

Interim report Q2 2020

Hoist Finance is ready to help banks manage their balance sheets, and customers to keep their commitments”

Klaus-Anders Nysteen, CEO

Events during the quarter

- » Total impairment losses related to Covid-19 amounting to SEK -238m.
- » Improving trend in collections since April, and well positioned for second half of 2020.
- » Strong execution on strategic projects with significant IT investments and closing of third party collection in the UK.
- » Establishment of a new Digital Collections business line.
- » Henrik Käll elected as a new board member at the Annual General Meeting.

Subsequent events

- » Affirmed investment grade rating Baa3 from Moody's, with revised outlook to negative

112%

C/I ratio

Target 65%

10.05%

CET1 ratio

-9%

Return on equity

Target > 15%

2%

Portfolio growth over the last 12-month period

Key ratios¹⁾

SEK m	Quarter 2 2020	Quarter 2 2019	Change, %	Jan–Jun 2020	Jan–Jun 2019	Change, %	Full-year 2019
Total operating income	513	797	-36	1,042	1,571	-34	3,038
Profit/loss before tax	-64	230	-128	-125	456	-127	748
Net profit/loss	-73	179	-141	-117	355	-133	605
Basic and diluted earnings per share, SEK	-1.05	1.83	-158	-1.79	3.62	-149	6.07
Net interest income margin, %	12	14	-2 pp	12	14	-2 pp	13
C/I ratio, %	112	71	41 pp	112	71	41 pp	76
Return on equity, %	-9	16	-25 pp	-8	17	-25 pp	13
Portfolio acquisitions	62	1,665	-96	607	2,275	-73	5,952
EBITDA, adjusted	812	1,202	-32	2,116	2,269	-7	4,414

SEK m	30 Jun 2020	31 Dec 2019	Change, %
Acquired loans	22,765	24,513	-7
Gross 180-month ERC	35,642	38,874	-8
Total capital ratio, %	15.64	14.01	1.63 pp
CET1 ratio, %	10.05	9.94	0.11 pp
Liquidity reserve	8,385	8,024	4
Number of employees (FTEs)	1,649	1,575	5

1) See Definitions.

Staying dedicated to our customers and employees

The Covid-19 pandemic seems to have entered into a more stable and slowly improving phase in Europe. Life is slowly returning to normal and economies are starting to pick up. Compared to the financial crisis in 2008 where banks were seen as part of the problem, banks are now instead part of the solution, being the transmission mechanism in providing support to companies and consumers. We can assist banks by managing their balance sheets more effectively, and customers by helping them back to financial inclusion.

The core concept of the debt resolution business is to help customers repay their debts by establishing sustainable payment plans. Cash flow generation is healthy, but the industry is more leveraged than after the 2008 financial crisis. We believe that the winners will be those companies with best access to funding and capital.

The pandemic has created financial stress for individuals and businesses, and we hence expect that the market will continue to grow. We also expect that both sellers and buyers of NPLs will remain disciplined.

Our long-term view of the market is consequently positive. There will be a larger supply of NPLs in our markets, and we expect a healthy competitive situation. Going forward, we will place even more emphasis on our customers, their needs and how we can help them back to financial inclusion. I am proud to promise our customers to be By Your Side and to help them keep their commitments. What we do for our customers every day is important, meaningful and relevant. We have the expertise, experience and the right attitude to deliver. Our strategy to be the digital leader, significantly improve operations and to build on our banking licence is fit for purpose.

Gradual return to normality

In the second quarter, almost everyone in Hoist Finance has been working remotely. All contact centres have remained fully operational, and I am impressed with the flexibility and commitment that our colleagues have shown. In some markets our colleagues have slowly started to return to the offices. Based on input and knowledge gathered during this period of remote working, we see that there are certain benefits of remote working that we will continue to explore.

Collection performance in the second quarter matched previous guidance at around 90 per cent. We are seeing steady improvements in our operations, and with courts opening up, we are slowly returning to business as usual. As seen in previous financial crises, we anticipate that a significant share of the shortfall seen in the second quarter will be recovered over time. The forward-looking impairment related to Covid-19 effects incorporates these collection trends in a prudent way, and sets us on a good path forward.

Digital leader

Our ambition is to be the digital leader in the industry, and this quarter digital collections have continued to increase. 19 per cent of our total collections are now purely digital collections. Based on positive feedback from customers and the potential to increase collections through digital channels, we have decided to establish a new business line, Digital Collections, for which we are in the process of finding a strong and experienced leader. The Digital Collection team will have end-to-end responsibility for our digital channels. Establishing great customer journeys and continuing to develop products, services and functionality requires a holistic leadership where all aspects of the customer experience are considered.

Staying focused

The rate of change in Hoist Finance is high and we have spent another quarter working hard to make sure we are reaching our strategic goals. In digital, our IT outsourcing partnership is now evolving to the next level. After a record fast transition of our IT infrastructure services in the first quarter, we have now progressed into our transformation phase targeting improved stability, scalability and efficiency of our IT systems. Within our traditional collection activities, we have implemented new functionality for so-called skip tracing, which is the process in which we find customers with outdated contact information, improved speech analytics as well



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We will place even more emphasis on our customers, their needs and how we can help them back to financial inclusion.

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as payment optionality. A new rules engine created to determine the best collection strategy in every situation is now live in one market and the rollout will continue to additional markets in the quarters to come.

We are also becoming more effective and efficient by enabling more markets to be served by our recently established nearshoring operations in Romania. The team in Bucharest now consists of ~30 colleagues, and is already servicing portfolios in France and Germany, whereas the ~70 colleagues based in Craiova are supporting Italy. I am pleased to see how quickly we have trained our new colleagues in a true One Hoist spirit, making sure the customer remains our key priority, especially in these challenging times.

In the UK we have decided to close our third party collections business. Based on the market outlook for third party servicing and the current level of profitability, we have decided to focus on our own portfolios. We strongly believe in specialisation and reduced complexity, and this initiative is another important step in becoming more effective and efficient.

Looking ahead

Portfolio investment activity has been limited across the European continent, and with our acquisition levels close to zero, our CET1 ratio is now exceeding 10 per cent. Additionally, we are pleased that Moody's affirmed our investment grade rating. Based on improved collections, a strong balance sheet and ample liquidity we currently anticipate acquisition activity to normalise in the fourth quarter.

I wish you all a great summer with the opportunity to recharge after an intense spring, and I hope that we will be able to meet in person during the autumn.

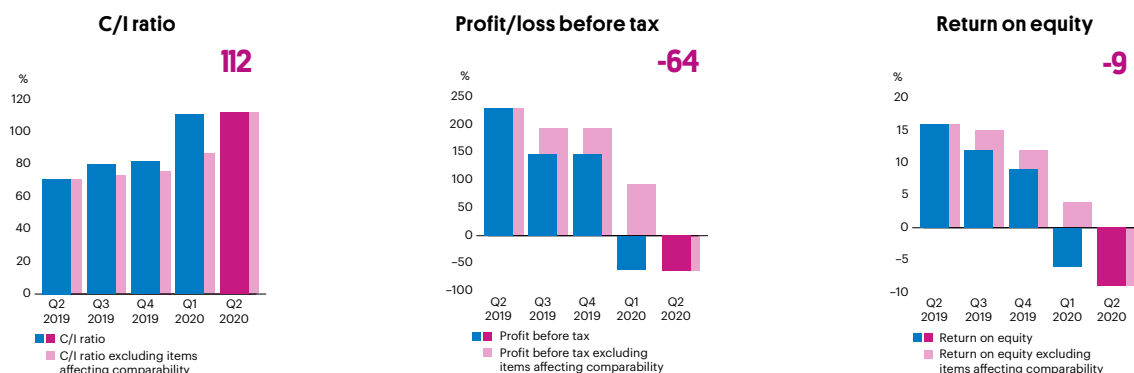
Best Regards,

Klaus-Anders Nysteen
CEO

Developments during second quarter 2020

Unless otherwise indicated, all comparatives for market, financial and operational information refers to second quarter 2019.

Comparables for balance sheet items refer to the closing balance at 31 December 2019.



