Year-end report 2020

Moving into 2021 with a strong funding and capital position, we are ready for growth in a time with a positive market outlook."

Klaus-Anders Nysteen, CEO

Events during the quarter:

- Strong cash flow and collection performance (versus active forecast).
- CET1 ratio at 10.76 per cent, and well positioned for growth.
- Successful issuance of senior bonds totalling EUR 200m and repurchase of EUR 102m senior bonds issued in 2017.
- Launch of new operating model to support customer-centric and efficient operations.
- Trust Index© of 77 per cent achieved in 2020 Great Place to Work® survey, demonstrating strong progress in line with the Hoist Finance sustainability strategy.

Subsequent events:

- Pan-European securitisation partnership agreement for new portfolio investments signed with Magnetar Capital.

84%
C/I ratio excluding items affecting comparability
Target 65%

10.76%
CET1 ratio

5%
Return on equity excluding items affecting comparability
Target >15%

–13%
Portfolio growth over the last 12-month period

Key ratios[1]

SEK m	Quarter 4 2020	Quarter 4 2019	Change, %	Full-year 2020	Full-year 2019	Change, %
Total operating income	648	768	–16	2,368	3,038	–22
Profit/loss before tax	68	147	–54	82	748	–89
Net profit/loss	48	111	–57	41	605	–93
Basic and diluted earnings per share, SEK	0.31	1.07	–71	–0.50	6.07	–108
Net interest income margin, %	12	12	0 pp	12	13	–1 pp
C/I ratio, %	90	82	8 pp	97	76	21 pp
Return on equity, %	3	9	–6 pp	–1	13	–14 pp
Portfolio acquisitions	890	2,988	–70	1,761	5,952	–70
EBITDA, adjusted	1,471	1,116	32	4,626	4,414	5

SEK m	31 Dec 2020	31 Dec 2019	Change, %
Acquired loans	21,241	24,513	–13
Gross 180-month ERC	32,763	38,874	–16
Total capital ratio, %	16.49	14.01	2.48 pp
CET1 ratio, %	10.76	9.94	0.82 pp
Liquidity reserve	8,652	8,024	8
Number of employees (FTEs)	1,631	1,575	4

1) See Definitions.

Strong cash flow and growing market opportunity

Helping customers
In the fourth quarter of 2020, the pandemic remained the key concern in the world. We have continued to support our customers throughout the quarter. On a monthly basis, we have around 500,000 interactions with customers and the key topic remains economic stress from the pandemic. Our role is to help identify and establish sustainable solutions.

We take pride in the customer feedback we receive. One customer said "Thanks to Hoist Finance, I saw some light in the current darkness". Social responsibility is part of our DNA. In Germany, we are supporting Team-U in establishing a digital platform to scale their operations to help small and medium sized businesses through the crisis. In addition, our partnership with ONSbank in Belgium and the Netherlands has resulted in better education for young people struggling with debt.

Performance
Our business remains resilient in times of crisis. We are not insulated from the shocks in the real economy, but we are pleased to see that financial performance remains solid.

In the fourth quarter, total collection performance ended at 105 per cent vs our active forecast, with unsecured performance closing at 103 per cent. Our cash collections of SEK 1,747m is in line with the first quarter 2020 despite low investment volumes for the year.

The total transaction volume in Europe for 2020 is approximately 50 per cent lower than in 2019 and corresponds to 2013 levels. We see provisions on banks' balance sheets increasing, potentially doubling from those at the end of 2019. Hence, the outlook for a significantly higher transaction volume is very promising.

Our cost program is delivering and our digital transformation is proceeding. The cost level has improved over the year and the self-service ratio is now at 20 per cent. The adoption speed of digital solutions is increasing as we are rolling out functionality to new markets. We are pleased to see the benefits from new ways of working. Compared to 2018, the number of FTEs in the UK has been reduced by more than 25 per cent, and at the same time in France, the book value per FTE has almost doubled. These two examples are proving the benefits of our improvement efforts, and we are very confident that the benefits will be realised in our other markets as well.

In Spain and Italy, where legal collection is more prominent, case handling and auctions remain delayed. Our estimates show that the number of claims handled by Spanish courts decreased by approximately 40 per cent in 2020, and even though we see improvements, there is a significant backlog. As a result of the current uncertainty caused by the pandemic, we have taken a prudent approach to valuation of our portfolios. Due to expected delays on certain cash flows, the total impairments in the fourth quarter are SEK –49m.

Securitisation
The securitisation programme is becoming an integrated part of our business model. I am proud of the significant interest from investors wanting to be a part of the Hoist Finance journey. We are now moving from "back-book" to "front-book" securitisation, and we are pleased to announce our partnership with Magnetar Capital.

Securitisation is widely used by banks for various asset classes, and we see it as a major achievement to have established this program for NPLs originated across multiple jurisdictions. We are also pleased that the Swedish FSA has assessed and concluded that Significant Risk Transfer (SRT) is achieved in the securitisations completed in 2019.

The next phase
In an effort to enhance focus on our customers, we have launched a new operating model. The emphasis when introducing One Hoist Finance in 2018 was to increase cross-border collaboration, harmonisation and standardisation. We are now ready for the next phase, which includes the creation of four business lines: Contact Centre Operations, Secured non-performing loans, Digital (unsecured non-performing loans) and Retail Banking (performing loans). We are ready to broaden our product and service portfolio, further expand across asset classes, and to catalyse the digital agenda. This will increase the focus on operations and market execution, hence bringing us closer to our customers.

"We are happy to see continued recovery and improvements in cash collections. However, due to the uncertainty of the development of the pandemic, we have made some additional impairments to the book. Our self-service, all digital collection rate, is higher than ever and we are delivering on our cost-savings program. We are looking forward to presenting our progress at the Capital Markets Day on the 25th of February"

Leaving 2020 behind
Moving into 2021 with a strong funding and capital position, we are ready for growth in a time with a positive market outlook. I am also looking forward to a year in which we will see positive effects from many of our improvement initiatives where implementation has started, and with benefits to come.

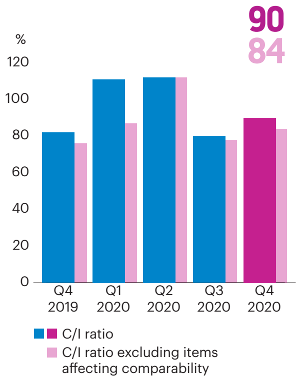
We are hopeful that vaccines will curb the pandemic. Our business remains solid and we are becoming more effective and efficient every quarter. Working remotely has been far better than we anticipated, but I cannot wait to go back to the office to see colleagues and friends in person. Stay safe and healthy. Hope to see you soon.

