



20

Table of content

3	The year in brief
5	Hoist Finance in brief
7	CEO Letter
10	The Value we create
13	Our Strategy
18	Milestones 2020
20	Customers
27	Sustainability
43	GRI Index
48	Our People
54	Banks and Financial Institutions
57	Investment proposition
59	The Share
62	Competitive position
66	Asset Classes
68	Banking Platform
70	Risk Management

Financial Review

75	Administration Report
85	Five-year overview
86	Corporate Governance Report
100	Board of Directors
104	Management
107	Financial Statements
120	Notes
212	Certification of the Board of Directors
213	Auditor's report
219	Auditor's report on the statutory sustainability statement
220	Definitions
224	Shareholder information
226	Addresses

Reference to statutory annual report and sustainability report

The statutory annual report comprises pages 75–212. The statutory sustainability report in accordance with the Swedish Annual Accounts Act (ÅRL) comprises pages 27–47.

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

The year in brief



Highlights

First quarter

- » Ensured business continuity during the Covid-19 outbreak, securing customer interactions through fully operational contact centres.
- » Establishment of a new sustainability strategy. The strategy outlines ESG goals and indicators, which together with the extensive reporting puts Hoist Finance as a front-runner in the debt resolution industry.
- » Successful AT1 issue further strengthening the capital structure.

Second quarter

- » 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.

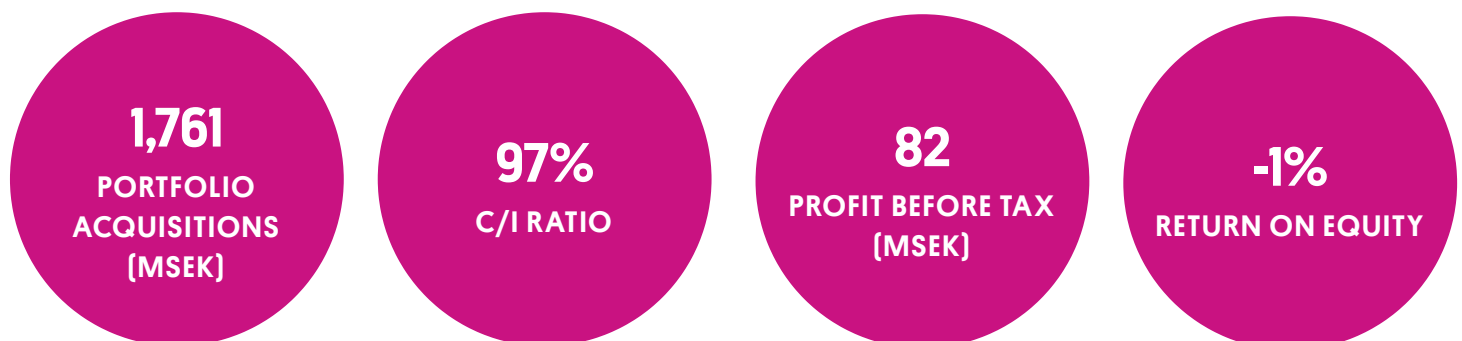
Third quarter

- » Affirmed investment grade rating Baa3 from Moody's, with revised outlook to negative.
- » Launch of a new platform to support customers with financial planning.

Fourth quarter

- » The Swedish FSA has assessed and concluded that Significant Risk Transfer (SRT) is achieved in Hoist Finance's securitisations
- » Successful issuance of senior bonds totalling EUR 200 million and repurchase of EUR 102 million senior bonds issued in 2017.
- » Launch of new operating model to support customer-centric and efficient operations
- » Trust index© of 77% achieved in 2020 Great Place to Work® survey, demonstrating strong progress in line with the Hoist Finance sustainability strategy.

Key figures of 2020



Key figures of 2020

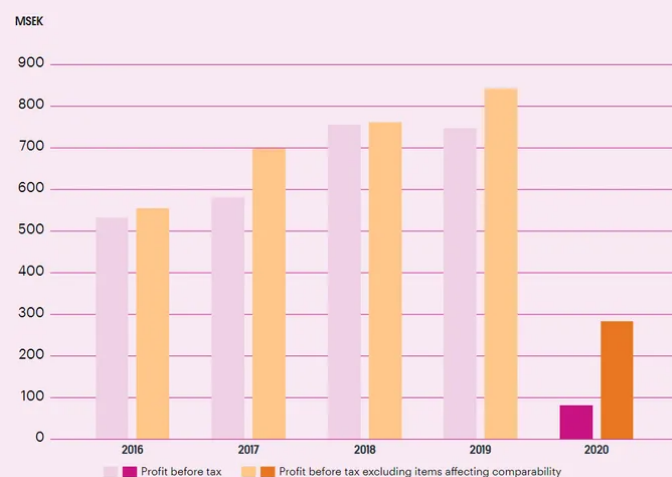
C/I Ratio



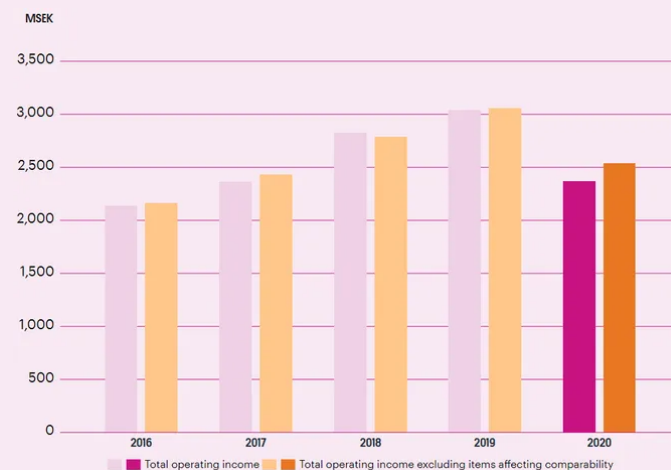
Carrying value



Profit before tax



Total operating income



SEK million

	2020	2019	2018
Total operating income	2,368	3,038	2,829
Profit before tax	82	748	755
Net profit	41	605	590
Basic and diluted earnings per share, SEK	-0.50	6.07	6.29
Net interest income margin, %	12	13	14
C/I ratio, %	97	76	74
Return on equity, %	-1	13	16
Portfolio acquisitions	1,761	5,95	8,048

Hoist Finance mission, purpose and position

Helping People Keep Their Commitments

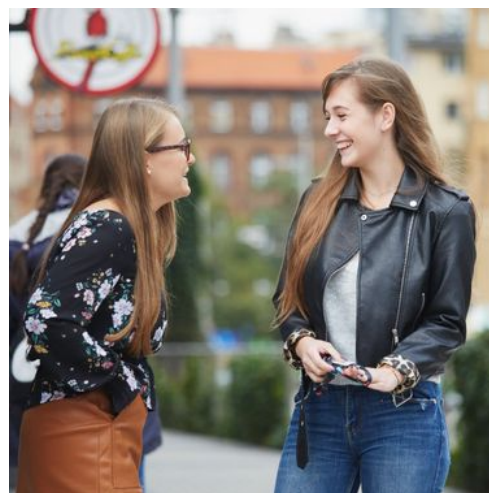
is our mission and purpose, it is what we do and why we go to work every day.

By Your Side

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

Uncomplicated, Helpful and Humane

is our personality.