Operating income

Interest income on acquired loan portfolios decreased during the quarter to SEK 842m (848), driven mainly by the low volume of portfolio acquisitions during the first half of the year. Other interest income totalled SEK 4m (3). Interest expense for the quarter increased to SEK -134m (-105). The increase is attributable to the securitisation of Italian loan portfolios conducted during Q4 2019, and to increased interest expense for deposits from the public following increased deposit volumes in Germany, primarily for deposits of longer duration. Deposits in the Swedish market remain unchanged, although with a shift in volume towards longer durations.

Impairment gains and losses totalled SEK -232m (35) during the quarter and includes realised collections versus forecast in the quarter, as well as forward looking portfolio revaluations. Portfolio revaluations during the quarter totalled SEK -153m (-87), of which SEK -62m pertains to secured portfolios and SEK -91m to unsecured portfolios. Collections against forecast totalled SEK -78m (122) during the quarter, of which SEK 68m pertains to secured portfolios and SEK -146m to unsecured portfolios.

With respect to the secured portfolios, most of the revaluations are attributable to an adjustment of a secured French portfolio for which collections during the quarter were received ahead of forecast. This contributed to the strong collection performance during the quarter, while also reducing expected future cash flow. The net result of revaluations and collections exceeding forecast for the secured portfolios was limited and totalled SEK 6m.

Impairment gains and losses on unsecured portfolios are entirely related to Covid-19 and its impact on realised collections versus forecast as well as revised projections for the future. Realised collections on unsecured portfolios during the quarter correspond to approximately 90 per cent of the projected level. Realised collections are therefore in line with the guidance provided during the first quarter. The forward looking revaluations during the quarter reflects a gradual recovery of collections during the second half of the year, in line with the recovery already observed at the end of the second quarter. Net result from revaluations and collections exceeding forecast for the unsecured portfolios totalled SEK -238m which is an estimate of the overall effect Covid-19 has had on the second quarter results.

Fee and commission income decreased somewhat to SEK 27m (30). Net result from financial transactions totalled SEK 4m (-18) during the quarter. The bonds in the liquidity portfolio had a positive unrealised value increase. Currency effects also contributed to the positive result, while

Hoist Finance's interest rate hedging positions had a negative market value development. The interest rate hedging positions are designed to be neutral over time. Other operating income totalled SEK 2m (5).

Operating expenses

Personnel expenses increased during the quarter to SEK -229 (-220). The increase is mainly attributable to France, where Hoist Finance hired more staff in conjunction with the acquisition of secured loan portfolios conducted in late 2019. The increase in expenses is also related to Hoist Finance's nearshoring investment in Romania, which is expected to lower the Group's personnel expenses in the long term. Collection costs decreased SEK 30m during the quarter to SEK -157m (-187), due mainly to the impact Covid-19 has had on opportunities to pursue legal claims in court.

Administrative expenses increased during the quarter to SEK -170m (-131). The cost increase is primarily related to IT outsourcing and the Group-wide digitalisation initiative. Change initiatives are expected to reduce collection and personnel cost levels over time.

Depreciation and amortisation of tangible and intangible assets totalled SEK -38m (-33). The increase is related to the write-down of an IT project of SEK -6m.

Profit/loss for the period

Share of profit from joint ventures totalled SEK 17m (4). The comparative quarter was impacted by the negative write-down of a number of loan portfolios in the Polish joint venture.

Income tax expense totalled SEK -9m (-50). The effective tax rate was affected by non-deductible interest expenses for Tier 2 capital included in own funds, and by non-deductible expenses for fair value hedges of shares in subsidiaries. SEK -5m pertains to adjustments attributable to previous years.

Net profit/loss totalled SEK -73m (179).

Balance sheet

Total assets decreased SEK 1,613m as compared with 31 December 2019 and totalled SEK 32,774m (34,387). The change is primarily attributable to a decrease of SEK –1,731m in acquired loan portfolios, a result of low acquisition volumes as well as exchange rate effects.

Cash and interest-bearing securities increased SEK 200m, while other assets decreased SEK –82m.

SEK m	30 Jun 2020	31 Dec 2019	Change, %
Cash and interest-bearing securities	8,773	8,573	2
Acquired loan portfolios	22,572	24,303	–7
Other assets ¹⁾	1,429	1,511	–5
Total assets	32,774	34,387	–5
Deposits from the public	19,880	21,435	–7
Issued securities	5,579	5,900	–5
Subordinated debt	840	852	–1
Total interest-bearing liabilities	26,299	28,187	–7
Other liabilities ¹⁾	1,359	1,302	4
Equity	5,116	4,898	4
Total liabilities and equity	32,774	34,387	–5

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

Total interest-bearing debt amounted to SEK 26,299m (28,187). The change is mainly attributable to deposits from the public, which decreased SEK 1,555m. 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 11,561m (12,243), of which SEK 5,985m (6,400) is attributable to fixed term deposits of one-, two- and three-year durations. In Germany, deposits to retail customers are offered under the Hoist Finance name. At 30 June 2020, deposits from the public in Germany were SEK 8,319m (9,192), of which SEK 7,303m (6,163) is attributable to fixed term deposits of one- to five-year durations.

At 30 June 2020, the outstanding bond debt totalled SEK 6,419m (6,752), of which SEK 5,579m (5,900) was comprised of issued securities. The change in issued securities is mainly attributable to the expiration of commercial paper previously issued by Hoist Finance. Commercial paper totalled SEK 313m at 31 December 2019. Currency effects and accrued interest also contributed to the reduction in outstanding bond debt. Other liabilities increased SEK 57m to SEK 1,359m (1,302).

Equity totalled SEK 5,116m (4,989). The increase is due to a Tier 1 capital contribution during the first quarter, which was offset by net profit for the period.

Cash flow

SEK m	Quarter 2 2020	Quarter 2 2019	Full-year 2019
Cash flow from operating activities	1,269	1,342	3,117
Cash flow from investing activities	227	–1,169	–5,098
Cash flow from financing activities	–2,143	26	3,923
Cash flow for the period	–647	199	1,942

Cash flow from operating activities totalled SEK 1,269m (1,342). Amortisation of acquired loan portfolios decreased during the quarter and totalled SEK 591m (791), with the decrease attributable to reduced expectations on collections and interest income as well as low portfolio growth during 2020 due to Covid-19. Cash flow from other assets and liabilities amounted to SEK 409m (312), the majority of which pertains to realised cash flows for FX hedging.

Cash flow from investing activities totalled SEK 227m (–1,169). Portfolio acquisition activity was low during the quarter due to Covid-19, totalling SEK –62m (–1,665). Hoist Finance sold bonds and other securities during the quarter for a net total of SEK 296m (509). Other cash flow within investing activities totalled SEK –7m (–13).

Cash flow from financing activities totalled SEK –2,143m (26). There is less need for funding due to Covid-19, and Hoist Finance has elected to lower the interest rate on deposits for most products. This resulted in desired outflows during the quarter. Net cash flow from deposits from the public totalled SEK –1,884m (166) during the quarter. Buy-back and repayment of issued securities during the quarter totalled –222m and pertains to commercial paper maturity and to bond repayments in securitisation company Marathon SPV S.r.l. Other cash flow from financing activities pertains to interest paid on additional Tier 1 capital instruments and to amortisation of lease liability.

Total cash flow for the period amounted to SEK –647m, as compared with SEK 199m for second quarter 2019.

Risks and uncertainties

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

Development of risks

Credit risk for Hoist Finance's loan portfolios is regularly monitored to assess ways in which the challenging situation caused by Covid-19 is impacting the portfolios' valuation. The value of several loan portfolios was written down during the second quarter due to lower collection rates in the wake of Covid-19. Factors impacting Hoist Finance include courts' inability to manage cases at normal capacity and temporary limitations on collection activities in some countries justified by the economic situation. Due to uncertainty concerning the duration of the current situation, there is still an increased risk that additional write-downs of loan portfolios will be made in coming quarters. In order to diversify the existing stock of assets in a positive way from a risk perspective, Hoist Finance will continue to assess new opportunities to acquire portfolios of non-performing secured loans as well as portfolios of performing loans.

Credit risk in the liquidity portfolio remains low, as investments are made in government, municipal and covered bonds of high credit quality. Credit spreads increased during the first quarter, contributing to losses in the liquidity portfolio. Credit spreads in bonds held by Hoist Finance stabilised during the second quarter and the risk returned to more normal levels.