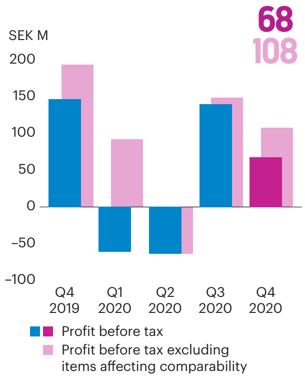
Best Regards,

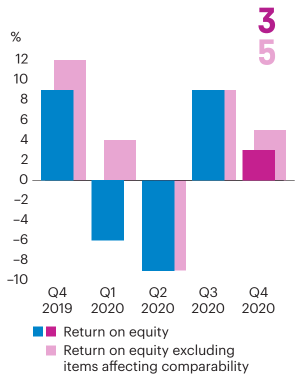
Klaus-Anders Nysteen
CEO

Developments during fourth quarter 2020

Comparative figures for developments during fourth quarter 2020 pertain to fourth quarter 2019.







Operating income

Interest income on acquired loan portfolios decreased during the quarter to SEK 778m (865), driven mainly by the low volume of portfolio acquisitions during the year. Other interest income totalled SEK 0m (–3). Interest expense for the quarter totalled SEK –138m (–149). The decrease is mainly attributable to lower interest expense for external financing in the bond market and deposits from the public.

Impairment gains and losses totalled SEK –49m (22) during the quarter and include realised collections against active forecast during the period, as well as forward-looking portfolio revaluations. Price adjustments were made to several portfolios during the fourth quarter due to guarantee commitments by selling banks in the UK, Greece and France. These guarantee commitments had an impact on impairment gains and losses of SEK 175m. Adjusted for the price adjustments, portfolio revaluations totalled SEK –123m, of which SEK –76m pertains to secured portfolios. With respect to the secured portfolios, the revaluations are mainly attributable to a French portfolio for which collections were made ahead of active forecast. This contributed to the strong collection performance during the quarter, while also reducing expected future cash flow. A number of unsecured portfolios were also revalued during the quarter due to Covid-19 and its impact on collections. The revaluations of unsecured portfolios reflect a gradual recovery in collections during 2021. Collections exceeding active forecast, adjusted for price adjustments, during the quarter totalled SEK 74m, of which SEK 44m pertains to unsecured portfolios. The quarter's realised collections correspond to 105 per cent of active forecast. For unsecured portfolios, the quarter's realised collections correspond to 103 per cent of active forecast.

Fee and commission income decreased to SEK 18m (30). The decrease is attributable to the closure of third-party collection services in the UK. Net result from financial transactions totalled SEK 39m (1) and is primarily attributable to positive currency effects and to unrealised value increases in interest rate hedging positions. The bond repurchase conducted in November produced a negative impact on earnings totalling SEK –18m, including repurchase premium. The transaction was carried out to extend the maturity of Hoist Finance senior debts which gives a good position for growth in 2021. Other operating income totalled SEK 0m (5).

Operating expenses

Personnel expenses decreased during the quarter to SEK –189m (–211). Investments in the shared service centre in Poland and nearshoring in Romania continued to generate a positive result in line with the cost savings programme. Collection costs totalled SEK –215m (–231) during the quarter. The decrease is related to the impact Covid-19 has had on opportunities to pursue legal claims in court and to a decrease in loan portfolios due to low acquisition volumes during the year. A provision of SEK –9m was made during the fourth quarter for a legal proceeding in Spain.

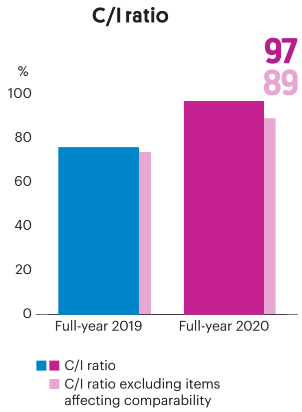
Administrative expenses decreased during the quarter to SEK –152m (–180), with the decrease attributable primarily to expenses during the comparative quarter associated with securitisation in Italy and to start-up costs for IT outsourcing. Capitalised project costs related to securitisation were expensed during the fourth quarter, which had a negative impact of SEK –9m. The project costs were expensed in conjunction with Hoist Finance's signing of a framework agreement with an external financier regarding securitisation of other loan portfolios. Depreciation and amortisation of tangible and intangible assets totalled SEK –36m (–29). The increase is related to the SEK –5m impairment of an IT project.

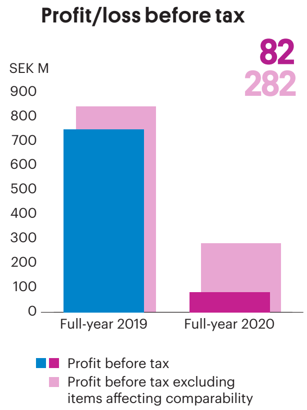
Profit/loss for the quarter

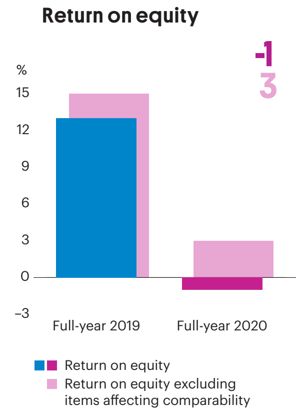
Share of profit from joint ventures totalled SEK 12m (30), with the decrease due mainly to exchange rate effects for Hoist Finance's joint venture holding in Poland. Income tax expense for the period totalled SEK –20m (–36), corresponding to an effective tax rate of 28.7 per cent, of which SEK –7m is related to tax attributable to previous years. Net profit/loss totalled SEK 48m (111).

Developments during the full-year 2020

Comparative figures for developments during the full-year 2020 period pertain to full-year 2019.







Operating income

Interest income on acquired loan portfolios totalled SEK 3,302m (3,359) during the year. Other interest income totalled SEK 6m (–2). Interest expense increased to SEK –582m (–494). The increase is primarily attributable to the securitisation of Italian loan portfolios conducted during Q4 2019.

Impairment gains and losses totalled SEK –458m (120), constituting the year's realised collections against active forecast as well as forward-looking portfolio revaluations. Portfolio revaluations during the year totalled SEK –805m (–144) and are mainly attributable to the revaluation of portfolios conducted in Spain during Q1 and to revaluations conducted during Q2 related to Covid-19 and its impact on collections. Collections against active forecast totalled SEK 348m (267), with collections during the third and fourth quarters in particular exceeding projected levels.

Fee and commission income decreased to SEK 93m (121). The decrease is attributable to the closure of third-party collection services in the UK announced during the second quarter. Net result from financial transactions totalled SEK –6m (–79), with exchange rate effects having a positive effect while unrealised changes in value had a negative effect. Other operating income totalled SEK 14m (22) during the year.

Operating expenses

Personnel expenses for the year totalled SEK –862m (–875). Collection costs decreased SEK 53m during the year to SEK –734m (–787), due partly to efficiency measures and digital investments. The cost reduction is also attributable to the impact Covid-19 has had on opportunities to pursue legal claims in court.