Financial targets

ROE^(A)

>15%

EPS Growth^(B)

15% CAGR^(C)

Cost-to-income Ratio

65% by 2023

CET1

1.75-3.75%

ABOVE REGULATORY REQUIREMENTS

Dividend policy

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

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

B) Adjusted for AT1 costs

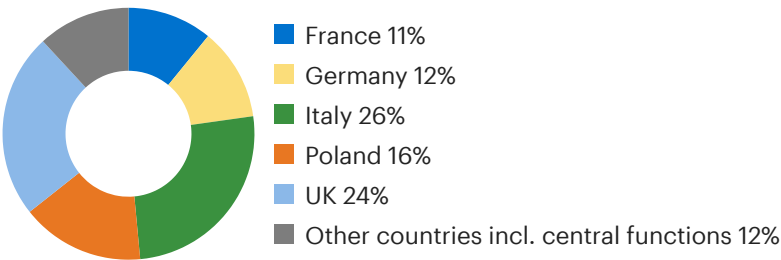
C) When comparing 2023 vs. 2019 and excluding items affecting comparability (IAC)

Our Presence

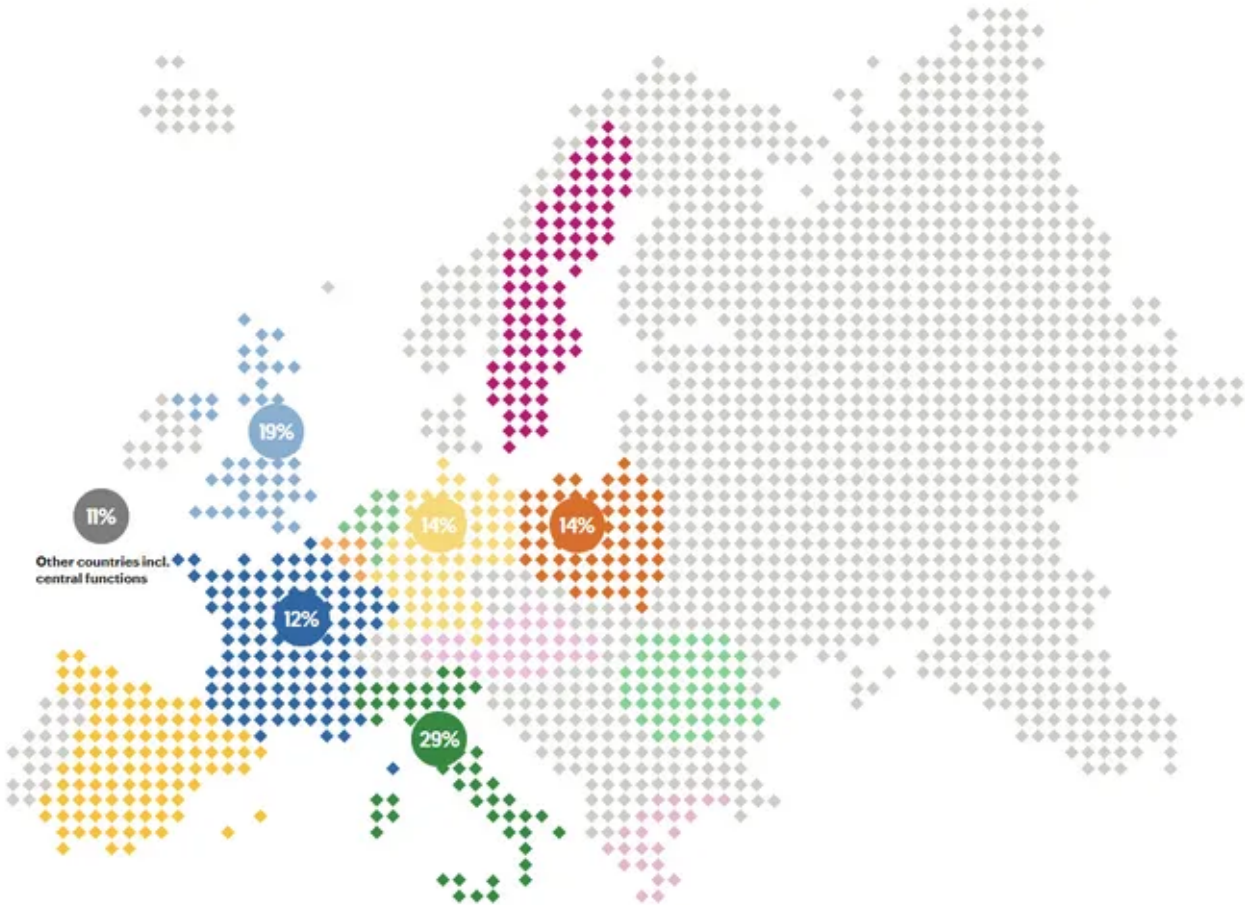
Hoist Finance is present in twelve European countries. In 2020, the presence in our six largest markets enabled us to capture 80 per cent of the European NPL stock, primarily managed through our own servicing platform, which is the core business for Hoist Finance.

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

Carrying amount of Hoist Finance acquired loan portfolios



Share of Hoist Finance’s total operating income



Continued focus on our strategy

We have made significant progress despite a challenging year. Combined with a very promising market ahead, our focus is to deliver attractive returns, while helping people to keep their commitments.

Significant progress in efficiency

Unprecedented times do not have to imply a change of direction. At Hoist Finance, this year made us speed up digitalisation, welcome new technology and adapt our ways of working. The pandemic did not force us to slow down our ambitions and improvement initiatives. On the contrary, we have continued to make progress on our strategic agenda, and we have not lost sight of our long-term vision and goals. In 2020, we continued to support our customers with setting sustainable payment plans that fit their individual situation and financial capability. We developed new digital solutions and we have received record high engagement scores from our employees. Full year acquisitions were limited, mainly as a result of us focusing on protecting our capital position but also due to sellers being hesitant. This is not the greatest from a short-term profitability point of view, but we are running a long-term business and it means we are ready to participate in a more active 2021.



“

We have made significant progress in becoming the most effective and efficient operator, and this new organisation is the natural next step to further strengthen our focus on operations and market execution and bring us even closer to our customers.

”

Culture matters

We are proud of being able to ensure business continuity while continuing to pursue our digital agenda. When the pandemic first hit, we were able to completely transform our business by having everyone work from home while maintaining the same high quality of customer support, ensuring the protection of customer information, and staying engaged with our colleagues. We asked people to go the extra mile, but it turned out we had just joined a marathon. It is in times like these when a company's true values show. I am very proud about the culture we have built in Hoist Finance. The results from the Great Place To Work® survey in 2020 demonstrated that the organisation feels the same. With a response rate of 91 per cent and Trust Index® of 77 per cent, we have moved up 16 percentage points from 2018. It is a significant improvement in all dimensions and markets, which proves that we have done the right things to support our employees during these challenging and uncertain times.

New business lines

In 2018, we launched our harmonised operating model, One Hoist Finance, with the objective of becoming the most effective and efficient operator in our industry. Through One Hoist Finance, we are creating an integrated business model, enabling us to be a true international company in all operational senses. As of 1 January 2021, we took the next step in our efficiency journey by further expanding across asset classes, widening our service and product portfolio and catalysing our digital aspirations. Three Centres of Excellence, one for each asset class, have become four business lines: Contact Centre Operations, Secured assets, Digital and Retail Banking & Business Development. With a “digital first” strategy for our unsecured non-performing loans (NPLs), the Digital business line will have the end-to-end responsibility for unsecured assets. The Retail Banking business line will continue to house the performing loans assets, as well as be responsible to widen our offering to current customers in line with our strategy. We have made significant progress in becoming the most effective and efficient operator, and this new organisation is the natural next step to further strengthen our focus on operations and market execution and bring us even closer to our customers.



Our digital vision is to create an empowering and educational customer experience through a self-service approach to debt management. We recognise the need to offer our customers the ability to use the channel of their own choice.