Hoist Finance has an internal framework which serves as the foundation for follow-up and oversight of the Group's operational risks. The Group is committed to continuously improving the quality of its internal procedures to minimise operational risks. A significant number of Hoist Finance employees worked remotely during the quarter. This is not deemed to have any material impact on operational risks. The level of operational risks is therefore deemed to be unchanged from the previous quarter.

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

Liquidity risk was low during the quarter. Hoist Finance's liquidity reserve exceeds Group targets by a healthy margin.

In parallel with its work to develop capital market instruments for risk transfer to external counterparties, Hoist Finance is pursuing its application for a permit to apply an internal ratings-based (IRB) approach to calculate risk-weighted assets with regard to credit risk.

Other disclosures

Parent Company

Net interest income for the Parent Company totalled SEK 310m (363) during the second quarter. The decrease is mainly attributable to reduced interest income from intra-group loans, resulting from external financing of Italian loan portfolios through the securitisation conducted last year. Interest expense increased SEK –14m due mainly to greater deposit volumes in the German market.

Net operating income totalled SEK 373m (410). Net result from financial transactions amounted to SEK –25m (–1) and was mainly attributable to exchange rate fluctuations for assets and liabilities in foreign currencies. Other operating income totalled SEK 87m (48) and is mainly attributable to management fees invoiced to subsidiaries.

Operating expenses totalled SEK –337m (–294). Personnel expenses increased SEK –7m with the increase attributable to France, where Hoist Finance has hired more staff. The increase in other administrative expenses is primarily related to costs for IT outsourcing and to collection activities in France. Profit before credit losses totalled SEK 36m (116).

Impairment losses of SEK –54m (6) are attributable to the difference between actual and projected collections, to portfolio revaluations and to loss allowances for performing loans. Share of profit from joint ventures totalled SEK 18m (13).

Net loss for the period totalled SEK –21m (111) and the tax expense totalled SEK –21m (–24). The effective tax rate was negatively affected by non-deductible interest expenses for Tier 2 capital included in own funds, and by non-deductible expenses for fair value hedges of shares in subsidiaries. SEK –6m is attributable to tax pertaining to previous years.

Related-party transactions

The nature and scope of related-party transactions remain unchanged from 31 December 2019 and are described in the Annual Report.

Group structure

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

Hoist Finance AB (publ) is a credit market company under the supervision of the Swedish FSA. The operating Parent Company, including its subgroup, acquires and holds loan portfolios, which are managed by the Group's subsidiaries or foreign branch offices. These units also provide commission-based administration services to third parties.

The remaining 80 per cent of the Romanian company Maran CSRO S.r.l was acquired during the first quarter, as part of the establishment of a nearshoring office in Romania. The company is fully consolidated in the consolidated financial statements. The acquisition price totalled SEK 7m.

For a more detailed description of the Group's legal structure, please refer to the 2019 Annual Report.

The share and shareholders

The number of shares totalled 89,303,000 at 30 June 2020, unchanged from 31 December 2019.

The share price closed at SEK 24.90 on 30 June 2020. A breakdown of the ownership structure is presented in the table below. As at 30 June 2020 the Company had 8,108 shareholders, compared with 7,429 at 31 December 2019.

Ten largest shareholders, 30 June 2020	Share of capital and votes, %
Erik Selin Fastigheter AB	14.0
Swedbank Robur Funds	9.1
Avanza Pension	7.6
Per Arwidsson privately and through companies	6.8
C WorldWide Asset Management	4.4
Carve Capital AB	3.4
Confederation of Swedish Enterprise	3.4
Dimensional Fund Advisors	3.0
Jörgen Olsson privately and through companies	2.9
Per Josefsson privately and through companies	2.2
Ten largest shareholders	56.8
Other shareholders	43.2
Total	100.0

Source: Modular Finance AB per 30 June 2020; ownership statistics from Holdings, Euroclear Sweden AB; and changes confirmed and/or registered by the Company.

Review

This interim report has been reviewed by the Company's auditors.

Subsequent events

Affirmed investment grade rating Baa3 from Moody's, with revised outlook to negative.

Quarterly review

SEK million	Quarter 2 2020	Quarter 1 2020	Quarter 4 2019	Quarter 3 2019	Quarter 2 2019
Interest income acquired loan portfolios	842	892	865	836	848
Other interest income	4	1	-3	-2	3
Interest expense	-134	-164	-149	-138	-105
Net interest income	712	729	713	696	746
Impairment gains and losses	-232	-178	22	12	35
Fee and commission income	27	26	30	29	30
Net result from financial transactions	4	-53	1	-45	-18
Derecognition gains and losses	0	-1	-3	-2	-1
Other operating income	2	6	5	8	5
Total operating income	513	529	768	698	797
General and administrative expenses					
Personnel expenses	-229	-219	-211	-236	-220
Collection costs	-157	-205	-231	-178	-187
Other administrative expenses	-170	-153	-180	-123	-131
Depreciation and amortisation of tangible and intangible assets	-38	-30	-29	-31	-33
Total operating expenses	-594	-607	-651	-568	-571
Net operating profit/loss	-81	-78	117	130	226
Share of profit from joint ventures	17	17	30	16	4
Profit/loss before tax	-64	-61	147	146	230
Income tax expense	-9	17	-36	-6	-51
Net profit/loss for the period	-73	-44	111	140	179

Key ratios¹⁾

SEK m	Quarter 2 2020	Quarter 1 2020	Quarter 4 2019	Quarter 3 2019	Quarter 2 2019
Profit/loss before tax	-64	-61	147	146	230
Items affecting comparability	-	153	47	47	-
Profit/loss before tax adjusted for items affecting comparability	-64	92	194	193	230
Net interest income margin, %	12	12	12	13	14
C/I ratio, %	112	111	82	80	71
C/I ratio adjusted for items affecting comparability, %	112	87	76	73	71
Return on equity, %	-9	-6	9	12	16
Return on equity adjusted for items affecting comparability, %	-9	4	12	15	16
Portfolio acquisitions	62	545	2,988	689	1,665
EBITDA adjusted ²⁾	812	1,304	1,116	1,029	1,202

SEK m	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019
Acquired loans	22,765	24,906	24,513	22,604	22,313
Gross 180-month ERC	35,642	39,305	38,874	36,595	35,966
Total capital ratio, %	15.64	14.83	14.01	14.87	14.12
CET1 ratio, %	10.05	9.52	9.94	10.29	9.91
Liquidity reserve	8,385	9,437	8,024	12,671	7,670
Number of employees (FTEs)	1,649	1,655	1,575	1,544	1,557

1) See Definitions.

2) As of 2020 we will present this key ratio on a quarterly basis.

The financial fact book, available on hoistfinance.com/investors/financial-information/, provides details on items affecting comparability for comparative periods.

Financial statements

Consolidated income statement

SEK m	Note	Quarter 2 2020	Quarter 2 2019	Jan–Jun 2020	Jan–Jun 2019	Full-year 2019
Interest income acquired loan portfolios ¹⁾		842	848	1,734	1,658	3,359
Other interest income ²⁾		4	3	5	3	–2
Interest expense		–134	–105	–298	–209	–494
Net interest income		712	746	1,441	1,452	2,863
Impairment gains and losses		–232	35	–410	86	120
Fee and commission income		27	30	53	62	121
Net result from financial transactions		4	–18	–49	–34	–79
Derecognition gains and losses		0	–1	–1	–4	–9
Other operating income		2	5	8	9	22
Total operating income	3	513	797	1,042	1,571	3,038
General and administrative expenses						
Personnel expenses		–229	–220	–448	–428	–875
Collection costs		–157	–187	–362	–377	–787
Other administrative expenses		–170	–131	–323	–265	–568
Depreciation and amortisation of tangible and intangible assets		–38	–33	–68	–62	–122
Total operating expenses	3	–594	–571	–1,201	–1,132	–2,352
Net operating profit/loss		–81	226	–159	439	686
Share of profit from joint ventures		17	4	34	17	62
Profit/loss before tax	3	–64	230	–125	456	748
Income tax expense		–9	–51	8	–101	–143
Net profit/loss		–73	179	–117	355	605
Profit/loss attributable to:						
Owners of Hoist Finance AB (publ)		–94	163	–159	323	542
Additional Tier 1 capital holders		21	16	42	32	63
Basic and diluted earnings per share SEK		–1.05	1.83	–1.79	3.62	6.07

1) Interest income from acquired loan portfolios are in total calculated using the effective interest method for all viewed periods.