Administrative expenses increased SEK 45m during the quarter to SEK –613m (–568). The cost increase is related to IT outsourcing and the Group-wide digitalisation initiative. The increase in administrative expenses related to IT outsourcing are followed by a decrease in personnel expenses since Hoist Finance previously had IT-personnel employed. Change initiatives are expected to reduce collection and personnel cost levels over time. Depreciation and amortisation of tangible and intangible assets totalled SEK –134m (–122), of which SEK –12m pertains to impairment of IT projects.

Net profit for the year

Profit from participations in joint ventures totalled SEK 57m (62).

Income tax expense for the year totalled SEK –41m (–143). The effective tax rate was 50 per cent (18.6) and is affected primarily by non-deductible interest expenses for Tier 2 capital included in own funds, non-deductible expenses for fair value hedging of shares in subsidiaries, and a tax amount of SEK –14m attributable to previous years. Net profit totalled SEK 41m (605).

Balance sheet

Comparative figures for the balance sheet pertain to 31 December 2019.

Total assets decreased SEK 2,523m as compared with 31 December 2019 and totalled SEK 31,864m (34,387). The change is primarily attributable to a decrease of SEK –3,228m in acquired loan portfolios, a result of low acquisition volumes as well as exchange rate effects.

Cash and interest-bearing securities increased SEK 446m, while other assets increased SEK 259m.

SEK m	31 Dec 2020	31 Dec 2019	Change, %
Cash and interest-bearing securities	9,019	8,573	5
Acquired loan portfolios	21,075	24,303	–13
Other assets[1)]	1,770	1,511	17
Total assets	**31,864**	**34,387**	**–7**
Deposits from the public	17,928	21,435	–16
Issued securities	6,355	5,900	8
Subordinated debt	821	852	–4
Total interest-bearing liabilities	**25,104**	**28,187**	**–11**
Other liabilities[1)]	1,602	1,302	23
Equity	5,158	4,898	5
Total liabilities and equity	**31,864**	**34,387**	**–7**

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 25,104m (28,187). The change is mainly attributable to deposits from the public, which decreased SEK –3,507m. 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 deferred outflows during the quarter. Hoist Finance funds its operations through deposits in Sweden and 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 10,552m (12,243), of which SEK 5,391m (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 31 December 2020, deposits from the public in Germany were SEK 7,376m (9,192), of which SEK 7,115m (6,163) is attributable to fixed term deposits of one- to five-year durations.

At 31 December 2020, the outstanding bond debt totalled SEK 7,176m (6,752), of which SEK 6,355m (5,900) was comprised of issued securities. The change in issued securities is mainly attributable to the new EUR 200m bond issued in November. Portions of the outstanding EUR 250m bond maturing in 2021 were also repurchased in conjunction with this transaction at a nominal value of EUR 102m.

Other liabilities increased SEK 300m to SEK 1,602m (1,302). Equity totalled SEK 5,158m (4,898). The increase is mainly due to a capital contribution during the first quarter, which was mitigated by negative effects in the translation reserve.

Cash flow

Comparative figures for cash flow pertain to fourth quarter 2019.

SEK m	Quarter 4 2020	Quarter 4 2019	Full-year 2020	Full-year 2019
Cash flow from operating activities	1,557	631	4,693	3,117
Cash flow from investing activities	–1,313	–2,670	–3,066	–5,098
Cash flow from financing activities	396	–1,963	–2,410	3,923
Cash flow for the period	**640**	**–4,002**	**–783**	**1,942**

Cash flow from operating activities totalled SEK 1,557m, as compared with SEK 631m during Q4 2019. Amortisation of acquired loan portfolios increased during the quarter and totalled SEK 1,005m (805), with the increase attributable to increased collections as compared with Q4 2019. Cash flow from other assets and liabilities amounted to SEK 406m (–51), the majority of which pertains to realised cash flows for FX hedging.

Cash flow from investing activities totalled SEK –1,313m (–2,670). Portfolio acquisition activity remained low during the quarter, totalling SEK –844m (–2,988). Hoist Finance's net investment in bonds and other securities totalled SEK –466m (309) during the quarter. Other cash flow within investing activities totalled SEK –3m (9).

Cash flow from financing activities totalled 396m (–1,963). Net cash flow from deposits from the public totalled SEK –563m (–224) during the quarter. The bond issue and repurchase conducted during the quarter resulted in a cash flow of SEK 988m. The quarter's repayment of bonds in securitisation company Marathon SPV S.r.l. totalled SEK –17m (–). Other cash flow from financing activities totalled SEK –12m (–11) and pertains to amortisation of lease liability.

Total cash flow for the quarter amounted to SEK 640m, as compared with SEK –4,002m for fourth quarter 2019.

Significant 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.

The impact of Covid-19 on Hoist Finance's operations is outlined in the Development of Risks section below. For additional details on the Company's management of significant risks and uncertainties, please refer to the 2019 Annual Report.

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 year due to lower collection rates in the wake of Covid-19. Due to the great uncertainty concerning the duration of the current situation, there is continued risk of additional loan portfolio write-downs. In order to diversify the Company's 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 early in the year, contributing to losses in the liquidity portfolio. Credit spreads in bonds held by Hoist Finance stabilised during the second, third and fourth quarters and the risk returned to more normal levels.

Hoist Finance has an internal framework 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. During the quarter Hoist Finance employees continued to work remotely to a great extent. This is not deemed to affect operational risks to any significant degree. 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.

The Swedish Financial Supervisory Authority decided during the quarter on changes to the application of the Pillar 2 requirements for market risks in non-trading activities, which will have some impact on capital requirements. Hoist Finance is currently evaluating the effects of this and planning for introduction of the new requirements, which will be implemented in the 2021 ICAAP.

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 method to calculate risk-weighted assets with regard to credit risk.

Other disclosures

Parent Company

Comparative figures for the Parent Company pertain to fourth quarter 2019.

Net interest income for the Parent Company totalled SEK 301m (311) during the fourth 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 in 2019. Interest expense decreased SEK –4m due mainly to lower costs for deposits from the public and unsecured debt.

Net operating income totalled SEK 617m (342). Dividend distribution from an English subsidiary during the quarter had a positive impact on earnings of SEK 302m. Net result from financial transactions amounted to SEK –19m (–28) and was mainly attributable to costs in connection with the bond repurchase in November, and to some extent exchange rate fluctuations for assets and liabilities in foreign currencies and to market value fluctuations for bonds. Other operating income totalled SEK 32m (60) and is mainly attributable to management fees invoiced to subsidiaries. Management fees decreased during the quarter as a result of suppliers invoicing expenses to subsidiaries directly, rather than via the Parent Company.

Operating expenses totalled SEK –275m (–329). The decrease is attributable to a reduction of SEK 61m in administrative expenses, due mainly to lower consultant and IT costs. Profit before credit losses totalled SEK 342m (13).

