees may be summoned to Committee meetings to provide details on specific reports or issues. Committee meeting minutes are kept and made available to all Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed and proposed at Committee meetings. The Committee held six meetings in 2019, with all members in attendance at these meetings, except for the meeting on 7 May which Gunilla Öhman did not attend.

Remuneration Committee

The Remuneration Committee's primary task is to prepare the Board to make decisions on remuneration policies, remuneration and other terms of employment for Executive Management Team members and employees responsible for control functions. The Committee is to monitor and evaluate variable remuneration programmes for the Executive Management Team (both ongoing and those completed during the year), as well as the application of the remuneration guidelines for senior executives resolved by the AGM and the Group's remuneration structure and remuneration levels.

The Remuneration Committee is to have at least two members appointed by the Board on an annual basis. All members must be independent in relation to the Company, the Company's management and the Company's major shareholders. The Remuneration Committee meets at least twice per financial year. Since the 2019 AGM, the Board's Remuneration Committee members have been Ingrid Bonde (Chairman), Joakim Rubin and Lars Wollung. Gunilla Öhman was a member of the Remuneration Committee until the 2019 AGM. The CEO and Chief People Officer also attend the Committee's meetings. Company employees may be summoned to Committee meetings to provide details on specific reports or issues. Remuneration Committee meeting minutes are recorded and are available to Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed and proposed at Committee meetings. The Committee held four meetings in 2019, with all members in attendance at these meetings.

Investment Committee

The Investment Committee is both a preparatory and a decision-making committee. Its responsibilities include evaluating and approving

Work of the Board in 2019

January
- Management of regulatory changes
- Portfolio acquisition, decision

February
- Year-end report
- Committees, update
- Report from external audit, Internal Audit and Risk
- Meeting with external auditor
- Nomination Committee, update
- Organisation, update
- Business-related issues
- Financial targets

March
- 2019 Annual Report
- Notice and proposals for AGM
- Committees, update
- Report from Compliance
- Remuneration issues
- Pillar 3 report
- Business-related issues
- Budget

April

May
- Interim report
- ICAAP
- ILAAP
- Committees, update
- Report from Internal Audit, Risk and Compliance
- Annual plan for external audit
- Security work, update
- Business-related issues
- AGM
- Statutory meeting (Committee-led meetings and appointment of company signatory)
- Annual review of policies and instructions

June
- Strategy
- Business-related issues

July
- Interim report
- Committees, update
- Report from Internal Audit, Compliance
- Annual update of EMTN programme and issue of debt instruments
- Business-related issues, including securitisation

August
- Business-related issues
- IT outsourcing

September

October

November
- Interim report
- Committees, update
- Report from external audit, Internal Audit, Risk, Compliance, complaints manager
- Nomination Committee, update
- Business-related issues
- IT work, update
- Board evaluation
- Brand platform

December
- Budget/business plan, update
- Committees, update
- Report from external audit, Internal Audit, Risk, Compliance, complaints manager
- Annual plan for Internal Audit, Risk, Compliance
- Board training plan
- Regulatory issues
- Executive Management Team evaluation
- Results from annual Board evaluation
- Organisation, update
- Dates for upcoming ordinary Board meetings, AGM and reporting dates
- Business-related issues

standard portfolio acquisitions valued at MEUR 75 or more, portfolio acquisitions not considered to be standard and valued at MEUR 25 or more and investments that require the approval of the Swedish Financial Supervisory Authority. The Investment Committee is also involved in the process of potential revaluations of credit portfolios. The Investment Committee is to have at least three members appointed by the Board on an annual basis. The Chairman must be independent in relation to the Company and the Company's management and may not be the Board Chairman of Hoist Finance. The Committee meets at least four times per financial year and whenever a Committee decision or recommendation is required as per the Company's Investment Policy. Since the 2019 AGM, the Board's Investment Committee has been composed of Malin Eriksson (Chairman), Liselotte Hjorth, Joakim Rubin and Lars Wollung.

Jörgen Olsson was a member of the Committee until 16 May 2019. Company employees may be summoned to Committee meetings to provide details on investment data. Committee meeting minutes are recorded and are available to all Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed, proposed and decided on at Committee meetings. The Committee held seven meetings in 2019, with all members in attendance at these meetings.

With regard to standard investments valued at less than MEUR 75 and non-standard investments valued at less than MEUR 25, and provided such investments do not require the Swedish Financial Supervisory Authority's approval, the Investment Committee may delegate decision-making authority to the Company's Management Investment Committee which is composed of employed executives.

Chairman of the Board

Ingrid Bonde was re-elected Chairman of the Board of Hoist Finance by the AGM held on 16 May 2019. Ingrid Bonde has served in this capacity since 16 November 2014.

The Chairman of the Board leads the Board's work and oversees the fulfilment of its duties, and has a specific responsibility for ensuring that the Board's work is well-organised, efficiently run and aligned with operational developments. The Chairman of the Board verifies that Board decisions are effectively executed, ensures that the Board's work is evaluated annually and that the Nomination Committee is informed of the evaluation results. The purpose of the evaluation is to gain an understanding of the Board members' views on the Board's performance and the measures that can be taken to make the Board's work more efficient.

The Chairman's particular duties are to:

- in consultation with the CEO, decide the matters to be considered by the Board, prepare meeting agendas and issue meeting notices when needed
- organise and lead the Board's work, while overseeing that the Board addresses those matters that rest with the Board pursuant to law, the Articles of Association and the Swedish Corporate Governance Code
- serve as the Board's spokesperson towards Hoist Finance's shareholders; and
- ensure that the CEO provides sufficient information for Board decisions and oversee that Board decisions are executed.

Board evaluation

In accordance with the Board's rules of procedure, the Chairman of the Board initiates an evaluation of the Board's performance once per year. For the 2019 evaluation all Board members were able to give their views during individual meetings between the Chairman of the Board and the Board members, on issues including working methods, Board meetings, work performed by the Board and management during the year, and Board and management structure. The purpose of the evaluation is to gain an understanding of the Board members' views on the Board's performance and the measures that can be taken to make the Board's work more efficient. The purpose is also to gain an understanding of the type of issues the Board believes should be given more attention and the areas that may require additional Board expertise. The results of the evaluation were discussed in connection with the Board meeting held on 12 November 2019 and the Nomination Committee has taken part of the evaluation.

CEO and Executive Management Team

The CEO is appointed by the Board and runs the business in accordance with instructions adopted by the Board. The CEO is responsible for the Company and the Group's day-to-day administration pursuant to the Companies Act. The CEO also works with the Chairman of the Board to decide on matters that will be addressed at each Board meeting. The Board adopts instructions for the CEO each year and evaluates the CEO's duties on a regular basis.

Klaus-Anders Nysteen is the Company's CEO and was appointed 15 March 2018. For additional information on the CEO and the CEO's shareholdings, see the section on the Company's Board and Executive Management Team on the Company's website, www.hoistfinance.com.

The Company's CEO is head of the Executive Management Team, which meets regularly and under the structure set by the CEO. In addition to the CEO, the Executive Management Team is composed of members appointed by the CEO. The Executive Management Team's role is to prepare and implement strategies, manage corporate governance and organisational issues and monitor the Company's financial performance.

The CEO is responsible for ensuring that Board members receive information and essential decision-making material, and for presenting reports and proposals at Board meetings on issues dealt with by the Company. The CEO keeps the Board and Chairman updated on the Company and the Group's financial position and performance. The CEO's work is evaluated by the Board on a continuous basis.

The CEO's main duties include:

- assuming responsibility for the financial reporting by ensuring that it it is carried out in accordance with applicable law and that assets are managed prudently
- managing and coordinating Group companies in accordance with the Board's guidelines and instructions; and
- ensuring that Board resolutions are executed and keeping the Board updated on the performance of the Company and the Group's operations, earnings and financial position.

Executive Management Team

Christer Johansson has been the CFO (Chief Financial Officer) of Hoist Finance since 8 May 2018. For information on the CEO, CFO and other members of the Executive Management Team, see the section on the Ccompany's Board and Executive Management Team and the Ccompany's website, www.hoistfinance.com.

See Note 7 "Personnel expenses" for details on the remuneration of the CEO and Executive Management Team.

Important guidelines

During 2019 the Company has set up a Business Sustainability and Ethics Committee composed of i.a. the CEO, the Head of Sustainability, the Head of Compliance and certain other Company managers that the CEO nominates. The Company's CSR policy is applied throughout the Group, and in the day-to-day operations measures are taken to achieve both Group wide and local goals. The CSR governance structure is composed of a framework for internal governance and control that includes a functional organisational structure with a clear division of responsibilities between management, operations and control functions, as well as principles, policies and processes. To further support policy application and relevance, each policy is assigned to a "document owner" – often the person responsible for the policy's specific area.The Executive Management Team is responsible for the CSR strategy, while the Chief Business Development Officer (CBDO) has had overall responsibility for implementation of the strategy during 2019. Day-to-day responsibility for the achievement of individual targets rests with each relevant manager.

The Company's ethical guidelines, composed of an umbrella document and several ancillary documents, are designed to be applied by both employees and partners. The umbrella document specifies fundamental values and principles and provides information on some of the ancillary documents. All employees receive continuous training on ethical issues, and training statistics are monitored on a monthly basis to ensure that all employees receive regular training on these issues.

The Company's measures to prevent money laundering and terrorist financing are integrated into core operational processes, and include risk analyses, policies, customer due diligence procedures, monitoring procedures, employee training and transaction monitoring. The Company also has well-established procedures for reporting suspected money laundering to the competent authorities.

Auditors

The 2019 AGM re-elected registered public accounting firm KPMG AB as the Company's auditor for the period until the close of the next AGM. Authorised Public Accountant Anders Bäckström is Auditor in Charge.

Financial reporting

The Board is responsible for ensuring that the Company's organisation is structured in a way that enables its financial situation to be satisfactorily monitored, and that financial statements, such as interim reports and annual accounts, are prepared in accordance with applicable law, accounting standards and other requirements. Interim reports are initially handled by the Risk and Audit Committee and are then approved by the Board as a whole. The Board of Directors ensures the quality of financial reporting through its Risk and Audit Committee. The Board and the Risk and Audit Committee address not only the Group's financial statements and material accounting issues, but also issues concerning internal control, compliance, significant uncertainty in carrying amounts, events after the balance-sheet date, changes in estimates and assessments, and other conditions affecting the quality of the financial statements. The CEO is responsible for ensuring that the Company's accounting is prepared in compliance with applicable law and that assets are managed prudently. The Company and the Group prepare accounts each month. The Board and the Executive Management Team continuously receive information on the Company's and the Group's financial situation.

To safeguard financial reporting within the Group, monthly reports are issued directly to a joint inter-Group accounting system that includes quality controls. Detailed analyses and reconciliations are performed in connection with the periodic reporting. The consolidation process also includes a number of specific reconciliation controls. Hoist Finance has developed internal accounting and reporting guidelines, the "Hoist Finance Financial Framework".

Internal reports

The Board monitors the Group's financial performance, ensures the quality of financial reporting and internal control, and follows up and evaluates the operations on a regular basis. Internal reports, such as consolidated financial statements, are regularly prepared and submitted to the Board. An income statement, balance sheet and investment budget are prepared for each financial year and are adopted at the ordinary Board meeting held in December.

Guidelines for remuneration of senior executives, etc.

Guidelines for remuneration to senior executives were adopted by the AGM on 16 May 2019. Remuneration to senior executives is composed of fixed salary, variable remuneration, pension and other benefits. The remuneration structure is designed to encourage senior executives to deliver results in line with the Company's targets, strategy and vision and to act in accordance with the Company's ethical code of conduct and core values.

Variable remuneration for senior executives will be paid out base on a long term incentive program (LTIP), and shall not exceed 100% of the fixed salary. Variable remuneration is based on various financial criteria determined by the Board of Directors and also on non-financial criteria, and is linked to the performance of the Hoist Finance Group and the respective business unit as well as individual targets.

Variable remuneration takes into account the risks involved in the Company's operations and is proportional to the Group's earning capacity, capital requirements, earnings and financial position. The payment of variable remuneration must not undermine the Group's long-term interests. The payment of variable remuneration is contingent on the senior executive having acted in compliance with internal rules and procedures, including policies regulating behaviour toward customers and investors. Variable remuneration is not paid to a senior executive who has participated in or been responsible for any action resulting in significant financial loss for the Group or the relevant business unit.

For senior executives, payment of 60 per cent of the variable remuneration is deferred for a period of at least three years. Variable remuneration, including deferred remuneration, is only paid to the extent warranted by the Group's financial situation and the performance of the Group and the relevant business unit, and the senior executive's achievements.

Pension and insurance are offered under national laws, regulations and market practice in the form of either collective or company-specific plans, or a combination of the two. Hoist Finance has defined-contribution pension plans and does not apply discretionary pension benefits. Remuneration guidelines are presented in their entirety in Note 7 "Personnel expenses". The Board's proposed new guidelines for 2020 are presented in the Administration Report. Information on salaries and other remuneration to senior executives is presented in Note 7 "Personnel expenses".

Internal control over financial reporting

Internal governance and control

The internal governance and control process is governed by law and regulations and is supervised by the Board. In Sweden, where the Company has its registered office, internal governance and control are regulated primarily by the Companies Act, Banking and Financing Business Act, the Swedish Financial Supervisory Authority's regulations and guidelines, the Corporate Governance Code, and stock exchange regulations.

Hoist Finance has an internal governance and control framework aimed at creating the environment necessary to enable the entire organisation to promote effective, high quality corporate governance by providing clear definitions, assignments of roles and responsibilities and Group-wide tools and procedures.

Hoist Finance applies the COSO model for internal control over financial reporting.

COSO focuses on developing a framework that can be used directly by a Company's management team to evaluate and improve risk management in three inter-related areas; enterprise risk management (ERM), internal control and fraud deterrence.

Roles and responsibilities

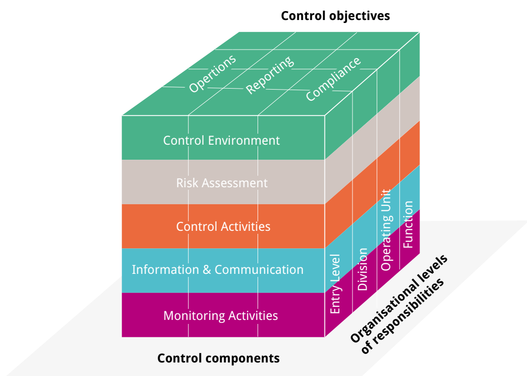
The Board is ultimately responsible for limiting and overseeing Hoist Finance's risk exposure. The Board and the Risk and Audit Committee are responsible for establishing the main rules and guidelines for internal control.

The Risk and Audit Committee assists the Board by continuously monitoring the risks that may affect financial reporting and by adopting manuals, policies and accounting policies. The Risk and Audit Committee interacts directly with the external auditors.

The CEO is responsible for the effective design and implementation of internal control within the Group. The CFO is responsible for the design, implementation and correct application of the internal control framework at a central level. Local management is responsible for the design, implementation and correct application at a local level.

Hoist Finance's roles and responsibilities with respect to internal control and risk management are structured in three lines of defence. These three lines of defence jointly form the internal control framework, which is designed to develop and maintain systems that ensure:

- Effective and efficient business operations
- Satisfactory risk control
- Business management
- Reliable reporting of financial and non-financial information (internally and externally); and
- Compliance with laws, regulations, supervisory authority requirements and internal policies and procedures.



Areas of responsibility

Risk Control function

The Risk Control function is responsible for providing relevant and independent analyses, advice and expert opinions on the Company's risks. It is also responsible for the ongoing evaluation and development of the Company's risk management framework to ensure its functionality. This involves:

- Verifying that all material risks that the Company is exposed to are identified, analysed and managed by the appropriate functions.

Three lines of defence for risk management and internal control

1st line of defence	2nd line of defence	3rd line of defence
The first line of defence is comprised of the Board, CEO and business organisation, who are responsible for conducting operations in accordance with the adopted risk exposure and internal control framework and the rules and regulations applicable to Hoist Finance. The first line of defence has a well-functioning governance structure and effective processes to identify, measure, assess, monitor, minimise and report risks.	The second line of defence is comprised of the Risk Control function and the Compliance function, independent units that are not involved in business operations and that report independently of each other to the Board and the CEO.	The third line of defence is the Internal Audit function that conducts independent audits and reviews and provides the Board with evaluations of Hoist Finance's internal control and risk management processes.

- Identifying and reporting on risks arising from deficiencies in the Company's risk management. Providing recommendations for correcting deficiencies and thereby avoiding or minimising these risks in the future.
- Providing information, analyses and advice on the Company's risks to the Board and CEO on a regular basis.
- Providing all relevant information that may constitute decision-making material when the Company develops or changes its risk strategy and risk appetite, as well as evaluating proposed risk strategies and providing recommendations before decisions are made.
- Evaluating whether company proposals or decisions that may give rise to a significant increase in risk are compatible with the Company's risk appetite.
- Identifying, verifying and reporting risks of error in the Company's estimates and assumptions that form the basis of the financial statements.
- Evaluating risks prior to company decisions on new or substantially changed products, services, markets, processes or IT systems and in the event of major changes to the Company's operations and organisation, and evaluating the anticipated impact on the Company's aggregate risk.

Compliance function

The Compliance function is responsible for supporting the Company's compliance with all legal, regulatory and other requirements for its licensed operations. This involves:

- Identifying risks of the Company failing to comply with its legal, regulatory and other duties with respect to its licensed operations, and monitoring and verifying that these risks are managed by the relevant functions.
- Overseeing and monitoring compliance with laws, regulations and other rules, as well as with relevant internal regulations.
- Reviewing and evaluating the functionality and effectiveness of the Company's procedures on a regular basis.
- Providing recommendations to relevant persons based on the function's findings.
- Providing advice and support to the Company's personnel, CEO and Board regarding the laws, regulations and other rules applicable to the licensed operations, and regarding internal regulations.
- Informing and training relevant persons regarding new or amended regulations.
- Ensuring the quality of, and continuously updating, the Company's internal rules, policies and instructions.
- Verifying that new or substantial changes to products, services, markets, processes and IT systems and major changes to the Company's operations and organisation comply with legal, regulatory and other requirements applicable to the Company's licensed operations.
- Advising and reporting to the Board and the CEO on a regular basis.

Internal Audit function

The Internal Audit function is responsible for ensuring the independent review and supervision of work performed by the first and second lines of defence. Accordingly, the Internal Audit function follows an updated, risk-based audit plan adopted by the Board, under which it reviews and regularly evaluates:

- Whether the Company's organisation, governance processes, IT systems, models and procedures are appropriate and effective.
- Whether the Company's internal control is appropriate and effective and whether the operations are conducted in accordance with the Company's internal regulations.
- Whether the Company's internal regulations are adequate and consistent with laws, regulations and other rules.
- The reliability of the Company's financial reporting, including off-balance sheet commitments.
- The reliability and quality of the work performed within the Company's various control functions.
- The Company's risk management based on the adopted risk strategy and risk appetite.

The Internal Audit function also provides recommendations to relevant persons based on the function's findings, monitors whether the measures are subsequently implemented, and reports to the Board on a regular basis.

Internal control process

The Board of Directors has ultimate responsibility for ensuring that internal control operates efficiently. The internal control and risk management systems for financial reporting are designed to achieve reasonable assurance regarding the reliability of external financial reporting and to ensure that the financial statements are prepared in compliance with generally accepted accounting policies, applicable laws and regulations and other requirements for listed companies.

Hoist Finance's internal control process follows the COSO model, which is based on the following components

- Control environment
- Risk assessment
- Control activities
- Information & Communication; and
- Monitoring

The control environment is the foundation of the Company's system for internal control of financial reporting. The control environment is primarily based on the corporate culture and the values that have been established by the Board of Directors and the Executive Management Team, as well as the organisational structure with distinct authorities and responsibilities. Policies and instructions are documented and evaluated continuously. These steering documents, and well-conceived process descriptions, are made available to the relevant personnel.

The risk assessment includes processes for identifying, analysing and evaluating risks arising in financial reporting. This component assesses and prioritises the areas that each business area believes to be the most relevant in the Company, based on a risk analysis. This risk analysis takes into account both the probability and consequence of a risk materialising. The risk analysis is conducted regularly at Group level to identify and create an understanding of the risks arising in the Group, in terms of both materiality and complexity. The risk analysis is then used as the starting point for determining the areas that are to be assigned priority and how the risks in these areas are to be limited and managed.

Control activities are the activities designed to limit the risks and ensure the reliability of the Company's organisation. The main purpose of the control activities, which can be of both a manual and automated character, is to uncover and prevent errors and thereby assure the quality of financial reporting. Examples of control activities include authorisation manuals, payment instructions, payment vouchers, reconciliations, business performance reviews, general IT controls and division of responsibilities. Control activities exist at both subsidiary and Group level.

Information & Communication is both an internal tool to strengthen the internal control environment and a process to ensure that correct information is identified, collected and communicated in a manner and within a time-frame that allows the organisation to carry out its duties. Policies and instructions have been adopted and the Company's financial manual (Hoist Finance Financial Framework) includes instructions and guidance for accounting and financial reporting. The policies, instructions and financial manual are updated continuously and are available to the entire organisation. Regular meetings are also held with accounting staff and local CFOs to provide information on new or updated rules and regulations applicable to Hoist Finance, and on internal control responsibility. The Group's intranet is another important communication channel. The Board also receives information regarding risk management, internal controls and financial reporting from the control functions and the Risk and Audit Committee. A communication and information policy has been established to ensure that the information disclosed externally is correct and complete.

Monitoring occurs at all levels in the Group. The Company regularly evaluates the internal control of financial reporting. Work on the internal control is reported to the Board of Directors and the Risk and Audit Committee. This reporting forms the foundation for the Board's evaluation and assessment of the efficiency of the internal control of financial reporting and also constitutes a basis for decisions about potential improvement measures. The Company has an incident reporting procedure in place, under which incidents are reported and analysed and actions taken to reduce risks as far as is economically justifiable.

The Company also has an internal whistleblowing procedure through which employees can anonymously report suspicions of improprieties in the organisation.

Financial reporting competencies

The quality of financial reporting is largely controlled by the organisation's expertise in accounting matters and the way in which the Finance, Accounting and Treasury Departments are staffed and organised. The Executive Management Team is continuously involved in ongoing financial reporting and therefore always has insight into the preparation of financial information. The Finance Department is organised and staffed based on the need to ensure that the Group maintains high accounting standards and complies with accounting laws, regulations and standards. The Executive Management Team works actively to ensure that the Group has employees with the necessary expertise in all key positions and that there are procedures in place to ensure that employees have the requisite knowledge and skills.

Board of Directors

Ingrid Bonde

Chair of the Board

Board member since 2014.

Born: 1959.

Education:
Master of Business Administration, Stockholm School of Economics and studies at New York University.

Internal assignments:
The Board, Chair
Remuneration Committee, Chair
Risk and Audit Committee member

Other significant external assignments:
Alecta AB, Chair
Apoteket AB, Chair
Loomis AB, Board member
Securitas AB, Board member
The Swedish Corporate Governance, Board member
Swedish Climate Policy Council, Chair

Previous experience:
Danske bank A/S, Board member
CFO and Deputy CEO of Vattenfall, president and CEO of AMF, Director General of the Swedish FSA, Deputy Director General of the Swedish National Debt Office, Vice President Finance of SAS, Vice President for foreign currency funding and debt management at the Swedish National Debt Office.

Independent in relation to the Company and management and to major shareholders.

Shareholding:
22,600 shares.

Cecilia Daun Wennborg

Board member

Board member since 2017.

Born: 1963.

Education:
Bachelor of Business Administration, Stockholm University.

Internal assignments:
Board member
Risk and Audit Committee, Chair

Other significant external assignments:
Getinge AB, Board member
ICA Gruppen AB, Board member
Loomis AB, Board member
Bravida Holding AB, Board member
Hotell Diplomat, Board member
Atvexa AB, Board member
Oncopeptides AB, Board member
Sophiahemmet Non-Profit Association, Board member
Sophiahemmet AB, Board member
The Swedish Securities Council, Board member
Oxfam Foundation in Sweden, Board member

Previous experience:
Vice President and CFO at Ambea, CEO and CFO at Carema Vård och Omsorg, Acting CEO at Skandiabanken, Head of Swedish Operations Skandia Group and CEO at SkandiaLink.

Independent in relation to the Company and management and to major shareholders.

Shareholding:
3,500 shares.

Malin Eriksson

Board member

Board member since 2017.

Born: 1971.

Education:
Bachelor of Science in Business, Ithaca College, New York

Internal assignments:
Board member
Investment Committee, Chair

Other significant external assignments:
–

Previous experience:
Partner and former Chief Investment Officer at Credigy. Board member and Head of Investment Committee in Lindorff Group, CEO at Rio Branco Aquisição e Administração de Creditos, Senior Consultant at Monitor and Head of US Market at Klarna Inc.

Independent in relation to the Company and management and to major shareholders.

Shareholding:
31,500 shares.

Liselotte Hjorth

Board member

Board member since 2015.

Born: 1957.

Education:
Bachelor of Science in Business Administration and Economics, Lund University.

Internal assignments:
Board member
Investment Committee member
Risk and Audit Committee member

Other significant external assignments:
White arkitekter AB, Chair of the Board
White Intressenter AB, Chair of the Board
Eastnine AB (publ), Chair of the Board
Rikshem AB (publ), Board member
Ativo Finans AB, Board member
BNP Paribas Real Estate Investment Management Germany Gmbh, Board member
Emilshus AB, Board member
Brunswick Real Estate Capital Advisory AB, Board member

Previous experience:
Various positions at SEB Group including Group Credit Officer and Vice President, and most recently Global Head of Commercial Real Estate and Member of the Management Board SEB AG. Board member of the Swedish National Debt Office, the German-Swedish Chamber of Commerce in Stockholm, the Swedish Chamber of Commerce in Düsseldorf and Kungsleden AB.

Independent in relation to the Company and management and to major shareholders.

Shareholding:
4,700 shares.

Shareholding stated as at 26 March 2020.

Robert Kraal

Board member

Ledamot sedan 2019.

Born: 1974.

Education:
Master of Science in geophysics, Utrecht University.

Internal assignments:
Board member

Other significant external assignments:
Skillpe BV, CEO
Paysium Holding BV, CEO

Previous experience:
COO of myTomorrows. Co-founder of Adyen acquiring and various positions in the Adyen Acquiring including COO and EVP Global Acquiring and Processing. Various managerial positions at Docdata Payments, Google Netherlands, Royal Bank of Scotland, Worldpay and Bibit.

Independent in relation to the Company and management and to major shareholders.

Shareholding:
0 shares.

Marcial Portela

Board member

Board member since 2018.

Born: 1945.