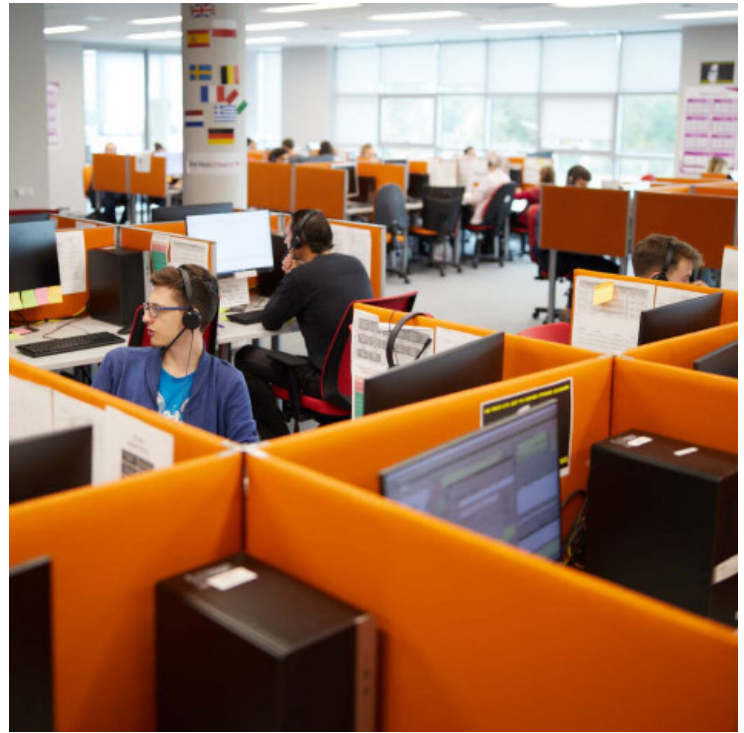
Sustainable business

After having launched our sustainability strategy in early 2020 we have worked relentlessly towards delivering on our annual indicators and long-term goals. All markets have initiated concrete activities and sustainability has been integrated into our core business review process. Other important achievements are partnerships with local social enterprises working towards increased financial inclusion, the establishment of a common customer satisfaction management process and a significant reduction of our carbon footprint, much beyond our target. This vast reduction is largely attributed to Covid-19, which is reflected by more than a 500 per cent increase in digital meetings in 2020. To be truly by our customers' side, we developed a set of group wide principles for how to support customers affected by Covid-19. This included providing our Customer Contact Representatives with the mandate to adjust a customer's payment plan to pay less or to stop paying for a shorter period of time. We were also by our employees' side as we provided mental health support and initiated engagement initiatives such as Challenge; a fun health challenge with all 1,600 employees competing across markets.

During the year we initiated external stakeholder dialogues with industry associations, client banks and capital markets participants with the objective to strengthen our relations and to collect information about non-financial aspects that the stakeholders identify as material for us to focus on. Furthermore, Hoist Finance continued to support the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption in 2020.

Strategic deployment

In 2020 we proved that we are the digital leader in our industry. We have developed new digital solutions that are coming to life in a more consistent manner across markets. These include products and services such as digital wallet, budgeting tool and benefits tracker. Our digital vision is to create an empowering and educational customer experience through a self-service approach to debt management. We recognise the need to offer our customers the ability to use the channel of their own choice. The digital collections rate at 20 per cent is an all-time high, largely driven by improvements in France, Germany and Poland. Following the 2019 decision to outsource IT infrastructure, we now have a sound, cost effective and future proof IT set up. In 2021, the focus will be on harvesting the benefits of what has been done and continue to deploy new digital developments.



Ready for 2021

As the events following the pandemic unfolded, we decided to not make any large investments and instead focus on protecting our capital position. The supply of portfolios in the market has also been significantly affected due to the considerable global uncertainties. Industry experts estimate that NPL volumes could potentially double as a result of Covid-19. Hoist Finance plays an important role in the return to a healthy financial market. Helping people stay committed to paying off their debts and re-entering the financial ecosystem is our core business. We are strongly devoted to our amicable approach by arranging sustainable repayment plans that help customers get back on their feet. At the same time, we contribute to upholding fair and stable credit markets. The solutions we offer will become more needed than ever in managing the fallout from the pandemic.

I would like to take this opportunity to thank our employees for all the hard work, for living our values and for making sure that we keep *helping people keep their commitments* and for maintaining the promise to be *by your side*.

Klaus-Anders Nysteen, CEO

How we create value

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



Business model for value creation

Competitive factors

Hoist Finance Unique Operating Model

- » [Amicable settlements](#)
- » [Customer-centric Business Lines](#)

Credit market license

- » [Banking Platform](#)
- » Solid governance and compliance

Our People

- » One Hoist Finance
- » 1,615 skilled and committed employees
- » [Hoist Finance Academy](#)
- » TRUST values

Business Mix

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



Business Model



Individual with loan

Hoist Finance Recovery



Hoist Finance acquires loan



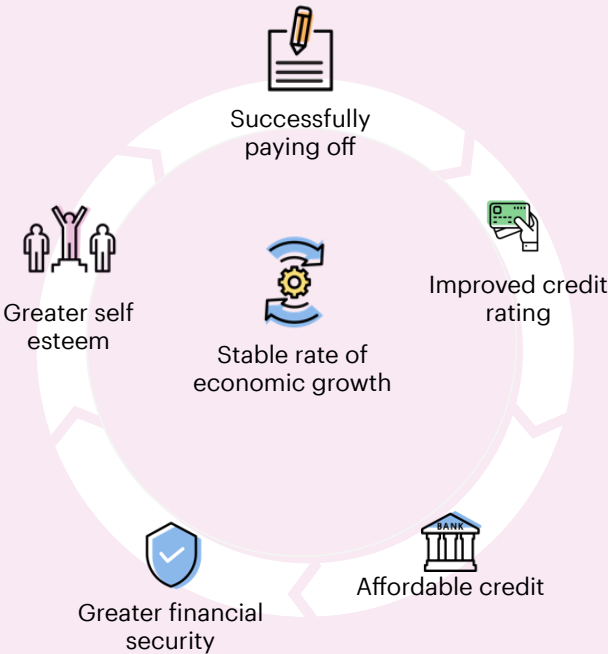
HoistFinance

Amicable settlement



Customer repays loan

Healthy Financial Ecosystem



Value for our stakeholders

Stakeholders	Value	...in numbers 2020
Customers	Sustainable payment plans so that customers can regain control over their finances.	500 000 monthly customer interactions 230,000 new payment plans set up EUR 75 average monthly customer payments
Shareholders	A long-term investment with a healthy dividend and a good value growth.	6,877 Shareholders -27% return on share
Deposit customers	Online deposit savings platform in Sweden (HoistSpar) and Germany with competitive interest rates.	79 269 Deposit customers Up to 1.40% interest rate
Our People	» Opportunity to work in a stimulating environment with engaging company culture. » Opportunities for personal development.	91% response rate in Great Place to Work survey 77% Trust Index© in Great Place To Work survey 129 Managers completed educations in Hoist Finance Academy.
Banks and financial institutions	» Reduced risk exposure. » Increased cash flow, strengthening liquidity. » Higher return on equity. » Increased focus on core business.	SEK 1,761 million in portfolio acquisitions. 6% of acquisitions within the Secured NPL asset class.
Society	» Contribute to a healthy financial eco-system. » Meet customer needs and societal expectations through our digital developments. » Preventative actions to support people not to end up in bad debt.	38 000 people repaid their debts in full 5 SDGs and targets selected 20% digital collections

Our Strategy

In 2020, we proved that our strategy is solid even in challenging times. We continued to work on our ambition to become the most effective and efficient company in the industry, by growing our shared service center in Poland and establishing nearshore collections operations in Romania. Through our self service portals and enhanced digital features, we have made the customer journey easier and we have provided the customers with more options for how they want to interact with us. At the start of the year, we also established a Retail Banking business line, with the aim of offering more products and services to our customers, bringing them back into financial inclusion, which is also the main goal on our sustainability agenda.