Earnings before tax totalled SEK 277m (52). Impairment gains and losses of SEK 30m (14) pertain to the difference between projected and actual collections, portfolio revaluations and credit reserves for performing loans. Impairment of shares in subsidiaries totalled SEK –116m (–). Shares in participating interests totalled SEK 21m (25).

Net profit for the period totalled SEK 233m (–64), with change in tax allocation reserve of SEK –9m (–47). Tax expense totalled SEK –35m (–69), of which SEK –7m (–69) pertains to tax attributable 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 part of the Romanian company Maran CSRO S.r.l was acquired during first quarter 2020, as part of the establishment of a nearshoring office in Romania. The company is now owned to 100 per cent and is fully consolidated in the consolidated financial statements. The acquisition price totalled SEK 7m.

Italian companies Nouva Maran S.r.l and Hoist Italia S.r.l during third quarter 2020. Two branch offices were opened during the quarter, with Romanian operations conducted through branch office Hoist Finance AB (publ) Romania and Polish operations through Hoist Finance AB (publ) Poland. The company and its branch offices are fully consolidated in the Hoist Finance Group financial statements.

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 31 December 2020, unchanged from 31 December 2019.

The share price closed at SEK 36.46 on 30 December 2020. A break-down of the ownership structure is presented in the table below. As at 31 December 2020 the Company had 6,875 shareholders, compared with 7,429 at 31 December 2019.

Ten largest shareholders, 31 December 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	4.9
Confederation of Swedish Enterprise	3.4
Jörgen Olsson privately and through companies	2.9
Dimensional Fund Advisors	2.9
The Third Swedish National Pension Fund	2.6
BlackRock	2.6
Ten largest shareholders	**56.8**
Other shareholders	43.2
Total	**100.0**

Source: Modular Finance AB per 31 December 2020; ownership statistics from Holdings, Euroclear Sweden AB; and changes confirmed and/or registered by the Company.

Proposed dividend

To enable continued growth, the Board of Directors proposes that the Annual General Meeting make an exception to the current dividend policy and will recommend that the AGM resolve not to pay a dividend for 2020.

Review

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

Annual General Meeting

The AGM will be held on Tuesday, 13 April 2021, in Stockholm.

Subsequent events

Pan-European securitisation partnership agreement for new portfolio investments signed with Magnetar Capital.

Quarterly review

SEK million	Quarter 4 2020	Quarter 3 2020	Quarter 2 2020	Quarter 1 2020	Quarter 4 2019
Interest income acquired loan portfolios	778	791	842	892	865
Other interest income	0	1	4	1	–3
Interest expense	–138	–146	–134	–164	–149
Net interest income	**640**	**646**	**712**	**729**	**713**
Impairment gains and losses	–49	1	–232	–178	22
Fee and commission income	18	23	27	26	30
Net result from financial transactions	39	4	4	–53	1
Derecognition gains and losses	0	0	0	–1	–3
Other operating income	0	5	2	6	5
Total operating income	**648**	**679**	**513**	**529**	**768**
General and administrative expenses					
Personnel expenses	–189	–225	–229	–219	–211
Collection costs	–215	–157	–157	–205	–231
Other administrative expenses	–152	–138	–170	–153	–180
Depreciation and amortisation of tangible and intangible assets	–36	–29	–38	–30	–29
Total operating expenses	**–592**	**–549**	**–594**	**–607**	**–651**
Net operating profit/loss	**56**	**130**	**–81**	**–78**	**117**
Share of profit from joint ventures	12	10	17	17	30
Profit/loss before tax	**68**	**140**	**–64**	**–61**	**147**
Income tax expense	–20	–30	–9	17	–36
Net profit/loss for the period	**48**	**110**	**–73**	**–44**	**111**

Key ratios[1]

SEK m	Quarter 4 2020	Quarter 3 2020	Quarter 2 2020	Quarter 1 2020	Quarter 4 2019
Profit/loss before tax	68	140	−64	−61	147
Items affecting comparability [2]	40	9	–	153	47
Profit/loss before tax adjusted for items affecting comparability [2]	108	149	−64	92	194
Net interest income margin, %	12	12	12	12	12
C/I ratio, %	90	80	112	111	82
C/I ratio adjusted for items affecting comparability [2], %	84	78	112	87	76
Return on equity, %	3	9	−9	−6	9
Return on equity adjusted for items affecting comparability [3], %	5	9	−9	4	12
Portfolio acquisitions	890	264	62	545	2,988
EBITDA adjusted [4]	1,471	1,039	812	1,304	1,116

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Acquired loans	21,241	22,432	22,765	24,906	24,513
Gross 180-month ERC	32,763	34,717	35,642	39,305	38,874
Total capital ratio, %	16.49	16.14	15.64	14.83	14.01
CET1 ratio, %	10.76	10.44	10.05	9.52	9.94
Liquidity reserve	8,652	7,652	8,385	9,437	8,024
Number of employees (FTEs)	1,631	1,630	1,649	1,655	1,575

1) See Definitions.
2) Items affecting comparability, excluding tax, amounting to SEK −40m of which SEK −22m pertains to costs related to bond repurchase, SEK −9m pertains to expensed securitisation project costs and SEK −9m pertains to provision for a legal proceeding in Spain.
3) Return on equity has been adjusted for items affecting comparability amounting to SEK −31m, including tax.
4) 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 4 2020	Quarter 4 2019	Full-year 2020	Full-year 2019
Interest income acquired loan portfolios [1]		778	865	3,302	3,359
Other interest income [2]		0	–3	6	–2
Interest expense		–138	–149	–582	–494
Net interest income		**640**	**713**	**2,726**	**2,863**
Impairment gains and losses		–49	22	–458	120
Fee and commission income		18	30	93	121
Net result from financial transactions		39	1	–6	–79
Derecognition gains and losses		0	–3	–1	–9
Other operating income		0	5	14	22
Total operating income	3	**648**	**768**	**2,368**	**3,038**
Personnel expenses		–189	–211	–862	–875
Collection costs		–215	–231	–734	–787
Other administrative expenses		–152	–180	–613	–568
Depreciation and amortisation of tangible and intangible assets		–36	–29	–134	–122
Total operating expenses	3	**–592**	**–651**	**–2,343**	**–2,352**
Net operating profit/loss		**56**	**117**	**25**	**686**
Share of profit from joint ventures	3	12	30	57	62
Profit/loss before tax	3	**68**	**147**	**82**	**748**
Income tax expense		–20	–36	–41	–143
Net profit/loss		**48**	**111**	**41**	**605**
Profit/loss attributable to:					
Owners of Hoist Finance AB (publ)		27	96	–45	542
Additional Tier 1 capital holders		21	15	86	63
Basic and diluted earnings per share SEK		0.31	1.07	–0.50	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 0.1m (1.6) during quarter 4 and SEK 1.7m (5.5) during full-year.