Education:
Master of Arts in Political Science, Complutense University of Madrid, and Master of Arts in Sociology, University of Louvain.

Internal assignments:
Board member

Other significant external assignments:
KIDER S.L, Chairman of the Board
Gaudea, Board member
MRFactory, Board member

Previous experience:
CEO for Banco Santander (Brazil), CEO Telefónica International, various positions in Argentaria and BBVA and Board member of Lindorff Group.

Independent in relation to the Company and management and to major shareholders.

Shareholding:
0 shares.

Joakim Rubin

Board member

Board member since 2017.

Born: 1960.

Education:
Master of Science Industrial Engineering and Management, Linköping Institution of Technology.

Internal assignments:
Board member
Investment Committee member
Remuneration Committee member

Other significant external assignments:
EQT AB, Partner and Chief Investment Advisor of Public Value advisory team
Cramo Plc, Board member
ÅF AB, Board member

Previous experience:
Senior Partner and Head of CapMan Public Market, Head of Corporate Finance and Debt Capital Markets at Handelsbanken Capital Markets. Zeres capital, Founder and Partner. Board member in Sanitec Plc, B&B Tools, Intrum Justitia, Proffice, Nobia and Capio AB (publ).

Independent in relation to the Company and management and to major shareholders.

Shareholding:
0 shares, EQT owns 5,558,523 shares.

Lars Wollung

Board member

Board member since 2019.

Born: 1961.

Education:
Bachelor of Business Administration, Stockholm School of Economics; and Master of Science in Information Technology, KTH.

Internal assignments:
Board member
Remuneration Committee member

Other significant external assignments:
Dignisia, Chairman and CEO
TPS Advisory AB, Management consultant
BlueStep Bank, Board member
MySafety Försäkringar, Chairman
Sundbom & Partners, Chairman
RaySearch, Chairman

Previous experience:
CEO for two publicly listed entities for 15 years, Acando, an IT-company, and Intrum Justitia, a credit management services company. Consultant for 15 years at McKinsey & Company. Board member in Nordea, TF Bank, IFS, Tieto, Sigma and Connecta.

Independent in relation to the Company and management and to major shareholders.

Shareholding:
10,000 shares.

Shareholding stated as at 26 March 2020.

Anders Bäckström

Auditor in Charge

Authorised Public Accountant KPMG AB

Born: 1966.

Independent: 0 shares.

Executive Management Team

Klaus-Anders Nysteen

VD

Member of the Executive Management Team since March 2018. Hoist Finance employee since 2018.

Born: 1966.

Education:
Master of Business Administration, Norwegian School of Economics and Business Administration (NHH).

Other significant external assignments:
Webstep ASA, Chairman.
Asset Buyout Partner, Board member

Previous experience:
Senior Advisor at Nordic Capital, CEO at Lindorff Group, Entra Eiendom AS and Storebrand Bank ASA. CFO at Statoil Fuel & Retail ASA. Board member of AFF, AIM Norway, Hinna Park, Oslo S Utvikling and Powerhouse.

Shareholding:
78,770 shares through Nysteen Invest AS and own holding.

Anders Carlsson

Chief General Counsel

Member of the Executive Management Team since October 2017. Hoist Finance employee since 2014.

Born: 1983.

Education:
Master of Laws (LL.M.), Stockholm University

Previous experience:
Attorney at Hannes Snellman Advokatbyrå.

Shareholding:
81,879 shares.

Ulf Eggefors

Chief People Officer

Member of the Executive Management Team since August 2017. Hoist Finance employee since 2017.

Born: 1961.

Education:
Economic studies at Stockholm University.

Previous experience:
Global Head of Trade Finance Services at Swedbank, CFO at Cell Mark and a number of senior positions with SEB in Stockholm and London.

Shareholding:
7,000 shares through closely related persons' holding.

Julia Ehrhardt

Chief Retail Banking and Business Development Officer

Member of the Executive Management Team since February 2020. Hoist Finance employee since 2020.

Born: 1980.

Education:
Engineering Physics, The Royal Institute of Technology.

Previous experience:
Head of Swedish Consulting & Partner, FCG. Head of Debt Investor Relations & Rating, SEB. A number of positions with SEB in Treasury, Credit Portfolio and Risk Control.

Shareholding:
18,740 shares, through closely related persons' holding and own holding.

Viktoria Aastrup was a member of the Executive Management Team during 2019 and left Hoist Finance in December 2019.

Shareholding stated as at 26 March 2020.

Christer Johansson

Chief Financial Officer

Member of the Executive Management Team since May 2018. Hoist Finance employee since 2014.

Born: 1979.

Education:
Master of Science, Royal Institute of Technology.

Previous experience:
Head of Group Finance and Business Control at Hoist Finance. Number of positions within business development, advisory and front office management at SEB. Management consultant at McKinsey & Company.

Shareholding:
3,200 shares.

Fabien Klecha

Country Manager France, Responsible for Center of Excellence for Secured NPL

Member of the Excecutive Management Team since March 2019. Hoist Finance employee since 2012.

Born: 1984.

Education:
Bachelor Degree in Business Administration, Università Commerciale L. Bocconi (Italy). Master Degree in Management, HEC Paris (France).

Previous experience:
Hoist Finance Investment team, based in London, in 2012. Appointed Country Manager in France 2014.
Experience from the finance industry (M&A) and entrepreneurship in AgroGeneration from a start-up to be listed.

Shareholding:
0 shares.

Stephan Ohlmeyer

Chief Investment Officer

Member of the Executive Management Team since January 2018. Hoist Finance employee since 2018.

Born: 1968.

Education:
PhD and Diploma in Physics, University of Hamburg.

Previous experience:
Various positions within Lone Star, Intrum, Och-Ziff, Värde, Goldman Sachs, Morgan Stanley and Chase Manhattan.

Shareholding:
10,000 shares.

Emanuele Reale

Chief Sales Officer

Member of the Executive Management Team since May 2018. Hoist Finance employee since 2014.

Born: 1966.

Education:
Degree in Business Administration, London.

Previous experience:
CEO in TRC Spa and board member in TRC Call Srl. Chairman in 3 Erre Srl. Countdown Italia Srl and Ci.Gi.S Srl., board member.

Shareholding:
0 shares.

Shareholding stated as at 26 March 2020.

Financial statements

Consolidated income statement

SEK m	Note	2019	2018
Interest income acquired loan portfolios	2	3,359	2,799
Other interest income	2	–2	–13
Interest expense	2	–494	–351
Net interest income	2	**2,863**	**2,435**
Impairment gains and losses	3	120	261
Fee and commission income	4	121	79
Net result from financial transactions	5	–79	43
Derecognition gains and losses	5	–9	–5
Other operating income	6	22	16
Total operating income		**3,038**	**2,829**
General and administrative expenses			
Personnel expenses	7	–875	–826
Collection costs	8	–787	–750
Administrative expenses	8	–568	–509
Depreciation and amortisation of tangible and intangible assets	18,19	–122	–61
Total operating expenses		**–2,352**	**–2,146**
Net operating profit		**686**	**683**
Profit from participations in joint ventures	9	62	72
Profit before tax		**748**	**755**
Income tax expense	11	–143	–165
Net profit		**605**	**590**
Profit attributable to:			
Owners of Hoist Finance AB (publ)		605	590
Basic earnings per share SEK	12	6.07	6.29
Diluted earnings per share SEK	12	6.07	6.29

Consolidated statement of comprehensive income

SEK m	2019	2018
Net profit for the year	**605**	**590**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of defined pension benefit plans	–3	1
Revaluation of remuneration after terminated employment	–1	1
Tax attributable to items that will not be reclassified to profit or loss	1	0
Total items that will not be reclassified to profit or loss	**–3**	**2**
Items that may be reclassified subsequently to profit or loss		
Translation differences, foreign operations	32	96
Translation differences, joint venture	–1	–4
Hedging of currency risk in foreign operations	–114	–233
Hedging of currency risk in joint ventures	–8	–8
Transferred to the income statement during the year	9	10
Tax attributable to items that may be reclassified to profit or loss	26	50
Total items that may be reclassified subsequently to profit or loss	**–56**	**–89**
Other comprehensive income	–59	–87
Total comprehensive income	**546**	**503**
Profit attributable to:		
Owners of Hoist Finance AB (publ)	546	503

Consolidated balance sheet

SEK m	Note	31 Dec 2019	31 Dec 18
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	13,15	2,729	2,653
Lending to credit institutions	13,15	3,075	1,187
Lending to the public	13,15	10	14
Acquired loan portfolios	13,15,16	24,303	20,605
Bonds and other securities	13,15	2,769	3,635
Participations in joint ventures	9	201	215
Intangible assets	18	382	387
Tangible assets	19	269	59
Other assets	21	511	425
Deferred tax assets	11	32	22
Prepaid expenses and accrued income	22	106	53
Total assets		**34,387**	**29,255**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	13,15,26	21,435	17,093
Tax liabilities	11	86	92
Other liabilities	23	823	380
Deferred tax liabilities	11	150	188
Accrued expenses and deferred income	24	154	232
Provisions	25	89	68
Debt securities issued	13,15,26	5,900	5,950
Subordinated debts	13,15,26	852	839
Total liabilities		**29,489**	**24,842**
Equity	27		
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		0	–
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-controlling interest	Total equity
Opening balance 1 Jan 2019	**30**	**2,965**	**–202**	**1,620**		**4,413**
Comprehensive income for the period						
Profit for the year				605		605
Other comprehensive income			–56	–3		–59
Total comprehensive income for the year			**–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 balance 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 year				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
Additional Tier 1 capital instrument		311[2]		–7	304
Reclassification		–3		3	0
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

SEK m	Note	2019	2018
OPERATING ACTIVITIES			
Profit before tax		748	755
of which, paid-in interest		*3,365*	*2,778*
of which, interest paid		*–374*	*–289*
Adjustment for other items not included in cash flow	30	208	–122
Realised result from divestment of loan portfolios		–	1
Realised profit from divestment of shares and participations in joint ventures		–60	–65
Income tax paid		–190	–109
Total		**706**	**460**
Amortisations on acquired loan portfolios		3,040	2,881
Increase/decrease in other assets and liabilities		–629	–513
Cash flow from operating activities		**3,117**	**2,828**
INVESTING ACTIVITIES			
Acquired loan portfolios		–5,952	–8,048
Disposed loan portfolios		–	66
Investments in/divestments of bonds and other securities		866	64
Other cash flows from investing activities		–12	–137
Cash flow from investing activities		**–5,098**	**–8,055**
FINANCING ACTIVITIES			
Deposits from the public		4,204	3,832
New share issue		–	555
Debt securities issued		3,450	3,991
Repurchase and repayment of Debt securities issued		–3,629	–2,631
Additional Tier 1 capital		–	310
Other cash flows from financing activities		–102	–196
Cash flow from financing activities		**3,923**	**5,861**
Cash flow for the year		**1,942**	**634**
Cash at beginning of the year		3,840	3,172
Translation difference		22	34
Cash at end of the year[1]	30	**5,804**	**3,840**

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

Parent Company income statement

SEK m	Note	2019	2018
Interest income	2	1,813	1,338
Interest expense	2	–458	–355
Net interest income	**2**	**1,355**	**983**
Dividends received		10	1,947
Fee and commission income	4	5	6
Net result from financial transactions	5	–147	–196
Derecognition gains and losses	5	–8	–2
Other operating income	6	232	310
Total operating income		**1,447**	**3,048**
General administrative expenses			
Personnel expenses	7	–393	–364
Other administrative expenses	8	–767	–593
Depreciation and amortisation of tangible and intangible assets	18,19	–49	–32
Total operating expenses		**–1,209**	**–989**
Profit before credit losses		**238**	**2,059**
Impairment gains and losses	3	56	83
Amortisation of financial fixed assets		–	–1,454
Profit from participations in joint ventures	9	71	82
Net operating profit		**365**	**770**
Appropriations	10	–47	–57
Taxes	11	–121	–66
Net profit		**197**	**647**

Parent company statement of comprehensive income

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

Parent Company balance sheet

SEK m	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	13,15	2,729	2,653
Lending to credit institutions	13,15	1,455	365
Lending to the public	13,15	13	17
Acquired loan portfolios	13,15,16	7,394	5,593
Receivables, Group companies		17,432	15,182
Bonds and other securities	13,15	2,769	3,635
Shares and participations in subsidiaries	17	807	722
Shares and participations in joint ventures	9	16	22
Intangible assets	18	186	177
Tangible assets	19	29	24
Other assets	21	290	340
Deferred tax assets	11	2	1
Prepaid expenses and accrued income	22	55	27
TOTAL ASSETS		**33,177**	**28,758**

SEK m	Note	31 Dec 2019	31 Dec 2018
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	13,15,26	21,435	17,093
Tax liabilities	11	33	65
Other liabilities	23	912	524
Deferred tax liabilities	11	2	5
Accrued expenses and deferred income	24	60	68
Provisions	25	53	41
Debt securities issued	13,15,26	5,431	5,950
Subordinated debts	13,15,26	852	839
Total liabilities and provisions		**28,778**	**24,585**
Untaxed reserves		268	221
Equity	27		
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 for the period		197	647
Total non-restricted equity		**4,009**	**3,839**
Total equity		**4,131**	**3,952**
TOTAL LIABILITIES AND EQUITY		**33,177**	**28,758**

Parent Company statement of changes in equity

SEK m	Restricted equity				Non-restricted equity				
	Share capital	Statutory reserves	Revaluation reserve	Development expenditure fund	Translation reserve	Other contributed equity	Retained earnings	Profit for the year	Total equity
Opening balance 1 Jan 2019	**30**	**13**	**66**	**4**	**3**	**2,965**	**224**	**647**	**3,952**
Transfer of previous year´s net profit/loss							647	–647	0
Total comprehensive income for the year									
Profit for the year								197	197
Other comprehensive income								0	0
Total comprehensive income for the year								**197**	**197**
Transactions reported directly in equity									
Merger result							35		35
Transfer between restricted and non-restricted equity				1			–1		0
Interest paid on capital contribution							–62		–62
Share-based payments							1		1
Portfolio revaluation reserve			10						10
Tax effect on items reported directly in equity			–2						–2
Total transactions reported directly in equity			**8**	**1**			**–27**		**–18**
Closing balance 31 Dec 2019	**30**	**13**	**74**	**5**	**3**	**2,965**	**844**	**197**	**4,131**

SEK m	Restricted equity				Non-restricted equity				
	Share capital	Statutory reserves	Revaluation reserve	Development expenditure fund	Translation reserve	Other contributed equity	Retained earnings	Profit for the year	Total equity
Opening balance 1 Jan 2018	**27**	**3**		**6**		**1,722**	**7**	**65**	**1,830**
Transition effects IFRS 9							13		13
Adjusted opening balance 1 Jan 2018	**27**	**3**		**6**		**1,722**	**20**	**65**	**1,843**
Transfer of previous year´s net profit/loss							65	–65	0
Total comprehensive income for the year									
Profit for the year								647	647
Other comprehensive income					3				3
Total comprehensive income for the year					**3**			**647**	**650**
Transactions reported directly in equity									
Dividend							–154		–154
New share issue	3					552[1]			555
Reclassification						–3	3		
Merger result		10	64	3		380	333		790
Transfer between restricted and non-restricted equity				–5			5		0
Additional Tier 1 capital instrument						311[2]	–7		304
Interest paid on capital contribution							–41		–41
Portfolio revaluation reserve			2						2
Tax effect on items reported directly in equity			0			3			3
Total transactions reported directly in equity	**3**	**10**	**66**	**–2**		**1,243**	**139**		**1,459**
Closing balance 31 Dec 2018	**30**	**13**	**66**	**4**	**3**	**2,965**	**224**	**647**	**3,952**

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.

Parent Company cash flow statement

SEK m	Note	2019	2018
OPERATING ACTIVITIES			
Profit before appropriations and taxes		365	770
of which, paid-in interest		*880*	*629*
of which, interest paid		*–344*	*–223*
Adjustment for items not included in cash flow	30		
Impairment of shares in subsidiaries		–	1,454
Other items		270	158
Adjustment for items included in investing activities			
Dividend from subsidiaries		–10	–1,947
Realised profit from divestment of shares and participations in joint ventures		–60	–65
Income tax paid		–160	–66
Total		**405**	**304**
Amortisations on acquired loan portfolios		1,014	922
Increase/decrease in other assets and liabilities		–628	–425
Cash flow from operating activities		**791**	**801**
INVESTING ACTIVITIES			
Acquired loan portfolios		–2,647	–3,992
Loans to Group companies		–5,511	–4,626
Repaid loans, Group companies		3,919	2,170
Investments in/divestments of bonds and other securities		866	64
Dividend from subsidiaries received		10	502
Other cash flows from investing activities		–49	–131
Cash flow from investing activities		**–3,412**	**–6,013**
FINANCING ACTIVITIES			
Deposits from the public		4,204	3,832
New share issue		–	555
Debt securities issued		839	3,991
Repurchase and repayment of Debt securites issued		–1,526	–2,631
Additional Tier 1 capital		–	310
Other cash flows from financing activities		–62	–196
Cash flow from financing activities		**3,455**	**5,861**
Cash flow for the year		**834**	**649**
Cash at beginning of the year		2,690	69
Cash acquired through merger		78	1,973
Translation difference		0	–1
Cash at end of the year[1]	30	**3,602**	**2,690**

1) Comprised of Cash, Treasury bills and Treasury bonds and Lending to credit institutions, decreased by Liabilities to Group companies, group account.

Accounting principles

1 Corporate information

The Annual Report is issued as of 31 December 2019 by Hoist Finance AB (publ), CIN 556012-8489, the Parent Company of the Hoist Finance Group ("Hoist Finance"). The Parent Company is a Swedish public limited company, registered in Stockholm, Sweden.

The address of the head office is Box 7848, 103 99 Stockholm. The Group is licensed and supervised by the Swedish Financial Supervisory Authority.

The consolidated accounts for financial year 2019 were approved by the Board of Directors on 27 March 2020 and will be presented for adoption at the Annual General Meeting on 14 May 2020.

2 Statement of compliance

Accounting principles of the Group

The consolidated accounts for Hoist Finance AB (publ) were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and interpretations issued by the IFRS Interpretation Committee as adopted by the EU. The Annual Report was prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Supervisory Authority's regulations and guidelines on annual accounts in credit institutions and securities companies (FFFS 2008:25) including applicable amendments, and the Swedish Financial Reporting Board's recommendations RFR 1 "Supplementary Accounting Rules for Groups".

Accounting principles of the Parent Company

Parent Company Hoist Finance AB (publ) has prepared its annual report 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, was also applied. RFR 2 requires the Parent Company to use the same accounting principles as the Group (e.g. IFRS) to the extent allowed by Swedish accounting legislation. However, the exception in RFR 2 is applied with respect to guarantee agreements benefiting subsidiaries and leases. The differences between the Group's and the Parent Company's accounting principles are stated below. The Parent Company otherwise applies the same accounting principles as the Group, except in cases where opportunities to apply IFRS in legal entities are limited by Swedish accounting legislation.

Unless otherwise indicated, the accounting principles specified below were applied consistently to all periods presented in these financial reports.

3 Changed accounting principles

New and amended standards adopted in the financial statements

Compared to the annual report 2018 there has been one material new accounting standard which Hoist Finance began to apply in 2019, IFRS 16 Leases. The following is a general description of changes to income statement and balance sheet items under IFRS 16, as compared with previous years' reporting under IAS 17, as well as other IFRS amendments.

IFRS 16 Leases

The new standard IFRS 16 Leases came into effect 1 January 2019 and replaces existing IFRS (including IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease) related to the reporting of lease contracts.

IFRS 16 primarily affects reporting requirements for lessees. All lease contracts will initially be recognised as a right-of-use asset and a liability in the lessee's balance sheet. The straight-line operating lease expense in the income statement is replaced with depreciation of the leased asset and an interest expense for the lease liability.

Hoist Finance applies IFRS 16 in the Group as from 1 January 2019. Hoist Finance has elected to apply the modified retrospective approach and, accordingly, there has been no recalculation of comparative figures. The transition to IFRS 16 has not had any significant impact on the Group's financial position or capital adequacy. The effects of the transition are summarised and explained below.

Effects of transition to IFRS 16

Hoist Finance has applied the alternative of valuing all right-of-use assets at the initial date of application at an amount corresponding to the lease liability adjusted for any prepaid or accrued leasing fees related to lease contracts. 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 was 3.74 per cent.

For lease contracts previously classified as finance leases under IAS 17, right-of-use assets and lease liabilities are recognised on the initial date of application at an amount corresponding to the asset and lease liability as valued under IAS 17 immediately prior to the date of application.

Hoist Finance has elected not to include right-of-use assets and lease liabilities related to lease contracts for which the lease term will be concluded within 12 months following the transition date (short-term lease agreements).

Transition to IFRS 16 had no effect on the Group's opening balance of equity on 1 January 2019.

Effects on the balance sheet

Following the transition to IFRS 16, Hoist Finance reports a lease liability at the present value of remaining lease fees at the beginning of the lease term. The lease liability is thereafter increased by interest expense and decreased by depreciation of the lease liability. The right-of-use asset is initially recognised at the same amount as the lease liability, and subsequently written off on a straight-line basis over its useful life.

Effects on the income statement

Following the transition to IFRS 16, Hoist Finance reports interest expense for lease liabilities in "Interest expense" and right-of-use depreciation in "Depreciation and amortisation of tangible and intangible assets" in the income statement. The consolidated income statement is therefore affected due to a reduction in "Other operating expenses" and an increase in "Interest expense" as compared with the previous application of IAS 17.

Effects on the cash flow statement

Following the transition to IFRS 16, Hoist Finance recognises amortisation of lease liabilities in "Cash flow from financing activities", while interest payments are recognised in "Cash flow from operating activities".

Effects on capital adequacy

The transition to IFRS 16 has not had any significant impact on capital adequacy or major exposures in Hoist Finance's consolidated situation.

Transition effects IFRS 16

SEK m	Original carrying value 31 Dec 2018	Re-classification	IFRS 16 transition	New carrying value under IFRS 16 1 Jan 2019
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	–	–	–	–

IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 addresses methods for reporting uncertainty regarding income tax amounts – for instance, how a current tax asset should be reported in cases such as when the amount has been appealed and is under discussion with the tax authorities.

Hoist Finance confirmes that the transition to IFRIC 23 had no significant impact on the Group

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.

Following the 5 December securitisation, Hoist Finance renamed balance sheet item "Unsecured debt" to "Issued securities". This more closely reflects what the item pertains to (see also footnote to the balance sheet item).

Hoist Finance decided in 2019 to establish its first bonus programme, which is partially comprised of share-based payments. Accordingly, Hoist Finance began applying IFRS 2 "Share-based Payment". See Note 7 "Personnel expenses" for additional information.

In all other material aspects, the Group's and the Parent Company's accounting policies, bases of calculation and presentation are unchanged compared with the 2018 Annual Report.

4 New standards, amendments and interpretations that have not yet been applied

New and amended IFRS and IFRIC that have not yet been applied are not expected to have any significant effect on the Company's financial reports.

5 Assumptions

The preparation of financial reports in accordance with IFRS requires that Management make estimates and assumptions that affect the application of the accounting principles and the carrying value of assets, liabilities, revenue and expenses. Estimates and assumptions are based on historical experience and a number of other factors that are deemed reasonable in the prevailing circumstances. The result of these estimates and assumptions is then used to assess the carrying values of assets and liabilities that are not otherwise clearly indicated by other sources. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assumptions are reviewed regularly, and the effect on carrying values is recognised through profit or loss. Changes in estimates are reported in the period in which the change is made, provided the change has affected only this period, or the period the change was made and future periods if the change affects both current and future periods.

Estimates made by Management that have a significant impact on the consolidated financial statements and which may affect the consolidated financial statements in subsequent years are described in more detail in Note 36 "Critical estimates and assumptions".

6 Consolidation

Subsidiaries

Subsidiaries are entities over which the Parent Company has controlling influence. Controlling influence exists when the Parent Company can exert influence over an investment, is exposed to or has the right to receive variable returns as a result of the investment, and is able to use its influence over the investment to affect returns.

The Group uses the acquisition method of accounting to report business acquisitions. The consolidated acquisition value is determined by an acquisition analysis conducted in connection with the acquisition. The analysis determines the acquired identifiable assets, acquired liabilities and contingent liabilities. The acquisition value of subsidiary shares and operations is comprised of their fair value as at acquisition date for assets, liabilities that arise or are transferred, and issued equity instruments transferred as consideration in exchange for the acquired net assets. Transaction costs directly attributable to the acquisition are expensed as incurred.

In business combinations where acquisition cost exceeds the net value of the acquired assets, liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, it is reported directly in the income statement. The contingent purchase price is reported in the consolidated accounts at fair value through profit or loss. Intra-group receivables and liabilities, revenue and expenses, and unrealised gains and losses that arise from intra-group transactions are eliminated in their entirety in the consolidated financial statements.

Joint ventures

For accounting purposes, joint ventures are entities over which the Group has joint controlling influence through contractual arrangements with one or several parties and has a right to the net assets. In the consolidated accounts, joint venture holdings are consolidated in accordance with the equity method, under which the asset is initially reported at acquisition value. The carrying value is subsequently increased or decreased to reflect the owner company's profit share in the investment after the acquisition date. Tax reported for shares and participations in joint ventures is the capital gain that will accrue when the shares and participations are redeemed. Changes attributable to exchange differences are reported in "Other comprehensive income". In the BEST III Sec Fund joint venture, the acquired loan portfolios are reported at fair value.

7 Segment reporting

An operating segment is a part of the Group that operates a business from which it can generate revenue and incur expenses and for which independent financial information is available. This information serves as a governance tool and is reviewed on a regular basis by chief operating decision makers to evaluate performance and allocate resources to the segment.

For Hoist Finance, geographic regions – comprised of individual countries – are the main basis for division into segments. Geographic segments are an accurate reflection of the Group's business activities, as acquired loan portfolios are managed on a country-by-country basis. The company's chief operating decision maker is responsible for defining the segment.

See Note 1 "Segment reporting" for additional information on the operating segments.

8 Foreign currency translation

Functional currency

SEK is the functional currency of the Parent Company and the presentation currency of the Group and the Parent Company. Group companies and branches prepare their accounts in the functional currency of the country in which they operate. For consolidation purposes, all transactions in other currencies are converted into SEK at balance sheet date. All amounts, unless indicated otherwise, are rounded to the nearest million.

Transactions in foreign currency

Transactions in a currency other than the local functional currency are translated at the exchange rate in effect on the translation date. When such transactions are settled, the exchange rate may deviate from the transaction date rate, in which case a realised exchange difference arises. Monetary assets and liabilities in foreign currency are also translated to functional currency at the balance sheet date exchange rate, which gives rise to unrealised exchange differences. Both realised and unrealised exchange differences of this type are reported in the consolidated income statement.