2) Of which interest income calculated using the effective interest method amounted to SEK 0,6m (1.6) during quarter 2, SEK 1.6m (2.3) during Jan–Jun and SEK 5.5m during full-year.

Consolidated statement of comprehensive income

SEK m	Quarter 2 2020	Quarter 2 2019	Jan–Jun 2020	Jan–Jun 2019	Full-year 2019
Net profit/loss for the period	–73	179	–117	355	605
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss					
Revaluation of defined benefit pension plan	–	–	–	–	–3
Revaluation of remuneration after terminated	0	–	1	–	–1
Tax attributable to items that will not be reclassified to profit or loss	–	–	–	–	1
Total items that will not be reclassified to profit or loss	0	–	1	–	–3
Items that may be reclassified subsequently to profit or loss					
Translation difference, foreign operations	–54	4	–47	29	32
Translation difference, joint ventures	–7	4	–9	5	–1
Hedging of currency risk in foreign operations	14	–15	2	–46	–114
Hedging of currency risk in joint ventures	5	–5	4	–9	–8
Transferred to the income statement during the year	2	2	3	4	9
Tax attributable to items that may be reclassified to profit or loss	–4	4	–1	12	26
Total items that may be reclassified subsequently to profit or loss	–44	–6	–48	–4	–56
Other comprehensive income for the period	–44	–6	–47	–4	–59
Total comprehensive income for the period	–117	173	–164	351	546
Profit/loss attributable to:					
Owners of Hoist Finance AB (publ)	–138	157	–206	319	484
Additional Tier 1 capital holders	21	16	42	32	63

Consolidated balance sheet

SEK m	Note	30 Jun 2020	31 Dec 2019	30 Jun 2019
ASSETS				
Cash		0	0	0
Treasury bills and Treasury bonds	5	2,420	2,729	2,282
Lending to credit institutions	5	2,485	3,075	2,332
Lending to the public	5	8	10	13
Acquired loan portfolios	3,4	22,572	24,303	22,093
Bonds and other securities	5	3,868	2,769	3,134
Shares and participations in joint ventures		185	201	208
Intangible assets		372	382	376
Tangible assets		291	269	291
Other assets		321	511	336
Deferred tax assets		97	32	30
Prepayments and accrued income		155	106	83
Total assets		32,774	34,387	31,178
LIABILITIES AND EQUITY				
Liabilities				
Deposits from the public	5	19,880	21,435	18,635
Tax liabilities		136	86	137
Other liabilities		793	823	744
Deferred tax liabilities		144	150	198
Accrued expenses and deferred income		214	154	223
Provisions		72	89	61
Debt securities issued	5	5,579	5,900	5,598
Subordinated debts		840	852	846
Total liabilities		27,658	29,489	26,442
Equity				
Additional Tier 1 capital holders		1,106	690	690
Share capital		30	30	30
Other contributed equity		1,883	1,883	1,883
Reserves		-306	-258	-206
Retained earnings including profit/loss for the period		2,403	2,553	2,339
Non-controlling interest		-	0	-
Total equity		5,116	4,898	4,736
Total liabilities and equity		32,774	34,387	31,178

Consolidated statement of changes in equity

SEK m	Additional Tier 1 capital holders	Share capital	Other contributed equity	Reserves	Retained earnings including profit/loss for the period	Total equity
Opening balance 1 Jan 2020	690	30	1,883	-258	2,553	4,898
Comprehensive income for the period						
Loss for the period					-117	-117
Other comprehensive income				-48	1	-47
Total comprehensive income for the period				-48	-116	-164
Transactions reported directly in equity						
Additional Tier 1 capital instrument	414 ¹⁾					414
Interest paid on capital contribution					-27	-27
Share-based payments					1 ²⁾	1
Acquisition agreement for treasury shares					-8 ³⁾	-8
Tax effect on items reported directly in equity	2					2
Total transactions reported directly in equity	416				-34	382
Closing balance 30 Jun 2020	1,106	30	1,883	-306	2,403	5,116

1) Nominal amount of SEK 423m was reduced by transaction costs of SEK 9m.

2) For more information on Share-based payment, see Hoist Finance Annual report 2019.

3) To secure the delivery of treasury shares in the LTIP program.

SEK m	Additional Tier 1 capital holders	Share capital	Other contributed capital	Reserves	Retained earnings including profit/loss for the period	Non-controlling interest	Total equity
Opening balance 1 Jan 2019	690	30	1,883	-202	2,012		4,413
Comprehensive income for the period							
Profit for the period					605		605
Other comprehensive income				-56	-3		-59
Total comprehensive income for the period				-56	602		546
Transactions reported directly in equity							
Interest paid on capital contribution					-62		-62
Share-based payments					1		1
Change in non-controlling interests ¹⁾						0	0
Total transactions reported directly in equity					-61	0	-61
Closing balance 31 Dec 2019	690	30	1,883	-258	2,553	0	4,898

1) Attributable to securitisation of Italian loan portfolios. Pinzolo SPV S.r.l is liquidated.

SEK m	Additional Tier 1 capital holders	Share capital	Other contributed capital	Reserves	Retained earnings including profit/loss for the period	Total equity
Opening balance 1 Jan 2019	690	30	1,883	-202	2,012	4,413
Comprehensive income for the period						
Profit for the period					355	355
Other comprehensive income				-4		-4
Total comprehensive income for the period				-4	355	351
Transactions reported directly in equity						
Interest paid on capital contribution					-28	-28
Total transaction reported directly in equity					-28	-28
Closing balance 30 Jun 2019	690	30	1,883	-206	2,339	4,736

Consolidated cash flow statement summary

SEK m	Quarter 2 2020	Quarter 2 2019	Jan–Jun 2020	Jan–Jun 2019	Full-year 2019
Profit/loss before tax	–64	230	–125	456	748
– of which, paid-in interest	848	853	1,741	1,668	3,365
– of which, interest paid	–165	–88	–246	–141	–374
Adjustment for other items not included in cash flow	282	35	533	110	142
Realised result from divestment of shares and participations in joint ventures	–16	–14	–30	–29	–60
Income tax paid/received	67	–12	–5	–26	–124
Total	269	239	373	511	706
Amortisations on acquired loan portfolios	591	791	1,507	1,522	3,040
Increase/decrease in other assets and liabilities	409	312	611	–225	–629
Cash flow from operating activities	1,269	1,342	2,491	1,808	3,117
Acquired loan portfolios	–62	–1,665	–607	–2,275	–5,952
Investments in/divestments of bonds and other securities	296	509	–1,104	509	866
Other cash flows from investing activities	–7	–13	–20	–6	–12
Cash flow from investing activities	227	–1,169	–1,731	–1,772	–5,098
Deposits from the public	–1,884	166	–1,666	1,305	4,204
Debt securities issued	–	210	–	626	3,450
Repurchase and repayment of Debt securities issued	–222	–314	–380	–1,181	–3,629
Additional Tier 1 capital	–	–	414	–	–
Other cash flows from financing activities	–37	–36	–55	–45	–102
Cash flow from financing activities	–2,143	26	–1,687	705	3,923
Cash flow for the period	–647	199	–927	741	1,942
Cash at beginning of the period	5,701	4,411	5,804	3,841	3,840
Translation difference	–149	4	28	32	22
Cash at end of the period¹⁾	4,905	4,614	4,905	4,614	5,804