Consolidated statement of comprehensive income

SEK m	Quarter 4 2020	Quarter 4 2019	Full-year 2020	Full-year 2019
Net profit/loss for the period	48	111	41	605
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Revaluation of defined benefit pension plan	–5	–3	–5	–3
Revaluation of remuneration after terminated	–1	–1	0	–1
Tax attributable to items that will not be reclassified to profit or loss	–	1	–	1
Total items that will not be reclassified to profit or loss	**–6**	**–3**	**–5**	**–3**
Items that may be reclassified subsequently to profit or loss				
Translation difference, foreign operations	–48	–2	–99	32
Translation difference, joint ventures	–9	–2	–20	–1
Hedging of currency risk in foreign operations	–22	–38	–18	–114
Hedging of currency risk in joint ventures	6	–4	11	–8
Transferred to the income statement during the year	1	5	6	9
Tax attributable to items that may be reclassified to profit or loss	–2	9	–3	26
Total items that may be reclassified subsequently to profit or loss	**–74**	**–32**	**–123**	**–56**
Other comprehensive income for the period	**–80**	**–35**	**–128**	**–59**
Total comprehensive income for the period	**–32**	**76**	**–87**	**546**
Profit/loss attributable to:				
Owners of Hoist Finance AB (publ)	–53	61	–173	483
Additional Tier 1 capital holders	21	15	86	63

Consolidated balance sheet

SEK m	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	5	2,411	2,729
Lending to credit institutions	5	2,526	3,075
Lending to the public	5	6	10
Acquired loan portfolios	3,4	21,075	24,303
Bonds and other securities	5	4,082	2,769
Shares and participations in joint ventures	3	160	201
Intangible assets		358	382
Tangible assets		262	269
Other assets		763	511
Deferred tax assets		97	32
Prepayments and accrued income		124	106
Total assets		**31,864**	**34,387**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	5	17,928	21,435
Tax liabilities		132	86
Other liabilities		1,025	823
Deferred tax liabilities		141	150
Accrued expenses and deferred income		239	154
Provisions		65	89
Debt securities issued	5	6,355	5,900
Subordinated debts		821	852
Total liabilities		**26,706**	**29,489**
Equity			
Additional Tier 1 capital holders		1,106	690
Share capital		30	30
Other contributed equity		1,883	1,883
Reserves		–381	–258
Retained earnings including profit/loss for the period		2,520	2,553
Non-controlling interest		–	0
Total equity		**5,158**	**4,898**
Total liabilities and equity		**31,864**	**34,387**

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						
Profit for the period					41	41
Other comprehensive income				–123	–5	–128
Total comprehensive income for the period				**–123**	**36**	**–87**
Transactions reported directly in equity						
Additional Tier 1 capital instrument	414[1)]					414
Interest paid on capital contribution					–60	–60
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**				**–69**	**347**
Closing balance 31 Dec 2020	**1,106**	**30**	**1,883**	**–381**	**2,520**	**5,158**

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 equity	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	0	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.

Consolidated cash flow statement summary

SEK m	Quarter 4 2020	Quarter 4 2019	Full-year 2020	Full-year 2019
Profit/loss before tax	68	147	82	748
– of which, paid-in interest	782	855	3,321	3,365
– of which, interest paid	–119	–181	–449	–374
Adjustment for other items not included in cash flow	93	–146	710	208
Realised result from divestment of shares and participations in joint ventures	–15	–16	–58	–60
Income tax paid/received	0	–108	–62	–190
Total	**146**	**–123**	**672**	**706**
Amortisations on acquired loan portfolios	1,005	805	3,164	3,040
Increase/decrease in other assets and liabilities	406	–51	857	–629
Cash flow from operating activities	**1,557**	**631**	**4,693**	**3,117**
Acquired loan portfolios	–844	–2,988	–1,715	–5,952
Investments in/divestments of bonds and other securities	–466	309	–1,318	866
Other cash flows from investing activities	–3	9	–33	–12
Cash flow from investing activities	**–1,313**	**–2,670**	**–3,066**	**–5,098**
Deposits from the public	–563	–224	–3,272	4,204
Debt securities issued	2,018	508	2,018	3,450
Repurchase and repayment of Debt securities issued	–1,047	–2,236	–1,454	–3,629
Additional Tier 1 capital	–	–	414	–
Other cash flows from financing activities	–12	–11	–116	–102
Cash flow from financing activities	**396**	**–1,963**	**–2,410**	**3,923**
Cash flow for the period	**640**	**–4,002**	**–783**	**1,942**
Cash at beginning of the period[1]	4,074	9,833	5,442	3,840
Translation difference	–138	–27	–84	22
Cash at end of the period[2]	**4,576**	**5,804**	**4,576**	**5,804**

1) As from 2020 the definition of 'cash and cash equivalents' in the cash flow statement has been changed to exclude lending to credit institutions in securitisation vehicles and pledged bank balances. Comparative figures have not been restated, as the change is not deemed to represent a material change over previous years.

2) **Cash and cash equivalents in cash flow statement**

SEK m	31 Dec 2020	31 Dec 2019
Cash	0	0
Treasury bills and Treasury bonds	2,411	2,729
Lending to credit institutions	2,526	3,075
excl. lending to credit institutions in securitisation vehicles	–254	–
excl. pledged bank balances	–107	–
Total cash and cash equivalents in cash flow statement	**4,576**	**5,804**

Parent Company income statement

SEK m	Quarter 4 2020	Quarter 4 2019	Full-year 2020	Full-year 2019
Interest income	424	438	1,705	1,813
Interest expense	–123	–127	–521	–458
Net interest income	**301**	**311**	**1,184**	**1,355**
Dividends received	302	–	302	10
Fee and commission income	1	1	4	5
Net result from financial transactions	–19	–28	–112	–147
Derecognition gains and losses	0	–2	–1	–8
Other operating income	32	60	256	232
Total operating income	**617**	**342**	**1,633**	**1,447**
Personnel expenses	–86	–86	–376	–393
Other administrative expenses	–170	–231	–768	–767
Depreciation and amortisation of tangible and intangible assets	–19	–12	–62	–49
Total operating expenses	**–275**	**–329**	**–1,206**	**–1,209**
Profit before credit losses	**342**	**13**	**427**	**238**
Impairment gains and losses on acquired loan portfolios	30	14	–41	56
Amortisation of other financial fixed assets	–116	–	–116	–
Share of profit from joint ventures	21	25	71	71
Net operating profit/loss	**277**	**52**	**341**	**365**
Appropriations	–9	–47	–9	–47
Taxes	–35	–69	–77	–121
Net profit/loss	**233**	**–64**	**255**	**197**