Translation of foreign operations' financial statements

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the operation's functional currency to the Group's reporting currency at the balance sheet date exchange rate. Revenues and expenses are translated at the yearly average rate, which serves as an approximation of the rate that was applied on each transaction date. Translation differences from subsidiaries arise because the balance sheet date exchange rate changes each period and because the average rate deviates from the balance sheet date exchange rate. Translation differences are reported in "Other comprehensive income" as a separate component of equity. Information on the most important exchange rates is disclosed in the separate section 23 "Exchange rates".

9 Financial assets and liabilities

Recognition in and derecognition from the balance sheet

A financial asset or liability is recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. A receivable is recognised in the balance sheet when the counterparty is contractually liable to pay, even if an invoice has not been sent. Loan receivables, deposits, issued securities and subordinated debt are recognised in the balance sheet at the settlement date. A spot purchase or sale of financial assets is recognised in and derecognised from the statement of financial position on the trade date. A financial asset is derecognised from the balance sheet when the contractual right to receive cash flows from the financial asset expires or when the financial asset is transferred and the company simultaneously transfers substantially all of the risks and rewards of ownership of the financial asset. A financial liability or portion thereof is derecognised when the obligation is discharged or otherwise extinguished. An exchange between the company and an existing lender, or an existing borrower of debt instruments with essentially different terms and conditions, is recognised as an extinguishment of the old financial liability or asset, respectively, and recognised as a new financial instrument. Financial assets and liabilities are offset and the net amount recognised in the balance sheet only when there is a legal right to offset the amounts and an intention to settle the items net or to concurrently realise the asset and settle the liability.

With regard to "Acquired loan portfolios", changes in instalment agreements do not comprise grounds for derecognition from the balance sheet or for recognition of modifications of loan receivables. Debtor instalment agreements are completed on a regular basis for receivables in "Acquired loan portfolios" and in some countries, the instalment agreements are established through legal processes pursuant to insolvency rules. Changes in expected cash flows as a result of instalment agreements have an impact on the portfolios' amortised cost and are recognised in profit or loss as "Impairment gains and losses".

Impact on earnings arising from derecognition upon, e.g., the write-off or sale of financial assets valued at amortised costs are reported in profit or loss as "Profit/loss on derecognition of financial assets".

Classification and measurement

Financial instruments are initially recognised at fair value plus transaction costs, with the exception of derivatives and instruments from the "Financial asset at fair value through profit or loss" category, which are recognised at fair value in profit or loss. These are recognised at fair value exclusive of transaction costs. Financial instruments are classified on initial recognition. The classification of a financial asset is based on the underlying reason in the entity's business model for acquiring the asset and the nature of the contractual cash flows generated by the financial asset. Financial liabilities are classified at amortised cost, except for derivative liabilities, which are classified at fair value through profit or loss. The classification determines how the financial instrument is measured after initial recognition, as described below.

Financial assets and liabilities at fair value through profit or loss

The financial assets recognised by the Group at fair value through profit or loss (FVTPL) are derivatives with positive values where hedge accounting is not applied, as well as "Eligible treasury bills" and "Bonds and other securities". In addition to derivatives, financial assets recognised at FVTPL are managed pursuant to a fair-value-based business model primarily aimed at providing liquidity for the acquisition of loan portfolios. The financial liabilities recognised at FVTPL are derivatives with negative values to which hedge accounting does not apply. Derivatives are initially recognised at fair value at the date the derivative is contracted and are subsequently measured at fair value at the end of each reporting period. Changes in fair value are recognised in the "Net financial income" item.

Fair value measurement

The fair value of financial instruments traded on an active market (level 1) is determined for financial assets based on the current bid price. Assets measured at fair value in the balance sheet and traded on an active market comprise investments in eligible treasury bills, and bonds and other securities. Financial instruments that are not traded on an active market but which can be measured using other valuation methods, with observable market information as input (level 2), are comprised of currency hedges and interest derivatives. In cases where assets and liabilities have conflicting market risks, the mid-price is used to determine fair value. See Note 13 "Financial instruments".

Financial assets and liabilities recognised at amortised cost

Acquired loan portfolios

"Acquired loan portfolios" are comprised of loan receivables, some of which are credit-impaired receivables acquired at a price significantly below the nominal claim and some of which are performing loans. The portfolios are held within the framework of a business model focused on holding the receivables in order to collect contractual cash flows comprised of principal payments and interest payments on outstanding principal.

Measurement methods

The amortised cost is the amount at which the financial asset or liability was measured at initial recognition, decreased by amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance. The effective interest rate is the rate that exactly discounts the expected cash flows (including transaction costs) to the gross carrying amount of financial assets. For purchased performing loan portfolios, the calculation of the effective interest rate does not take into consideration expected credit losses.

When Hoist Finance revises estimates of future cash flows on acquired credit-impaired loans, the carrying amount of the financial asset is adjusted to reflect the new estimate discounted using the effective interest rate determined at initial recognition. Any changes are recognised in profit or loss.

Interest income

Interest income for credit-impaired loans is calculated by applying the effective interest rate to the loan's carrying value. For performing loans, interest income is calculated as the effective interest rate times the loan's gross value before loss allowance.

Impairment

Hoist Finance assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost. Loss allowances for ECL are recognised at each reporting date, where the measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information on current and future macroeconomic and non-macroeconomic conditions

For acquired performing loan assets, IFRS 9 outlines a model for impairment based on the changes in credit quality since initial recognition, as summarised below:

- All financial assets that are not credit-impaired at initial recognition are classified as stage 1 and Hoist Finance continuously monitors their credit risk.
- Stage 2 financial assets are those which have experienced a trigger event for a significant increase in credit risk but are not yet deemed to be credit-impaired. Note 31 "Risk management" describes the criteria for the triggers for a significant increase in credit risk.
- Stage 3 financial assets are those which are credit-impaired. Note 31 "Risk management" describes the criteria for a financial asset to be considered credit-impaired or in default.

Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events in the next 12 months. Instruments in stage 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. The ECL modelling techniques utilised by Hoist Finance are described in the notes.

Write-offs

For acquired loan portfolios, Hoist Finance will, in whole or in part, derecognise assets where there is no reasonable expectation of recovery. Indicators of when there is no reasonable expectation of recovery include: (i) ceasing of enforcement activities; (ii) realisation of collateral; (iii) days past due and days since last payment was received (not used in isolation); and (iv) sudden change of debtor status indicating inability to meet any portion of its contractual obligations.

Unidentified revenue and payments

The Group receives large volumes of payments from debtors on its own behalf and on behalf of Group customers. In cases where the sender's reference information is missing or incorrect, it is difficult to assign the payment to the correct account. Payments are also sometimes received on closed accounts. In such instances, a reasonable search is conducted and an attempt is made to contact the payment sender. Unidentified payments are treated as "Other liabilities". The amounts are recognised as revenue in accordance within a predefined time frame.

Securitisation

During 2019 the Group completed two securitisation transactions of a significant portion of the Italian loan portfolio, in which acquired credit-impaired loan portfolios were sold by the Group to a wholly owned subsidiary (a special purpose vehicle, SPV). The subsidiary in turn issued bonds to investors secured by the purchased assets. When a financial asset is transferred, Hoist Finance needs to evaluate the degree to which it retains the risks and benefits associated with ownership of the asset. If Hoist Finance retains substantially all risks and benefits associated with ownership of the financial asset, Hoist Finance continues to report the asset in the statement of financial position. The loan portfolios sold by Hoist Finance do not meet the requirements for removal from the statement of financial position – mainly because the credit risk was not transferred in its entirety – and, accordingly, the portfolios will continue to be reported in the Group.

Other financial assets at amortised cost

Other financial assets at amortised cost encompasses "Lending to credit institutions", as well as accounts receivable and other financial assets reported under "Other assets" (excluding derivatives with positive values). The assets are held within the framework of a business model with the objective of holding assets to collect contractual cash flows comprising repayments of capital and interest on the capital outstanding. On initial recognition, accounts receivable are recognised at the transaction price and other financial assets are recognised at fair value exclusive of transaction costs. Thereafter, the effective interest method is used to measure amortised cost. The items provide the basis for the loss allowance for expected credit losses (ECL). The loss allowance for accounts receivable is calculated using the simplified approach. The ECL allowance is prepared on initial recognition and on subsequent balance sheet dates, and takes into consideration the remaining term of the receivable.

The loss allowance for "Lending to credit institutions" and "Other financial assets" is based on allocation of the assets in three different stages that reflect changes in credit risk. On initial recognition, the asset is allocated to stage 1 and, on initial recognition and on subsequent balance sheet dates, a loss allowance is reported for the next 12 months. If the credit risk for the financial asset has increased significantly since initial recognition, the asset is allocated to stage 2 and the loss allowance is calculated for the entire remainder of the term. Interest income under the effective interest method for financial assets in stages 1 and 2 is calculated on the gross carrying amount. While a loss allowance continues to be calculated for the entire remainder of the term for stage 3 credit-impaired assets, interest income according to the effective interest method is calculated on the amortised cost, i.e., after taking into account the loss allowance. Should the credit risk decline, the asset can once again be allocated to stages 1 or 2. The allocation criteria for the various stages are determined by the Group.

The recognised balance sheet items comprise the net of gross amounts and the loss allowance. Consequently, no separate provision for the loss allowance is reported in the balance sheet. Changes in the loss allowance are recognised under "Impairment gains and losses" in profit or loss.

Seized assets

Seized assets are assets taken over to protect a claim. Hoist Finance may waive a loan receivable and instead seize the asset that served as collateral for the loan. Seized assets may consist of financial assets, properties and other tangible assets. Seized asset are recognised on the same line item in the balance sheet as similar assets that have been acquired otherwise. Seized assets comprised of tangible assets are measured as inventories in accordance with IAS 2. At initial recognition seized assets are measured at fair value. The fair value at initial recognition becomes the acquisition value or amortised cost, depending on what is applicable. Subsequently seized assets are measured according to type of asset, with the exception of impairment on tangible seized assets which is reported as "Gains/losses from tangible and intangible assets" rather than as "Depreciation, amortisation and impairment of tangible and intangible assets". The purpose is to better reflect the similar character of impairment of assets that are taken over to protect claims on counterparties and credit losses.

Financial liabilities

The Group's financial liabilities are comprised of "Issued securities", "Subordinated debts" and "Other financial liabilities". Financial liabilities are initially recognised at fair value, including transaction costs directly attributable to the acquisition or issue of the debt instrument. Subsequent to acquisition, they are recognised at amortised cost pursuant to the effective interest method. Financial liabilities valued at fair value through comprehensive income include such financial liabilities held for trading (derivatives).

Modification of financial assets and liabilities

For acquired loans, Hoist Finance does on occasion renegotiate or otherwise modify a loan's contractual cash flows. When this happens, Hoist Finance assesses whether or not the new terms are substantially different from the original terms. In doing so, Hoist Finance considers factors including:

- Change in interest rate or the denomination of the currency of the loan
- Extension of the loan term or changes in payment schedule
- Insertion of collateral or other security or credit enhancements that affect the credit risk associated with the loan

If the terms are substantially different, Hoist Finance derecognises the original financial asset and recognises a new asset at fair value according to the new contractual terms, and recalculates a new effective interest rate. The difference in gross carrying amount is recognised in profit or loss as a gain or loss on derecognition.

If the terms are deemed as not substantially different the modification does not result in derecognition, and Hoist Finance recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss in "Net result from financial transactions". The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate determined by Hoist Finance at initial recognition.

A modification of contractual cash flows for acquired loans is considered a default trigger if the modification reduces the financial obligation towards Hoist Finance by more than 1 per cent. This implies that these loans will be considered credit-impaired and consequently classified in Stage 3 where loss allowance is recognised on a lifetime basis.

10 Hedge accounting

The Group applies hedge accounting in accordance with IAS 39.

Derivatives are used to hedge (for the purpose of neutralising) any risk of interest-rate and exchange-rate exposure for the Parent Company or the Group. The Group applies hedge accounting in cases where currency derivatives or foreign currency debts are used to hedge net investments in foreign operations. When hedge accounting is used for foreign net investments and the hedge has proven 80–125 per cent effective, changes in the hedging instrument's fair value are recognised in "Other comprehensive income" and accrued (as are the translation effects of net investments) in the translation reserve. In cases where the hedge is 101–125 per cent effective, the ineffectiveness is recognised in the income statement in the item "Net financial income". For other derivatives to which hedge accounting does not apply, changes are recognised in fair value under the item "Net financial income".

For qualitative information on the Group's management of market risk, see Note 31 "Risk management". Quantitative information on the Group's derivative instruments for hedging purposes in presented in Note 14 "Derivatives".

11 Leasing

Leasing under IAS 17 (comparative periods)

Lease contracts in which a significant share of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the lease term. Operating leases relate primarily to leases of office premises and office equipment for the company's normal business operations.

Lease contracts in which a significant share of the risks and rewards of ownership are retained by the Group are classified as finance leases. Finance leases are reported as assets and liabilities in the balance sheet at the amount equal to the leased assets' fair value or, if lower, the present value of future minimum leasing fees as at inception of the lease. Lease payments are allocated between interest and amortisation of the outstanding debt. Interest is distributed over the lease term so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during that period. The depreciation policy for assets acquired under finance leases is consistent with that for comparable own assets.

Leasing under 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 Hoist Finance. The Group applies the exceptions allowed under the standard for intangible assets, short-term leases and lease contracts with low-value underlying assets. These lease contracts are reported as "Other expenses".

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.

At a lease contract's start date, a right-of-use asset and a lease liability are reported in the balance sheet. The lease liability is initially valued at the present value of remaining leasing fees at the start of the lease contract. 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. 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.

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 lease contracts are leases of office premises for the company's normal business operations.

12 Intangible assets

Intangible assets are identifiable, non-monetary assets that lack physical substance and are under Hoist Finance's control.

Capitalised expenses for IT development

Expenditures for IT development and maintenance are generally expensed as incurred. Expenditures for software development that can be attributed to identifiable assets that are under the Group's control and that have anticipated future economic benefits are capitalised and reported as intangible assets.

Additional costs for previously developed software, etc. are reported as assets in the consolidated balance sheet if they increase the anticipated future economic benefits of the specific asset to which they are attributable – e.g., by improving or extending a computer programme's functionality beyond its original use and estimated useful life.

IT development costs reported as intangible assets are amortised using the straight-line method over their useful lives, though not more than seven years. The asset is reported at cost less accumulated amortisation and impairment losses. Costs associated with the maintenance of existing computer software are continuously expensed as incurred.

For capitalisation of self-generated development expenditures, the corresponding amount is transferred from unrestricted equity to restricted equity in the Parent Company.

Goodwill

When the purchase price, any non-controlling interest and fair value at the acquisition date of previous shareholdings exceed the fair value of identifiable net assets acquired, the excess amount is reported as goodwill. Goodwill from acquisitions of subsidiaries is reported as intangible assets.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Allocation is made to the cash-generating units, or groups of cash-generating units, determined in accordance with the Group's operating segments that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested annually, or more often if so indicated, to identify any impairment requirements and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Profit or loss on disposal of an entity includes the remaining carrying value of goodwill relating to the entity sold.

Other intangible assets

Other intangible assets are amortised on a straight-line basis over their useful lives, but not over a longer period than five years.

Impairments

An impairment test is conducted upon indication of depreciation in value, or at least annually when each asset's residual value and remaining useful life are determined.

The recoverable value of the asset is estimated if there are indications of an impairment requirement. For goodwill and other intangible assets with indeterminate useful lives and for intangible assets that have not yet come into use, recoverable values are calculated on an annual basis. If independent cash flows cannot be determined for individual assets, the assets are grouped at the lowest level at which independent cash flows can be identified – a cash-generating unit.

An impairment is reported when the carrying value of an asset or a cash-generating unit exceeds its recoverable value. Impairments are reported in the income statement. Impairments attributable to a cash-generating unit are primarily allocated to goodwill and are subsequently distributed proportionally among other assets in the unit.

The recoverable value for cash-generating units is the fair value less divestment costs or the useful value, whichever is greater. Useful value is calculated by discounting future cash flows using a discounting factor that takes into account the risk-free interest rate and the risk associated with that particular asset.

Goodwill impairment is not reversed. Impairment of other assets is reversed if there have been changes in the underlying assumptions that were used to determine recoverable value. Impairments are reversed only to the extent that the carrying value of the assets following the reversal does not exceed the carrying value of the assets if the impairment had not been reported.

13 Tangible assets

Tangible assets are comprised of IT equipment, improvements to leased premises, and equipment.

Tangible assets are reported as assets in the balance sheet if it is likely that the future economic benefits will accrue to the company and the cost of the asset can be reliably estimated. Tangible assets are reported at cost less accumulated depreciation and impairments.

Principles for depreciation/amortisation of assets

Assets are depreciated/amortised using the straight-line method over estimated useful life and applying the following periods:

» Equipment	2–5 years
» Investments in leased premises	5 years
» Intangible assets	3–7 years

14 Provisions

Provisions are recognised for existing legal or informal obligations arising from past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation.

The amount must be able to be reliably estimated in order to for recognition to occur. The provision is measured at the amount corresponding to the best estimate of the expenditure required to settle the obligation at the balance sheet date.

The expected future date of the settlement is taken into account in the estimate.

15 Income and expenses

Interest income

Interest income encompasses interest income according to the effective interest method from "Acquired loan portfolios", from "Lending to credit institutions" and investments in "Eligible treasury bills" and "Bonds and other securities".

Interest income pertaining to credit-impaired assets is based on the initial credit-adjusted effective interest rate and the portfolio's amortised cost at the start of the period. Interest income pertaining to "Other financial instruments" is based on the initial effective interest rate and the instrument's gross value at the start of the period. However, if an asset has been credit-impaired, the interest income is calculated on the amortised cost a – i.e., the net of the gross value and the ECL loss allowance.

Interest expense

Interest expense is mainly comprised of expenses associated with the Group's funding via deposits from the public and issued debt instruments.

Impairment gains and losses

The earnings item comprises loss allowance changes pertaining to "Acquired loan portfolios". Where applicable, modification gains/losses attributable to "Acquired loan portfolios" are included. The item also encompasses a loss allowance for other financial assets recognised at amortised cost. Both positive and negative remeasurements can be recognised under this item. If no reasonable expectation exists of recovering the remaining receivables in a portfolio, an impairment loss is recognised and the carrying amount of the asset is derecognised from the balance sheet.

"Impairment gains and losses" also includes the net of actual and projected collections.

Fee and commission income

Companies in the Hoist Finance Group provide collection services for third parties. In such agreements the counterparty selects the receivables to be included in the contract and transfers those to the Group, while retaining ownership of the receivables. In such contracts the Group is generally entitled to remuneration corresponding to a fixed percentage of successful collections. The Group may also be entitled to bonus payments in the event collections during a specific period reach a certain level. A contract may also include a cancellation fee.

The Group reports fee and commission income in accordance with IFRS 15. Income is recognised when the performance obligation has been fulfilled and when control is transferred to the customer. Variable payments are recognised as income to the extent it is highly probable that no material provision of previously recognised accumulated income is likely to arise in later periods. For Hoist Finance, services are transferred and income is recognised at a given time, as the services are performed.

Net financial income

"Net financial income" includes realised and unrealised exchange rate fluctuations, gains/losses on financial assets and liabilities recognised at FVTPL and the ineffective portion of hedges of foreign net investments. The item may also include modification gains/losses on financial instruments that are unrelated to acquired loan portfolios. Earnings effects that are not recognised as separate earnings items that pertain to financial assets recognised at amortised cost can, when derecognised from the balance sheet and on reclassification, be recognised under "Net financial income".

Other operating expenses

Various types of costs directly related to loan portfolio administration are grouped under "Other operating expenses". For the Group, "Other operating expenses" are mainly direct costs for external collection services. "Fee and commission income" refers to income for these external services and is recognised when fee and commission provisions can be reliably measured.

16 Employee benefits

All forms of remuneration provided to employees as compensation for services rendered constitute employee benefits.

Short-term benefits

Short-term benefits to employees are settled within twelve months following the close of the reporting period during which the services were rendered. Short-term benefits are mainly comprised of fixed and variable salary, both of which are accounted for during the period in which the related services are rendered. Post-employment benefits in Hoist Finance comprise only pensions. Benefits that are not expected to be fully settled within twelve months are reported as long-term benefits.

A provision is reported for the expected cost of profit share and bonus payments when the Group has valid legal or constructive obligation to make such payments due to services rendered by employees and when the obligation can be reliably calculated.

Redundancy payments

Remuneration expense in connection with termination of personnel is reported either when the company is no longer able to withdraw the redundancy offer or when the company reports restructuring costs, whichever occurs sooner. Payments that are expected to be settled after twelve months are reported at present value.

Pensions

Group companies operate various pension schemes, which are generally funded through payments determined by periodic actuarial calculations to insurance companies or trustee-administered funds.

The Group has both defined benefit and defined contribution plans:

- Defined benefit plans normally specify the pension rate to be received by the employee upon retirement, usually dependent on one or several factors, such as age, years of service and salary.
- Under defined contribution plans, the Group pays fixed contributions into a separate entity. The Group has no legal or informal obligation to pay further contributions if the fund does not hold sufficient assets to pay all benefits to employees relating to employee service during the current and prior periods.

The liability reported in the consolidated balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation as at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The net present value of the defined benefit obligation is determined by discounting estimated future cash flows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid and with durations approximating the durations of the related pension liability.

Net interest expense/income for the defined benefit pension obligation/asset is reported in "Net interest income". Net interest income is based on the discount rate used in calculating the net obligation – i.e., the interest on the obligation, plan assets and interest on effects of any asset restrictions. Other components are recognised in net operating income.

Revaluation effects are comprised of actuarial gains and losses, discrepancies between actual return on plan assets and the amount included in net interest income, and any changes to effects of asset restrictions (exclusive of interest included in net interest income). Revaluation effects are reported in "Other comprehensive income".

Changes or reductions to defined benefit plans are reported at the earlier of the following:

- when the change to or reduction in the plan occurs, or
- when the company reports the associated restructuring costs and redundancy costs

Changes/reductions are reported directly as personnel expenses in the profit and loss accounts.

The special employer's contribution is included in the actuarial assumptions and is reported as part of the net obligation/result in derecognition, and Hoist Finance recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss in "Net result from financial transactions". The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate determined by Hoist Finance at initial recognition.

A modification of contractual cash flows for acquired loans is considered a default trigger if the modification reduces the financial obligation towards Hoist Finance by more than 1 per cent. This implies that these loans will be considered credit-impaired and consequently classified in Stage 3 where loss allowance is recognised on a lifetime basis.

Share-based payment arrangement

A long-term incentive plan (LTIP) enables the Executive Management Team to acquire shares in the Company. The fair value of the granted options is recognised as a personnel expense, with a corresponding increase in equity. Fair value is calculated at grant date and distributed over the vesting period. The fair value of the granted options is calculated and takes into account market conditions, conditions that are not vesting conditions, and applicable conditions on grant date. The cost recognised corresponds to the fair value of the estimated number of options expected to be vested, taking into account service and performance conditions that are not market conditions. The cost is adjusted in subsequent periods to ultimately reflect the actual number of vested options, although no adjustment is made when forfeiture is based solely on non-fulfilment of market conditions and/or conditions that are not vesting conditions. Social fees attributable to share-based instruments granted to employees as remuneration for purchased services are expensed over the period during which services are rendered. The provision for social fees is based on the options' fair value at the reporting date.

For additional details, see Note 7 "Personnel expenses".

17 Taxes

Taxes are comprised of current tax and deferred tax. Taxes are reported through profit or loss unless the underlying transaction is directly reported in "Equity" or in "Other comprehensive income", in which case the attributable tax effect is also reported in "Equity" or "Other comprehensive income", respectively.

Current tax refers to tax paid or received for the current year, using tax rates that apply as at the balance sheet date, including adjustments for current tax attributable to previous periods.

Deferred tax is calculated in accordance with the balance sheet method based on temporary differences between the carrying value of assets and liabilities and their value for tax purposes. The following temporary differences are not taken into account:

- Temporary differences that arise in the initial recognition of goodwill
- The initial recognition of assets and liabilities in a transaction other than a business combination and which, at the time of the transaction, does not affect either the reported or taxable profit
- Temporary differences attributable to participations in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future

The measurement of deferred tax is based on how the carrying values of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set or essentially set as of the balance sheet date.

Deferred tax assets from deductible temporary differences and tax losses carry-forwards are only recognised if it is likely that they will be utilised within the foreseeable future. The value of deferred tax assets is reduced when they are utilised or when it is no longer deemed likely that they will be utilised.

Current tax, deferred tax, and tax attributable to the previous year are reported under "Income tax expense".

18 Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to Hoist Finance AB (publ) shareholders, adjusted for interest on capital instruments recorded in equity, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long-term warrant programmes.

Potential ordinary shares are only considered to be dilutive on the balance sheet date if a conversion to ordinary shares would reduce the earnings per share. The rights are further considered dilutive only when the exercise price, plus future services, is lower than the period's average share price.

19 Equity

When a financial instrument is issued in the Group it is reported as a financial liability or as an equity instrument, in accordance with the financial implications of the instrument's terms. These instruments or sections thereof are reported as liabilities when the company has an irrevocable obligation to pay cash. Issued financial instruments that do not irrevocably oblige the company to pay cash on interest and nominal amounts are reported as equity.

Return to investors is reported as a dividend to equity with respect to equity instruments and as an interest expense in profit or loss with respect to debt instruments.

Dividend

Proposed dividends are reported as a liability after having been approved by the Annual General Meeting.

20 Related-party transactions

Hoist Finance defines related parties as:

- Shareholders with significant influence
- Group companies
- Associated companies and joint ventures
- Key senior management
- Other related parties

All intra-group transactions between legal entities and transactions with other related parties are conducted pursuant to the arm's length principle in accordance with OECD requirements. Intra-group transactions are eliminated in the consolidated accounts.

Shareholders with significant influence

Shareholders with significant influence are entitled to take part in decisions on Hoist Finance's financial and operational strategies, but do not have controlling influence over such strategies.

Group companies and associated companies

A company is defined as a related party if the company and its reporting entity are part of the Hoist Finance Group.

See section 6, Consolidation, for the definition of "subsidiaries and joint ventures". Further information on Hoist Finance Group companies is presented in Note 17 "Group companies".

Key senior management

Key senior executives include:

- the Board of Directors
- the Chief Executive Officer (CEO)
- the Executive Management Team

See Note 7 "Personnel expenses" for details on compensation, pensions and other transactions with key senior executives.

Other related parties

Other related parties comprise close relatives and family members of key senior management, if that or those person(s) has or have controlling influence, severally or jointly, over the reporting entity.