Market leadership

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



Effective & Efficient

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



Digital Leader

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



Banking Platform

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

The Four Pillars of our Strategy

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

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

Business Lines

In line with the One Hoist Finance strategy set in 2018, Hoist Finance has three Centres of Excellence (CoE). One for unsecured assets, one for secured assets and one for performing assets. The purpose of these three CoE's is to ensure that the company harmonises and standardises processes across markets and share best practices in an efficient way. As of 1 January 2021, the CoE's have been integrated in to the following business lines:

» Secured non-performing loans

The Secured business line is end to end responsible for the Secured NPL business. The business line works together with the countries to formulate our strategy, deliver on our budgets and to develop the Secured Assets Business in Hoist Finance. The Secured business line will work together with the functions and other business lines to maximise the value creation. The current Center of Excellence for Secured becomes an integrated part of the Secured Assets Business Line.

» Digital (unsecured non-performing loans)

The Digital business line is end to end responsible for the unsecured NPL business. The Digital business line drives the transformation from analog to digital debt resolution and works with countries, other business lines and the functions to make and maintain Hoist Finance the digital leader in our industry. The Digital business line will have important resources such as:

- Omni channel and customer portals
- Analytics and BI
- Digital customer experience
- Digital service delivery
- Innovation
- Digital performance
- Core IT (infrastructure, application management)

» Retail Banking (performing loans)

The Retail Banking and Business Development business line is responsible for all Performing Loan portfolios and for all banking products that we offer our customers. The Retail Banking business line is also responsible for our deposit taking through Hoist Spar. Through product development, we can find ways to help our customers with banking products they otherwise would struggle to find given their limited credit worthiness. This business line is important for Hoist Finance as it creates sustainable competitive advantage, broadens the range of solutions we can offer customers as well as diversifies and differentiates our business and emphasises our customer focus. The current Center of Excellence for Performing Loans becomes an integrated part of the Retail Banking business line.

» Contact Centre Operations

Our contact center operation is the most important customer channel at the moment, and will continue to be very important going forward. Our omni-channel approach is instrumental for the customer journey. Hence, the Contact Center Operations business line will need to focus on how to work with the other business lines, develop best practice, operate as effective and efficient as possible and become the natural benchmark in our industry. This business line can be seen as the internal provider of contact center services to the other business lines. The current Center of Excellence for Unsecured becomes an integrated part of the Contact Centre Operations business line.

Progress of Centres of Excellence in 2020

Unsecured Centre of Excellence

»» Rules engine

During 2020 we have worked on our tone of voice with the objective to establish a more accessible language, improving the customer experience. We have developed a stronger customer engagement strategy that allows us to know which customer to contact, through what channel and when. This approach has been delivered through current systems in all markets however consistent application will be delivered through the implementation of a common data-driven and automated Rules Engine technology in all markets.

The Rules Engine determines on a daily basis the next best action for each of our customers. It selects which customers we want to contact, through what channel and with what message. It also determines which customers to move into specific processes such as litigation and field collection. The Rules Engine puts data at the centre of these decisions and allows us to run concurrent tests to optimise our collection performance.

First market to go live on this new system in the second half of 2020 was Germany where we were able to report early positive results across amicable processes. UK went live in January 2021 incorporating both amicable and litigation strategies. France will go live in the first quarter of 2021, with BeNe, Spain and Poland planned throughout the remainder of 2021.

»» Skip tracing

It is not possible to initiate an amicable settlement if we cannot get in touch with the customer. When we buy a portfolio we often inherit outdated contact details. This year we have looked at ways to improve our customer engagement levels by improving the quality of our customer contact data such as phone number and e-mails address. We have performed trials with new data suppliers across several markets, agreed on a common approach to invalidating existing contact details and triggering trace activities. We are also in the final stages of adding additional manual resources in our nearshoring operations for fallout from automated processes in relation to this task.

»» Contact Centre Excellence

In line with our ambition to develop top class omni-channel Contact Centres, we are mid-way through a programme of transformational activities, which affect all our internal contact driven operations. We are harmonising approaches to coaching and leadership in these areas, with a significant development programme called High Performing Teams delivered in three markets, in progress in three more, with the remainder to commence in the first quarter of 2021. This will have a major impact on conversion and kept rate performances, as well as on colleague engagement ratings. We also made great strides in the application of sophisticated Contact Centre workforce optimisation in conjunction with our technical partner Aspect, as well as a transformed approach to KPI development and usage across all markets.

»» Digital

Several digital solutions have been created using experiences and expertise from the Unsecured CoE. Read about them [here](#).



Performing Centre of Excellence

»» Integration into the new Retail Banking division

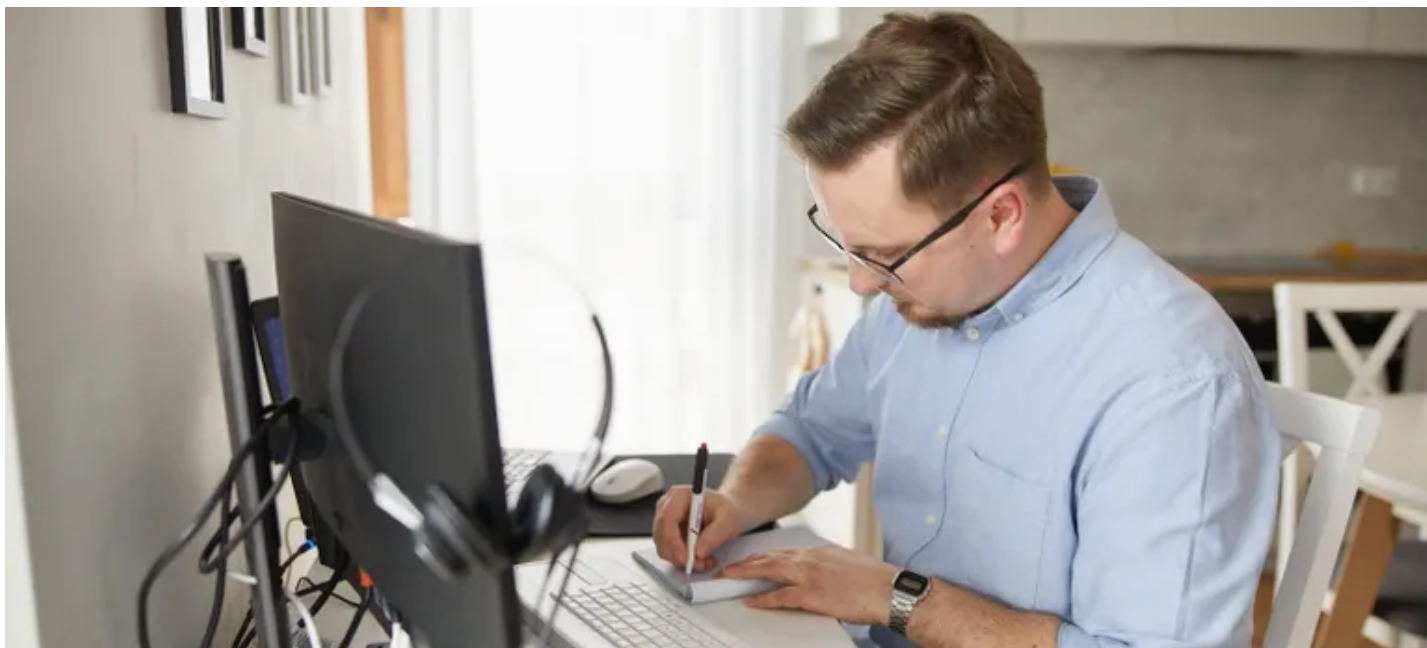
The Performing Centre of Excellence was created in order to accelerate Hoist's growth in performing loan acquisition and management, ensuring a consistent approach and sharing of best practice across our group. Performing loans have been identified as a key target asset class for Hoist, with our banking licence providing us with a competitive advantage in this space. The CoE has served as the foundation for our newly created Retail Banking division, which launched in January 2020 to accelerate our performing product expansion. The CoE is now fully integrated into the Retail Banking division and will continue to ensure we have the knowledge and skills required to manage our customers effectively.