Parent company statement of comprehensive income

SEK m	Quarter 4 2020	Quarter 4 2019	Full-year 2020	Full-year 2019
Net profit/loss	233	**–64**	255	**197**
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss				
Translation difference, foreign operations	0	0	0	0
Tax attributable to items that may be reclassifed to profit or loss	–1	–	–1	–
Total items that may be reclassified subsequently to profit or loss	**–1**	**0**	**–1**	**0**
Other comprehensive income for the period	**–1**	**0**	**–1**	**0**
Total comprehensive income for the period	**232**	**–64**	**254**	**197**
Profit/loss attributable to:				
Owners of Hoist Finance AB (publ)	211	–79	168	134
Additional Tier 1 capital holders	21	15	86	63

Parent Company balance sheet

SEK m	31 Dec 2020	31 Dec 2019
ASSETS		
Cash	0	0
Treasury bills and Treasury bonds	2,411	2,729
Lending to credit institutions	1,611	1,455
Lending to the public	6	13
Acquired loan portfolios	6,755	7,394
Receivables, Group companies	14,402	17,432
Bonds and other securities	4,082	2,769
Shares and participations in subsidiaries	816	807
Shares and participations in joint ventures	11	16
Intangible assets	187	186
Tangible assets	35	29
Other assets	462	290
Deferred tax assets	1	2
Prepayments and accrued income	55	55
Total assets	**30,834**	**33,177**
LIABILITIES AND EQUITY		
Liabilities		
Deposits from the public	17,928	21,435
Tax liabilities	96	33
Other liabilities	890	912
Deferred tax liabilities	3	2
Accrued expenses and deferred income	94	60
Provisions	37	53
Debt securities issued	5,959	5,431
Subordinated debts	821	852
Total liabilities and provisions	**25,828**	**28,778**
Untaxed reserves	**277**	**268**
Equity		
Restricted equity		
Share capital	30	30
Statutory reserve	13	13
Revaluation reserve	72	74
Development expenditure fund	2	5
Total restricted equity	**117**	**122**
Non-restricted equity		
Additional Tier 1 capital holders	1,106	690
Share premium	1,883	1,883
Reserves	2	3
Retained earnings	1,366	1,236
Profit/loss for the period	255	197
Total unrestricted equity	**4,612**	**4,009**
Total equity	**4,729**	**4,131**
Total liabilities and equity	**30,834**	**33,177**

Notes to the financial statements

Note 1 Accounting principles

This year-end 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 phase 1).

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, Hoist Finance 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 in both Group and Parent accounting. 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 any more than the EBA guidelines suggest. Essentially all customers who has applied for a covid payment holiday has been approved and has proven to be a helpful tool for the performing customers at Hoist.

In terms of credit-impaired loans, new assumptions have been made during the year 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. The methodology for assessing future collections has proven to be accurate, but with the continuing uncertainty about how the effects of Covid-19 will affect the wider economic situation, our estimates will change to reflect this.

See Developments during the full-year 2020 for more information.

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

Forthcoming regulatory changes

On 27 August 2020 the International Accounting Standards Board (IASB) issued the IBOR reform – Phase 2, amendments to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16. The Phase 2 amendments have been approved by the EU Commission. The amendments come into effect for financial years commencing on or after 1 January 2021. Earlier application is permitted.

The IBOR reform – Phase 2 provides targeted relief for managing accounting issues arising from the replacement of an interbank offered rate (IBOR) with a risk-free rate (RFR).

During autumn 2020 Hoist Finance conducted a review of financial instruments and other agreements that may be affected by the IBOR reform amendments. The review confirmed that Hoist Finance has financial instruments, including preforming loan portfolios, that are affected by the reform, although no significant change to the current risk assessment is anticipated. While no contractual changes have yet been made, discussions have been initiated to make the transition as smooth as possible. The underlying reference rates used by Hoist Finance are LIBOR, EURIBOR, STIBOR and WIBOR. Of these, only LIBOR will be phased out and replaced with a new RFR.

The underlying reference rates used by Hoist Finance are LIBOR, EURIBOR, STIBOR and WIBOR. Of these, only LIBOR is expected to be phased out and replaced with a new RFR.

Note 2 Exchange rates

	Full-year 2020	Full-year 2019
1 EUR = SEK		
Income statement (average)	10.4844	10.585
Balance sheet (at end of the period)	10.0375	10.4336
1 GBP = SEK		
Income statement (average)	11.7996	12.0706
Balance sheet (at end of the period)	11.0873	12.2145
1 PLN = SEK		
Income statement (average)	2.3615	2.4628
Balance sheet (at end of the period)	2.2166	2.4445
1 RON=SEK		
Income statement (average)	2.1672	2.2305
Balance sheet (at end of the period)	2.0618	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 4, 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	**111**	**172**	**107**	**75**	**64**	**59**	**57[1)]**	**3**	**648**
of which, internal funding costs	*–49*	*–34*	*–15*	*–36*	*–10*	*–14*	*158*	–	*0*
Total operating expenses	**–87**	**–117**	**–52**	**–45**	**–38**	**–75**	**–178**	**0**	**–592**
Share of profit from joint ventures	–	–	–	–	–	6	6	–	12
Profit before tax	**24**	**55**	**55**	**30**	**26**	**–10**	**–115**	**3**	**68**

1) Dividend from subsidiaries SEK 302m and write down of shares in subsidiaries SEK 116m.

Income statement, Quarter 4, 2019

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	**162**	**222**	**92**	**108**	**42**	**115**	**35[1)]**	**–8**	**768**
of which, internal funding costs	*–60*	*–49*	*–15*	*–43*	*–9*	*–17*	*193*	–	*0*
Total operating expenses	**–96**	**–125**	**–55**	**–59**	**–39**	**–85**	**–200**	**8**	**–651**
Share of profit from joint ventures	–	–	–	–	–	9	21	–	30
Profit before tax	**66**	**97**	**37**	**49**	**3**	**39**	**–144**	**0**	**147**

1) Dividend from subsidiaries SEK 10m.

Income statement, full-year 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	**460**	**698**	**327**	**339**	**274**	**171**	**97[1)]**	**2**	**2,368**
of which, internal funding costs	*–210*	*–145*	*–59*	*–157*	*–43*	*–61*	*675*	–	*0*
Total operating expenses	**–333**	**–468**	**–213**	**–181**	**–168**	**–281**	**–698**	**–1**	**–2,343**
Share of profit from joint ventures	–	–	–	–	–	13	44	–	57
Profit before tax	**127**	**230**	**114**	**158**	**106**	**–97**	**–557**	**1**	**82**

1) Dividend from subsidiaries SEK 302m and write down of shares in subsidiaries SEK 116m.

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**	**153[1)]**	**–26**	**3,038**
of which, internal funding costs	*–233*	*–156*	*–63*	*–161*	*–28*	*–71*	*712*	–	*0*
Total operating expenses	**–375**	**–506**	**–221**	**–192**	**–162**	**–281**	**–631**	**16**	**–2,352**
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.

Note 3 Segment reporting, cont.