Other related parties are also companies over which Hoist Finance Group key management personnel, or their close relatives, have significant influence.

Information on transactions between Hoist Finance and other related parties is presented in Note 33 "Related-party transactions".

21 Cash flow statement

The cash flow statement includes changes in the balance of cash and cash equivalents. The Group's cash and cash equivalents is comprised of cash, treasury bills and treasury bonds and lending to credit institutions. Cash flow is divided into cash flow from operating activities, investment activities and financing activities. The indirect method is used to report cash flow.

Cash flow from investing activities includes only actual disbursements for investments made during the year.

Foreign subsidiaries' transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested subsidiaries are reported as "Cash flow from investing activities, net", after deducting cash and cash equivalents in the acquired or divested company. For acquired and divested subsidiaries that hold debt portfolios, acquired and divested loan portfolios are reported in "Operating activities".

22 Parent Company accounting principles

The Parent Company's financial statements have been prepared 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" requires the Parent Company to use the same accounting principles as the Group (i.e., IFRS) to the extent allowed by Swedish accounting legislation. However, the exception in RFR 2 is applied with respect to guarantee agreements benefiting subsidiaries and leases.

Mergers are accounted for in accordance with BFNAR 1999:1. The differences between the Group's and the Parent Company's accounting principles are stated below.

22.1 Change in accounting principles

Unless otherwise indicated below, the Parent Company's accounting principles have changed in accordance what is specified above for the Group.

The new principles for leases under IFRS 16 that the Group has started to apply are not applied by the Parent Company. The Parent Company applies the exception in RFR 2 and, accordingly, recognises existing lease contracts as it has done in previous years.

22.2. Group contributions and dividends

Group contributions

Hoist Finance applies the main rule in RFR2 IAS 27.2. Group contributions received from Group companies are reported in the income statement. The net of Group contributions paid or received for optimising the Group's tax expense is reported as appropriation in the Parent Company. Group contributions from the Parent Company to subsidiaries are reported as an increase in participations in Group companies, net of tax.

Dividends

Dividends paid to Hoist Finance AB (publ) shareholders are reported as a liability following the approval of the Annual General Meeting. Dividends from subsidiaries and associated companies are reported as "Dividends received".

22.3 Subsidiaries

Parent Company shareholdings and participations in Group companies are reported based on cost of acquisition. Holdings are carried at cost and only dividends are reported in the income statement. Impairment tests are conducted in accordance with IAS 36 "Impairments of assets" and write-downs are made when permanent decline in value is established.

Transaction costs are included in the carrying value of the holding in the subsidiary.

Transaction costs attributable to subsidiaries are reported directly in profit or loss in the consolidated accounts when incurred.

Contingent purchase prices are valued based on probability of payment. Any changes to the provision/receivable are added to/reduced from the cost of acquisition.

Low-priced acquisitions that match anticipated losses and expenses are reversed during the periods in which the losses and expenses are expected to arise. Low-priced acquisitions resulting from other factors are reported as provisions to the extent they do not exceed the fair values of acquired identifiable non-monetary assets. The portion exceeding this amount is directly taken up as income. The portion that does not exceed the fair value of acquired identifiable non-monetary assets is reported as income systematically over a period of time that is based on the remaining weighted average useful life of the acquired identifiable depreciable assets. In the consolidated accounts, low-priced acquisitions are reported directly in profit or loss.

22.4 Revaluation reserve

The Swedish Accounting Standards Board (BFN) responded to the Financial Supervisory Authority in June 2018 on the question of revaluation rules contained in the Swedish Annual Accounts Act (1995:1554) regarding financial assets classified as purchased or issued credit-impaired loans. The BFN's response specifies that in cases where the Parent Company makes a new assessment that leads to an upward revision of future cash flow compared with the cash flow that formed the basis of the calculation of the effective interest rate at the time of acquisition, it must report these revaluations in a revaluation reserve for restricted equity. The transfer therefore has an effect on distributable funds, until upward adjustments to cash flows are realised or reduced and amounts in the revaluation reserve are reversed. Revaluations and their reversals have no effect on earnings. In the Parent Company, the present value of the upwardly adjusted portion of future cash flows are reported in the revaluation reserve, with respect to acquired unsecured credit-impaired loans pursuant to collective valuation. Reporting is done prospectively as from 1 October 2018. BFN's response is also taken into account for acquired secured credit-impaired loans in cases where cash flows are adjusted upward. Revaluation may also be done for other non-current assets with a permanent value that significantly exceeds the carrying amount.

22.5 Development expenditure fund

Capitalisation of self-generated development expenditures is limited by the option of distributing capital. The amount corresponding to capitalised self-generated development expenditure is transferred from retained earnings to a special restricted fund. The rule applies to capitalisation of expenditures for financial years beginning immediately after 31 December 2015. The fund is reduced in the event of amortisation, impairment or divestment.

22.6 Untaxed reserves

In the Parent Company, untaxed reserves are reported as a separate item in the balance sheet. In the consolidated financial statements, untaxed reserves are divided into a 'deferred tax liability' component and an 'equity' component.

22.7 Financial instruments

The Parent Company applies IFRS 9 in its entirety as from 1 January 2018. However, the RFR 2 exception is applied with respect to guarantee agreements benefiting subsidiaries.

The Parent Company's financial assets continue to be classified at amortised cost and, accordingly, the transition to IFRS 9 has had no effect.

The Parent Company's financial assets recognised at amortised cost are subject to a loss allowance. The calculated credit loss in the Parent Company is not significant and no loss allowance is presented.

22.8 Hedge accounting

The Parent Company applies hedge accounting in accordance with IAS 39.

From 1 April 2018 the Parent Company applies hedge accounting to the fair value of participations in foreign subsidiaries as well as participations in the Polish joint venture. In hedge accounting, exchange rates influence the carrying value of participations in subsidiaries and participations in joint ventures. This change in value is reported in "Net financial income", as is the change in value of hedging instruments. Hedge accounting thus shows a net effect in "Net financial income" compared with previous reports, when reported changes in value of hedging instruments did not correspond to any reported changes in value of participations in subsidiaries or joint ventures.

23 Exchange rates

	2019	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	11.587
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, 2019

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central functions	Eliminations	Group
Net interest income	588	729	332	350	649	215	0	2,863
of which, internal funding costs	–233	–156	–63	–161	–99	712	–	0
Dividend income	–	–	–	–	–	10	–10	0
Impairment gains and losses	–46	126	9	94	–64	0	0	119
Fee and commission income	43	71	5	1	1	0	0	121
Net income financial transactions	–	–	–6	–	–	–80	1	–85
Other operating income	5	5	10	1	8	8	–17	20
Total operating income	**590**	**931**	**350**	**446**	**594**	**153**	**–26**	**3,038**
Total operating expenses	**–375**	**–506**	**–221**	**–192**	**–443**	**–631**	**16**	**–2,352**
Profit from participations in joint ventures	**–**	**–**	**–**	**–**	**9**	**53**	**0**	**62**
Profit before tax	**215**	**425**	**129**	**254**	**160**	**–425**	**–10**	**748**

Income statement, 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central functions	Eliminations	Group
Net interest income	536	634	347	255	437	226	–	2,435
of which, internal funding costs	–203	–137	–63	–115	–77	595	–	0
Dividend income	–	–	–	–	–	1,947	–1,947	0
Fee and commission income	8	119	–13	124	23	–	–	261
Net income financial transactions	53	19	6	1	1	–	–1	79
Other operating income	–	–	–	–	–	–1,410[1)]	1,453	43
Total operating income	0	4	10	–2	0	4	–5	11
Total operating expenses	**597**	**776**	**350**	**378**	**461**	**767**	**–500**	**2,829**
Profit from participations in joint ventures	**–381**	**–431**	**–296**	**–199**	**–347**	**–500**	**8**	**–2,146**
Profit before tax	**–**	**–**	**–**	**–**	**17**	**55**	**–**	**72**
Resultat före skatt	**216**	**345**	**54**	**179**	**131**	**322**	**–492**	**755**

1) Write down of shares in subsidiaries SEK 1,454 m.

Acquired loans, 31 Dec 2019

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central functions	Group
Run-off consumer loan portfolio			10				10
Acquired loan portfolios	6,303	6,165	2,172	3,865	5,798		24,303
Shares and participations in joint ventures[1)]						200	200
Acquired loans	**6,303**	**6,165**	**2,182**	**3,865**	**5,798**	**200**	**24,513**

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

Note 1 Segment reporting, cont

Acquired loans, 31 Dec 2018

SEK m	Great Britain	Italy	Germany	Poland	Other countries	Central functions	Group
Run-off consumer loan portfolio			14				14
Acquired loan portfolios	5,671	5,935	2,190	2,757	4,052		20,605
Shares and participations in joint ventures[1]						215	215
Acquired loans	**5,671**	**5,935**	**2,204**	**2,757**	**4,052**	**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.

Note 2 Net interest income

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Interest income/Net revenues				
Acquired loan portfolios calculated using effective interest rate method	3,359	2,799	970	662
Total interest income/net revenues from acquired loan portfolios	**3,359**	**2,799**	**970**	**662**
Lending to credit institutions	5	7	3	4
Lending to the public	4	2	4	2
Bonds and other securities	–11	–22	–11	–22
Receivables, Group companies	–	–	847	692
Total other interest income	**–2**	**–13**	**843**	**676**
of which, interest income from financial items not valued at fair value	*3,348*	*2,777*	*958*	*639*
Interest expense				
Deposits from the public	–213	–146	–212	–146
of which, deposit guarantee scheme expenses	*–19*	*–20*	–19	–20
Debt securities issued	–197	–135	–161	–135
Subordinated debts	–35	–33	–35	–33
Other interest expenses	–49	–37	–50	–41
Total interest expenses	**–494**	**–351**	**–458**	**–355**
of which, interest expense from financial items not valued at fair value	–232	–168	–195	–168
Net interest expenses	**2,863**	**2,435**	**1,355**	**983**
of which, interest income from financial assets valued at amortised cost using the effective interest rate method	*3,368*	*2,808*	*976*	*668*
of which, interest expense from financial liabilities valued at amortised cost using the effective interest rate method	*–445*	*–314*	*–407*	*–314*

%	GROUP 31 Dec 2019	GROUP 31 Dec 2018	PARENT COMPANY 31 Dec 2019	PARENT COMPANY 31 Dec 2018
Average interest rate, deposits (incl. deposit guarantee scheme expenses)	1.2	0.9	1.2	0.9

Note 3 Impairment gains and losses

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Portfolio revaluations LECL, acquired credit-impaired loan portfolios	–145	5	–21	50
Collection differences LECL, acquired credit-impaired loan portfolios	267	259	77	35
Impairment gains and losses, acquired credit-impaired loan portfolios	**122**	**264**	**56**	**85**
Impairment gains and losses 12M ECL stage 1, acquired performing loan portfolios	1	–2	1	–1
Impairment gains and losses LECL stage 2, acquired performing loan portfolios	0	0	0	0
Impairment gains and losses LECL stage 3, acquired performing loan portfolios	–3	–1	–2	–1
Impairment gains and losses, acquired performing loan portfolios	**–2**	**–3**	**–1**	**–2**
Total impairment gains and losses	**120**	**261**	**56**	**83**

Note 4 Fee and commission income

Revenues from fee and commission income relates to revenues from contracts with customers. The Group provides debt collection services through call centers for third parties and the majority of customers operates within the financial industry. Under these contracts, the Group is entitled to a remuneration that corresponds to a fixed percentage of collections. The Group can also be entitled to a bonus payment if the collections for a period reaches a certain level. A contract can also include a termination fee. The majority of the contracts have no fixed end-date, but continue until further notice.

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Revenues from servicing	120	77	5	6
Bonus fees	1	3	–	–
Total	**121**	**80**	**5**	**6**

Service revenues for remaining performance obligations
Expected service revenues for residual maturity, per year

SEK m	2020	2021	2022	2023
Revenues from servicing	126	131	138	46
Total	**126**	**131**	**138**	**46**

Service revenues for the Parent Company derive from the German, Belgian and France branch offices. See Note 1 ”Segment reporting” for revenue distribution

Note 5 Net result from financial transactions and Derecognition gains and losses

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Exchange rate fluctuations	–80	–7	–140	–247
Profit/Loss from financial assets and liabilities manditorily at fair value through profit or loss, net	12	50	–7	51
Profit/Loss from financial assets and liabilities designated at fair value through profit or loss, net	7	–	–	–
Profit/Loss from financial assets and liabilities at amortised cost	–18	0	0	0
Total Net result from financial transactions	**–79**	**43**	**–147**	**–196**
Derecognition gains and losses at amortised cost	–9	–5	–8	–2
Total Derecognition gains and losses	**–9**	**–5**	**–8**	**–2**

Note 6 Other operating income

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Intercompany transactions	–	–	222	301
Other	22	16	10	9
Total	**22**	**16**	**232**	**310**

Note 7 Personnel expenses

Total personnel expenses and remuneration[1]

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Salaries and remuneration[2)3)]	–654	–620	–285	–263
Pension expenses	–27	–28	–16	–22
Social fees	–133	–124	–66	–56
Other personnel-related expenses	–60	–61	–24	–24
Total	**–874**	**–833**	**–391**	**–365**

1) The table also includes costs for redundancy payments and similar items in connection with organisational changes.
2) The amount includes fixed and variable remuneration.
3) Invoiced remuneration from senior executives is specified in Note 33 "Related-party transactions". The total amount is SEK 0m (2) in the Group and SEK 0m (2) in the Parent Company. The amount is included in "Consultancy services" in Note 8 "Other operating income".

Of which, salaries and other compensation to senior executives

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
To senior executives[1)]				
Fixed salaries and benefits	–38	–38	–20	–26
Performance-based compensation	–4	–8	–2	–5
Total	**–42**	**–46**	**–22**	**–31**

1) Senior executives include Board members, the President/CEO and the Executive Management Team. Former Board members are included. Nil (4) Board members invoiced fees via own companies during 2019; see Note 33 "Related-party transactions". Senior executives during the year included 20 (23) individuals, of which Board members accounted for 10 (8) and the CEO for 1 (2).

Remuneration to Members of the Board and the Executive Management Team

Approved guidelines for remuneration for executive officers, resolved on by the AGM on 16 May 2019.

In this context, the term "senior executives" means the CEO of Hoist Finance AB (publ) ("Hoist Finance") and other members of the Executive Management Team (EMT), and Board members, insofar as they receive remuneration for services performed outside of their Board duties.

Remuneration of senior executives comprises fixed salary, variable remuneration, pension and other benefits. Remuneration is designed to encourage senior executives to deliver results in line with the company's targets, strategy and vision and to act in accordance with the company's ethical code of conduct and core values. Remuneration is also designed to enable Hoist Finance to attract, retain and motivate employees with the requisite skills. Remuneration shall encourage good performance, sound behaviour and risk-taking aligned with customer and shareholder expectations. Salaries are age- and gender-neutral and non-discriminatory. Hoist Finance views remuneration from a comprehensive perspective and, accordingly, takes all remuneration components into account. Remuneration is weighted in favour of fixed salary, which is based on the position's complexity and level of responsibility, prevailing market conditions and individual performance.

Variable remuneration for senior executives shall be paid within the scope of a long-term share-based incentive programme (LTIP) and shall not exceed 100 per cent of the fixed salary. Variable remuneration is based on various financial and non-financial criteria and is linked to the performance of the Hoist Finance Group's respective business units and to individual targets.

Variable remuneration takes into account the risks involved in the company's operations and is proportional to the Group's earning capacity, capital requirements, earnings and financial position. The payment of variable remuneration must not undermine the Group's long-term interests. The payment of variable remuneration is contingent on the senior executive having acted in compliance with internal rules and procedures, including policies regulating behaviour toward customers and investors. Variable remuneration is not paid to a senior executive who has participated in or been responsible for any action resulting in significant financial loss for the Group or the relevant business unit.

For senior executives in the EMT, payment of 60 per cent of the variable remuneration is deferred for a period of at least three years. Variable remuneration, including deferred remuneration, is only paid to senior executives insofar as it is defensible in view of the Group's financial situation and if it is warranted by the results achieved by the Group, the relevant business unit and the employee as well as the targets achieved by the senior executive.

Pension and insurance are offered pursuant to national laws, regulations and market practices and are structured as collective agreements, company-specific plans or a combination of the two. Hoist Finance has defined-contribution pension plans and does not apply discretionary pension benefits. A few senior executives receive gross salary; in these instances, the company does not make pension contributions. Other benefits are designed to be competitive in relation to similar operations in the respective country.

Sign-on bonuses are only offered in exceptional cases and then only to compensate for the lack of variable remuneration in the senior executive's previous employment contract. Sign-on bonuses are paid during the year in which the senior executive begins to work. Decisions on exceptional cases are made in accordance with the decision-making process for variable remuneration.

Issuing loans to senior executives is not permitted.

Upon the Group's termination of an employment contract, the maximum notice period is twelve months and no redundancy payment is made.

AGM-elected Board Members may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services is paid at market terms and approved by the Board. Directors' fees may not exceed SEK 50,000 to a Board Member for work on the board of a subsidiary.

In particular cases, the Board of Directors may deviate from the guidelines adopted and resolved by the AGM if warranted by special circumstances.

Note 7 Personnel expenses, cont

Remuneration to the Board of Directors[1]

	GROUP		PARENT COMPANY	
SEK thousand	2019	2018	2019	2018
Chair of the Board::				
Ingrid Bonde	1,631	1,563	1,631	1,563
Other Board members:				
Liselotte Hjorth[2]	708	678	708	678
Gunilla Öhman[3]	242	628	242	628
Jörgen Olsson[4]	338	450	338	450
Costas Thoupos[5]	–	–	–	–
Joakim Rubin	633	594	633	594
Cecilia Daun Wennborg	673	628	673	628
Malin Eriksson[6]	648	747	648	747
Marcial Portela[7]	483	294	483	294
Robert Kraal[8]	306	–	306	–
Lars Wollung[9]	338	–	338	–
Summa	**6,000**	**5,582**	**6,000**	**5,582**

1) Director and Committee member fees comprise a fixed annual amount, excluding social fees. SEK – thousand (25) was paid in fees for subsidiaries pursuant to an AGM resolution. As from the 16 May 2018 AGM, all director fees are paid as salary.
2) Liselotte Hjorth invoiced the director fee from July 2016 through 15 May 2018; see Note 33 "Related-party transactions".
3) From December 2016 through 15 May 2018, Gunilla Öhman's director fee was invoiced from Carrara AB; see Note 33 "Related-party transactions". She stepped down from the Board in conjunction with the 16 May 2019 AGM.
4) Jörgen Olsson stepped down as CEO on 14 March 2018. He received fixed salary through June 2018. The 18 May 2018 AGM elected Jörgen Olsson as deputy chairman of the board. During his tenure as CEO he was employed by Parent Company Hoist Finance AB (publ). He stepped down from the Board in conjunction with the 16 May 2019 AGM.
5) Costas Thoupos did not receive any director fee. He was employed by a subsidiary and received remuneration of SEK 0 thousand (422). He stepped down from the Board in conjunction with the 2018 AGM.
6) In addition to her Board of Directors fee, Malin Eriksson received a consultancy fee via Malin Eriksson Consulting Services in 2018, a company that is related to her; see Note 33 "Related-party transactions".
7) Marcial Portela joined the Board as per the 15 May 2018 AGM.
8) Robert Kraal joined the Board as per the 16 May 2019 AGM.
9) Lars Wollung joined the Board as per the 16 May 2019 AGM.

Salaries and benefits[1]

	Fixed salary		Performance-based compensation[4]		Allocated value LTIP[5]		Benefits[6]		Pension benefits[7]		Total	
SEK thousand	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Chief Executive Officer[2]												
Jörgen Olsson	–	4,064	–	–	–	–	–	–	–	1,234	–	5,298
Klaus-Anders Nysteen	5,377	5,181	1,061	2,317	1,592	–	5	–	1,970	1,653	10,005	9,151
Executive Management Team[3]												
9 (13) people excluding the CEO	25,981	21,540	3,448	5,758	3,768	–	565	1,228	2,763	2,311	36,525	30,837
Total	**31,358**	**30,785**	**4,509**	**8,075**	**5,360**	**–**	**570**	**1,228**	**4,733**	**5,198**	**46,530**	**45,286**

1) Excluding social fees.
2) Jörgen Olsson stepped down as CEO on 14 March 2018. He received fixed salary through June 2018. During his tenure as CEO he was employed by Parent Company Hoist Finance AB (publ). Klaus-Anders Nysteen took over as CEO on 14 March 2018.
3) Charles de Munter stepped down from the EMT during 2018. Remuneration during the contractual 12-month period of notice totals SEK 3,399 thousand in addition to the amount presented above. The amount was dispensed in 2018, apart from a portion that comprises deferred variable remuneration. Karin Beijer's remuneration is included in 2018 and was paid to Co Go Consulting AB, a company that is related to her; see Note 33 "Related-party transactions". 2019 fixed salary includes redundancy payment of SEK 3,588 thousand for Björn Hoffmeyer.
4) Variable remuneration relating to the 2019 financial year includes the part of the share-based incentive programme that will be paid in cash.
5) The value stated refers to a preliminary calculation of the performance amount for 2019 which will be paid in shares. The final outcome will be determined in the first quarter of 2020. In order to receive these shares an additional three years of service are required. The total cost has not yet been expensed as the cost is allocated over the vesting period in accordance with IFRS 2, see the section under the heading "Share-based incentive program".
6) Benefits have been included in the taxable fringe benefit, excluding social fees. Benefits primarily comprise a company car, housing, health insurance and other benefits associated with foreign posting.
7) The amounts pertain to pension costs during the year for senior executives. Pension costs comprise pension premiums for defined-contribution pension plans expensed during the year (costs for services rendered during the current and previous years and settlements as defined by IAS 19). 100 per cent of total pension costs is attributable to defined contribution pension plans.

Directors' remuneration

The Board

The AGM of Hoist Finance held on 16 May 2019 resolved that annual directors' fees are to be paid as follows:1)

Chair of the Board	SEK 1,475,000
Board member	SEK 490,000
Chair, Risk and Audit Committee	SEK 200,000
Member, Risk and Audit Committee	SEK 125,000
Chair, Remuneration Committee	SEK 50,000
Member, Remuneration Committee	SEK 50,000
Chair, Investment Committee	SEK 175,000
Member, Investment Committee	SEK 100,000

1)For the period through the next AGM.

Board members employed by the Hoist Finance Group (Jörgen Olsson through June 2018 and Costas Thoupos through March 2018) do not receive specific remuneration for their work on the Board.

There is no commitment for redundancy payment or similar owed to any Board members.

CEO

The CEO's basic salary, Long-Term Incentive Plan and other terms of employment are proposed by the Board's Remuneration Committee and adopted by the Board of Directors.

The CEO's salary amounted to SEK 5,377 thousand (5,181), in line with Hoist Finance's remuneration policy. The CEO's salary is paid in Swedish kronor. The performance-based compensation amounts to maximum 100 per cent of fixed salary.

The CEO has a 12-month notice period. There is no agreement in place on redundancy payments.

Not 7 Personnel expenses, cont

CEO pension

The pension premium for Klaus-Anders Nysteen is 30 per cent (30) of fixed salary.

It is a defined-contribution pension.

Executive Management Team (EMT)

The Board's Remuneration Committee prepares for the Board's decision changes to remuneration rates and bonus programme results and other changes to EMT compensation agreements. During 2019, 4 EMT members had agreements concerning variable salary increments capped at 100 per cent of fixed salary. Three EMT members have had an agreement where the variable remuneration for a limited time exceeds 70 per cent of the fixed salary. Benefits primarily comprise a company car and health insurance benefits.

As of 31 December 2019, the EMT was comprised of 7 people (7), exclusive of the CEO.

Notice period

Five EMT members have a six-month notice period and two EMT member have a three-month notice period.

Pension benefits, EMT

At year-end, four EMT members have followed Hoist Finance's predetermined pension scheme, for which fixed salary is the pensionable compensation amount.

One EMT member receives 10 per cent of fixed salary and one receives 13 per cent of fixed salary.

Pension provisions for one EMT member are not posted in the company.

Share-based incentive programme (LTIP)

Variable remuneration for senior executives is comprised of a long-term share-based incentive programme (LTIP). Variable remuneration takes into account the risks involved in the company's operations and is proportional to the Group's earning capacity, capital requirements, profit/loss and financial position, as well as individual targets.

Variable remuneration is based on results achieved during the performance year (calendar year 2019) and final performance amounts are determined when the year-end report is published.

Of the remuneration amount, 40 per cent is paid in cash (governed by IAS 19 regulations) and 60 per cent through share grant (governed by IFRS 2). The original valuation date for the programme is July 2019, when Hoist Finance and the counterparty agreed on the programme's terms and conditions.

Remuneration is measured during the performance year at an estimated monetary value. The amount to be paid is then expressed in the number of share options granted during the time prior to the vesting period. The number of shares granted is based on the share price as determined in February the year after the performance year. The shares vest in equal 1/3 parts (i.e., the first, second and third year following the AGM's approval of the annual report). In practical terms, payment is made in equal parts in May 2021, May 2022 and May 2023. The share price for the 2019 LTIP programme has been set at SEK 56.53. The cost of the share options is allocated on a straight-line basis across the three stipulated periods, with a true-up for the rights lost by participants who terminate their employment during the vesting periods.

The options are converted automatically to ordinary shares on the vesting day, at an exercise price of nil. Participants are entitled to receive dividends on the granted shares. The right expires in the event the participant terminates their employment during the vesting period, except in limited cases approved by the Board on a case-by-case basis.

In 2019 the costs posted for the share option portion of the Group's LTIP programme totalled SEK 1.3m, excluding social fees.

The table below shows the number of granted and outstanding share options at the beginning and end of the financial year:

	Number of options 2019	Number of options 2018
Outstanding at beginning of the period	–	–
+ Granted during the year	118,242	–
– Vested during the year	–	–
– Expired during the year	–	–
Outstanding at end of the period	118,242	–
Outstanding share options at end of the period: weighted average remaining contractual duration	2.42 years	–

To hedge the incentive programme, Hoist Finance has entered into a share swap agreement with a third party. Under the agreement the third party will acquire and transfer shares to participants in its own name to fulfil the Company's obligation to deliver shares and will cover social fees arising from vesting. Social fees are calculated based on the fair value of the share options and are expensed as incurred.

Not 7 Personnel expenses, cont

Average number of employees during the year, Group

	2019			2018		
	Men	Women	Total	Men	Women	Total
Sweden	35	31	66	40	28	68
Germany	82	133	215	90	165	255
France	39	76	115	37	78	115
Belgium	1	2	3	5	4	9
Netherlands	18	23	41	16	17	33
UK	179	147	326	206	174	380
Italy	128	244	372	124	225	349
Poland	144	191	335	122	151	273
Jersey	–	–	–	1	–	1
Spain	23	45	68	17	28	45
Greece	2	2	4	1	2	3
Total	**651**	**894**	**1,545**	**659**	**872**	**1,531**

The average number of employees is calculated based on the number of full-time employees (FTEs) during the year. The Group also has contracted consultants, the number of which varies during the year depending on requirements.