»» Expanding our Credit team

As we expand into performing and retail banking products at Hoist, we will continue to manage our risks effectively. To support this, we have expanded our portfolio management and credit loss modelling team and continued to develop our Expected Credit Loss Allowance framework. During 2020, allowances for future potential losses have become a particularly hot topic for banks, with the transition to IFRS9 coinciding with the Covid-19 pandemic. The knowledge we have gained since we acquired our first performing portfolio in 2018 – and in particular through this more turbulent period – will stand us in good stead to offer new performing products to our customers.

»» Navigating our way through Covid-19

Hoist has over 2,000 performing mortgage customers across Poland and UK and, like all banks, has been providing customers with Covid payment holidays where the pandemic has caused customers to have concerns over their ability to make future payments. We have implemented new processes to assess these payment holiday requests and estimate the potential impact to Hoist. In this way we have provided our customers with the breathing space they need to manage their finances during the pandemic, whilst ensuring our bank is protected against downside risk.



Secured Centre of Excellence

The CoE Secured has developed a unified culture and mind-set within the group and within our two main secured markets, France and Italy.

» Common practice

In an effort to bring Hoist Finance's vision and mission into our approach to customer relationship management, we have reviewed the process and communication between our Secured Loan Asset Managers and our customers, and analysed what has been common challenges as well as best practice. During the year, we have defined important touchpoints in order to better assess and improve our customer service.

» Increasing amicable solutions

CoE has implemented proactive Asset Management strategies to maximize value creation in the interest of our customers. In France, we were able to achieve a 45 per cent amicable sale rate for the collateral assets of our customers in 2020 up from 38 per cent in 2018. Our target for next year is to reach a minimum of 50 per cent. In Italy, while assuming mainly legal processes, we are aiming to increase the portion of amicable solutions.

» New market entries

Also during the year, the CoE Secured has contributed to new market entries with portfolio acquisition in Spain and Cyprus.

Milestones 2020

Hoist Finance made several advances in 2020 to improve customer service, further streamline operations and reduce costs. Our business became both more sustainable, with more satisfied employees, while we increased our social responsibility through new collaborations that make it easier for people to find new jobs or avoid bankruptcies. And much more.

Rules Engine Implementation

During 2020 we have implemented a common data-driven and automated Rules Engine technology that determines on a daily basis the next best action for each of our customers. It selects which customers we want to contact, through what channel and with what message. It also determines which customers to move into specific processes such as litigation and field collection. The Rules Engine puts data at the centre of these decisions and allows us to run concurrent tests to optimise our collection performance.

First market to go live on this new system in the second half of 2020 was Germany where we were able to report early positive results across amicable processes. UK went live in January 2021 incorporating both amicable and litigation strategies. France will go live in the first quarter of 2021, with BeNe, Spain and Poland planned throughout the remainder of 2021.

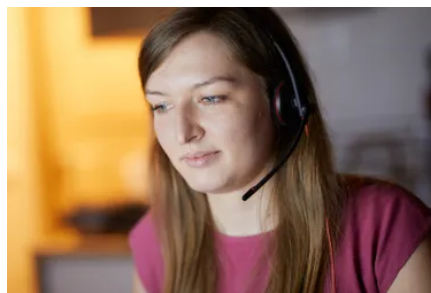


Partnership between TEAM U and Hoist Finance

Hoist Finance launched a partnership with TEAM U, the largest independent organisation in Germany to support entrepreneurs with avoiding bankruptcy. Hoist Finance supported TEAM U in building a digital platform to scale their operation.

Partnership with AppJobs

By partnering with AppJobs, one of the world's largest gig economy platforms, we can help customers find new work opportunities. Via AppJobs, our customers can find numerous gig jobs and temporary short assignments of various kinds helping them get back on their feet faster. In 2020, AppJobs went live in three markets: UK, France and Spain.



TRUST index of 77% in GPTW survey

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

According to GPTW, the Trust Index measures engagement by assessing opinions, attitudes and perceptions, analyze the level of trust between management and employees, assess the level of pride in the work that the employees do and rate the amount of camaraderie among colleagues.

New customer services launched in the UK

Hoist Finance UK has launched a new range of digital services to support customers with financial stability and planning. Through Open Banking, customers are now able to see a more accurate and instant overview of their finances. The services include a budgeting tool and Government benefits tracker.



Mental health support for employees

The pandemic has been tough on our people who, for most of the year has been working from home as their communities have been in complete lockdowns. Hoist Finance has launched a number of activities throughout the year to maintain both physical and mental health. Some examples are free online physical exercise classes and a group-wide competition in collaboration with Challengez. Furthermore, we have opened up for free mental health coaching in all markets. In the UK, we have educated Managers to be mental health coaches and they have started an internal platform called "Hoist Hope".



Covid-19 treatment principles

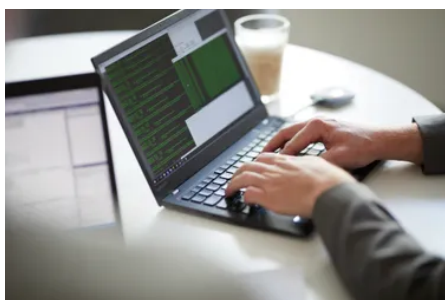
During the pandemic outbreak we developed a set of Group wide clear principles for how we should accommodate customers affected by Covid-19. Most importantly we provided the contact center agents with the mandate to adjust the customers payment plans to pay less or to stop paying for a shorter period during the crisis.

Client Survey in Place

This year we ran a survey among our client banks and financial institutions to find out what they value and prioritize when selling loan portfolios. Hoist Finance was rated as "Very competent", a "Reliable partner" and "Top 3" in the market for 80 per cent of our responding clients in the survey.

Successful Issuance of Senior Bonds

Hoist successfully extends debt maturity profile by issuing EUR 200m 4-year fixed rate senior unsecured bond at 3.375%.



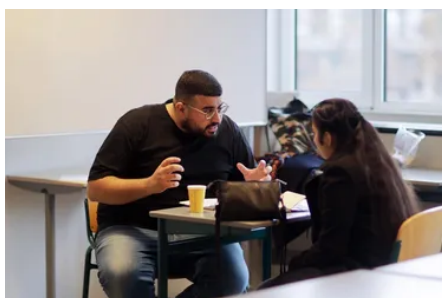
Issued AT1 capital

Issued Additional Tier 1 (AT1) capital to further optimise capital structure. The transaction was very successful with demand substantially exceeding the issued amount.



Workshop on NPLs with EU stakeholders

Hoist Finance hosted a virtual webinar with stakeholders in the industry. The theme was the rising issue of growing NPL volumes among European banks as a result of the Covid-19 pandemic. The purpose of the discussion was to present how the private sector can support in this issue and ultimately contribute to upholding a stable economy. Participants included members of the European Commission and Parliament, client banks such as Deutsche Bank and Banco Santander as well as peers and industry associations.