Acquired loans, 31 Dec 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Group
Run-off consumer loan portfolio	–	–	6	–	–	–	–	6
Acquired loan portfolios	5,061	5,428	2,440	3,366	2,320	2,460	–	21,075
Shares and participations in joint ventures[1]	–	–	–	–	–	–1	161	160
Acquired loans	**5,061**	**5,428**	**2,446**	**3,366**	**2,320**	**2,459**	**161**	**21,241**

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.

Note 4 Acquired loan portfolios

	GROUP		PARENT COMPANY	
SEK m	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Gross carrying amount	21,188	23,921	6,670	7,267
Loss allowance	–113	382	85	127
Net carrying amount	**21,075**	**24,303**	**6,755**	**7,394**

Acquired credit-impaired loan portfolios, 31 Dec 2020

	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 2020	23,009	387	23,396	6,922	130	7,052
Acquisitions	1,761	–	1,761	916	–	916
Interest income	3,240	–	3,240	1,020	–	1,020
Gross collections	–6,324	–	–6,324	–2,221	–	–2,221
Impairment gains and losses	–	–455	–455	–	–40	–40
Disposals	40	–40	0	–	–	–
Translation differences	–1,296	0	–1,296	–248	–2	–250
Closing balance 31 Dec 2020	**20,430**	**–108**	**20,322**	**6,389**	**88**	**6,477**

Note 4 Acquired loan portfolios, cont.

Acquired credit-impaired loan portfolios, 31 Dec 2019

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

Acquired credit-impaired loan portfolios, 31 Dec 2020

	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 2020	912	–1	0	–4	–5	907
Interest income	62	–	–	–	–	62
Amortisations and interest payments	–143	–	–	–	–	–143
Changes in risk parameters	–	0	0	0	0	0
Derecognitions	–1	–	–	–	–	–1
Translation differences	–72	0	0	0	0	–72
Closing balance 31 Dec 2020	**758**	**–1**	**0**	**–4**	**–5**	**753**

Acquired performing loan portfolios, 31 Dec 2019

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

Note 4 Acquired loan portfolios, cont.

Acquired performing loan portfolios, 31 Dec 2020

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 2020	345	0	0	–3	–3	342
Interest income	20	–	–	–	–	20
Amortisations and interest payments	–53	–	–	–	–	–53
Changes in risk parameters	–	0	0	–	0	0
Derecognitions	–1	–	–	–	–	–1
Translation differences	–30	0	0	0	0	–30
Closing balance 31 Dec 2020	**281**	**0**	**0**	**–3**	**–3**	**278**

Acquired performing loan portfolios, 31 Dec 2019

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 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**

Note 5 Financial instruments

Carrying amount and fair value of financial instruments

GROUP, 31 DEC 2020

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	–	2,411	–	–	2,411	2,411
Lending to credit institutions	–	–	–	2,526	2,526	2,526
Lending to the public	–	–	–	6	6	6
Acquired loan portfolios	–	–	–	21,075	21,075	21,945
Bonds and other securities	–	4,082	–	–	4,082	4,082
Derivatives	27	–	214[1]	–	241	241
Other financial assets	–	–	–	492	492	492
Total	**27**	**6,493**	**214**	**24,099**	**30,833**	**31,703**
Deposits from the public	–	–	–	17,928	17,928	17,928
Derivatives	43	–	–	–	43	43
Debt securities issued	–	–	–	6,355	6,355	6,479
Subordinated debt	–	–	–	821	821	744
Other financial debts	–	–	–	1,185	1,185	1,185
Total	**43**	**–**	**–**	**26,289**	**26,332**	**26,379**

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: 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[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

PARENT COMPANY, 31 DEC 2020

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	–	2,411	–	–	2,411	2,411
Lending to credit institutions	–	–	–	1,611	1,611	1,611
Lending to the public	–	–	–	6	6	6
Acquired loan portfolios	–	–	–	6,755	6,755	7,149
Receivables, Group companies	–	10	–	14,392	14,402	14,418
Bonds and other securities	–	4,082	–	–	4,082	4,082
Derivatives	27	–	214[1]	–	241	241
Other financial assets	–	–	–	205	205	205
Total	**27**	**6,503**	**214**	**22,969**	**29,713**	**30,123**
Deposits from the public	–	–	–	17,928	17,928	17,928
Derivatives	43	–	–	–	43	43
Debt securities issued	–	–	–	5,959	5,959	6,054
Subordinated debt	–	–	–	821	821	744
Other financial debts	–	–	–	909	909	909
Total	**43**	**–**	**–**	**25,617**	25,660	**25,678**

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, 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	–	–	–	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.

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

	GROUP, 31 DEC 2020				PARENT COMPANY, 31 DEC 2020			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and Treasury bonds	2,411	–	–	2,411	2,411	–	–	2,411
Bonds and other securities	4,082	–	–	4,082	4,082	–	–	4,082
Receivables, Group companies[1]	–	–	–	–	–	–	10	10
Derivatives	–	241	–	241	–	241	–	241
Total assets	**6,493**	**241**	**–**	**6,734**	**6,493**	**241**	**10**	**6,744**
Derivatives	–	43	–	43	,–	43	–	43
Total liabilities	**–**	**43**	**–**	**43**	**–**	**43**	**–**	**43**

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

	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	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.

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).

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
SEK m	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Common Equity Tier 1 (CET1) capital: instruments and reserves				
Capital instruments and related share premium accounts	1,913	1,913	1,913	1,913
Retained earnings	2,044	1,534	924	819
Accumulated comprehensive income and other reserves	–1	133	698	694
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	50	605	255	197
CET1 capital before regulatory adjustments	**4,006**	**4,185**	**3,790**	**3,623**
CET1 capital: regulatory adjustments				
Additional value adjustments	–7	0	–7	0
Intangible assets (net of related tax liability)	–284	–382	–113	–186
Deferred tax assets that rely on future profitability	–93	–27	–1	–2
Exposure amount of securitisation positions which qualify for a RW of 1.250%, where the institution opts for the deduction alternative	–8	–9	–8	–9
Transitional rules regarding IFRS9	3	4	2	2
Total regulatory adjustments to CET1	**–389**	**–414**	**–127**	**–195**
CET1 capital	**3,617**	**3,771**	**3,663**	**3,428**
Additional Tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts	1,106	690	1,106	690
AT1 capital	**1,106**	**690**	**1,106**	**690**
Tier 1 (T1) capital	**4,723**	**4,461**	**4,769**	**4,118**
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts	821	852	821	852
T2 capital	**821**	**852**	**821**	**852**
Total capital (TC = T1 + T2)	**5,544**	**5,313**	**5,590**	**4,970**