As at 31 December 2019 the Group had 1,575 FTEs (1,556).

Gender distribution, senior executives

	31 Dec 2019	31 Dec 2019	31 Dec 2018	31 Dec 2018
%	Men	Women	Men	Women
Senior executives	68	32	68	32
Board of Directors	83	17	79	21
of which, Parent Company	*50*	*50*	*37*	*63*

Note 8 Other operating expenses

	GROUP		PARENT COMPANY	
SEK m	2019	2018	2019	2018
Collection costs	–787	–750	–240	–205
Consultancy services[1]	–230	–203	–218	–129
Intra-Group consultancy services	–	–	–31	–40
Other intra-Group expenses	–	–	–83	–75
IT expenses	–134	–108	–98	–77
Telecom expenses	–11	–8	–2	–2
Premises costs	–45	–73	–41	–30
Travel expenses	–29	–29	–11	–12
Restructuring costs	–6	0	–6	–
Bank charges	–16	–14	–8	–5
Sales and marketing expenses	–11	–10	–2	–1
Other expenses	–86	–64	–27	–17
Total	**–1,355**	**–1,259**	**–767**	**–593**

1) Consultancy services also include fees invoiced by Senior executives, specified in note 7 "Personnel expenses".

SEK m	2019	2018	2019	2018
KPMG				
Audit assignments	–12	–9	–6	–4
Audit-related assignments	–2	–2	–1	–2
Tax services	–1	–2	–1	–2
Other non audit-related assignments	0	–1	0	–1
Total	**–15**	**–14**	**–8**	**–9**

Expenses for audit assignments are included in Consultancy services in the table above.

Note 9 Shares and participations in joint ventures

Shares and participations in joint ventures relate to Hoist Finance AB's (publ) holdings in BEST III (50 per cent) and PQH Single Special Liquidation S.A (33 per cent). BEST III is a Polish closed-end fund located in Gdynia and designated for the acquisition of individual loan portfolios. The initial investment was PLN 40m (SEK 90m). During the year 2016 Hoist Kredit acquired, along with Qualco S.A. and Pricewaterhouse Coopers Business Solutions S.A., the Greek company PQH. PQH is based in Athens and offers advisory services. All joint ventures are consolidated pursuant to the equity method.

Profit from shares and participations in joint ventures

GROUP

SEK m	2019	2018
Shares in the joint ventures' earnings according to equity method	47	47
Performance-based compensation	11	18
FX	4	7
Total profit	**62**	**72**

PARENT COMPANY

SEK m	2019	2018
Shares in the joint ventures' earnings according to equity method	60	64
Performance-based compensation	11	18
Total profit	**71**	**82**

BEST III

SEK m	31 Dec 2019	31 Dec 2018
Assets		
Acquired loan portfolios	405	435
Cash	12	9
Total assets	**417**	**444**
Liabilities		
Current liabilities	18	16
Total liabilities	**18**	**16**
Net assets	**399**	**428**
Interest income	136	137
Other expenses	−42	−42
Net profit for the year	**95**	**95**

There are no contingent liabilities pertaining to the Group's interest in this joint venture, nor does the joint venture have any contingent liabilities.

GROUP

SEK m	31 Dec 2019	31 Dec 2018
Opening balance	215	238
Redemption of fund units	−67	−73
Shares and participations in the joint ventures' earnings according to equity method	47	47
Reversal from shareholders' equity	−6	−7
Exchange rate differences	11	10
Closing balance	**200**	**215**

PQH

SEK m	31 Dec 2019	31 Dec 2018
Assets		
Current assets	8	6
Cash	1	0
Total assets	**9**	**6**
Liabilities		
Current liabilities	9	5
Total liabilities	**9**	**5**
Net assets	**0**	**2**
Interest income	51	51
Other expenses	−52	−52
EBT	−1	−1
Income tax expense	0	−1
Net profit for the year	**−2**	**−2**

There are no contingent liabilities pertaining to the Group's interest in this joint venture, nor does the joint venture have any contingent liabilities.

Note 10 Appropriations

The merger of Hoist Kredit AB (publ) and Hoist Finance AB (publ) was concluded on 2 January 2018.

Tax allocation reserve

PARENT COMPANY

SEK m	2019	2018
Opening balance	**221**	**84**
Acquired through merger	–	81
Provision to tax allocation reserve	55	75
Reversal of tax allocation reserve	−8	−18
Closing balance	**268**	**221**

Note 11 Tax

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Current tax expense/income				
Tax expense/income for the year	–69	–98	–65	–60
Tax adjustment attributable to previous years	–29	–34	–61	–4
Total	**–98**	**–132**	**–126**	**–64**
Deferred tax expense/income				
Deferred tax attributable to temporary differences	–45	–33	5	–2
Total	**–45**	**–33**	**5**	**–2**
Total recognised tax expense	**–143**	**–165**	**–121**	**–66**

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
EBT	748	755	318	714
Tax calculated at 21.40% (Swedish) tax rate	–160	–166	–68	–157
Effect of different tax rates in different countries	38	11	0	8
Adjustment related to change in tax rate	–	–2	–	–
Non-taxable revenue	43	33	11	428
Non-deductible expenses	–34	–17	–11	–333
Adjustments with reference to previous years	–29	–34	–61	–4
Utilisation of previously uncapitalised loss carry-forwards	4	9	–	–
Decrease in capitalised loss carry-forwards not expected to be utilised	–9	–	–3	–
Other	4	1	11	–8
Total tax expense	**–143**	**–165**	**–121**	**–66**

The Group's effective tax rate was 19.08 per cent (21.82) at 31 December 2019.

No tax was recognised directly in Group equity in 2019 (SEK 3m in 2018). Other comprehensive income includes tax in an amount of SEK 27m (50) related to the hedging of currency risk in foreign operations, a revaluation of defined-benefit pension plans and a revalution of post-service remuneration.

SEK m	GROUP 31 Dec 2019	GROUP 31 Dec 2018
Deferred tax		
Deferred tax assets	32	22
Deferred tax liabilities	–150	–187
Total	**–118**	**–165**

GROUP, 31 Dec 2019

SEK m	Opening balance	Income statement	Other comprehensive income	Translation differences	Closing balance
Change in deferred tax					
Loss carry-forwards	9	3		0	12
Joint ventures	–38	2		0	–36
Defined-benefit pension schemes and other employee benefits	4		1	0	5
Acquired loan portfolios	–62	4		–4	–62
Untaxed reserves	–46	–12			–58
Other	–33	48		6	21
Total	**–165**	**45**	**1**	**2**	**–118**

Note 11 Tax, cont

SEK m	Opening balance	Income statement	Other comprehensive income	Translation differences	Closing balance
	GROUP, 31 Dec 2018				
Change in deferred tax					
Loss carry-forwards	26	–16		–1	9
Joint ventures	–40	2		0	–38
Defined-benefit pension schemes and other employee benefits	4		0	0	4
Acquired loan portfolios	–73	13		–2	–62
Untaxed reserves	–36	–10			–46
Other	–8	–22		–3	–33
Total	**–127**	**–33**	**0**	**–6**	**–165**

The Group's deferred tax assets attributable to loss carry-forwards are expected to be fully utilised during the next four years. Deferred tax assets are only reported as a tax loss carry-forwards to the extent that a related tax benefit is likely to be realised. Deferred tax assets and liabilities are offset to the extent there is a legal right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The Group has no unreported loss carry-forwards.

Note 12 Earnings per share

Basic earnings per share

SEK m	GROUP 31 Dec 2019	31 Dec 2018
Net profit for the year attributable to Hoist Finance AB (publ) shareholders, before dilution		
Net profit for the year attributable to Parent Company shareholders	605	590
Interest on capital contribution	–63	–54
Profit attributable to Parent Company shareholders, before dilution	542	536
Weighted average number of shares outstanding, before dilution	89,303,000	85,277,137

Diluted earnings per share

SEK m	GROUP 2019	2018
Net profit for the year attributable to Hoist Finance AB (publ) shareholders, after dilution		
Profit attributable to Parent Company shareholders, before dilution	542	536
Profit attributable to Parent Company shareholders, after dilution	**542**	**536**
Weighted average number of shares outstanding, after dilution		
Basic weighted average number of shares during the year, before dilution	89,303,000	85,277,137
Effect of options	5,000	–
Weighted average number of shares during the year, after dilution	**89,308,000**	**85,277,137**
The weighted average number of shares was effected by a long-term share-based incentive programme during 2019, see note 7 "Personnel expenses".		
Basic earnings per share, SEK	**6.07**	**6.29**
Diluted earnings per share, SEK	**6.07**	**6.29**

Note 13 Financial instruments

Carrying amount and fair value of financial instruments

GROUP, 31 Dec 2019

SEK m	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Assets/liabilities recognised at fair value through profit or loss: Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,729			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	6,209
Subordinated debt				852	852	840
Other financial liabilities				896	896	896
Total	**29**		**6**	**29,083**	**29,118**	**29,415**

GROUP, 31 Dec 2018

SEK m	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Assets/liabilities recognised at fair value through profit or loss: Mandatorily	Hedging instrument	Amortised cost	Total carrying amount	Fair value
Cash				0	0	0
Treasury bills and treasury bonds		2,653			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 liabilities				544	544	544
Total	**5**		**14**	**24,426**	**24,445**	**24,404**

Note 13 Financial instruments, cont

SEK m	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Mandatorily	Hedging instruments	Amortised cost	Total carrying amount	Fair value
PARENT COMPANY, 31 Dec 2019						
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	5,703
Subordinated debt				852	852	840
Other financial liabilities				911	911	911
Total	**29**		**6**	**28,629**	**28,664**	**28,924**

SEK m	Assets/liabilities recognised at fair value through profit or loss: Held for trading	Mandatorily	Hedging instruments	Amortised cost	Total carrying amount	Fair value
PARENT COMPANY, 31 Dec 2018						
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 liabilities				539	539	539
Total	**5**		**14**	**24,421**	**24,440**	**24,399**

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.

Note 13 Financial instruments, cont

Fair value measurement

	GROUP, 31 Dec 2019				PARENT COMPANY, 31 Dec 2019			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and treasury bonds	2,729			2,729	2,729			2,729
Bonds and other securities			25,820	25,820			7,940	7,940
Aquired loan portfolios	2,769			2,769	2,769			2,769
Receivables, Group companies[1]							9	9
Derivatives		107		107		107		107
Total assets	**5,498**	**107**	**25,820**	**31,425**	**5,498**	**107**	**7,949**	**13,554**
Derivatives		35		35		35		35
Debt securities issued		6,209		6,209		5,703		5,703
Subordinated debt		840		840		840		840
Total liabilities		**7,084**		**7,084**		**6,578**		**6,578**

1) Receivables from Group companies pertain junior notes issued by the subsidiary Marathon SPV S.r.l valued at fair value.

Fair value measurement

	GROUP, 31 Dec 2018				PARENT COMPANY, 31 Dec 2018			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and treasury bonds	2,653			2,653	2,653			2,653
Aquired loan portfolios			22,309	22,309			6,156	6,156
Bonds and other securities	3,635			3,635	3,635			3,635
Derivatives		128		128		128		128
Total assets	**6,288**	**128**	**22,309**	**28,725**	**6,288**	**128**	**6,156**	**12,572**
Derivatives		19		19		19		19
Debt securities issued		5,922		5,922		5,922		5,922
Subordinated debt		826		826		826		826
Total liabilities		**6,767**		**6,767**		**6,766**		**6,766**

For acquired loan portfolios, the valuation approach, key input data and valuation sensitivity to material changes are described in the Accounting Principles section and in Note 16 “Acquired loan portfolios”.

Derivatives used for hedging (see Note 14 “Derivatives”) were model-valued using interest and currency market rates as input data.

Treasury bills and treasury bonds, and bonds and other securities, are valued based on quoted rates.

The fair value of liabilities in the form of issued bonds and other subordinated debt was determined with reference to observable market prices quoted by external market players/places. In cases where more than one market price observation is available, fair value is determined at the arithmetic mean of the market prices. Since no observable market price is available for the junior notes their fair value has been calculated using the income approach.

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

Note 14 Derivatives

The Group continuously hedges its assets denominated in foreign currencies in order to reduce its exchange rate exposure. As per 31 December 2019, the Group had exposures in EUR, GBP and PLN, all of which are hedged using currency forward contracts. All outstanding derivatives are measured at fair value. Gains/losses on derivative instruments are recognised in the income statement for each annual statement. Gains/losses for hedge accounting in the Group are recognised in other comprehensive income for each annual statement.

The Group ceased its hedge accounting in EUR during 2018, as critical conditions for hedging net investments in foreign operations are no longer met.

The Parent Company Hoist Finance AB (publ) began applying hedge accounting during 2018 for the fair value of shares in subsidiaries and for shares and participations in joint ventures. Gains/losses on derivative instruments for hedge accounting in the Parent Company are recognised in shares in subsidiaries and in shares and participations in joint ventures.

Additional information on the Group's and the Parent Company's management of hedge accounting is presented in Accounting Policies sections 10 and 22.8 "Hedge accounting".

Derivatives held for trading

GROUP, 31 Dec 2019

SEK m	Nominal amount/maturity: Up to 1 year	Nominal amount/maturity: 1–5 years	Nominal amount/maturity: Over 5 years	Nominal amount	Positive market values	Negative market values
Interest rate-related contracts						
Swaps	1,043	1,527	1,043	3,613	3	–1
Currency-related contracts						
Currency forwards	7,111	–	–	7,111	38	–28
Total	**8,154**	**1,527**	**1,043**	**10,724**	**41**	**–29**

SEK m	Positive market values	Negative market values
Currency breakdown of market values		
SEK	–	–27
EUR	39	–1
GBP	2	0
PLN	–	–1
Total	**41**	**–29**

Derivatives for hedge accounting

GROUP, 31 Dec 2019

SEK m	Nominal amount/maturity: Up to 1 year	Nominal amount/maturity: 1–5 years	Nominal amount/maturity: Over 5 years	Nominal amount	Positive market values	Negative market values
Currency-related contracts						
Currency forwards	10,633	–	–	10,633	66	–6
Total	**10,633**	**–**	**–**	**10,633**	**66**	**–6**

SEK m	Average exchange rate: Up to 1 year	Average exchange rate: 1–5 years	Average exchange rate: Over 5 years	Positive market values	Negative market values
Currency breakdown of market values					
SEK/GBP	12.33	–	–	66	–
SEK/PLN	2.44	–	–	–	–6
Total				**66**	**–6**

Note 14 Derivatives, cont

Derivatives held for trading

GROUP, 31 Dec 2018

SEK m	Nominal amount/maturity Up to 1 year	1–5 years	Over 5 years	Nominal amount	Positive market values	Negative market values
Interest rate-related contracts						
Swaps	2,000	2,500	–	4,500	–	1
Currency-related contracts						
Currency forwards	1,512	–	–	1,512	11	4
Total	**3,512**	**2,500**	**–**	**6,012**	**11**	**5**

SEK m	Positive market values	Negative market values
Currency breakdown of market values		
SEK	1	1
EUR	1	1
GBP	8	–
PLN	1	3
Total	**11**	**5**

Derivatives for hedge accounting

GROUP, 31 Dec 2018

SEK m	Nominal amount/maturity Up to 1 year	1–5 years	Over 5 years	Nominal amount	Positive market values	Negative market values
Currency-related contracts						
Currency forwards	8,470	–	–	8,470	117	14
Total	**8,470**	**–**	**–**	**8,470**	**117**	**14**

SEK m	Average exchange rate Up to 1 year	1–5 years	Over 5 years	Positive market values	Negative market values
Currency breakdown of market values					
SEK/GBP	11.58	–	–	117	–
SEK/PLN	2.37	–	–	–	14
Total				**117**	**14**

Note 14 Derivatives, cont

Hedging instruments and effectiveness in the hedge accounting

2019 GROUP

SEK m	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	Balance sheet item in which the hedging instrument is included	Change in fair value used to calculate ineffectiveness for the period	Change in value of the hedging instrument recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Income statement item which include the ineffectiveness
Currency-related contracts								
GBP – Derivatives, positive values	6,484	66	–	Other assets	–66	–66	–	Net result from financial transactions
PLN – Derivatives, positive values	20	0	–	Other assets	–	–	–	Net result from financial transactions
Total	**6,504**	**66**	**–**		**–66**	**–66**	**–**	
PLN – Derivatives, negative values	4,129	–	–6	Other assets	–49	–49	–	Net result from financial transactions
Total	**4,129**	**–**	**–**		**–49**	**–49**	**–**	

2018 GROUP

SEK m	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	Balance sheet item in which the hedging instrument is included	Change in fair value used to calculate ineffectiveness for the period	Change in value of the hedging instrument recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Income statement item which include the ineffectiveness
Currency-related contracts								
EUR – Derivatives, positive values	–	–	–	Other assets	–89	–92	3	Net result from financial transactions
GBP – Derivatives, positive values	5,571	117	–	Other assets	–83	–84	1	Net result from financial transactions
Total	**5,571**	**117**	**–**		**–172**	**–176**	**4**	
PLN – Derivatives, negative values	2,899	–	14	Other assets	–63	–65	2	Net result from financial transactions
Total	**2,899**	**–**	**14**		**–63**	**–65**	**2**	

Hedged items

2019

SEK m	Change in fair value used to calculate ineffectiveness for the period	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Hedging of foreign exchange risk in net investments in foreign operations			
EUR	–	–149	–149
GBP	–491	–209	–
PLN	–120	–200	–
Total	**–611**	**–558**	**–149**

Note 14 Derivatives, cont

Hedged items

2018

SEK m	GROUP Change in fair value used to calculate ineffectiveness for the period	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Hedging of foreign exchange risk in net investments in foreign operations			
EUR	–92	–149	–149
GBP	–140	–143	–
PLN	–85	–155	–
Total	**–317**	**–447**	**–149**

Hedged items

2019

	PARENT COMPANY			
	Carrying amount hedged item	Accumulated fair value adjustment included in the carrying amount of the hedged item		
SEK m	Assets	Assets	Balance sheet item in which the hedged item is included	Change in value of hedged items used to determine ineffeciency for the period
Fair value hedges				
EUR	295	–	Shares and participations in subsidiaries and joint ventures	–
GBP	335	19	Shares and participations in subsidiaries and joint ventures	22
PLN	147	10	Shares and participations in subsidiaries and joint ventures	17
Total	**777**	**29**		**39**

Hedged items

2018

	PARENT COMPANY			
	Carrying amount hedged item	Accumulated fair value adjustment included in the carrying amount of the hedged item		
SEK m	Assets	Assets	Balance sheet item in which the hedged item is included	Change in value of hedged items used to determine ineffeciency for the period
Fair value hedges				
EUR	249	–	Shares and participations in subsidiaries and joint ventures	–
GBP	331	–4	Shares and participations in subsidiaries	–4
PLN	163	–6	Shares and participations in subsidiaries and joint ventures	–6
Total	**743**	**–10**		**–10**

Note 15 Maturity analysis

For additional information see Note 31 "Risk management".

GROUP, 31 Dec 2019

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m	Payable on demand	< 3 months	3–12 months	1–5 years	> 5 years	No fixed maturity	Total	Of which, anticipated recovery date > 12 months
Assets								
Treasury bills and treasury bonds		1,890	572	267			2,729	267
Lending to credit institutions								
Swedish banks	*1,605*						*1,605*	
foreign banks	*1,391*	*79*					*1,470*	
Lending to the public		38	83	507	807		1,435	1,314
Bonds and other securities		251	384	2,134			2,769	2,134
Total assets with fixed/ contractual maturities	**2,996**	**2,258**	**1,039**	**2,908**	**807**		**10,008**	**3,715**
Acquired loan portfolios[1]		1,102	5,444	22,377	9,951		38,874	32,328
Total assets with no fixed/ anticipated maturities		**1,102**	**5,444**	**22,377**	**9,951**		**38,874**	**32,328**
Liabilities								
Deposits from the public[2]								
retail	*8,690*	*2,097*	*2,754*	*7,822*			*21,363*	*7,822*
corporate	*72*						*72*	
Total deposits from the public	**8,762**	**2,097**	**2,754**	**7,822**			**21,435**	**7,822**
Lease liabilities		12	35	155	48		250	203
Debt securities issued		365	177	5,735[3]	503		6,780	6,238
Subordinated debt			32	899			931	899
Total liabilities with fixed/ contractual maturities	**8,762**	**2,474**	**2,998**	**14,611**	**551**		**29,396**	**15,162**

GROUP, 31 Dec 2018

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m	Payable on demand	< 3 months	3–12 months	1–5 years	> 5 years	No fixed maturity	Total	Of which, anticipated recovery date > 12 months
Assets								
Treasury bills and treasury bonds		2,523	40	90			2,653	90
Lending to credit institutions								
Swedish banks	*370*						*370*	
foreign banks	*747*	*70*					*817*	
Lending to the public		59	117	538	905		1,619	1,443
Bonds and other securities		0	3,174	461	0		3,635	461
Total assets with fixed/ contractual maturities	**1,117**	**2,652**	**3,331**	**1,089**	**905**		**9,094**	**1,994**
Acquired loan portfolios[1]		922	4,560	19,390	8,730		33,602	28,120
Total assets with no fixed/ anticipated maturities		**922**	**4,560**	**19,390**	**8,730**		**33,602**	**28,120**
Liabilities								
Deposits from the public[2]								
retail	*11,264*	*1,266*	*2,947*	*1,533*			*17,010*	*1,533*
corporate	*83*						*83*	
Total deposits from the public	**11,347**	**1,266**	**2,947**	**1,533**			**17,093**	**1,533**
Debt securities issued		853	215	5,478[3]			6,546	5,478
Subordinated debt			32	918			950	918
Total liabilities with fixed/ contractual maturities	**11,347**	**2,119**	**3,194**	**7,929**			**24,589**	**7,929**

1) Maturity analysis for acquired loan portfolios is based on future cash flow forecast horizon of 180 months. See Note 31 "Risk management" for additional details on the Group's management of credit risk.
2) Deposits in SEK and EUR are payable on demand, although a fee is assessed for premature withdrawals from fixed-term deposits.
3) The nominal value is SEK 2,608m for unsecured debt maturing in 2021 and SEK 2,608m for unsecured debt maturing in 2023 as per 31 December 2019. The nominal value is SEK 2,569m for unsecured debt maturing in 2021 and SEK 2,569m for unsecured debt maturing in 2023 as per 31 December 2018. See Note 26 "Funding" for additional information.

Note 15 Maturity analysis, cont

PARENT COMPANY, 31 Dec 2019

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m	Payable on demand	<3 months	3–12 months	1–5 years	>5 years	No fixed maturity	Total	Of which, anticipated recovery date >12 months
Assets								
Treasury bills and treasury bonds		1,890	572	267			2,729	267
Lending to credit institutions								
Swedish banks	*1,245*						*1,245*	
foreign banks	*210*						*210*	
Lending to the public		15	32	188	272		507	460
Receivables, Group companies		1,134	7,038	5,408		3,416	16,996	8,824
Bonds and other securities		251	384	2,134			2,769	2,134
Total assets with fixed/ contractual maturities	**1,455**	**3,290**	**8,026**	**7,997**	**272**	**3,416**	**24,456**	**11,685**
Acquired loan portfolios[1]		364	1,722	6,861	2,733		11,680	9,594
Total assets with no fixed/ anticipated maturities		**364**	**1,722**	**6,861**	**2,733**		**11,680**	**9,594**
Liabilities								
Deposits from the public[2]								
retail	*8,690*	*2,097*	*2,754*	*7,822*			*21,363*	*7,822*
corporate	*72*						*72*	
Total deposits from the public	**8,762**	**2,097**	**2,754**	**7,822**			**21,435**	**7,822**
Liabilities, Group companies	582	68					650	
Debt securities issued		313	101	5,461[3]			5,875	5,461
Subordinated debt			32	899			931	899
Total liabilities with fixed/ contractual maturities	**9,344**	**2,478**	**2,887**	**14,182**			**28,891**	**14,182**

1) Maturity analysis for acquired loan portfolios is based on future cash flow forecast horizon of 180 months. See Note 31 "Risk management" for additional details on the Group's management of credit risk.
2) Deposits in SEK and EUR are payable on demand, although a fee is assessed for premature withdrawals from fixed-term deposits.
3) The nominal value is SEK 2,608m for unsecured debt maturing in 2021 and SEK 2,608m for unsecured debt maturing in 2023 as per 31 December 2019. The nominal value is SEK 2,569m for unsecured debt maturing in 2021 and SEK 2,569m for unsecured debt maturing in 2023 as per 31 December 2018. See Note 26 "Funding" for additional information

Note 15 Maturity analysis, cont

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m	Payable on demand	<3 months	3–12 months	1–5 years	>5 years	No fixed maturity	Total	Of which, anticipated recovery date >12 months
	PARENT COMPANY, 31 Dec 2018							
Assets								
Treasury bills and treasury bonds		2,523	40	90			2,653	90
Lending to credit institutions								
Swedish banks	*205*						*205*	
foreign banks	*148*	*12*					*160*	
Lending to the public		35	64	200	302		601	502
Receivables, Group companies		583	2,241	7,661		6,000	16,485	13,661
Bonds and other securities			3,174	461			3,635	461
Total assets with fixed/ contractual maturities	**353**	**3,153**	**5,519**	**8,412**	**302**	**6,000**	**23,739**	**14,714**
Acquired loan portfolios[1]		303	1,440	5,087	2,602		9,432	7,689
Total assets with no fixed/ anticipated maturities		**303**	**1,440**	**5,087**	**2,602**		**9,432**	**7,689**
Liabilities								
Deposits from the public[2]								
retail	*11,264*	*1,266*	*2,947*	*1,533*			*17,010*	*1,533*
corporate	*83*						*83*	
Total deposits from the public	**11,347**	**1,266**	**2,947**	**1,533**			**17,093**	**1,533**
Liabilities, Group companies	328	61					389	
Debt securities issued		853	215	5,478[3]			6,546	5,478
Subordinated debt			32	918			950	918
Total liabilities with fixed/ contractual maturities	**11,675**	**2,180**	**3,194**	**7,929**			**24,978**	**7,929**

1) Maturity analysis for acquired loan portfolios is based on future cash flow forecast horizon of 180 months. See Note 31 "Risk management" for additional details on the Group's management of credit risk.
2) Deposits in SEK and EUR are payable on demand, although a fee is assessed for premature withdrawals from fixed-term deposits.
3) The nominal value is SEK 2,608m for unsecured debt maturing in 2021 and SEK 2,608m for unsecured debt maturing in 2023 as per 31 December 2019. The nominal value is SEK 2,569m for unsecured debt maturing in 2021 and SEK 2,569m for unsecured debt maturing in 2023 as per 31 December 2018. See Note 26 "Funding" for additional information.