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

Parent Company income statement

SEK m	Quarter 2 2020	Quarter 2 2019	Jan–Jun 2020	Jan–Jun 2019	Full-year 2019
Interest income	428	467	879	920	1,813
Interest expense	–118	–104	–265	–207	–458
Net interest income	310	363	614	713	1,355
Dividends received	–	–	–	–	10
Fee and commission income	1	1	2	3	5
Net result from financial transactions	–25	–1	–96	–44	–147
Derecognition gains and losses	0	–1	–1	–4	–8
Other operating income	87	48	158	118	232
Total operating income	373	410	677	786	1,447
Personnel expenses	–102	–95	–196	–190	–393
Other administrative expenses	–216	–186	–413	–345	–767
Depreciation and amortisation of tangible and intangible assets	–19	–13	–31	–25	–49
Total operating expenses	–337	–294	–640	–560	–1,209
Profit before credit losses	36	116	37	226	238
Impairment gains and losses	–54	6	–72	36	56
Amortisation of financial fixed assets	–	–	–	–	–
Share of profit from joint ventures	18	13	36	28	71
Net operating profit/loss	0	135	1	290	365
Appropriations	–	–	–	–	–47
Taxes	–21	–24	–29	–58	–121
Net profit/loss	–21	111	–28	232	197

Parent company statement of comprehensive income

SEK m	Quarter 2 2020	Quarter 2 2019	Jan–Jun 2020	Jan–Jun 2019	Full-year 2019
Net profit/loss	–21	111	–28	232	197
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss					
Translation difference, foreign operations	0	0	0	0	0
Total items that may be reclassified subsequently to profit or loss	0	0	0	0	0
Other comprehensive income for the period	0	0	0	0	0
Total comprehensive income for the period	–21	111	–28	232	197
Profit/loss attributable to:					
Owners of Hoist Finance AB (publ)	–42	95	–70	200	134
Additional Tier 1 capital holders	21	16	42	32	63

Parent Company balance sheet

SEK m	30 Jun 2020	31 Dec 2019	30 Jun 2019
ASSETS			
Cash	0	0	0
Treasury bills and Treasury bonds	2,420	2,729	2,282
Lending to credit institutions	1,685	1,455	1,251
Lending to the public	8	13	16
Acquired loan portfolios	6,948	7,394	5,563
Receivables, Group companies	15,666	17,432	16,808
Bonds and other securities	3,868	2,769	3,134
Shares and participations in subsidiaries	760	807	778
Shares and participations in joint ventures	14	16	19
Intangible assets	186	186	173
Tangible assets	29	29	31
Other assets	204	290	227
Deferred tax assets	2	2	0
Prepayments and accrued income	58	55	45
Total assets	31,848	33,177	30,327
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	19,880	21,435	18,635
Tax liabilities	77	33	86
Other liabilities	1,040	912	619
Deferred tax liabilities	2	2	4
Accrued expenses and deferred income	66	60	93
Provisions	43	53	36
Debt securities issued	5,149	5,431	5,598
Subordinated debts	840	852	846
Total liabilities and provisions	27,097	28,778	25,917
Untaxed reserves	268	268	221
Equity			
Restricted equity			
Share capital	30	30	30
Statutory reserve	13	13	13
Revaluation reserve	74	74	66
Development expenditure fund	4	5	6
Total restricted equity	121	122	115
Non-restricted equity			
Additional Tier 1 capital holders	1,106	690	690
Share premium	1,883	1,883	1,883
Reserves	3	3	3
Retained earnings	1,398	1,236	1,266
Profit/loss for the period	-28	197	232
Total unrestricted equity	4,362	4,009	4,074
Total equity	4,483	4,131	4,189
Total liabilities and equity	31,848	33,177	30,327

Notes to the financial statements

Note 1 Accounting principles

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

The Parent Company Hoist Finance AB (publ) prepares its interim reports in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulatory code issued by the Swedish Financial Supervisory Authority on Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25), including applicable amendments. The Swedish Financial Board's RFR 2, Accounting for Legal Entities, is also applied.

Change in accounting principles 2020

As from 1 January 2020 the amendments to IAS 39, IFRS 9 and IFRS 7 came into effect, which were made due to uncertainty arising from the ongoing interest rate benchmark reform (IBOR reform).

The amendments that are made and planned to be carried out have no effect on Hoist Finance's accounting principles as the risks that Hoist Finance elects to apply hedge accounting for do not include interest rate exposed cash flows.

Other IFRS amendments

No other IFRS or IFRIC Interpretations that came into effect in 2020 had any significant impact on the Group's financial reports or capital adequacy.

As regards equity in the balance sheet, we have accounted separately for additional Tier 1 capital and have moved shareholders' contributions from other contributed capital to retained earnings in order to improve transparency. Comparative figures have been adjusted.

In all other material respects, the Group's and Parent Company's accounting principles, bases for calculation and presentation remain unchanged from those applied in the 2019 annual report.

Critical estimates and assumptions

Hoist Finance continuously monitors the development of the Group's loan portfolios and markets and the ways in which these are impacted by Covid-19. In terms of performing loans, Hoist Finance has not found any reason to adjust our model assumptions due to Covid-19.

In terms of credit-impaired loans, new assumptions have been made based on lower expected collection performance during the next few quarters. This decrease is expected to be recovered in part through increased collections in later quarters, and to some degree constitute a permanent loss.

See Developments during second quarter and Note 3 "Segment reporting" for more information.

There have been no other changes to the previous estimates, assumptions and assessments presented in the 2019 Annual Report.

Note 2 Exchange rates

	Quarter 2 2020	Quarter 2 2019	Full-year 2019
1 EUR = SEK			
Income statement (average)	10.6563	10.5167	10.585
Balance sheet (at end of the period)	10.4804	10.5581	10.4336
1 GBP = SEK			
Income statement (average)	12.1978	12.0426	12.0706
Balance sheet (at end of the period)	11.4693	11.7546	12.2145
1 PLN = SEK			
Income statement (average)	2.4163	2.45	2.4628
Balance sheet (at end of the period)	2.3493	2.4836	2.4445
1 RON=SEK			
Income statement (average)	2.2121		2.2305
Balance sheet (at end of the period)	2.1655		2.1814

Note 3 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 Functions. This Central Functions item pertains to the net income for intra-group financial transactions.

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

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

Income statement, Quarter 2, 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	67	144	68	75	60	50	50	-1	513
<i>of which, internal funding costs</i>	-54	-38	-15	-40	-11	-16	174	-	0
<i>of which, impairment gains and losses, Covid-19</i>	-83	-43	-12	-11	-23	-66	-	-	-238
Total operating expenses	-76	-113	-54	-44	-41	-67	-199	0	-594
Share of profit from joint ventures	-	-	-	-	-	4	13	-	17
Profit before tax	-9	31	14	31	19	-13	-136	-1	-64

Income statement, Quarter 2, 2019

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	158	225	83	124	22	125	63	-3	797
<i>of which, internal funding costs</i>	-59	-39	-16	-43	-6	-18	181	-	0
Total operating expenses	-88	-129	-53	-46	-33	-67	-157	2	-571
Share of profit from joint ventures	-	-	-	-	-	0	4	-	4
Profit before tax	70	96	30	78	-11	58	-90	-1	230

Income statement, Jan–Jun, 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	215	348	158	169	124	11	20	-3	1,042
<i>of which, internal funding costs</i>	-112	-76	-30	-83	-23	-32	356	-	0
Total operating expenses	-169	-236	-110	-94	-87	-147	-358	-	-1,201
Share of profit from joint ventures	-	-	-	-	-	8	26	-	34
Profit before tax	46	112	48	75	37	-128	-312	-3	-125

Income statement, Jan–Jun, 2019

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	296	455	171	206	53	282	112	-4	1,571
<i>of which, internal funding costs</i>	-116	-78	-32	-76	-13	-36	351	-	0
Total operating expenses	-193	-254	-109	-83	-67	-135	-295	4	-1,132
Share of profit from joint ventures	-	-	-	-	-	-1	18	-	17
Profit before tax	103	201	62	123	-14	146	-165	0	456

Note **3** Segment reporting, cont.**Income statement, Full-year, 2019**

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	590	931	350	446	125	469	153¹⁾	-26	3,038
<i>of which, internal funding costs</i>	-233	-156	-63	-161	-28	-71	712	-	0
Total operating expenses	-375	-506	-221	-192	-162	-281	-631	16	-2,352
Share of profit from joint ventures	-	-	-	-	-	9	53	-	62
Profit before tax	215	425	129	254	-37	197	-425	-10	748

1) Dividend from subsidiaries SEK 10m.