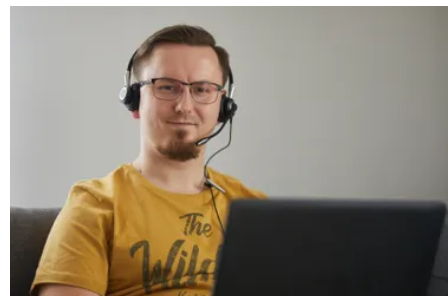


Partnership with ONSbank

The partnership with Dutch ONSbank was expanded in early 2020. A total of eight educational classes were held over four large municipalities and Hoist Finance assisted ONSbank in setting out their strategy for 2021. We also opened up our broad network of bailiffs in The Netherlands to ONSbank, resulting in a number of partnerships which greatly eased the process of creating debt rest and later in the process, affordable payment agreements.

Important environmental progress

In 2020, we achieved an important environmental milestone in that all Hoist Finance offices are plastic free and have proper recycling.



One Hoist Finance Customer Satisfaction

In 2020 we established a common process and framework for customer satisfaction measurement. This will be tested, analysed and deployed in all markets during 2021.



Climate change risk database

During 2020 Hoist has developed a new database structure to capture information regarding our Secured portfolios. This structure is based on a framework designed by the EBA. This database provides information for performance monitoring and regulatory reporting, and allows us to better assess the quality of the collateral assets themselves. New automatic valuation tools have been built and the collateral data is being used to drive an environmental risk report that assesses the susceptibility of the assets to key risks such as flooding, subsidence and other climate-related issues.

Our Customers

Hoist Finance's mission is *helping people keep their commitments*. This requires building trust and relationships with a sensitivity to what can often be a challenging situation for the customer. In all customer interactions, we focus on amicable solutions whenever possible, meaning that we work out an agreement based on the customer's current situation. We understand that it is not a quick fix for the customer. It takes time to turn your life around, therefore we look at our customer relationships as a long term investment. Whenever a customer is in contact with Hoist Finance, they can rely on being treated in a consistent, responsible, humane and ethical way.

This approach has proven to result in better outcomes for all parties. We have many years of experience helping individuals get back on track, including helping customers to regain control of their financial situation.

How we define our customers

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

Unsecured Customer Segment

During 2020 we have worked on our tone of voice with the objective to establish a more accessible language, improving the customer experience. We have developed a stronger customer engagement strategy that allows us to know which customer to contact, through what channel and when. This approach has been delivered through current systems in all markets however consistent application will be delivered through the implementation of a common data-driven and automated Rules Engine technology in all markets.

We have also developed skip tracing, contact centre excellence and our digital channels. Read about these developments in the section about progress of our Unsecured Centre of Excellence in 2020 [here](#).

How we define amicable settlements

Our goal is to work with amicable settlements whenever possible. This means that we help our customers set up realistic and sustainable payment plans through continuous communication in various channels. The payment plan is voluntary and individually tailored to the customer's unique financial situation.

Secured Customer Segment

To improve our service of portfolios with secured assets we established a Center of Excellence for Secured Customers in 2019, providing oversight and steering capabilities. This supports the One Hoist Finance Secured culture and mind-set within the group and within our three secured markets: Italy, France and Spain.

Read about the progress of our Secured Centre of Excellence in 2020 [here](#).

“

Hello, I wanted to thank you for all the attention you gave to this very complicated case. You were exemplary efficient, your professionalism and your kindness was unparalleled. Thank you also to your Director Madame Bourgeois for placing your trust in me. Thank you again with all my consideration and gratitude.

”

Secured customer in France

“

Good morning, first of all I would like to thank you and your colleagues for the speed and correctness with which you have interacted with me and brought this case to a positive solution. I thank you and cordially greet you.

”

Secured customer in Italy

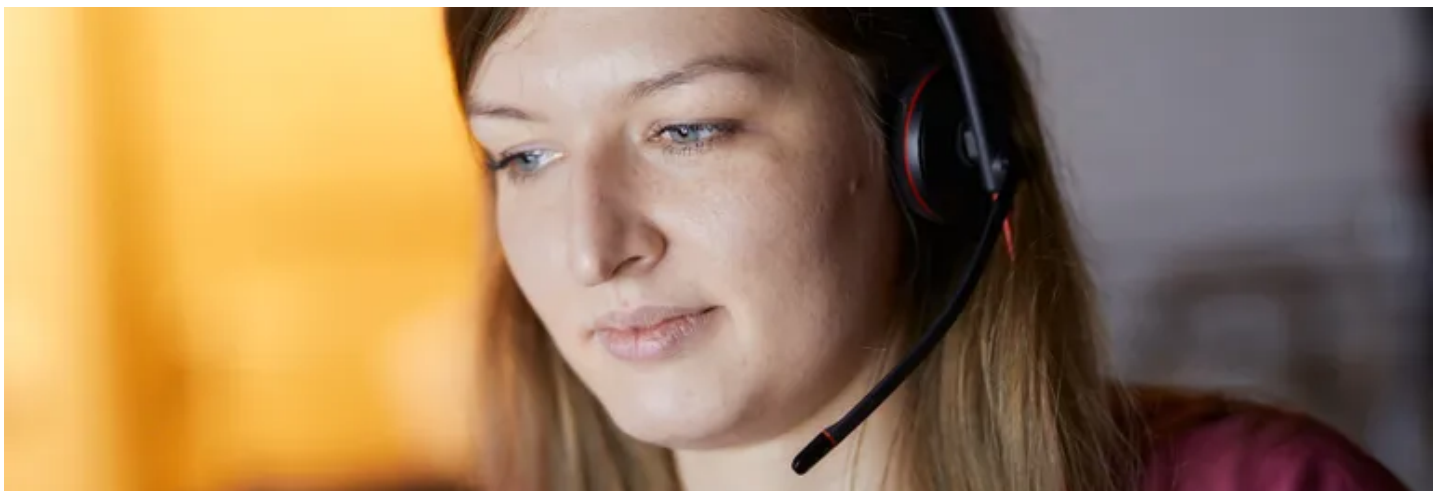
Helping our customer face difficulties during the Covid-19 pandemic

When the pandemic hit Europe hard in March 2020, we quickly trained our customer service representatives to adopt more flexible customer treatment strategies. Although we always strive to keep the customers on their payment plans, as this will see them get back into financial inclusion faster, we did allow paying customers to have a “payment holiday” without any missed payment build into arrears. We applied a hold period of 30 days, after which we would get back in contact with the customer to see if the customer’s situation had changed.

Our program for vulnerable customers

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

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



Continuously understanding customer needs

Our vision and mission is to be by our customers' side and to help them keep their commitments. We take great pride in our humane and empathic process in working together with our customers to find solutions that are adjusted to their unique situations. Our experience is that this is not only good for the customers but also for our business. By creating long term relationships, meeting the customers where they are with empathy and understanding we tailor our solutions according to their situation. Keeping to our values, vision and mission, we have found that our ability to collect has improved over time.

Customer satisfaction surveys

In difficult times, and in light of the pandemic, it is even more important to monitor and hold ourselves accountable towards our promise. During the year we have developed a customer satisfaction management process. The process is designed to continuously measure the manage customer satisfaction and perceptions throughout the entire customer journey. This is complementary to the regular quality assurance framework.

To prioritise what and when to measure customer satisfaction we developed a customer touchpoint journey for both unsecured and secured customers. These maps are the foundation for our customer satisfaction measurement prioritisations.

See illustration of our [Customer Journey for Unsecured](#)

See illustration of our [Customer Journey for Secured](#)

The business benefits of a robust customer satisfaction measurement framework and process are:

- » To set a One Hoist group standard for all markets enabling us to track, compare and consolidate results.
- » To understand the customer experience and needs over time and adapt our service development accordingly.
- » To understand what we do well and where we need to improve, allowing us to allocate our resources accordingly.
- » To create trust with customers, increasing their propensity to pay.
- » To ensure that we deliver on our vision and mission.
- » To build trust with external stakeholders by enabling greater transparency around how customers perceive us.