Note 16 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**

For additional information see Accounting principles section 15 "Income and expenses" and Note 31 "Risk management".

Note 16 Acquired loan portfolios, cont

Acquired credit-impaired loan portfolios

	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 losses and gains	–	122	122	–	67	67
Disposal	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

	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 losses and gains	–	264	264	–	64	64
Disposal	–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

As at 31 December 2019, the undiscounted acquired loss allowances at initial recognition totaled SEK 27,897m (43,261) for credit-impaired loan portfolios acquired by the Group during January to December, of which SEK 7,498m (24,689) is attributable to Parent Company acquisitions.

Acquired performing loan portfolios

	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**

Acquired performing loan portfolios

	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	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 2018	**345**	**0**	**0**	**–3**	**–3**	**342**

Note 16 Acquired loan portfolios, cont

Acquired performing loan portfolios

SEK m	GROUP 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

SEK m	PARENT COMPANY 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**

Portfolio overview

The portfolios comprise a large number of loans. The debtors have varying characteristics, such as payers, partial payers and non-payers. There is some degree of mobility between debtor categories, with non-payers becoming payers and vice versa. The Group divides its portfolios into different categories, such as countries, age, asset class and acquisition type.

Collection forecast

The Group evaluates portfolios by estimating future cash flows for the next 15 years. Cash flow forecasts are regularly monitored during the year and updated based on factors such as achieved collection results and instalment plan agreements with debtors. A new carrying amount is calculated for the loan portfolios based on the updated forecasts.

Revaluations

The Group evaluates actual collections in relation to the forecast that served as the basis for portfolio valuation during the same period. Deviations may in some cases result in an adjustment to future forecasts, specifically if operational efforts have not had, or are not expected to have, the intended effect. Forecast adjustments are analysed in consultation with the Investment Committee, and are determined at the Group Management level. Forecast revisions are implemented by the resources directly subordinate to the Chief Financial Officer. Forecast adjustments and their impact on earnings are disclosed internally and externally. The portfolio valuation is independently audited by the Risk Control function.

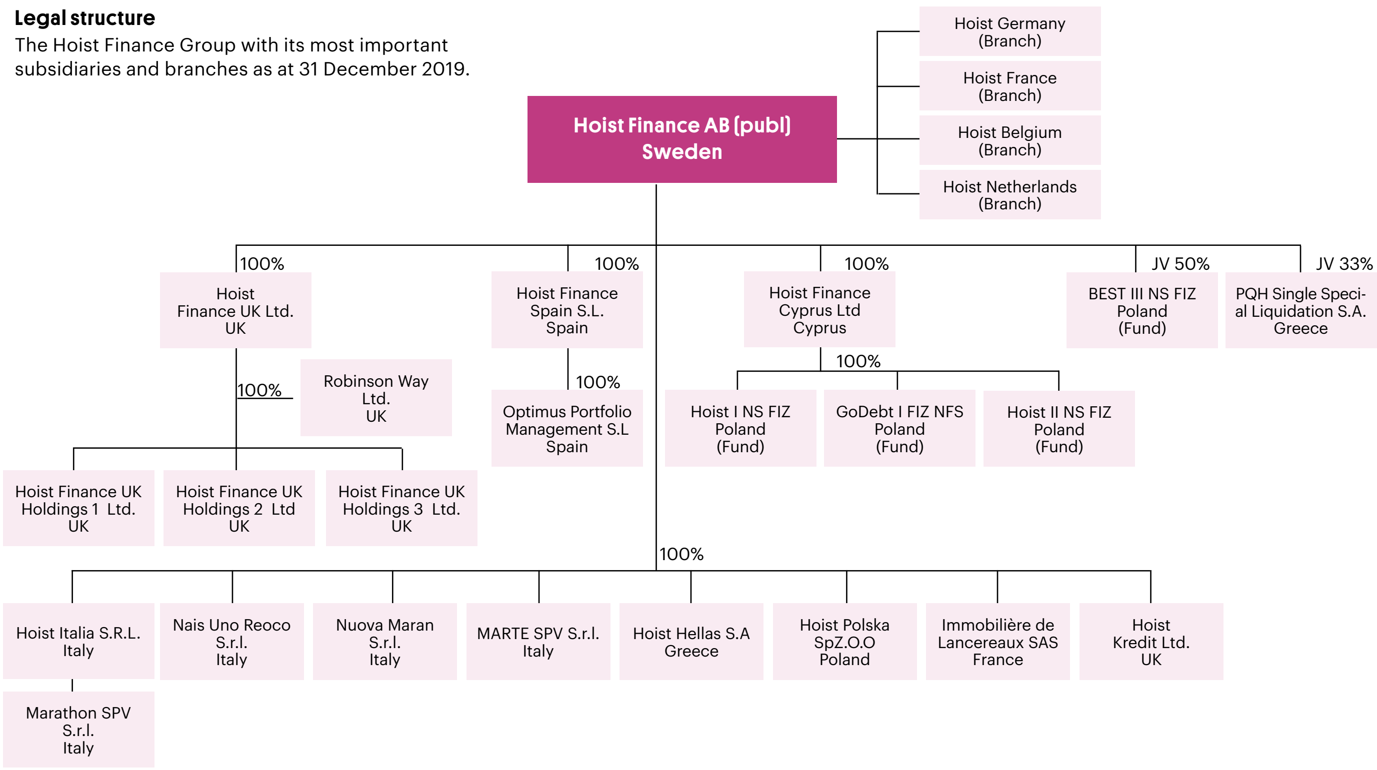
Acquired loan portfolios reclassified from fair value through profit or loss under IAS 39 to amortised cost under IFRS 9, Group

SEK m	
Effective interest rate of reclassified acquired loans on date of initial application, %	21
Interest revenue recorded during the period Jan–Dec 2019	143

Note 17 Shares and participations in subsidiaries

Legal structure

The Hoist Finance Group with its most important subsidiaries and branches as at 31 December 2019.



Hoist Finance AB (publ), corporate identity number 556012-8489 and with its registered office in Stockholm, is the Parent Company of the Group. The list of Group subsidiaries is provided below.

Note 17 Shares and participations in subsidiaries, cont

Ownership percentage corresponds to share of voting power. All shares are unlisted. No registered credit market company. Information on the number of shares in Group companies is available upon request.

SEK m	Corp. ID no.	Registered office	Ownership, %	Carrying value 31 Dec 2019
Swedish				
Hoist Finance Services AB [1]	556640-9941	Stockholm	100	1
Foreign				
HECTOR Sicherheiten-Verwaltungs GmbH	HRB 74561	Duisburg	100	0
HOIST I NS FIZ [2]	RFI702	Warszaw	100	–
Hoist Kredit Ltd.	07646691	London	100	0
Hoist Finance UK Ltd.	08303007	Manchester	100	335
C L Finance Ltd. [1]	01108021	Manchester	100	–
Robinson Way Ltd.	06976081	Manchester	100	–
The Lewis Group Ltd. [1]	SC127043	Glasgow	100	–
Compello Holdings Ltd. [1]	08045571	Manchester	100	–
Compello Operations Ltd. [1]	08045559	Manchester	100	–
MKE (UK) Ltd. [1]	07042157	Manchester	100	–
MKDP LLP [1]	OC349372	Manchester	100	–
Marte SPV S.r.l.	4634710265	Conegliano	100	0
Hoist Italia S.r.l.	12898671008	Rom	100	14
Hoist Finance Cyprus Ltd.	HE 338570	Nicosia	100	0
Hoist Polska SpZ.O.O	0000536257	Wroclaw	100	147
Hoist Finance Spain S.L.	B87547659	Madrid	100	216
Optimus Portfolio Management S.L.	B86959285	Madrid	100	–
Hoist Hellas S.A	137777901000	Athens	100	21
Nais Uno Reoco S.r.l.	14564684007	Rom	100	1
GoDebt1 FIZ NFS [2]	292229	Warszaw	100	–
Immobilière de Lancereaux SAS	2018B20590	Paris	100	0
Hoist Finance UK Holdings 1 Ltd.	11473838	Manchester	100	–
Hoist Finance UK Holdings 2 Ltd.	11473850	Manchester	100	–
Hoist Finance UK Holdings 3 Ltd.	11473909	Manchester	100	–
Nuova Maran S.r.l.	14846811009	Rom	100	43
Hoist II NS FIZ [2]	RFi1617	Warszaw	100	0
Hoist Finance Romania S.r.l [3]	41830400	Bucharest	100	–
Marathon SPV S.r.l [3]	5048650260	Conegliano	100	–

1) The company is being liquidated.
2) Polish Sec. fund.
3) Companies added during the year.

Note 17 Shares and participations in subsidiaries, cont

SEK m	31 Dec 2019	31 Dec 2018
Accumulated acquisition value		
Opening balance	904	1,688
Absorbed through merger	–7	–1,688
Acquired through merger	0	2,315
Acquisitions	0	1
Capital contribution	53	11
Disposal	0	–1,423
Closing balance	**950**	**904**
Accumulated depreciations		
Opening balance	–182	–
Acquired through merger		–172
Hedge fair value [1]	39	–10
Closing balance	–143	–182
Closing balance	**807**	**722**

1) For additional information see Accounting principles section 22.8 "Hedge accounting" and Note 14 "Derivatives"

Fusion

Hoist Finance SAS with Hoist Finance AB (publ)

The subsidiary Hoist Finance SAS, corp id 4446114563, and Hoist Finance AB (publ) were merged on 2 January 2019, following which the French operations are conducted through the branch Hoist Finance AB (publ) France. The income statement and balance sheet of Hoist Finance SAS, as of the effective date of the merger, 2 January 2019, are presented below.

The merged company's income statement and balance sheet:

SEK m	
Total operating income	0
Profit before tax	**0**
Cash and interest-bearing securities	78
Other assets	9
Total assets	**87**
Other liabilities	44
Equity	42
Total liabilities and equity	**87**

The merger result in Hoist Finance AB (publ), which is recognised in equity, amounts to profit of SEK 7m.

Acqusition

Nuova Maran S.r.l.

On 11 October 2018, Hoist Finance signed an agreement to lease and subsequently acquire the existing operations in Italian credit management companies Maran S.p.A and R&S S.r.l. (the "Maran Group") in a multi-stage process under compulsory administrative proceedings (concordato preventivo) in accordance with Italian insolvency law. The acquisition of Maran Group's operations will add capacity and expertise to the current operations in Italy and create an integrated service platform, establishing Hoist Finance as a credit management partner with a comprehensive solution for the Italian finance industry.

The acquisition of net assets was conducted through the newly formed, wholly owned subsidiary Nuova Maran S.r.l. and the entire acquisition has been 100 per cent consolidated since the agreement date. The purchase price of SEK 39m has been reported as a purchaser liability until settlement is concluded pursuant to compulsory administrative proceedings in accordance with Italian insolvency law. Merger-related expenses totalled SEK 4m and are included in administrative expenses in the consolidated income statement.

The acquired net assets of SEK 39m included goodwill of SEK 6m, reported in intangible assets. Goodwill is mainly attributable to the expertise received by the Group.

The net assets were consolidated in the Hoist Finance Group as from October 2018.

Acquired net assets at acquisition date[1]

SEK m	
Intangible assets	32
Tangible assets	1
Total net assets	**33**
Goodwill	6
Purchase price	**39**

1) Acquisition balance is preliminary.

Merger

Hoist Finance AB (publ) with Hoist Kredit AB (publ)

Hoist Kredit AB (publ) and Hoist Finance AB (publ) completed a merger as of 2 January 2018. Through the merger, all of Hoist Kredit's assets and liabilities have been transferred to Hoist Finance at the same time as Hoist Kredit was liquidated. The previously announced simplification of the corporate structure has been completed and Hoist Finance transitions from a holding company into the operational Parent Company of the Group. The merger has no material financial effects for Hoist Finance. Like Hoist Kredit, Hoist Finance is a credit market company under the supervision of the Swedish FSA.

The merged company's balance sheet:

SEK m	
Cash and interest-bearing securities	5,787
Other assets	15,566
Total assets	**21,353**
Deposits from the public	13,228
Debt securities issued	4,355
Subordinated debt	803
Total interest-bearing liabilities	18,386
Other liabilities	407
Untaxed reserve	81
Equity	
Restricted equity	143
Non-restricted equity	2,336
Total liabilities and equity	**21,353**

The merger result in Hoist Finance AB (publ), which is recognised in equity, amounts to profit of SEK 790m.

Note 18 Intangible assets

SEK m	GROUP, 31 Dec 2019 Goodwill	Internally developed software	Licences and software	Work in progress	Total	PARENT COMPANY, 31 Dec 2019 Internally developed software	Licences and software	Work in progress	Total
Opening balance	210	10	347	122	689	10	210	122	342
Investments for the year	–	–	8	41	49	–	2	38	40
Acquired companies	–	–	–	–	–	–	8	–	8
Reclassification	–	–	112	–112	0	–	109	–109	0
Divestments and disposals	–	–	–1	–2	–3	–	–1	–	–1
Translation differences	3	–	–7	3	–1	–	1	–1	0
Acquisition value	**213**	**10**	**459**	**52**	**734**	**10**	**329**	**50**	**389**
Opening balance	–57	–5	–240	–	–302	–5	–160	–	–165
Depreciation for the year	–	–2	–54	–	–56	–2	–36	–	–38
Divestments and disposals	–	–	1	–	1	–	1	–	1
Translation differences	0	–	5	–	5	–	–1	–	–1
Accumulated depreciation	**–57**	**–7**	**–288**	**–**	**–352**	**–7**	**–196**	**–**	**–203**
Carrying amount	**156**	**3**	**171**	**52**	**382**	**3**	**133**	**50**	**186**

SEK m	GROUP, 31 Dec 2018 Goodwill	Internally developed software	Licences and software	Work in progress	Total	PARENT COMPANY, 31 Dec 2018 Internally developed software	Licences and software	Work in progress	Total
Opening balance	202	10	268	56	536	10	35	51	96
Investments for the year	–	–	6	94	100	–	5	92	97
Acquired companies	6	–	48	–	54	–	–	–	–
Acquired through merger	–	–	–	–	–	–	149	7	156
Reclassification	–	–	21	–22	–1	–	21	–22	–1
Divestments and disposals	–	–	0	–6	–6	–	0	–6	–6
Translation differences	2	–	4	0	6	–	0	0	0
Acquisition value	**210**	**10**	**347**	**122**	**689**	**10**	**210**	**122**	**342**
Opening balance	–57	–3	–189	–	–249	–3	–29	–	–32
Depreciation for the year	–	–2	–39	–	–41	–2	–20	–	–22
Acquired companies	–	–	–10	–	–10	–	–	–	–
Acquired through merger	–	–	–	–	–	–	–102	–	–102
Reclassification	–	–	0	–	0	–	–9	–	–9
Divestments and disposals	–	–	0	–	0	–	0	–	0
Translation differences	–	–	–2	–	–2	–	0	–	0
Accumulated depreciation	**–57**	**–5**	**–240**	**–**	**–302**	**–5**	**–160**	**–**	**–165**
Carrying amount	**153**	**5**	**107**	**122**	**387**	**5**	**50**	**122**	**177**

Impairment test for goodwill

The Group's goodwill of SEK 156m (143) has been identified as belonging to the cash-generating units Poland (SEK 139m) and Spain (SEK 10m). The remaining SEK 6m of goodwill is recognised locally in subsidiary Nuova Maran S.r.l., and arose in connection with the October 2018 acquisition of net assets in Maran Group; see Note 17 "Group companies". Goodwill was impairment tested in conjunction with the year-end accounts.

Goodwill is tested for impairment at least annually or when there are indications for impairment. In impairment tests, the value in use of the cash-generating units is calculated by discounting estimated future cash flows. Value in use is compared with carrying value to determine whether impairment is required.

Cash flow forecasts are based on an assessment of future collections, portfolio acquisitions, and cost and revenue development.

The forecast period for gross cash collections is 15 years. Collection costs are calculated in relation to collection on portfolios, and other revenues and costs are based on established 3-year business plans. Investments are considered to be of a long-term nature and, accordingly, it is assumed that, for the period beyond the forecast period, revenues, costs and investments will increase 2 per cent in perpetuity.

The effective tax rate applied in the impairment test is the local tax rate in the relevant country. The discount rate is the weighted average cost of capital in the relevant country. The discount rate for 2019 is within the 4–5 per cent range after tax.

In this year's Group impairment test, the value in use was deemed to exceed the carrying value of the cash-generating units Poland and Spain. There is therefore no impairment requirement.

Note 19 Tangible assets

SEK m	GROUP, 31 Dec 2019 Land and buildings	Equipment	Properties repossessed for protection of claims	Total	PARENT COMPANY, 31 Dec 2019 Equipment	Total
Opening balance	–	225	5	230	115	115
Transition to IFRS 16	161	12	–	173	–	–
Investments for the year	69	27	6	102	16	16
Acquired through merger	–	–4	–	–4	2	2
Divestments and disposals	–	–26	–	–26	–11	–11
Translation differences	5	6	0	11	1	1
Acquisition value	**235**	**240**	**11**	**486**	**123**	**123**
Opening balance	–	–171	–	–171	–91	–91
Depreciation for the year	–38	–27	0	–65	–11	–11
Acquired through merger	–	4	–	4	–	–
Divestments and disposals	–	22	–	22	8	8
Translation differences	0	–7	0	–7	0	0
Accumulated depreciation	**–38**	**–179**	**0**	**–217**	**–94**	**–94**
Carrying amount	**197**	**61**	**11**	**269**	**29**	**29**

SEK m	GROUP, 31 Dec 2018 Equipment	Properties repossessed for protection of claims	Total	PARENT COMPANY, 31 Dec 2018 Equipment	Total
Opening balance	162	–	162	7	7
Investments for the year	31	5	36	13	13
Acquired companies	5	–	5	–	–
Acquired through merger	–	–	–	97	97
Reclassification	25	–	25	1	1
Divestments and disposals	–3	–	–3	–3	–3
Translation differences	5	–	5	0	0
Acquisition value	**225**	**5**	**230**	**115**	**115**
Opening balance	–120	–	–120	–6	–6
Depreciation for the year	–20	–	–20	–10	–10
Acquired companies	–4	–	–4	–	–
Acquired through merger	–	–	–	–75	–75
Reclassification	–24	–	–24	–	–
Divestments and disposals	0	–	0	0	0
Translation differences	–3	–	–3	–	–
Accumulated depreciation	**–171**	**0**	**–171**	**–91**	**–91**
Carrying amount	**54**	**5**	**59**	**24**	**24**

Note 20 Leasing

The Group's lease contracts mainly comprise leased premises, with a small share of lease contracts covering vehicles, equipment and furniture and IT hardware. All right-of-use assets are reported in Tangible assets in the balance sheet.

Lease liabilities are reported in Other liabilities in the balance sheet and totalled SEK 211m at 31 December 2019. A maturity analysis of lease liabilities is presented in note 15 Maturity analysis. Total cash flow for lease liabilities during the year is presented in Note 30 Specification to the cash flow statement.

The effects of transition to IFRS 16 are presented in the Accounting Principles section.

	GROUP, 31 Dec 2019		
SEK m	**Leased premises**	**Other right-of-use assets**	**Total**
Opening balance	–	–	–
Transition to IFRS 16	161	12	173
Investments for the year	69	6	75
Translation differences	5	1	6
Acquisition value	**235**	**19**	**254**
Opening balance	–	–	–
Depreciation for the year	–38	–7	–45
Translation differences	0	0	0
Accumulated depreciation	**–38**	**–7**	**–45**
Carrying value	**197**	**12**	**209**

The year's investments in right-of-use assets pertain to new acquisitions and to additional amounts resulting from reviewing existing lease liabilities when lease contracts are extended or prematurely terminated.

In addition to lease contracts reported in the balance sheet, the Group also has leases in which the right-of-use asset is not accessible until the following financial year. Obligation under these contracts amounted to SEK 18m at 31 December 2019.

Amounts reported in the income statement

	GROUP
SEK m	**2019**
Depreciation of right-of-use assets	–45
Interest expense related to lease liabilities	–6
Costs related to short-term leases	–3
Costs related to low-value leases	0
Total	**–54**

Interest expense related to lease liabilities is reported in Net interest income. Costs related to short-term and low-value leases are reported in General administrative expenses.

2018 comparative figures (IAS 17)

The carrying value of assets classified as finance leases totalled SEK 2m at 31 December 2018. The Group's lease expenses totalled SEK 40m. No variable leasing fees were charged to 2018 net profit.

Parent company

IFRS 16 is not applied by the Parent Company. There are no leases classified as finance leases. The Parent Company's lease expenses totalled SEK 30m (22) during the year. No variable fees were charged to net profit for the year. The Parent Company's obligations under operating lease agreements are presented below.

Operating leasing

	PARENT COMPANY	
SEK m	**31 Dec 2019**	**31 Dec 2018**
Payment obligations under noncancellable lease contracts		
Within 1 year	24	16
Years 1–5	98	38
Year 5 and thereafter	48	65
Total	**170**	**119**

Note 21 Other assets

SEK m	GROUP 31 Dec 2019	GROUP 31 Dec 2018	PARENT COMPANY 31 Dec 2019	PARENT COMPANY 31 Dec 2018
Long-term financial assets	0	0	0	0
Long-term receivables	4	4	1	–
Derivatives[1]	107	128	107	128
Short-term financial assets	46	22	45	21
Deposits for portfolio acquisitions	–	72	–	72
Short-term tax receivables	22	45	–5	36
VAT receivables	14	15	13	4
Accounts receivables	170	27	1	0
Advance payments to customers	20	28	20	28
Other short-term receivables	128	84	108	51
Total	**511**	**425**	**290**	**340**

1) See note 14 "Derivatives".

Note 22 Prepaid expenses and accrued income

SEK m	GROUP 31 Dec 2019	GROUP 31 Dec 2018	PARENT COMPANY 31 Dec 2019	PARENT COMPANY 31 Dec 2018
Prepaid expenses	60	24	23	11
Accrued income	46	29	32	16
Total	**106**	**53**	**55**	**27**

Note 23 Other liabilities

SEK m	GROUP 31 Dec 2019	GROUP 31 Dec 2018	PARENT COMPANY 31 Dec 2019	PARENT COMPANY 31 Dec 2018
Long-term liabilities	5	4	–	–
Accounts payable	117	101	62	53
Short-term payables to Group companies	–	–	647	383
Unpaid purchase consideration for portfolios	13	16	13	16
Liabilities from service billing	185	37	2	2
Derivatives[1]	35	19	35	19
VAT payables	12	9	0	–
Employee withholding tax on deposit interest	27	36	27	36
Employee withholding tax	26	23	11	1
Short-term payables to employees	34	41	4	14
Collateral received	91	–	91	–
Lease liabilities	211	–	–	–
Other current liabilities	67	94	21	–
Total	**823**	**380**	**913**	**524**

1) See note 14 "Derivatives".

Note 24 Accrued expenses and deferred income

SEK m	GROUP 31 Dec 2019	GROUP 31 Dec 2018	PARENT COMPANY 31 Dec 2019	PARENT COMPANY 31 Dec 2018
Accrued personnel expenses	57	65	23	32
Accrued commission expenses	4	6	–	3
Accrued legal costs	15	23	–	–
Accrued collection costs	8	11	5	9
Accrued expenses for deposits from the public	–	16	–	16
Deferred income	1	47	–	–
Other accrued expenses	69	64	32	8
Total	**154**	**232**	**60**	**68**

Note 25 Provisions

SEK m	Pension provision 31 Dec 2019	Pension provision 31 Dec 2018	Restructuring reserve 31 Dec 2019	Restructuring reserve 31 Dec 2018	Other non-current employee benefits 31 Dec 2019	Other non-current employee benefits 31 Dec 2018	Other provisions 31 Dec 2019	Other provisions 31 Dec 2018	GROUP 31 Dec 2019	GROUP 31 Dec 2018
Opening balance	26	27	20	36	17	17	5	7	68	87
Provision	0	0	27	19	7	6	1	0	35	25
Amount released	–1	–1	–11	–32	–8	–6	0	–1	–20	–40
Dissolution recognized in income	–	–	–2	0	–	–	–1	–1	–3	–1
Change in value	4	0	2	–3	2	0	1	0	9	–3
Closing balance	**29**	**26**	**36**	**20**	**18**	**17**	**6**	**5**	**89**	**68**

Restructuring

Restructuring costs in 2019 relates to costs resulting from the decision to coordinate Hoist Finance's operations in France to fewer offices, and additional restructuring costs in Germany. This provision is expected to be utilised in 2020. Restructuring costs in 2018 related to costs resulting from the decision to coordinate Hoist Finance's operations in Germany and Great Britain to fewer offices. The provisions are to a majority utilised in 2019 and the remaining are expected to be utilised in 2020.

Pensions

The Group has defined-benefit pension schemes for Hoist Finance AB (publ), the German branch Hoist Finance AB (publ) Niederlassung and in the Greek subsidiary Hoist Hellas SA., based on the employees' pensionable remuneration and length of service. Pension commitments are determined using the Projected Unit Credit Method, which includes current pensions, vested rights and future increases in these parameters in the valuation.

SEK m	GROUP 31 Dec 2019	GROUP 31 Dec 2018
Net pension provision, recognised in the balance sheet		
Defined-benefit commitment	34	30
Fair value of plan assets	5	4
Net pension provision	**29**	**26**
Pension commitments		
Opening balance	30	30
Interest expense	1	1
Pension payments	–1	–1
Actuarial gains (–)/losses (+)	4	–1
Currency effects, etc.	0	1
Other	0	0
Closing balance	**34**	**30**
Assets under management		
Opening balance	4	3
Interest income	0	0
Employer-contributed funds	1	1
Benefits paid	–1	–1
Actuarial gains (+)/losses (–)	1	1
Currency effects	0	0
Closing balance	**5**	**4**

All plan assets are invested in investment funds. The Parent Company's defined-benefit pension liability in Sweden at 31 December 2019 was SEK 11,000 (27,000). The change of SEK –16,000 (–7,000) is attributable to pension payments.