Acquired loans, 30 Jun 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Group
Run-off consumer loan portfolio	-	-	8	-	-	-	-	8
Acquired loan portfolios	5,489	6,056	2,124	3,618	2,659	2,626	0	22,572
Shares and participations in joint ventures ¹⁾	-	-	-	-	-	1	184	185
Acquired loans	5,489	6,056	2,132	3,618	2,659	2,627	184	22,765

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.

Acquired loans, 31 Dec 2019

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

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.

Acquired loans, 30 Jun 2019

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Group
Run-off consumer loan portfolio	-	-	13	-	-	-	-	13
Acquired loan portfolios	5,998	6,130	2,232	3,744	988	3,001	-	22,093
Shares and participations in joint ventures ¹⁾	-	2	-	-	-	-	205	207
Acquired loans	5,998	6,132	2,245	3,744	988	3,001	205	22,313

Note 4 Acquired loan portfolios

SEK m	GROUP			PARENT COMPANY		
	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
Gross carrying amount	22,633	23,921	21,738	6,892	7,267	5,464
Loss allowance	-61	382	355	56	127	99
Net carrying amount	22,572	24,303	22,093	6,948	7,394	5,563

Acquired credit-impaired loan portfolios, 30 Jun 2020

SEK m	GROUP			PARENT COMPANY		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Opening balance 1 Jan 2020	23,009	387	23,396	6,922	130	7,052
Acquisitions	607	-	607	157	-	157
Interest income	1,698	-	1,698	529	-	529
Gross collections	-3,162	-	-3,162	-1,059	-	-1,059
Impairment gains and losses	-	-409	-409	-	-72	-72
Disposals	41	-41	0	-	-	-
Translation differences	-392	8	-384	35	1	36
Closing balance 30 Jun 2020	21,801	-55	21,746	6,587	59	6,646

Acquired credit-impaired loan portfolios, 31 Dec 2019

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

Note 4 Acquired loan portfolios

Acquired credit-impaired loan portfolios, 30 Jun 2019

SEK m	GROUP			PARENT COMPANY		
	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	2,275	–	2,275	293	–	293
Interest income	1,611	–	1,611	458	–	458
Gross collections	–3,060	–	–3,060	–930	–	–930
Impairment gains and losses	–	87	87	–	36	36
Translation differences	607	10	617	142	2	144
Closing balance 30 Jun 2019	20,767	359	21,126	5,096	101	5,197

Acquired performing loan portfolios, 30 Jun 2020

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 2020	912	–1	0	–4	–5	907
Interest income	35	–	–	–	–	35
Amortisations and interest payments	–78	–	–	–	–	–78
Changes in risk parameters	–	0	0	0	0	0
Derecognitions	–1	–	–	–	–	–1
Translation differences	–36	0	0	0	0	–36
Closing balance 30 Jun 2020	832	–1	0	–4	–5	827

Acquired performing loan portfolios, 31 Dec 2019

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 2019	1,012	–2	0	–1	–3	1,009
Interest income	88	–	–	–	–	88
Amortisations and interest payments	–220	–	–	–	–	–220
Changes in risk parameters	–	1	0	–3	–2	–2
Derecognitions	–9	–	–	–	–	–9
Translation differences	41	0	0	0	0	41
Closing balance 31 Dec 2019	912	–1	0	–4	–5	907

Note 4 Acquired loan portfolios, cont.

Acquired performing loan portfolios, 30 Jun 2019

GROUP

SEK m	Gross carrying amount	Stage 1 12M ECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2019	1,012	-2	0	-1	-3	1,009
Interest income	47	-	-	-	0	47
Amortisations and interest payments	-120	-	-	-	0	-120
Changes in risk parameters	-	0	0	-1	-1	-1
Derecognitions	-5	-	-	-	-	-5
Translation differences	37	0	0	0	0	37
Closing balance 30 Jun 2019	971	-2	0	-2	-4	967

Acquired performing loan portfolios, 30 Jun 2020

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 2020	345	0	0	-3	-3	342
Interest income	11	-	-	-	-	11
Amortisations and interest payments	-30	-	-	-	-	-30
Changes in risk parameters	-	0	0	-	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	-20	0	0	-	0	-20
Closing balance 30 Jun 2020	305	0	0	-3	-3	302

Acquired performing loan portfolios, 31 Dec 2019

PARENT COMPANY

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

Acquired performing loan portfolios, 30 Jun 2019

PARENT COMPANY

SEK m	Gross carrying amount	Stage 1 12M ECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2019	399	-1	0	-1	-2	397
Interest income	18	-	-	-	-	18
Amortisations and interest payments	-60	-	-	-	-	-60
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	-4	-	-	-	-	-4
Translation differences	15	0	0	0	0	15
Closing balance 30 Jun 2019	368	-1	0	-1	-2	366

Note 5 Financial instruments

Carrying amount and fair value of financial instruments

GROUP, 30 JUN 2020

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Held for trading	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	2,420	–	–	2,420	2,420
Lending to credit institutions	–	–	–	2,485	2,485	2,485
Lending to the public	–	–	–	8	8	8
Acquired loan portfolios	–	–	–	22,572	22,572	23,628
Bonds and other securities	–	3,868	–	–	3,868	3,868
Derivatives	2	–	60 ¹⁾	–	62	62
Other financial assets	–	–	–	235	235	235
Total	2	6,288	60	25,300	31,650	32,706
Deposits from the public	–	–	–	19,880	19,880	19,880
Derivatives	45	–	7 ¹⁾	–	52	52
Debt securities issued	–	–	–	5,579	5,579	5,639
Subordinated debt	–	–	–	840	840	703
Other financial debts	–	–	–	929	929	929
Total	45	–	7	27,228	27,280	27,203

1) Derivatives recognised as hedging instruments is valued at fair value through other comprehensive income.

Carrying amount and fair value of financial instruments

GROUP, 31 DEC 2019

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Held for trading	Mandatorily				
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 ¹⁾	–	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 ¹⁾	–	35	35
Debt securities issued	–	–	–	5,900	5,900	6,209
Subordinated debt	–	–	–	852	852	840
Other financial debts	–	–	–	896	896	896
Total	29	–	6	29,083	29,118	29,415

1) Derivatives recognised as hedging instruments is valued at fair value through other comprehensive income.

Note **5** Financial instruments, cont.

Carrying amount and fair value of financial instruments

GROUP, 30 JUN 2019

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Held for trading	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	2,282	–	–	2,282	2,282
Lending to credit institutions	–	–	–	2,332	2,332	2,332
Lending to the public	–	–	–	13	13	13
Acquired loan portfolios	–	–	–	22,093	22,093	23,821
Bonds and other securities	–	3,134	–	–	3,134	3,134
Derivatives	0	–	3 ¹⁾	–	3	3
Other financial assets	–	–	–	281	281	281
Total	0	5,416	3	24,719	30,138	31,866
Deposits from the public	–	–	–	18,635	18,635	18,635
Derivatives	4	–	18 ¹⁾	–	22	22
Debt securities issued	–	–	–	5,598	5,598	5,749
Subordinated debt	–	–	–	846	846	813
Other financial debts	–	–	–	918	918	918
Total	4	–	18	25,997	26,019	26,137

1) Derivatives recognised as hedging instruments is valued at fair value through other comprehensive income.

Carrying amount and fair value of financial instruments

PARENT COMPANY, 30 JUN 2020

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Held for trading	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	2,420	–	–	2,420	2,420
Lending to credit institutions	–	–	–	1,685	1,685	1,685
Lending to the public	–	–	–	8	8	8
Acquired loan portfolios	–	–	–	6,948	6,948	7,326
Receivables, Group companies	–	10	–	15,656	15,666	15,686
Bonds and other securities	–	3,868	–	–	3,868	3,868
Derivatives	2	–	60 ¹⁾	–	62	62
Other financial assets	–	–	–	125	125	125
Total	2	6,298	60	24,422	30,782	31,180
Deposits from the public	–	–	–	19,880	19,880	19,880
Derivatives	45	–	7 ¹⁾	–	52	52
Debt securities issued	–	–	–	5,149	5,149	5,141
Subordinated debt	–	–	–	840	840	703
Other financial debts	–	–	–	1,038	1,038	1,038
Total	45	–	7	26,907	26,959	26,814

1) Derivatives recognised as hedging instruments is valued at fair value through other comprehensive income.