“

Only had fantastic service from your staff. You should be proud of the way your staff help and above all understand people

”

Italy customer

“

I have been with you for 2 years, what I love is that you are not pressing people with calls once the sum is agreed and it is also good you can do everything online... and being flexible with the payment amounts.

”

Polish customer

“

Helped me reduce my debt massively with easy, bite sized weekly payments that I could easily afford. One of the better collection agencies out there.

”

UK customer

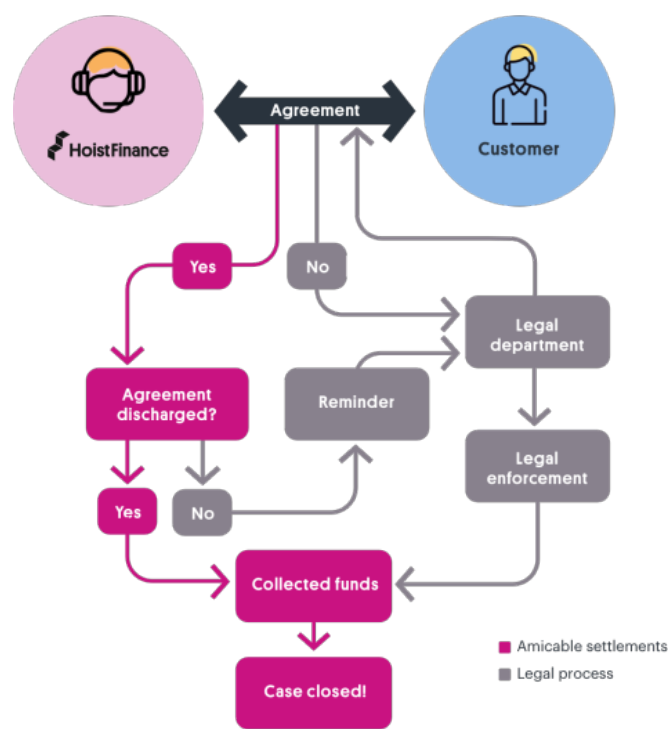
Debt resolution process overview

Ensure customer satisfaction

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

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

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



Meeting customers in the channel of their choice

In 2020, Hoist Finance has strongly strengthened digital leadership by expanding proven solutions across markets, and pursuing to innovate. We have, during the year, established a digital vision: "An empowering customer experience through an educational and self-service approach to debt management."

In June 2020, our Digital Officer in Germany, Christopher, was making his regular customer feedback review when he read an interesting comment. A customer had delivered a five-star satisfaction evaluation after setting up and committing to a payment plan. In his evaluation, he mentioned that the Covid-19 situation had made him start using contactless mobile payments more frequently and that he would like to use the same payment method for his payments to Hoist Finance. Christopher informed the Digital Customer Experience team, and after conducting a fast market study, the team identified the strong progression of digital wallets (such as Apple Pay, Google Pay, etc.) in most of Hoist Finance's markets, already representing 25 per cent of the online payment market. Three months later it was made available to Hoist Finance customers across Europe.

Achievements

In 2019, the focus was about setting the technological and architectural foundation for online services, based on the real time omni-channel experience, and a standard approach across all markets.

This year, 2020, was about putting the customer at the center. By measuring and analysing customer satisfaction and feedback, using advanced web-analytics to work on micro-journey adjustments and tests, conducting customer surveys, interviews and market analyses, we have positioned the customer at the heart of every decision and journey designs.

We strive for a smooth and simple customer journey. This is why we have been through a significant consolidation and rework of our market websites, taking the opportunity to revise our user experience and user interface. Some of the updates included a simpler customer journey, more fitting tone of voice as well as clearer messaging and offering. Our customers have appreciated the results, as our analytical indicators confirm a 50 per cent reduction in bounce rate on our websites, and an impressive 18 per cent improvement in conversion rate.

By the end of 2020, 20 per cent of Hoist Finance NPL collection (unsecured and digitisable; collection made on customers eligible to self-service channels) now come from digital self-service channels. The development is still led by Hoist Finance UK that is achieving a 33 per cent digital collection rate.

Preparing the next steps

We have in a few of our markets successfully tested Digital Only strategies, where human outbound dialling becomes the last resort solution. By leaving the choice of channel to our customers, we have in some cases achieved up to 60 per cent self-service ratios, a 30 per cent increase in customer satisfaction, and a significant reduction in direct cost to collect. We believe that this is the future of debt collection, and we are driving it at full speed.

By truly committing to our vision of being "By your side", we have also tested new incentive offerings called "You Pay, We Pay", which indicates that if the customer pays one Euro, Hoist Finance will contribute with one Euro as well. In this way, we can be of real and tangible support to our customers by speeding up the payment plan.

We have also tested various AI systems, selected the places where they make sense, economically and for the customer experience. *Kai*, our chatbot in the UK, automatically responds to 65 per cent of our customer's requests, bringing a continuous 24/7 support to the 25 per cent of our customers who use our online services.

Changing the industry by enhancing the value proposition to customers

Giving power to the customer is the promise of our digital strategy, and this must be reflected in their experience, including relevant information, autonomy and flexibility.

For this reason, we have decided to give our customers the opportunity to share their financial information through an open banking solution, in order to facilitate our relationship with them, but also to provide them added flexibility and autonomy. This is done through our customer support platform, allowing our customers to assess their own unique financial situation. This includes guidance and support on how to improve their finances, how to reduce expenses by comparing utility providers, identifying social benefits they are entitled to, and finally receive a proposed repayment schedule based on their unique financial situation. This was deployed in the UK in November 2020, and in France in early 2021.

Customer story

Can you describe your situation when we first contacted you?

Hoist Finance first contacted me via mail. I was frustrated to know that my file was moving to another stage; I did not quite understand why I suddenly had another contact than Crédit Agricole. The Hoist Finance adviser explained the logic and process of the transfer to me very well. I explained my current situation, and we immediately found a common ground.

How did you end up in your financial situation?

I lost my job, which meant that my account did not have any funds, and the charges for rejecting withdrawals accumulated until my account was closed.

“

Hoist Finance's Customer Contact Representative had an approach centered around listening to me and my situation, in the search for a solution specifically adapted to me. I could not have asked for a better solution than the one I was offered.

”

How were you treated by our Customer Contact Representative?

It was an approach centered around listening to me and my situation, in the search for a solution adapted to me and not to the requirements of the collection company. When times got extra difficult, the representative was flexible and reassured me that it was possible to extend some deadlines if needed.

Did you get the support you needed?

Yes, I could not have asked for a better solution than the one I was offered.

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

Don't be ashamed of exposing your difficulties, otherwise it will not be possible to find a solution.

Taha, 25 years old, customer in France

Sustainability – building business resilience

In 2020, most parts of society were affected by Covid-19 and in particular it put a spotlight on many of society's most troubling inequalities. Banks and the financial services sector will have an important role in the coming years, ensuring continued resilient financial ecosystems. Many small and medium sized enterprises and private households have been deeply affected financially as a result of the pandemic and will likely affect the whole banking sector in the coming years. Our purpose is to be by our customers' side and to be there when they need help managing their debts and financial needs. Therefore, we play an important role in helping the banks to offload their problematic debts enabling them to focus on their core business and we can focus on finding tailor-made solutions together with our customer.

During 2020, we experienced a fantastic effort from all our colleagues in turning around and mobilizing to enable 95 per cent of all employees to work from home in just three weeks. A truly impressive effort and illustration of good teamwork throughout the company. We walked out of 2020 with many new learnings, one being the importance of continuously engaging with our employees and their wellbeing. This was reflected in our yearly human capital survey 2020 by Great Place to Work that resulted in an all time high TRUST index of 77 per cent. This is truly evidence of a good team spirit ensuring our business resilience in difficult times.