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

SEK m	HOIST FINANCE CONSOLIDATED SITUATION 31 Dec 2020	31 Dec 2019	HOIST FINANCE AB (PUBL) 31 Dec 2020	31 Dec 2019
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	670	752	411	363
of which, counterparty credit risk	*72*	*60*	*72*	*60*
Exposures to corporates	462	319	12,594	14,565
Retail exposures	27	38	23	33
Exposures secured by mortgages on immovable property	352	368	83	101
Exposures in default	25,012	28,746	9,258	10,043
Exposures in the form of covered bonds	408	277	408	277
Equity exposures	–	–	816	807
Other items	470	382	164	84
Credit risk (standardised approach)	**27,401**	**30,882**	**23,757**	**26,273**
Securitisation positions in the banking book (external ratings-based approach)	**1,954**	**2,984**	**1,954**	**2,984**
Market risk (foreign exchange risk – standardised approach)	**0**	**78**	**0**	**78**
Operational risk (standardised approach)	**4,208**	**3,935**	**2,213**	**1,916**
Credit valuation adjustment (standardised approach)	**62**	**48**	**62**	**48**
Total risk-weighted exposure amount	**33,625**	**37,927**	**27,986**	**31,299**

Capital requirements

SEK m	HOIST FINANCE CONSOLIDATED SITUATION 31 Dec 2020	31 Dec 2019	HOIST FINANCE AB (PUBL) 31 Dec 2020	31 Dec 2019
Pillar 1				
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	54	60	33	29
of which, counterparty credit risk	*6*	*5*	*6*	*5*
Exposures to corporates	37	26	1,007	1,165
Retail exposures	2	3	2	3
Exposures secured by mortgages on immovable property	28	29	7	8
Exposures in default	2,001	2,300	741	803
Exposures in the form of covered bonds	33	22	33	22
Equity exposures	–	–	65	65
Other items	38	31	13	7
Credit risk (standardised approach)	**2,193**	**2,471**	**1,901**	**2,102**
Securitisation positions in the banking book (external ratings-based approach)	**156**	**239**	**156**	**239**
Market risk (foreign exchange risk – standardised approach)	**0**	**6**	**0**	**6**
Operational risk (standardised approach)	**337**	**315**	**177**	**153**
Credit valuation adjustment (standardised approach)	**5**	**4**	**5**	**4**
Total own funds requirement – Pillar 1	**2,691**	**3,035**	**2,239**	**2,504**

Note 6 Capital adequacy, cont.

SEK m	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Pillar 2				
Concentration risk	234	245	267	356
Interest rate risk in the banking book	96	129	41	129
Pension risk	0	3	0	3
Other Pillar 2 risks	27	37	27	37
Total own funds requirement – Pillar 2	**357**	**414**	**335**	**525**

SEK m	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Capital buffers				
Capital conservation buffer	841	948	700	783
Countercyclical buffer	0	128	0	94
Total own funds requirement – Capital buffers	**841**	**1,076**	**700**	**877**
Total own funds requirements	**3,889**	**4,525**	**3,274**	**3,906**

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, %	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Common Equity Tier 1 capital ratio	10.76	9.94	13.09	10.95
Tier 1 capital ratio	14.05	11.76	17.04	13.16
Total capital ratio	16.49	14.01	19.97	15.88
Institution specific CET1 buffer requirement	7.00	7.34	7.00	7.30
of which, capital conservation buffer requirement	*2.50*	*2.50*	*2.50*	*2.50*
of which, countercyclical capital buffer requirement	*0.00*	*0.34*	*0.00*	*0.30*
CET1 capital available to meet buffers (as a percentage of risk exposure amount) [1)]	**6.26**	**5.44**	**8.59**	**6.45**

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 2020 the internally assessed capital requirement for Hoist Finance was SEK 3,048m (3,449), of which SEK 357m (414) was attributable to Pillar 2.

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
Leverage ratio	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Exposure measure for leverage ratio calculation	31,177	34,198	31,167	33,501
Tier 1 capital	4,723	4,461	4,768	4,118
Leverage ratio, %	15.15	13.04	15.30	12.29

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. 30 per cent (41) of deposits from the public are payable on demand (current account – "flex"), while 70 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 is fully covered by the Swedish state deposit guarantee.

Funding

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
SEK m	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Current account deposits	5,422	8,871	5,422	8,871
Fixed-term deposits	12,506	12,564	12,506	12,564
Debt securities issued	6,355	5,900	5,959	5,431
Convertible debt instruments	1,106	690	1,106	690
Subordinated debts	821	852	821	852
Equity	4,052	4,208	3,623	3,441
Other	1,602	1,302	1,397	1,328
Balance sheet total	**31,864**	**34,387**	**30,834**	**33,177**

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 8,652m (8,024) as per 31 December 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.

Funding

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
Additional disclosures	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Liquidity Coverage Ratio, LCR	1,130	755	1,117	461
Net Stable Funding Ratio, NSFR	119	124	118	118

Liquidity reserve

SEK m	**31 Dec 2020**	**31 Dec 2019**
Cash and holdings in central banks	0	0
Deposits in other banks available overnight	2,160	2,526
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,354	2,207
Securities issued or guaranteed by municipalities or other public sector entities	1,056	522
Covered bonds	4,082	2,769
Securities issued by non-financial corporates	–	–
Securities issued by financial corporates	–	–
Other	–	–
Total	**8,652**	**8,024**

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

	GROUP		PARENT COMPANY	
SEK m	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	757	1,021	0	0

Pledged assets in the Group pertain to restricted bank balances and a portion of the acquired loan portfolios in the Marathon SPV S.r.l. securitisation structure pledged as security for bonds held by external investors. The acquired loan portfolios are included in pledged assets as from December 2020. Comparative figures have been restated.

Note 9 Contingent liabilities

	GROUP		PARENT COMPANY	
SEK m	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Commitments	339	356	337	325

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 Year-end report 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, 8 February 2021

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

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.

Active forecast
Initial forecast adjusted for portfolio revaluations. Basis for current valuation of portfolios.

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+annual interest)^(1/12)-1.

Initial forecast
Estimated gross cash collections over 15 years at time of portfolio acquisition.

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.

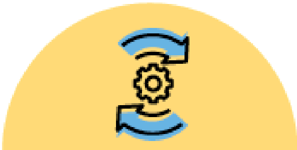
Vision and Strategy

Helping People Keep Their Commitments
is our mission and purpose, it is what we do and why we go to work every day.

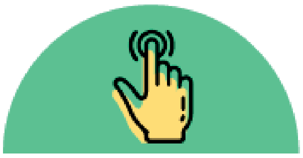
By Your Side
is how we see ourselves fulfilling our mission, to always be by our customers' side, how we support them to be part of and included in the financial ecosystem.

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

Annual report 2020	**23 March, 2021**
Annual General Meeting 2021	**13 April, 2021**
Interim report, Q1 2021	**29 April, 2021**
Interim report, Q2 2021	**21 July, 2021**
Interim report, Q3 2021	**27 October, 2021**

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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.

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