Not 26 Funding

	GROUP	
SEK m	**31 Dec 2019**	**31 Dec 2018**
Deposits from the public	21,435	17,093
Senior debt	5,431	5,950
Secured debt	469	–
Total issued securities	**5,900**	**5,950**
Subordinated debt	852	839
Total interest-bearing debt	**28,187**	**23,882**

Terms and conditions and repayment periods

				31 Dec 2019		31 Dec 2018	
SEK m	**Currency**	**Nominal interest rate**	**Maturity**	**Nominal value**	**Carrying amount**	**Nominal value**	**Carrying amount**
Deposits from the public	SEK	0.60% – 1.75%	2019-2022	12,161	12,243	11,238	11,292
Deposits from the public	EUR	0.40% – 1.30%	2019-2024	9,152	9,192	5,798	5,801
Senior debt	EUR	3.125%	2019	–	–	146	146
Senior debt	EUR	1.125%	2021	2,608	2,567	2,569	2,505
Senior debt	EUR	2.750%	2023	2,608	2,551	2,569	2,447
Senior debt	EUR	0.199%–0.203%	2020	313	313	853	852
Secured debt	EUR	8.0%–15.0%	2034	527	469	–	–
Subordinated debt	EUR	3.875%	2027	835	852	822	839
Total interest-bearing liabilities				**28,204**	**28,187**	**23,995**	**23,882**

Retail funding

Deposits from the public

Hoist Finance AB (publ) has offered deposits for retail customers and corporates in Sweden since 2009 under the HoistSpar brand, where customers can save up to SEK 950,000. A new deposit programme was established in Germany in 2017, with customers allowed to save up to EUR 100,000. The Swedish and German deposit products offer both current account and fixed-term deposits, with the majority (99 per cent) of all deposits covered by the Swedish deposit guarantee. At year-end 2019, Hoist Finance AB (publ) had SEK 5,843m and SEK 6,400m in current account and fixed-term deposits in SEK, respectively, and SEK 3,028m and SEK 6,164m in current account and fixed-term deposits in EUR, respectively.

Wholesale funding

Senior debt

No new debt was issued in 2019 under the Company's EMTN programme. At year-end Hoist Finance AB (publ) had two outstanding senior unsecured bond loans totalling EUR 500m under the EMTN programme. A number of money market instruments were issued during the year with interest rates ranging from 0.2 to 0.3 per cent depending on duration (3 to 6 months). Issues outstanding under the commercial paper programme amounted to EUR 30m at year-end.

Secured debt

The Italian special purpose vehicle Marathon SPV S.r.l issued bonds totalling EUR 337m during the year in three tranches, secured by Italian unsecured NPLs. The two subordinated tranches in the transaction structure, corresponding to 15 per cent of total issue amount, have been 95 per cent subscribed by external investors.

Subordinated debt

Hoist Finance AB (publ) issued no subordinated debt in 2019.

Note 27 Equity

Share capital. The Articles of Association of Hoist Finance AB (publ) specify that the company's share capital shall total a minimum of SEK 15m and a maximum of SEK 60m.

	GROUP	
Number of shares	**2019**	**2018**
Opening balance	89,303,000	81,184,546
New share issue	–	8,118,454
Closing balance	**89,303,000**	**89,303,000**

The quota value is SEK 0.33 per share.

The total number of shares at 31 December 2018 and 2019 was 89,303,000, of which 8,118,454 were issued through new share issues in 2018. All shares are paid in full.

The translation reserve comprises all exchange differences arising through translation of foreign operations less hedging effects.

Other contributed equity refers to equity, other than share capital, contributed by the shareholders. During 2018 Hoist Finance AB (publ) repurchased Additional Tier 1 (AT1) capital issued in 2013 for a nominal amount totalling SEK 100m, and issued new AT1 capital for a nominal amount totalling EUR 40m. The nominal value of outstanding AT1 capital at 31 December 2018 and 2019 was EUR 30m and EUR 40m, respectively.

AT1 capital contributions are subordinated loans, which have priority only over share capital. Subordinated loans that meet the requirements specified in Regulation (EU) No 575/203 may be rated as AT1 capital. The instruments are perpetual and are redeemable only upon approval of the Swedish Financial Supervisory Authority and no earlier than five years after issue date. Hoist Finance AB (publ) issued no new AT1 capital in 2019.

Retained earnings comprise accrued earnings in the Parent Company, subsidiaries and joint ventures. For the 2019 financial year, the Board has decided to propose to the AGM not to pay a dividend for 2019.

The revaluation reserve in the Parent Company comprises SEK 64m taken over from Hoist Kredit AB (publ) in the merger and which arose from revaluation of the share value in Hoist Finance UK Ltd in 2013. The revaluation reserve also comprises portfolio revaluations of SEK 9m (2) pertaining to positive revaluations of portfolios reported in restricted equity.

The development expenditure fund in the Parent Company, totalling SEK 5m (4), pertains to expenditures for the Company's own development work and has been transferred from retained earnings and taken over from Hoist Kredit AB (publ) in the merger.

Note 28 Pledged assets

	GROUP		PARENT COMPANY	
SEK m	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Pledges and equivalent collateral to secure own liabilities and commitments recognised as provisions	79	70	0	12

Note 29 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

Forward flow contracts

In forward flow contracts, a pre-determined volume (fixed or range) of NPLs is acquired at a pre-defined price during a certain time period.

Note 30 Specifications to the cash flow statement

Cash and cash equivalents

SEK m	GROUP 31 Dec 2019	GROUP 31 Dec 2018	PARENT COMPANY 31 Dec 2019	PARENT COMPANY 31 Dec 2018
Cash	0	0	0	0
Treasury bills and treasury bonds	2,729	2,653	2,729	2,653
Lending to credit institutions	3,075	1,187	1,455	365
Liabilities to Group companies, group account	–	–	–582	–328
Total	**5,804**	**3,840**	**3,602**	**2,690**

Adjustment for items not included in cash flow

SEK m	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Impairment of shares in subsidiaries	–	–	–	1,454
Depreciation and amortisation of tangible and intangible assets	122	61	49	32
Realised and unrealised component of net income from financial transactions	57	0	96	188
Impairment gains and losses	–120	–261	–56	–83
Unrealised gains on shares and participations in joint ventures	7	11	–	–
Increase/decrease in accrued interest income and interest expense	128	81	156	17
Increase/decrease in provisions	14	–20	10	–18
Derecognitions	9	3	8	1
Other items	–9	3	7	21
Total	**208**	**–122**	**270**	**1,612**

Reconciliation of liabilities from funding activities

SEK m	31 Dec 2018	Cash flow	Non-cash changes: Investments	Non-cash changes: Accrued expenses	Non-cash changes: Exchange rate fluctuations	31 Dec 2019
Deposits from the public	17,093	4,204		65	73	21,435
Issued securities	5,950	–178		63	65	5,900
Subordinated debt	839			1	12	852
Lease liabilities, transition effect IFRS 16, 1 Jan 2019	173	–40	75	1	2	211
Total liabilities from funding activities	**24,055**	**3,986**	**75**	**130**	**152**	**28,398**

Note 31 Risk management

Introduction

The risks that originate from the Group's operational activities are primarily attributable to Group assets in the form of acquired loan portfolios and consequently the payment capacity of Hoist Finance's debtors. These risks are mitigated by a historically strong and predictable cash flow and through the continuous monitoring and evaluation of portfolio development. The Group is also exposed to operational risks as part of its daily operational activities and in connection with the Group's rapid growth. These risks are managed using a framework for managing operational risks that is based on continuous improvements to procedures and processes, risk awareness in the organisation, duality in all important transactions and analyses, and a clear division of responsibilities. The Group is also exposed to exchange rate and interest-rate fluctuations. These two market risks are managed through the ongoing use of derivatives to hedge exchange rates and interest rates.

The Group has adopted policies, regulations and instructions governing the management, analysis, evaluation and monitoring of risks. The Group has also adopted risk management strategies built on the principle that the company, based on its extensive experience and expertise in acquiring loan portfolios, actively seeks to increase its volumes in this business area while minimising other exposures and risks (such as market, liquidity and operational risks) as far as is financially justifiable.

The Group's Risk Control function is responsible for working independently from Management to analyse, monitor and report all significant risks to the CEO and Board of Directors. The Risk Control function also serves as an advisor to the Board on issues concerning risk management, risk appetite and risk strategies. This ensures that duality is achieved, as all significant risks are analysed, reported and monitored by the business operations as well as the independent Risk Control function. Risks within the Group are managed and limited in accordance with policies and instructions adopted by the Board. The Risk Control function is responsible for reporting and escalating deviations from the limits to both the CEO and the Board.

Risk exposures are calculated, analysed and compared with anticipated revenue to ensure the achievement of an attractive risk-adjusted return. Once defined, the Group's risk profile is assessed and evaluated. Assessment and evaluation include the following steps:

1) Assessment of each risk category

Each risk category is individually assessed. The risk assessment is documented and always results in a qualitative assessment of the risk as well as a quantifiable amount if possible.

2) Stress testing: Assessment of unforeseen events

Unforeseen events are defined as events that are possible but highly unlikely. Such events may be designated as "stress test events" and their consequences simulated and documented. Simulation results are reviewed against the Group's capital and liquidity. Unforeseen events may be based on historical experience, academic theory and/or hypothetical scenarios.

3) Assessment of how risks can be managed and controlled

Although not all risks can be quantified in an adequate way, an analysis is done to detail the way in which risks can be managed and controlled. When appropriate, measures are implemented to improve the management and control of the risk.

The most significant risks identified by the Group as being relevant to its business are:

- (i) credit risk;
- (ii) operational risk;
- (iii) market risk (FX risk and interest rate risk); and
- (iv) liquidity risk.

These risks are presented in separate sections below.

Credit risk

Credit risk is the risk to revenue and/or capital arising from a counterparty's failure to repay principal or interest at the stipulated time or a failure to otherwise perform as agreed.

Credit risk on the Group's balance sheet relates mainly to:

- Acquired loan portfolios, comprised of performing and non-performing loans. Details on the credit risk for these two categories are presented in a separate section below.
- Bonds and other securities.
- Deposits in credit institutions.
- Counterparty risk exposure to institutions with which the Group conducts derivative transactions to hedge the Group's FX and interest rate exposure.

Credit Risk for acquired non-performing loan portfolios

The non-performing loans are acquired in portfolios at prices that typically vary between 5 and 35 per cent of the nominal value outstanding at the acquisition date. The price depends on the portfolios' specific characteristics and composition in terms of, inter alia, size, age, the existance of collaterals and type of loans, as well as debtor age, location, type, et cetera.

Measuring Credit Risk in the non-performing loan portfolios

Credit risk in the non-performing loan portfolios relates primarily to the Group overpaying for a portfolio — that is, recovering less from the portfolio than expected — resulting in higher than expected portfolio carrying amount impairments and lower revenue.

Total credit risk exposure is equal to the carrying amount of the assets. The year-end carrying amount of Hoist Finance's non-performing loan portfolios was SEK 23,396m (19,333). The majority of these loans are unsecured, although a number of portfolios have real estate properties as collateral. As at 31 December 2019, these portfolios had a carrying amount of SEK 4,076m (2,230).

Information on the loan portfolios' geographical distribution is presented in Note 1 "Segment reporting". Other information on acquired non-performing loan portfolios is presented in Note 16 "Acquired loan portfolios". An important parameter for Hoist Finance's credit risk management of non-performing loan portfolios is net cash flow forecasts, as presented in Note 16 "Acquired loan portfolios".

Impairment of non-performing loan portfolio values

The risk of loan portfolios failing to pay as expected is regularly monitored by the business operations and the Risk Control function, by comparing actual outcome against forecasts. This analysis is also used to assess the potential need to impair portfolio values. Revaluation of portfolios and the difference between realised collections and forecasts is reported under "Impairment gains and losses".

Expected credit loss measurement for acquired performing loan portfolios

For acquired performing loans IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, which is presented in the adjacent table. The model is only applicable to the Group's performing loan portfolios. Non-performing loan portfolios are always classified in Stage 3. The loss allowance for non-performing loans is detailed below in the section "Credit risk for acquired non-performing loan portfolios".

For Hoist Finance, initial recognition is the date on which a portfolio is acquired and subsequently recognised on the balance sheet. For acquired performing loan portfolios, all loans that are not considered credit-impaired are classified in Stage 1 at initial recognition. Criteria for migration to Stage 2 or Stage 3 are described under "Significant increase in credit risk" and "Definition of default and credit-impaired assets" respectively.

The general approach applied by Hoist Finance for measuring Expected Credit Losses ("ECL") for acquired performing loan portfolios is component-based and builds upon an estimation of Exposure at Default ("EAD"), Loss Given Default ("LGD"), and Probability of Default ("PD"). These components are multiplied together each month to produce an ECL which is recognised in financial statements as a loss allowance.

At each reporting date, ECL is estimated on a 12-month and a lifetime basis for all acquired performing loan contracts. For loans in stage 1, loss allowance is recognised for ECL over the next 12 months whereas for loans in Stage 2 and Stage 3, loss allowance is recognised for lifetime ECL.

The ECL for all acquired performing loans is measured on a collective basis, where a grouping is performed based on shared risk characteristics, type of product, type of counterparty and type of collateral. During the period, there have been no changes in estimation techniques or significant assumptions in the ECL measurement process.

Note 31 Risk management, cont

Change in credit quality since initial recognition

Recognition of expected credit losses		
12 month expected credit loss	**Lifetime expected credit losses**	**Lifetime expected credit losses**
Interest revenue		
Effective interest on gross carrying amount	**Effective interest on gross carrying amount**	**Effective interest on amortised cost carrying amount (i.e. net of loss allowance)**
Steg 1	**Steg 2**	**Steg 3**
Performing (Initial recognition[1])	**Underperforming (Assets with significant increase in credit risk since initial recognition[1])**	**Non-performing (Credit impaired assets[1])**

1) Except for puchased or originated credit impaired assets

Measuring ECL – explanation of inputs, assumptions and estimation techniques

When a performing portfolio is acquired, the ECL model components are estimated based on historical information both on a customer and on a debt level.

At initial recognition and at subsequent reporting dates, the lifetime and 12-month PD is estimated using transition matrices for modelling the probability of being in different survival states prior to default over the remaining lifetime of the loan. All loans are classified in a risk rating class system for which the probability of moving between different risk classes is estimated. The estimation of PD also includes incorporation of forward-looking macroeconomic information which is described under "Forward-looking information incorporated in ECL models".

The lifetime and 12-month EAD is estimated based on the contractual payment profile of the loan along with behavioural assumptions for possible prepayments, overpayments and underpayments.

The lifetime and 12-month LGD is determined on the basis of factors impacting the expected post default recoveries such as the probability of curing to a non-default state and the value of any underlying collateral. The estimation of LGD also includes the incorporation of forward-looking macroeconomic information which is described under "Forward-looking information incorporated in ECL models".

Lifetime ECL is calculated as the present value of all cash shortfalls over the remaining lifetime of the loan, discounted using the effective interest rate ("EIR"). The 12-month ECL is quantified based on the lifetime ECL weighted by the probability that this loss will occur during the next 12 months.

The most significant assumptions affecting the ECL allowance are as follows:

- (i) The debtors' historical and current payment patterns and ability to comply with their contractual obligations which is the main component used in estimating the PD of the debtors.
- (ii) The Loan-To-Value for collateralised loans mitigating the loss in the event of default (LGD).

Significant increase in credit risk

Hoist Finance has defined rating class staging criteria based on the PD rating class system used in the transition matrices utilised for PD estimation. Significant increase in credit risk ("SICR") is defined as when a loan experiences a risk class migration increase of one risk grade as counted from its original risk class at initial recognition.

Hoist Finance is not rebutting the IFRS 9 presumption that a SICR has occurred when a loan contract is more than 30 days past due on contractual payments. However it should be noted that Hoist Finance applies this backstop criteria provided that the past due amount is considered material in accordance with the definition of default described under "Definition of default and credit-impaired assets".

Hoist Finance has not used the low credit risk exemption for any acquired performing loan portfolios.

Definition of default and credit-impaired assets

Hoist Finance defines an acquired loan as in default, which is fully aligned with the definition of credit-impaired, when it meets any of the following criteria:

- The obligor is more than 90 days past due on its contractual payments by a material amount
- When a concession is granted which modifies the contractual cash flows resulting in a material loss
- Bankruptcy of the obligor
- Confirmed death of the obligor
- An obligor's sources of recurring income are no longer available to meet the payments of instalments
- Hoist Finance has called any collateral, including a guarantee
- There are justified concerns about a obligor's future ability to generate stable and sufficient cash flow

Concerning what is to be regarded as a purchased credit impaired asset, the assessment is based on the information provided by the sellers of the acquired non-performing loan portfolios.

Forward-looking information incorporated in ECL models

The PD component incorporates forward-looking information through use of the macroeconomic variable proven to have the strongest impact on the default frequency of the portfolio. In the case of not having enough data a proxy default frequency may be used. The PD for each point in time is then adjusted in accordance with scenarios derived from that macroeconomic variable.

The LGD component incorporates forward-looking information by applying macroeconomic variable assumptions on the collateral valuation which impacts future recovery rates.

For the purpose of incorporating forward-looking macroeconomic information in the measurement of ECL, three different probability weighted scenarios are utilised.

- (i) A base economic scenario which builds upon the projected economic development as estimated by the International Monetary Fund ("IMF"). The probability weighting assigned to this scenario is 90 per cent.
- (ii) A negative economic downturn scenario. The probability weighting assigned to this scenario is 5 per cent.
- (iii) A positive favourable economic scenario. The probability weighting assigned to this scenario is 5 per cent.

The below table outlines how the most significant period-end economic variable assumptions as at 31 December 2019 have been applied for the different economic scenarios.

		Performing loans				
%		**2020**	**2021**	**2022**	**2023**	**2024**
Germany	Inflation CPI	1.7	1.7	1.9	2.0	2.1
Poland	GDP Current prices	6.4	5.7	5.5	5.4	5.2
United Kingdom	GDP PPP (share of world)	–1.9	–1.9	–1.9	–2.0	–2.0

The positive and negative economic scenarios are derived by applying +/– two standard deviations from the assumed future macroeconomic variable development in the basic scenario.

Sensitivity analysis

Set out in the table below are the changes to the ECL as at 31 December 2019 that would result if the negative and positive economic scenarios

Note 31 Risk management, cont

used for ECL measurement purposes, as described in section "Forward-looking information incorporated in ECL models", materialised.

ECL Scenario Sensitivities

%		LGD		
		Positive	**Neutral**	**Negative**
PD	Positive	–8.86	–0.29	8.82
	Neutral	–8.77	0.00	9.24
	Negative	–8.62	0.34	10.03

Collateral

For acquired secured performing loan portfolios, the collateral which serves as security for mitigation of credit risk consists of properties and to a minor extent car vehicles. Hoist Finance prepares a valuation of the collateral to be obtained as part of the transaction process. Hoist Finance monitors the development of the value of the collateral in secured portfolios through periodic revaluation on an annual basis. There is no case where the ECL for a loan is zero due to the value of collateral.

Hoist Finance's policies for obtaining collateral have not significantly changed during the reporting period and there has not been any significant change in the overall quality of collateral held by Hoist Finance.

For acquired secured performing loans that subsequently have become credit-impaired, it becomes more likely that Hoist Finance might take possession of the collateral to mitigate potential credit losses. As at 31 December 2019 the value of collateral held for credit-impaired assets represents more than 100 per cent of the gross carrying amount of these loans which represents the maximum exposure to credit risk.

Write-offs

For acquired loan portfolios, Hoist Finance will, in whole or in part, derecognise assets where there is no reasonable expectation of recovery. As at 31 December 2019, there are no contractual amounts outstanding that are still subject to enforcement activity for written off acquired loans.

Modifications

For acquired loan portfolios, Hoist Finance has the ability to modify the contractual terms of the loan which alters the contractual cash flows. As at 31 December 2019, no losses or gains arising from modifications of contractual cash flows for acquired loan portfolios have been recognised for the reporting period. Thus, modification of contractual cash flows have not had any impact on measurement of ECL.

Credit risk exposure and maximum exposure to credit risk

For acquired non-performing and performing loan portfolios, the maximum exposure to credit risk is represented by the gross carrying amount of the loan. The adjacent table contains an analysis of the credit risk exposure for acquired loan portfolios based on credit risk classes. The credit risk class for "high credit quality" corresponds to loans where the exposure weighted average 12 month PD is 0.3 per cent. The equivalent PD averages for "medium credit quality" and "low credit quality" are 1.5 per cent and 49.5 per cent respectively.

Acquired loan portfolios 31 Dec 2019

SEK m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit impaired	Total
Credit grade					
Credit grade for high credit quality	653	–	–	–	653
Credit grade medium credit quality	201	–	–	–	201
Credit grade for low credit quality	6	8	–	–	14
Default	–	–	44	23,009	23,053
Gross carrying amount	**860**	**8**	**44**	**23,009**	**23,921**
Loss allowance	–1	0	–4	387	382
Net carrying amount	**859**	**8**	**40**	**23,396**	**24,303**

A full reconciliation of gross carrying amount and ECL movements can be found under Note 16 "Acquired loan portfolios".

Note 31 Risk management, cont

Credit risk for the liquidity portfolio assets

The credit risk associated with exposures in Hoist Finance's liquidity reserve is managed in accordance with the Group's Treasury Policy, which regulates the portion that may be invested in assets issued by individual counterparties. Restrictions include limits on exposures to a given counterparty credit rating.

The table below shows S&P's credit rating for the Group's exposures in the liquidity reserve as per 31 December 2019 compared with 31 December 2018.

Rating

%	31 dec 2019	31 dec 2018
AAA	62.1	71.1
AA+	0.0	0.0
AA	6.5	13.9
AA–	10.4	0.9
A+	0.0	0.0
A	14.6	8.0
A–	0.5	0.9
BBB+	3.3	3.8
BBB	0.0	0.0
BBB–	0.0	0.0
BB+	0.2	0.1
BB	0.0	0.1
BB–	2.0	1.1
B+	0.0	0.0
B	0.0	0.0
B–	0.2	0.0
N/A	0.1	0.0
Total, SEK m	**8,024**	**7,399**
of which, in the liquidity portfolio	**5,498**	**6,288**

As per 31 December 2019, the weighted average maturity for liquidity portfolio assets was 1.66 years (1.86) and the modified duration was 0.26 years (0.32). Maturity and modified duration are important measures for evaluating Hoist Finance's credit spread risks and interest-rate risks.

Credit risks arising from bond holdings or derivative transactions

Credit risks arising from bond holdings or derivative transactions are treated in the same way as other credit risks, that is, they are analysed, managed, limited and controlled.

Counterparty risk

The Group uses FX and interest-rate derivatives to hedge its exchange-rate and interest-rate exposure (see Note 14 "Derivatives"). To avoid counterparty risks associated with these derivatives, the Group uses ISDA and CSA agreements for all derivative counterparties. These agreements allow for netting and daily settlement of credit risk and, accordingly, counterparty risk with derivative counterparties corresponds at most to a one-day fluctuation of the derivative's value. The CSA agreement is backed by cash collateral. Derivative transactions are only conducted with stable counterparties with a minimum credit rating of A-, which also serves to limit the counterparty risk.

The tables below show financial assets and liabilities subject to set-off and covered by legally binding netting or similar agreements.

Financial per type of financial instrument

Financial assets and liabilities subject to set-off and covered by legally binding netting or similar agreements.

31 Dec 2019

SEK m	Gross amount of financial assets and liabilities	Amount offset in the balance sheet	Net amount presented in the balance sheet	Related amounts not offset in the balance sheet: Cash collateral	Net amount
Assets					
Derivatives	107	–	107	–91	16
Liabilities					
Derivatives	35	–	35	–35	0
Total	**73**	**0**	**73**	**–56**	**16**

See also Note 14 "Derivatives".

31 Dec 2018

SEK m	Gross amount of financial assets and liabilities	Amount offset in the balance sheet	Net amount presented in the balance sheet	Related amounts not offset in the balance sheet: Cash collateral	Net amount
Assets					
Derivatives	128	–	128	0	128
Liabilities					
Derivatives	19	–	19	–19	0
Total	**109**	**0**	**109**	**19**	**128**

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, IT systems or from external events, and includes legal and compliance risk.

The operational risk that Hoist Finance is mainly exposed to is divided into the following seven categories:

- Unauthorised activities and internal fraud
- External fraud
- Employment practices and workplace safety
- Clients, products and business practices
- Damage to physical assets
- Business disruption and system failures
- Execution, delivery and process management

The Group manages operational risk by continuously improving its internal procedures and day-to-day controls, and by training employees in risk management and risk management techniques. The Group also applies the dual-control principle which means that a business flow or transaction must always be managed by at least two independent units/individuals. Hoist Finance also applies segregation of duties to ensure that a transaction is never managed from start to finish by one single person.

To identify and mitigate operational risks within the Group, the risk control function in each country has established routines, including the following:

1. All employees are required to submit incident reports via a Group-wide risk management system, where incidents and actions taken are monitored by the risk control function. Significant reported incidents are included in the risk report submitted to the Board and the management in the relevant country.
2. Annual evaluation and identification of operational risks, and controls to reduce risks. This is a process to identify, quantify, analyse

Note 31 Risk management, cont

and thereby determine measures to reduce operational risks in Hoist Finance to an acceptable level. The analysis includes an assessment of a given risk's probability of occurrence and what its consequences (impact) would be, it lists the steps taken by Hoist Finance to manage the risks, and details additional measures that need to be taken. Assessments are not made by a single person – they are made in groups, since discussion and different perspectives are vital to the identification of relevant risks.

3. The process for approval and quality assurance of new and amended products, services, markets, processes, IT systems and major changes in Hoist Finance's operations and organisation.
4. Business Continuity Management (BCM) provides a framework for planning for and responding to events and business disruptions to ensure the continuation of business operations at an acceptable predefined level. The Group's BCM comprises disruption and crisis management:
   - » Disruptions are managed by having business continuity plans in place.
   - » Crises are managed by predefined crisis management teams.
5. Key risk indicators are reported to Management and the Board on a regular basis in order to follow up measurable operational risks and provide early warning when risks have increased.
6. Regular training in operational risks is conducted in key areas.

Market risk

Market risk is defined as the risk that FX and interest-rate fluctuations may negatively affect a company's results or equity level.

Currency/FX risk

The FX risk that has an adverse impact on the Group's income statement, balance sheet and/or cash flow arises primarily as a result of:

- » Certain income and expense items arising in different currencies, resulting in a transaction risk.
- » The translation of assets and liabilities in currencies other than the Group's presentation currency into the presentation currency each month, resulting in a translation risk.

Group Treasury has overall responsibility for continuous management of these risks.

Transaction risk

In each country, most revenue and operating expenses are in local currency. Currency fluctuations therefore have only a limited impact on the company's operating profit in local currency. Revenue and expenses in national currency are therefore hedged in a natural way, which limits the transaction risk exposure.