Note 5 Financial instruments, cont.

Carrying amount and fair value of financial instruments

PARENT COMPANY, 31 DEC 2019

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Held for trading	Mandatorily				
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 ¹⁾	–	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 ¹⁾	–	35	35
Debt securities issued	–	–	–	5,431	5,431	5,703
Subordinated debt	–	–	–	852	852	840
Other financial debts	–	–	–	911	911	911
Total	29	–	6	28,629	28,664	28,924

1) Derivatives recognised as hedging instruments is valued at fair value through other comprehensive income.

Carrying amount and fair value of financial instruments

PARENT COMPANY, 30 JUN 2019

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Held for trading	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	2,282	–	–	2,282	2,282
Lending to credit institutions	–	–	–	1,251	1,251	1,251
Lending to the public	–	–	–	16	16	16
Acquired loan portfolios	–	–	–	5,563	5,563	6,128
Receivables, Group companies	–	–	–	16,808	16,808	16,808
Bonds and other securities	–	3,134	–	–	3,134	3,134
Derivatives	0	–	3 ¹⁾	–	3	3
Other financial assets	–	–	–	187	187	187
Total	0	5,416	3	23,825	29,244	29,809
Deposits from the public	–	–	–	18,635	18,635	18,635
Derivatives	4	–	18 ¹⁾	–	22	22
Debt securities issued	–	–	–	5,598	5,598	5,749
Subordinated debt	–	–	–	846	846	813
Other financial debts	–	–	–	680	680	680
Total	4	–	18	25,759	25,781	25,899

1) Derivatives recognised as hedging instruments is valued at fair value through other comprehensive income.

Note 5 Financial instruments, cont.

Fair value measurement

Group

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

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

Level 2) Based on directly or indirectly observable market inputs not included in Level 1. This category includes instruments valued based on quoted prices on active markets for similar instruments, quoted prices for identical or similar instruments traded

on markets that are not active, or other valuation techniques in which all important input data is directly or indirectly observable in the market.

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

Fair value measurements

SEK m	GROUP, 30 JUN 2020				PARENT COMPANY, 30 JUN 2020			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Treasury bills and Treasury bonds	2,420	–	–	2,420	2,420	–	–	2,420
Bonds and other securities	3,868	–	–	3,868	3,868	–	–	3,868
Receivables, Group companies ¹⁾	–	–	–	–	–	–	10	10
Derivatives	–	62	–	62	–	62	–	62
Total assets	6,288	62	–	6,350	6,288	62	10	6,360
Derivatives	–	52	–	52	–	52	–	52
Total liabilities	–	52	–	52	–	52	–	52

1) Receivables from Group companies pertain junior notes issued by the subsidiary Marathon SPV S.r.l valued at fair value.

SEK m	GROUP, 31 DEC 2019				PARENT COMPANY, 31 DEC 2019			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Treasury bills and Treasury bonds	2,729	–	–	2,729	2,729	–	–	2,729
Bonds and other securities	2,769	–	–	2,769	2,769	–	–	2,769
Receivables, Group companies ¹⁾	–	–	–	–	–	–	9	9
Derivatives	–	107	–	107	–	107	–	107
Total assets	5,498	107	–	5,605	5,498	107	9	5,614
Derivatives	–	35	–	35	–	35	–	35
Total liabilities	–	35	–	35	–	35	–	35

1) Receivables from Group companies pertain junior notes issued by the subsidiary Marathon SPV S.r.l valued at fair value.

SEK m	GROUP, 30 JUN 2019				PARENT COMPANY, 30 JUN 2019			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Treasury bills and Treasury bonds	2,282	–	–	2,282	2,282	–	–	2,282
Bonds and other securities	3,134	–	–	3,134	3,134	–	–	3,134
Derivatives	–	3	–	3	–	3	–	3
Total assets	5,416	3	–	5,419	5,416	3	–	5,419
Derivatives	–	22	–	22	–	22	–	22
Total liabilities	–	22	–	22	–	22	–	22

Note 6 Capital adequacy

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

The Company's statutory capital requirements are determined primarily by Regulation (EU) No 575/2013 of the European Parliament and of the Council and the Capital Buffers Act (SFS 2014:966).

The difference between the consolidated accounts and the consolidated situation for capital adequacy purposes is as follows. Joint ventures are consolidated with the equity method in the consolidated accounts, whereas the proportional method is used for the consolidated situation. Securitised assets are recognised in the consolidated accounts but are

removed from the accounting records for the consolidated situation. Hoist Finance's participating interest in the securitised assets is always covered.

Transitional rules, IFRS 9

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

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).

SEK m	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
Capital instruments and related share premium accounts	1,913	1,913	1,913	1,913	1,913	1,913
Retained earnings	2,102	1,534	1,563	969	819	847
Accumulated comprehensive income and other reserves	70	133	187	694	694	651
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	-116	605	355	-28	197	232
Intangible assets (net of related tax liability)	-372	-382	-376	-186	-186	-173
Deferred tax assets that rely on future profitability	-93	-27	-27	-2	-2	0
Exposure amount of securitisation positions which qualify for a RW of 1.250%, where the institution opts for the deduction alternative	-9	-9	-	-9	-9	-
Other transitional arrangements	4	4	3	2	2	1
Common Equity Tier 1	3,499	3,771	3,618	3,353	3,428	3,471
Capital instruments and the related share premium accounts	1,106	690	690	1,106	690	690
Additional Tier 1 capital	1,106	690	690	1,106	690	690
Tier 1 capital	4,605	4,461	4,308	4,459	4,118	4,161
Capital instruments and the related share premium accounts	840	852	846	840	852	846
Tier 2 capital	840	852	846	840	852	846
Total own funds	5,445	5,313	5,154	5,299	4,970	5,007

1) The Board of Directors will recommend to the Annual General Meeting not to pay any dividend for the financial year 2020. Therefore no dividend deduction has been included.

Note 6 Capital adequacy, cont.

Capital requirement

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

Risk-weighted exposure amounts	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
SEK m						
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	596	752	538	377	363	277
<i>of which, counterparty credit risk</i>	37	60	26	37	60	26
Exposures to corporates	230	319	281	13,391	14,565	17,017
Retail exposures	31	38	57	26	33	51
Exposures secured by mortgages on immovable property	389	368	391	90	101	106
Exposures in default	26,362	28,746	30,905	9,154	10,043	7,668
Exposures in the form of covered bonds	387	277	313	387	277	313
Equity exposures	–	–	–	760	807	778
Other items	463	382	390	88	84	78
Credit risk (standardised approach)	28,458	30,882	32,875	24,273	26,273	26,288
Securitisation positions in the banking book (external ratings-based approach)	2,385	2,984	–	2,385	2,984	–
Market risk (foreign exchange risk – standardised approach)	0	78	63	0	78	63
Operational risk (standardised approach)	3,935	3,935	3,542	1,916	1,916	1,476
Credit valuation adjustment (standardised approach)	36	48	22	36	48	22
Total risk-weighted exposure amount	34,814	37,927	36,502	28,610	31,299	27,849

Capital requirements	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
SEK m						
Pillar 1						
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	48	60	43	30	29	22
<i>of which, counterparty credit risk</i>	3	5	2	3	5	2
Exposures to corporates	18	26	22	1,071	1,165	1,361
Retail exposures	2	3	5	2	3	4
Exposures secured by mortgages on immovable property	31	29	31	7	8	9
Exposures in default	2,109	2,300	2,472	732	803	613
Exposures in the form of covered bonds	31	22	25	31	22	25
Equity exposures	–	–	–	61	65	62
Other items	37	31	31	7	7	6
Credit risk (standardised approach)	2,276	2,471	2,629	1,941	2,102	2,102
Securitisation positions in the banking book (external ratings-based approach)	191	239	–	191	239	–
Market risk (foreign exchange risk – standardised approach)	0	6	5	0	6	5
Operational risk (standardised approach)	315	315	283	153	153	118
Credit valuation adjustment (standardised approach)	3	4	2	3	4	2
Total own funds requirement – Pillar 1	2,785	3,035	2,919	2,288	2,504	2,227

Note **6** Capital adequacy, cont.