Translation risk

The Group's presentation currency is SEK, while its three main functional currencies are EUR, GBP and PLN. The Group's loan portfolios (assets) are mainly denominated in foreign currency, while the Group's deposits from the public (liabilities) are denominated in SEK and EUR, which gives rise to a translation risk (balance-sheet risk). To manage translation risk, the Group calculates its unhedged exposure to the aggregate value of net assets denominated in currencies other than SEK. The Group's translation exposure is then managed through linear derivative contracts. The Group uses hedge accounting for the net investment in foreign operations. Additional information regarding hedge accounting in the Accounting Principles section 10 "Hedge accounting" and in note 14 "Derivatives".

The tables below show the Group's exposure per currency. The Group has no significant positions in currencies other than EUR, GBP and PLN. The tables also present the translation risk expressed as sensitivity to a movement of 10 per cent in the exchange rate between SEK and each currency.

Interest rate risk

The Group's interest-rate risk originates from changes in interest rates that may affect the company's revenues and expenses to varying degrees. Changes in interest rates could affect the company's revenues from loan portfolios as well as the liquidity reserve, while the cost of funding these assets may also change.

Group FX risk in EUR	31 Dec 2019	Impact on equity	31 Dec 2018	Impact on equity
Net assets on the balance sheet, EUR m	162		–9	
Currency forwards, EUR m	–167		7	
Net exposure, EUR m	–5		–2	
A 10% increase in the EUR/SEK FX rate impacts Group results by (SEK m)	–6	–0.12%	–3	–0.09%
A 10% decrease in the EUR/SEK FX rate impacts Group results by (SEK m)	6	0.12%	3	0.09%

Group FX risk in GBP	31 Dec 2019	Impact on equity	31 Dec 2018	Impact on equity
Net assets on the balance sheet, GBP m	1,839		514	
Currency forwards, GBP m	–1,822		–513	
Net exposure, GBP m	17		1	
A 10% increase in the GBP/SEK FX rate impacts Group results by (SEK m)	4	0.09%	1	0.03%
A 10% decrease in the GBP/SEK FX rate impacts Group results by (SEK m)	–4	–0.09%	–1	–0.03%

Group FX risk in PLN	31 Dec 2019	Impact on equity	31 Dec 2018	Impact on equity
Net assets on the balance sheet, PLN m	547		1,442	
Currency forwards, PLN m	–545		1,436	
Net exposure, PLN m	3		6	
A 10% increase in the PLN/SEK FX rate impacts Group results by (SEK m)	4	0.07%	1	0.05%
A 10% decrease in the PLN/SEK FX rate impacts Group results by (SEK m)	–4	–0.07%	–1	–0.05%

Hoist Finance has strict limits for exposure to each currency. The limits for an open FX position are 2–3 per cent of the gross currency exposure.

Note 31 Risk management, cont.

The table below shows the effect on various assets and liabilities of a sudden and permanent parallel shift of 100 basis points in market interest rates.

Total impact on net interest income over 3 years

Total impact on net interest income over 3 years, SEK m	Impact on profit/loss 31 Dec 2019		Impact on equity	Impact on profit/loss 31 Dec 2018		Impact on equity
	–100 bps	+100 bps		–100 bps	+100 bps	
Impact on net interest income (over 3 years)	168	–165		122	–121	
Impact on derivatives (instantaneous impact)	–79	79		–70	70	
Total impact of change in short-term interest rate	**89**	**–86**	**+/–1.76%**	52	–51	+/–1.41%

The table below shows the instantaneous impact on profit/loss of a parallel shift of 100 basis points in market interest rates.

Group interest-rate risk, items at fair value

Total items measured at fair value incl. derivatives, SEK m	Impact on profit/loss 31 Dec 2019		Impact on equity	Impact on profit/loss 31 Dec 2018		Impact on equity
	–100 bps	+100 bps		–100 bps	+100 bps	
Liquidity portfolio	8	–8		20	–20	
Interest-rate swaps	–79	79		–70	70	
Total	**–71**	**71**	**+/–1.44%**	**–50**	**50**	**+/–1.34%**

A sudden and permanent interest-rate increase may adversely impact the Group's profit to the extent interest rates and interest expense for loans and deposits from the public are affected more by the increase than are revenues from loan portfolios and the liquidity reserve. To ensure that the exposure is within the company's risk appetite,

Group Treasury manages and reduces these interest-rate risks by continuously hedging the Group's interest-rate exposure through linear interest-rate derivatives denominated in SEK, EUR, GBP and PLN. Hoist Finance does not apply hedge accounting for the interest rate risk hedging.

Pursuant to accounting policies, however, the effects of interest-rate changes are taken up as income at different times. For instance, the Group's liquidity reserve and interest derivatives are measured at fair value, so changes in interest rates have an instantaneous impact on the book value and hence on Group results. Loan portfolios, on the other hand, are generally valued under the amortised cost principle, so changes in interest rates have an impact over time (rather than instantaneous) on asset value and Group results. The Group's liabilities are valued under the amortised cost principle, so changes in interest rates have an impact over time (rather than instantaneous) on Group results.

Hoist Finance has strict limits for maximum allowed interest-rate exposure. These regulate the maximum impact on earnings that can be tolerated given a parallel shift of 100 basis points of the interest-rate curve.

Liquidity risk

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 and the 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.

The Group has a diversified funding base with a diversified maturity structure. 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 (65) of deposits from the public are payable on demand (current account), while approximately 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.

Details of the Group's funding base are presented in the table below.

In addition to having a diversified funding structure with respect to funding sources and maturity structure, the Group has implemented a number of measures to minimise liquidity risk:

- Centralised liquidity management: Management of liquidity risk is centralised and handled by Group Treasury.
- Independent analysis: The Group's Risk Control function serves as a central unit for independent liquidity analysis. Internal Audit is responsible for inspecting the Group's liquidity control tools.
- Continuous monitoring: The Group uses short and long-term liquidity forecasts to monitor the liquidity position and reduce liquidity risk. These forecasts are presented to management and the Board.
- Stress testing: The Group conducts stress tests of the liquidity situation. These tests vary in nature to demonstrate the risk from multiple angles and to preclude negative results due to defects in stress test methodology.

Funding

SEK m	31 Dec 2019	31 Dec 2018
Deposits from the public, flexible	8,871	11,041
Deposits from the public, fixed	12,564	6,052
Debt securities issued	5,900	5,950
Additional Tier 1 capital	690	690
Subordinated debt	852	839
Shareholder's equity	4,208	3,723
Other	1,302	960
Balance sheet total	**34,387**	**29,255**

Note 31 Risk management, cont

- Interest-rate adjustment: The size of deposits from the public can be managed by adjusting quoted interest rates.
- Well-diversified deposit portfolio with no concentration risks: The highest savings deposit is limited to SEK 950,000.
- Liquidity portfolio: Liquidity investments are made in low-risk, high-liquidity interest-bearing securities, which allows for rapid cash conversion if needed. The risk of large outflows is further reduced through the coverage of 99 per cent of deposits by the national deposit insurance.

As a credit institution, Hoist Finance is subject to laws and regulations covering liquidity requirements. As per 31 December 2019, Hoist Finance's liquidity reserve amounted to 24 per cent of total assets (25). The liquidity portfolio is largely made up of Swedish government and municipal bonds and covered bonds, and also includes short-term lending to other banks. Hoist Finance's short-term liquidity coverage ratio (LCR) was 755 per cent (473) at year-end, compared with its regulatory ratio of 100 per cent.

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**

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity. 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 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. These events may include:

- An outflow from savings deposits of more than 10 per cent of total deposits over a 30-day period.
- A lowering or removal of Hoist Finance's credit rating by an official rating institute.

Internal capital and liquidity adequacy assessment processes

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are ongoing processes carried out by the Executive Management Team, which reviews, evaluates and quantifies risks to which the Group is exposed in carrying out its business operations. This risk analysis forms the basis for ensuring that the Group has sufficient capital and liquidity to cover the regulatory requirements and to ensure a comfortable financial margin vis-à-vis the regulatory requirements.

The capital and liquidity assessment process is developed and reviewed at least once per year. The annual review focuses on ensuring that the process is always relevant to the current risk profile and to the Group's operations. The Board decides on any changes to the process, and Internal Audit verifies that the process is carried out pursuant to the Board's instructions.

The processes start with the management's business plan and budget for the coming three years. These are formalised into a forecast. The ICAAP and ILAAP use these forecasts as a starting point and, as a first step, evaluate the risks inherent in the forecasts.

ICAAP

ICAAP is Hoist Finance's internal evaluation to ensure that it has sufficient capital to meet the risks in both normal and stressed scenarios.

Credit and market risks are rigorously stress-tested to determine the extent of the losses that Hoist Finance is capable of withstanding under extremely adverse circumstances. This loss figure is then compared to the statutory capital requirement calculated according to Pillar 1. If the simulated losses exceed this amount, the excess is covered by additional Pillar 2 capital.

Operational risks are evaluated based on the company's reported incidents statistics. Once the operational risks have been quantified, the next step is calculation of the amount of capital required to cover all potential unexpected losses related to the operational risks. The company must be able to withstand even extremely serious operational incidents. Here as well, the calculated capital requirement is compared to the statutory Pillar 1 capital requirement and any excess loss risk is covered by additional Pillar 2 provisions.

Hoist Finance conducts stress tests and sensitivity analyses of the business plan, under ICAAP and on an ongoing basis in the operations, to ensure that the Group maintains a strong financial position in relation to regulatory capital requirements under extremely adverse internal and external market conditions.

The capital requirement produced by ICAAP is used by management as a decision-making tool when making future plans for the Group. ICAAP thus adds a further dimension to the Group's decision-making above and beyond strategic and daily planning. Before being implemented, strategic plans, forecasts and immediate management decisions are always reviewed against the background of capital requirements.

The conclusions from this year's ICAAP are that Hoist Finance has sufficient capacity to withstand unexpected events without risking its solvency.

ILAAP

ILAAP is Hoist Finance's internal evaluation to ensure that the Group maintains sufficient levels of liquidity buffers and sufficient funding in light of the liquidity risks that exist. The process identifies, verifies, plans and stress-tests Hoist Finance's future funding and liquidity requirements.

Hoist Finance uses ILAAP to define the size of the liquidity buffer that the Group needs to maintain, to prevent identified liquidity risks from affecting the Group's capacity to achieve its business plan and to meet regulatory requirements (LCR/NSFR) and the limits set by the Board of Directors.

Results from this year's ILAAP show that Hoist Finance has sufficient capacity to meet unexpected liquidity risks without risking refinancing problems, and that Hoist Finance maintains a liquidity reserve sufficient to maintain continued growth.

Securitisation

Hoist Finance completed its first securitisation transactions in 2019. These transactions can be regarded as involving increased regulatory risk, given that Hoist Finance is obliged to continuously monitor and ensure that the requirements for "significant risk transfer" are fulfilled at all times.

The securitised assets are fully consolidated in Hoist Finance's balance sheet and developments in the underlying loan portfolios are monitored in the same way as for non-securitised assets.

The securitisation structure is funded with secured bonds. The bond's capital requirements are determined by their rating and, for this reason, the rating is constantly monitored.

Note 32 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 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. These laws are aimed at ensuring that the regulated entity and its consolidated situation manages its risks and protects its customers.

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 consolidate 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.

There are no existing or anticipated actual or legal obstacles to the immediate transfer of own resources or debt repayment between companies and their subsidiaries.

Additional information on capital adequacy is available in the company's Pillar 3 report available on www.hoistfinance.com.

Transitional rules, IFRS 9

After obtaining Swedish Financial Supervisory Authority's 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)	
Own funds, SEK m	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Capital instruments and the related share premium accounts	1,913	1,913	1,913	1,913
Retained earnings	1,534	1,005	819	199
Accumulated other 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 capital	**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 to the annual general meeting that no dividend be paid for 2019. The annual general meeting decided not to pay any dividend for 2018. Therefore no dividend deduction has been included for financial years 2018 and 2019.

As presented in the above table, issued Tier 1 capital instruments and Tier 2 capital instruments are both used in calculating the Group's own funds. These instruments are described briefly below.

Additional Tier 1 capital

Additional Tier 1 capital is comprised of two issues of write-down instruments with a nominal amount of EUR 30m and EUR 40m, respectively, and with coupon rates of 8.625 per cent and 8 per cent, respectively. The convertibles were issued to improve Hoist Finance's capital structure. The instruments have no scheduled maturity date, although the issuer may redeem the instruments in full at specified dates. The first possible redemption dates are 21 June 2023 and 1 September 2023, respectively.

Tier 2 capital instruments

In May 2017 Hoist Finance issued a subordinated loan of EUR 80m, which is included as Tier 2 capital in Hoist Finance's own funds. The subordinated loan matures on 19 May 2027 with possibility for early redemption after five years and carries a fixed coupon rate of 3.875 per cent. The instrument is listed on the Dublin Stock Exchange.

There are no existing or anticipated actual or legal obstacles to the immediate transfer of own resources or debt repayment between companies and their subsidiaries.

Additional information on capital adequacy is available in the company's Pillar 3 report available on www.hoistfinance.com.

Revaluation reserve

Hoist Finance's own funds include a revaluation reserve of SEK 73m in other reserves, of which SEK 64m pertains to a revaluation of shares in subsidiary Hoist Finance UK Ltd during 2013 and SEK 9m pertains to revaluation of acquired loan portfolios.

Note 32 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).

	Hoist Finance consolidated situation		Hoist Finance AB (publ)	
Risk-weighted exposure amounts, 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 or agencies	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**

	Hoist Finance consolidated situation		Hoist Finance AB (publ)	
Capital requirements, 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 or agencies	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 (FX 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 capital requirements	**4,525**	**3,987**	**3,906**	**3,100**

Note 32 Capital adequacy, cont.

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 0.34 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.

	Hoist Finance consolidated situation		Hoist Finance AB (publ)	
Capital ratios and capital buffers, %	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
CET1 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 CET1 requirements	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 buffer requirement	*0.34*	*0.30*	*0.30*	*0.28*
CET1 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 33 Related-party transactions

The information below, presented from Hoist Finance's perspective, shows the way in which Hoist Finance's financial information has been affected by transactions with related parties.

	GROUP	
SEK m	2019	2018
Operating expenses	–	–
Other expenses[1]	–1	–2

	PARENT COMPANY			
	Group companies		Other related parties	
SEK m	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Assets				
Short-term receivables	433	392	–	–
Long-term receivables	16,999	14,790	–	–
Liabilities				
Short-term liabilities	647	385	–	9

	PARENT COMPANY			
	Group companies		Other related parties Senior executives	
SEK m	2019	2018	2019	2018
Net interest income				
Interest income	848	692	–	–
Interest expense	–7	–4	–	–
Operating income				
Dividends received	10	1,947	–	–
Other operating income	222	301	–	–
Operating expenses				
Other operating expenses[1]	–31	–73	–	–2

[1] Specification of other expenses

	GROUP	
	Other related parties Senior executives	
SEK t	2019	2018
Carrara Communication AB	–	–296
CDW Konsult AB	–	–263
Co Go Consulting AB	–	–1,002
J&S Rubin AB	–	–271
Firma Liselotte Hjorth	–	–296
Malin Eriksson Consulting Services	–	–,172
Total	–	**–2,300**

The above amounts comprise fees including social security contributions for the comparative period.

Note 34 Reconciliation of alternative performance measures

EBITDA, adjusted

SEK m	2019	2018
Profit for the year	605	590
+ Income tax expense	143	165
+/– Net result from financial transactions	79	–43
+ Interest expense	494	351
+/– Interest income (excl. interest from run-off performing portfolio)	6	15
+/– Portfolio revaluations	145	–5
+ Depreciation and amortisation of tangible and intangible assets	122	61
EBITDA	**1,594**	**1,134**
+ Gross cash collections on acquired loan portfolios	6,179	5,533
– Interest income on acquired loan portfolios	–3,359	–2,800
EBITDA, adjusted	**4,414**	**3,867**

Return on equity, adjusted for items affecting comparability

SEK m	2019	2018
Equity	4 898	4 413
Additional Tier 1 capital	–690	–690
Reversal of interest expense paid for AT1 capital	62	42
Reversal of items affecting comparability[1) 2)]	72	9
Total equity	**4 342**	**3 774**
Total equity (quarterly average)	**4 063**	**3 277**
Profit for the year	605	590
Reversal of items affecting comparability[1) 2)]	72	9
Estimated annual profit	**677**	**599**
Adjustment of interest on AT1 capital	–60	–59
Adjusted annual profit	**617**	**540**
Return on equity, adjusted for items affecting comparability, %	**15**	**16**

1) Items affecting comparability 2019 refer to restructuring costs for the French operations, to the IT organisation and to interest rate swaps in the third quarter, and to securitisation expenses and to start-up expenses related to IT outsourcing during the fourth quarter, including tax.
2) Items affecting comparability 2018 refer to a cost linked to the take-over of a previously externally managed loan portfolio and to restructuring costs during second quarter, a modification gain taken up as income in conjunction with new share issue and repurchase of senior bonds during third quarter, and restructuring and acquisition costs during fourth quarter, including tax.

Note 35 Critical estimates and assumptions

The Management and the Board of Directors have discussed the developments, choices and disclosures regarding the Group's critical accounting policies and estimates as well as the application of these policies and estimates. They have also discussed and assessed future assumptions and other important sources of uncertainty in the assumptions as per the balance-sheet date that may represent a substantial risk for material restatements of the carrying amounts in the financial statements in the coming financial years. Certain critical estimates have been made through the application of the Group's accounting policies described below.

Measurement of acquired loan portfolios

As described in Note 16 "Acquired loan portfolios", the recognition of acquired non-performing loans is based on the Group's own forecast of future cash flows from acquired portfolios. Although the Group historically has forecasted reasonably accurate with regard to cash flows, future deviations cannot be ruled out. The Group applies internal rules and a formalised decision-making process for the adjustment of previously adopted cash flow forecasts. The internal rules are based on a constant fifteen-year period. The effective interest rate for acquired credit-impaired loan portfolios is based on the initial cash flow forecast specified at acquisition date.

The company also acquired performing loans, for which both effective interest rate and cash flow are subject to the contractual obligations defined at acquisition. The effective interest rate is based here as well on initial expected future cash flows as per the customer contract, discounted by the purchase price. Cash flows are regularly adjusted as receivables are paid or customer terms and conditions are renegotiated.

The measurement of the expected credit loss (ECL) for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of assessments are required in applying the accounting requirements for measuring ECL, such as:

- » Determining criteria for significant increase in credit risk
- » Choosing appropriate models and assumptions for the measurement of ECL
- » Establishing the number and relative weightings of forward-looking scenarios for each market

Detailed information about these estimates and assumptions is included in Note 31 "Risk management".

Changes in tax expenses

Hoist Finance operates cross-border and manages its consolidated tax issues relating to subsidiaries in several jurisdictions. The Group is therefore exposed to potential tax risks arising from varying interpretation and application of existing laws, treaties, regulations, and guidance in areas including income tax and VAT (Value Added Tax).

Additional Tier 1 capital

Hoist Finance's additional Tier 1 capital (AT1 capital) comprises depreciable perpetual debt instruments. Hoist Finance has no obligation to pay cash or other financial assets to the holders of the instruments. In other words, Hoist Finance has a unilateral and unconditional right to choose not to make payments. Therefore, AT1 capital does not comprise a financial liability, and is instead recognised as equity.

Note 36 Subsequent events

Hoist Finance is closely monitoring the development of COVID-19. Business continuity has been ensured, which includes that personnel can work remotely. This enables new ways of working all while continuing our focus to support our customers in the best possible way. In the first quarter of 2020, the previously seen unsatisfactory collection performance in Spain has accelerated as a result of COVID-19, which combined with a negative revision on future collections is expected to have an impact of approximately SEK 120m. Additionally, the turbulence in the financial markets have caused interest rates to drop, and bond spreads to widen, which in the first quarter of 2020 translates into estimated effects of SEK 50m. For further information, see www.hoistfinance.com.

No other significant events affecting operations took place.

Note 37 Appropriation of profits

According to the Parent Company's balance sheet, the following unappropriated earnings are at the disposal of the Annual General Meeting:

SEK	
Other contributed capital	2,964,067,323
Retained earnings	844,366,574
Other non-restricted reserves	2,786,003
Net profit for the year	193,716,097
Total[1)]	**4,004,935,997**

1) Unrealised changes in assets and liabilities at fair value have had a net impact on equity of SEK 73m in accordance with Chapter 4, section 14 of the Swedish Annual Accounts Act.

The Board of Directors proposes that unappropriated earnings be distributed as follows:

SEK	
To be carried forward:	
Other contributed capital	2,964,067,323
Retained earnings	1,040,868,674
Total	**4,004,935,997**

The Board of Directors propose to the Annual Shareholders meeting 2020 that no dividend will be paid to the shareholders for the financial year 1 January – 31 December 2019. The Board of Directors considers that this deviation from the established dividend policy will contribute to strengthen the company's CET1 ratio and support further growth in 2020.

Certification of the Board of Directors

The Board of Directors and the CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden, and the consolidated accounts in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Annual Report and consolidated accounts provide a true and fair presentation of the Parent Company's and the Group's financial position and performance. The Parent Company's and the Group's Administration Reports provide a true and fair account of the development of the respective entities' business, financial position and performance, and accurately describe the significant risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 27 March 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

Our audit report was submitted on 27 March 2020.

KPMG AB

Anders Bäckström
Authorised Public Accountant
Auditor in charge

Auditor's Report

To the general meeting of the shareholders of Hoist Finance AB (publ), corp. id 556012-8489

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Hoist Finance AB for the year 2019, except for the corporate governance statement on pages 86–96 and the sustainability report on pages 7–9, 21–36 and 40–49. The annual accounts and consolidated accounts of the company are included on pages 7–9, 21–36, 40–49 and 80–160 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 86–96 and sustainability report on pages 7–9, 21–36 and 40–49. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion.

Assessment of future collection from acquired loan portfolios / valuation and revenue recognition

See disclosures in Note 1, Note 3, Note 15, Note 16, Note 31 and Note 35 and accounting principles on pages 108, 109 and 111 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of acquired loan portfolios amounts to SEK 24,303 million per 31 December, 2019 corresponding to 71 percent of the Group's total assets. Acquired loan portfolios consist of credit-impaired receivables of SEK 23,396 million and not creditimpaired receivables of SEK 907 million.

The portfolios are valued at amortized cost based on the effective interest method. Interest income from acquired loan portfolios is calculated by applying the initial effective interest rate to the receivable's carrying amount. For portfolios with credit impaired receivables the effective interest rate is credit-adjusted,

Calculation of credit losses differs between credit-impaired and non-credit-impaired loans. For credit-impaired receivables, expected credit losses consist partly of collection differences, ie the difference between forecasted cash flows and actual collection in the current period, and partly of revaluations.

Loss allowance for credit-impaired receivables, as well as the calculation of the effective interest rate, are determined based on fifteen-year forecasted cash flows. The Group uses cash flow models to estimate the value of portfolios. Given the nature of the loan portfolios significant judgement is required to estimate future cash flows. The projections include assumptions about what amounts are possible to collect and the timing of collection. The latter is dependent on the management's chosen strategy of collection. If management changes its assessment or strategy, the cash flow model is adjusted.

Non-impaired receivables are valued according to the expected credit loss model that IFRS 9 prescribes and which is based on changes in the credit quality since initial recognition.

Response in the audit

We have read the descriptions and assessed the appropriateness of the Group's policies, procedures and key controls related to loss allowances as well as tested these controls on a sample basis to assess the effectiveness of applied procedures.

We have read analysis made of the accuracy of the forecasted cash flows in comparison with actual outcomes of cash flows taking into account cash collected and timing of collections. We have also on a sample basis performed own analysis. When discrepancies were noted, we followed up on how this affected the Group's assessment of future projected cash flows. We have also reviewed and assessed whether these analyses and calibrations were carried out by management at the appropriate level and were appropriately approved.

Collection differences have on a sample basis been verified to payments.

We have, on a sample basis, tested the calculations made in the Group's system used for the accounting of portfolios and of the transfer of data between central systems.

Furthermore, we have considered the circumstances disclosed in the notes to the financial statements and evaluated whether the information provided is sufficiently detailed to understand management's assessments and the key assumptions used.

In view of the large element of complexity and assessments in the cash flow models as well as in the models for non-credit impaired receivables, this represents a key audit matter.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–6, 10–20, 37–39, 50–60 and 164–166. The Board of Directors and the Managing Director are responsible for this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Hoist Finance AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 86–96 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 7–9, 21–36 and 40–49, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Hoist Finance AB (publ) by the general meeting of the shareholders on the 16 May 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Stockholm 27 March 2020
KPMG AB

Anders Bäckström
Authorized Public Accountant

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 are presented below. The financial fact book, available on ir.hoistfinance.com, provides details on the calculation of key figures.

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

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

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

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

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

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

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

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

Gross 120/180-month ERC
"Estimated Remaining Collections" – the company's estimate of the gross amount that can be collected on the acquired 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 120/180 months. The estimate for each loan portfolio is based on the company's extensive experience in processing and collecting over the portfolio's entire economic life.

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

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 year in relation to the year's average Acquired loan portfolios, calculated as the average based on quarterly values during the year.

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

Number of employees (FTEs)
Number of employees at the end of the year 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 assets
Net result for the year as a percentage of average assets during the year.

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

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

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

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

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

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

Shareholder information

Investor relations

Hoist Finance's Investor Relations department is responsible for providing relevant information to – and being available for talks and meetings with – shareholders, investors, analysts and the media.

During the year Hoist Finance conducted a number of international road shows and participated in numerous capital market activities. The company also held regular analyst meetings.

Analysts who continuously monitor Hoist Finance

Citibank	Borja Ramirez
Nordea	Rickard Henze
Pareto Securities	Vegard Toverud
SEB	Ramil Koria

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Financial calendar 2020

Interim reports:

January–March	6 May 2020
January–June	23 July 2020
January–September	30 October 2020

Annual General Meeting

The AGM of the shareholders of Hoist Finance AB (publ) will be held on Thursday 14 May 2020, in Stockholm.

Notification of attendance

Shareholders who wish to attend the AGM must be listed in the shareholders' register maintained by Euroclear Sweden AB by no later than Friday 8 May 2020 and notify the company of their intention to attend no later than Friday 8 May 2020.

The notification must include the shareholder's name, address, phone number, the number of shares held and the number of assistants attending (maximum of two).

The notification should be sent to:
Hoist Finance AB (publ)
Annual General Meeting
Box 7848
SE-103 99 Stockholm, Sweden or
arsstamma@hoistfinance.com

Nominee shareholders wishing to vote at the AGM must temporarily register the shares in their own names in the shareholders' register maintained by Euroclear Sweden AB. Registration should be completed in good time prior to Friday 8 May 2020.

Annual report

Hoist Finance's annual reports and other financial information are available at www.hoistfinance.com

Every case has been taken in the translation of this annual report to English. However, in the event of discrepancies, the Swedish original will supersede the English translation.

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