SEK m	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
Pillar 2						
Concentration risk	231	245	248	290	356	248
Interest rate risk in the banking book	106	129	62	180	129	62
Pension risk	3	3	3	3	3	3
Other Pillar 2 risks	24	37	28	24	37	28
Total own funds requirement – Pillar 2	364	414	341	497	525	341
SEK m	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
Capital buffers						
Capital conservation buffer	870	948	913	715	783	696
Countercyclical buffer	0	128	111	0	94	77
Total own funds requirement – Capital buffers	870	1,076	1,024	715	877	773
Total own funds requirements	4,019	4,525	4,284	3,500	3,906	3,341

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 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, %	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
Common Equity Tier 1 capital ratio	10.05	9.94	9.91	11.72	10.95	12.46
Tier 1 capital ratio	13.23	11.76	11.8	15.59	13.16	14.94
Total capital ratio	15.64	14.01	14.12	18.52	15.88	17.97
Institution-specific buffer requirements for CET1 capital	7.00	7.34	7.3	7.00	7.30	7.28
of which, capital conservation buffer requirement	2.50	2.50	2.5	2.50	2.50	2.5
of which, countercyclical capital buffer requirement	0.00	0.34	0.3	0.00	0.30	0.28
Common Equity Tier 1 capital available to meet buffers¹⁾	5.55	5.44	5.41	7.22	6.45	7.96

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 30 June 2020 the internally assessed capital requirement for Hoist Finance was SEK 3,149m (3,449), of which SEK 364m (414) was attributable to Pillar 2.

Note 7 Liquidity risk

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

Liquidity risk is the risk of difficulties in obtaining funding, and thus not being able to meet payment obligations at maturity without a significant increase in the cost of obtaining means of payment.

Because the Group's revenues and expenses are relatively stable, liquidity risk is primarily associated with the Group's funding which is based on deposits from the public. By definition this way of funding has a risk of major outflows of deposits at short notice.

The overall objective of the Group's liquidity management is to ensure that the Group maintains control over its liquidity risk situation, with sufficient funds in liquid assets or immediately saleable assets to ensure timely discharge of its payment obligations without incurring high additional costs.

Funding is mainly raised in the form of deposits from the public and through the capital markets through the issuance of senior unsecured debts, own funds instruments and equity. 33 per cent (41) of deposits from the public are payable on demand (current account – "flex"), while 67 per cent (59) of the Group's deposits from the public are locked into longer maturities (fixed-term deposits) ranging from one to five years. About 99 per cent of deposits are fully covered by the Swedish state deposit guarantee.

Hoist Finance's short-term liquidity coverage ratio (LCR) was 978 per cent as per 30 June 2020 (755 per cent as per 31 December 2019), compared with the regulatory ratio of 100 per cent. The net stable funding ratio (NSFR) was 117 per cent (124).

Funding

SEK m	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
Current account deposits	6,592	8,871	9,711	6,592	8,871	9,711
Fixed-term deposits	13,288	12,564	8,924	13,288	12,564	8,924
Debt securities issued	5,579	5,900	5,598	5,149	5,431	5,598
Convertible debt instruments	1,106	690	690	1,106	690	690
Subordinated debts	840	852	846	840	852	846
Equity	4,010	4,208	4,046	3,377	3,441	3,499
Other	1,359	1,302	1,363	1,496	1,328	1,059
Balance sheet total	32,774	34,387	31,178	31,848	33,177	30,327

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity and its nature. Available liquidity totalled SEK 8,385m (8,024) as per 30 June 2020, exceeding the limit and the target level by a significant margin.

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

Liquidity reserve

SEK m	30 Jun 2020	31 Dec 2019	30 Jun 2019
Cash and holdings in central banks	0	0	0
Deposits in other banks available overnight	2,097	2,526	2,254
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,289	2,207	906
Securities issued or guaranteed by municipalities or other public sector entities	1,131	522	1,376
Covered bonds	3,868	2,769	3,134
Securities issued by non-financial corporates	–	–	–
Securities issued by financial corporates	–	–	–
Other	–	–	–
Total	8,385	8,024	7,670

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

Note 8 Pledged assets

SEK m	GROUP			PARENT COMPANY		
	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	122	79	75	0	0	13

Note 9 Contingent liabilities

SEK m	GROUP			PARENT COMPANY		
	30 Jun 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020	31 Dec 2019	30 Jun 2019
Commitments	173	356	479	166	325	369

The Group's commitments consist of 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.

Assurance

The Board of Directors and the CEO hereby give their assurance that the interim financial statements provide a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company, and describes the significant risks and uncertainties to which the Parent Company and Group companies are exposed.

Stockholm, 22 July 2020

Ingrid Bonde
Chair of the Board

Cecilia Daun Wennborg
Board member

Malin Eriksson
Board member

Liselotte Hjorth
Board member

Robert Kraal
Board member

Henrik Käll
Board member

Lars Wollung
Board member

Klaus-Anders Nysteen
CEO

Review report

To the Board of Directors in Hoist Finance AB (publ), corporate identity number 556012-8489

Introduction

We have reviewed the condensed interim report for Hoist Finance AB (publ) as at June 30, 2020 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies Act regarding the Group, and in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies regarding the Parent Company.

Stockholm, 22 July 2020
Ernst & Young AB

Daniel Eriksson
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 and other key figures are presented below. The financial fact book, available on hoistfinance.com/investors/financial-information/, provides details on the calculation of key figures.

Acquired loan portfolios

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

Acquired loans

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

Additional Tier 1 capital

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

Adjusted EBITDA

EBIT (operating earnings), less depreciation and amortisation ("EBITDA"), adjusted for net of collections and interest income from acquired loan portfolios.

Basic earnings per share

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

Capital requirements – Pillar 1

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

Capital requirements – Pillar 2

Capital requirements beyond those stipulated in Pillar 1.

CET1 capital

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

CET1 ratio

CET1 capital in relation to the total risk exposure amount.

C/I ratio

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

Diluted earnings per share

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

Fee and commission income

Fees for providing debt management services to third parties.

Gross 180-month ERC

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

Internal funding cost

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

Items affecting comparability

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

Legal collection

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

Liquidity coverage ratio (LCR)

A mandatory requirement for banks within the EU, whereby an institution must hold a sufficiently large buffer of liquid assets to be able to withstand actual and simulated cash outflows for a period of 30 days while experiencing heavy liquidity stress.

Liquidity reserve

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

Net interest income margin

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

Net stable funding ratio (NSFR)

Measures an institution's amount of available stable funding to cover its funding requirements under normal and stressed conditions in a one-year perspective.

Non-performing loans (NPL)

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

Number of employees (FTEs)

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

Own funds

Sum of Tier 1 capital and Tier 2 capital.

Portfolio growth

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

Portfolio revaluation

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

Return on equity

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

Risk-weighted exposure amount

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

SME

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

Tier 1 capital

The sum of CET1 capital and additional Tier 1 capital.

Tier 1 capital ratio

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

Tier 2 capital

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

Total capital ratio

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

Weighted average number of shares out-standing

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

Vision and Strategy

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 Human

is our personality.



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 front-runner 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.

Financial targets

Profitability

By leveraging on operational efficiency efforts to become more cost-effective, we aim to reduce the cost-to-income ratio to 65 per cent in the medium term. By ensuring the right balance between growth, profitability and capital efficiency we aim to achieve a return on equity exceeding 15 per cent in the medium term.

Capital structure

1.75 – 3.75 percentage points above overall CET1 requirements specified by the Swedish Financial Supervisory Authority.

Growth

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

Dividend policy and dividend

Hoist Finance dividend will in the long-term correspond to 25–30 per cent of annual net profit. The dividend will be determined annually, with respect to the company's capital target and the outlook for profitable growth. The Board will recommend to the Annual General Meeting (AGM) not to pay any dividend for the financial year 2020.

Financial calendar

Interim report, Q3 2020

30 October 2020

Contact

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

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

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

The information in this interim report has been published by Hoist Finance AB (publ) pursuant to the EU Market Abuse Regulation and the Securities Market Act. This information was submitted by Andreas Lindblom for publication on 23 July 2020 at 7:30 AM CET.