“
If 2019 was the year of building the house, our sustainability framework, 2020 has been the year when we moved in and furnished the house. It has been a true joy to be part of the progress made in all markets to align and deliver on our sustainability goals.

”

Camilla Backström, Head of Sustainability

In 2019, we created our sustainability framework with clear goals and indicators focusing on our co-workers and our customers. In 2020, we integrated and started to deliver on the strategy throughout the company. In [Sustainability Reporting](#), you can get a flavour of the many activities put in place. To make sure that our sustainability agenda is part of our company fabric we launched an e-learning directed to all employees in multiple languages to educate everyone on our new sustainability policy. The completion rate of that e-learning was 89 per cent throughout all markets. A second important initiative to ensure full integration has been to include sustainability in the existing business review process ensuring that all markets have activities in place to deliver on our sustainability indicators. Due to the nature of the year with most people working from home, a lot of focus has been on supporting our colleagues keeping their mental health, motivation and energy levels up.

During the year we have also conducted our first materiality analysis based on input from surveys with our client banks and employees and one-on-one dialogues with a number of key stakeholders. The results from these dialogues and surveys are found in our materiality matrix, which clearly illustrates the strong focus on customer treatment and employees. The matrix confirms that our sustainability strategy addresses the right aspects.

Our commitment for 2021 is unchanged, with some updates of indicators that we have delivered on in 2020.

Sustainability strategy

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

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

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

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

By your side

VISION

Helping People Keep Their Commitments

MISSION

OUR 4 PILLARS

We combat climate change

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

- ### Our goals
- » Reduce indirect and direct CO2 emissions.
 - » Reduce paper consumption.
 - » Reduce business risks connected to climate changes.

- ### Our indicators 2021
- » Reduce CO2 emissions by 30% compared to 2019.
 - » Continuous reduction in energy consumption combined with intention to move all bought energy to renewable sources.
 - » Migrate 10% of letters to digital.
 - » Further develop database to include climate change related risks in all markets with secured portfolios (Spain; Cyprus; Italy; France).Part of liquid capital invested in green bonds or other sustainable instruments in 2021



- ### UN Global Compact
- Principle 7 - Businesses should support a precautionary approach to environmental challenges.
- Principle 8 - Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies.

We combat climate change

Supported Sustainability Development Goals (SDG) and Targets



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



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



We contribute to an inclusive financial ecosystem

Financial inclusion is a growing pan-European challenge and post-Covid-19 it will surely be a topic of increased attention from governments and the financial sector.

We are seeking to form alliances and partnerships with stakeholders that have a genuine interest in mitigating the challenge of financial exclusion in different ways. We have the data, knowledge and experience, to create positive change in this area and we believe that together with other actors we can create long term impact in this area.

Our goals

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

SDGs



Our indicators 2021

- » Implement Customer Experience measurements in three customer touchpoints in all markets and all segments.
- » Establish 1-2 impact partnerships.
- » 80% of client banks will rate Hoist Finance as top 3 in the market.
- » 30 % self-service collection through portals.
- » Portal customer satisfaction rate 95%.

UN Global Compact

- Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights, within the scope of their influence
- Principle 2 - Businesses should make sure that they are not complicit in human rights abuses

We contribute to an inclusive financial ecosystem

Supported Sustainability Development Goals (SDG) and Targets



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



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

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



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

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

We create a great place to work

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

Our goals

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

Our indicators 2021

- » 85% score in employee well-being in annual Great Place to Work survey.
- » A minimum of 90% score in diversity category in the annual Great Place to Work survey.
- » 77% score in TRUST index in the annual Great Place to Work survey.

SDGs



UN Global Compact

- Principle 3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour.
- Principle 5 - Businesses should uphold the abolition of child labour.
- Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation.

We create a great place to work

Supported Sustainability Development Goals (SDG) and Targets



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



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



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



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



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



We uphold the highest ethical standards

Human rights and strong ethical standards are part of our values but we also understand that these are areas we need to work on continuously. To ensure clarity around how we manage and make decisions related to these areas, we have a clear governance model for sustainability and ethics. Our Business Ethics and Sustainability Committee is a forum Chaired by Hoist Finance CEO where these topics have a natural place. The Committee sets precedent decisions and gives guidance and supervision to the organisation on matters relating to sustainability issues in the areas of ethical dilemmas, environment, social and human rights, human resources and customer matters.

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

- ### Our indicators 2021
- » 100% of staff trained in data protection and how to treat personal data.
 - » 100% of employees to undergo anti-corruption training.
 - » 100% of employees to undergo Anti-money laundering training.
 - » 100% of new suppliers above certain size screened according to sustainable procurement practices (ESG) in all markets.



- ### UN Global Compact
- Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights, within the scope of their influence.
- Principle 2 - Businesses should make sure that they are not complicit in human rights abuses.
- Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour.
- Principle 5 - Businesses should uphold the abolition of child labour.
- Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.

We uphold highest ethical standards

Supported Sustainability Development Goals (SDG) and Targets



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



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



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

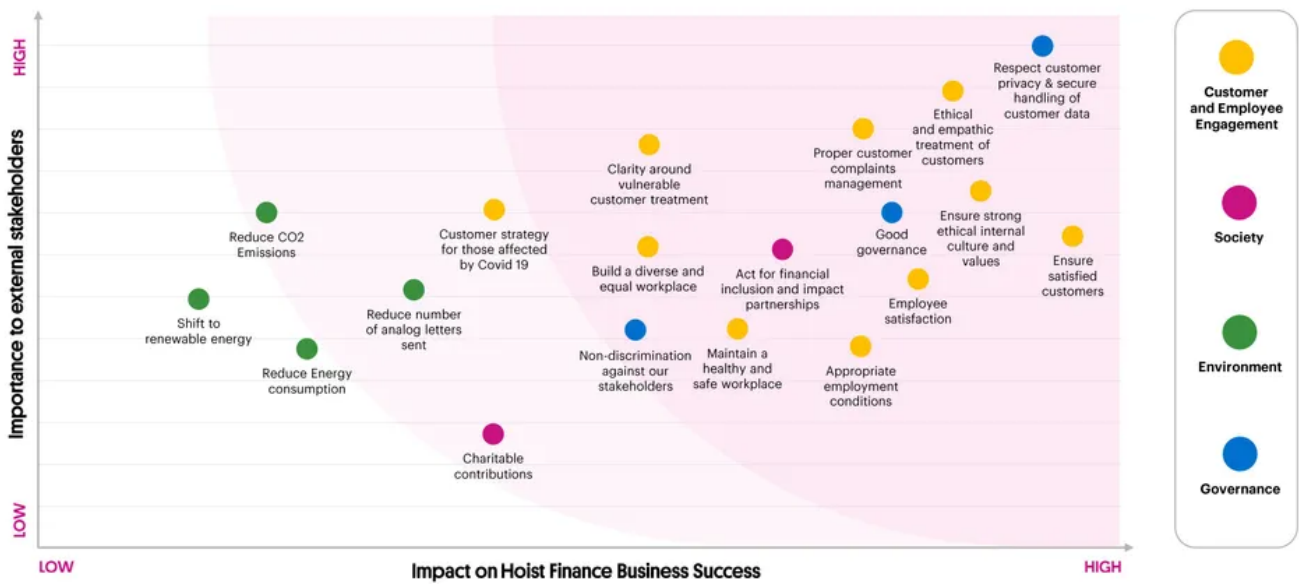


Engaging with our stakeholders

Understanding the perspectives of a wide range of stakeholders is critical to identifying and managing our priorities. We have a responsibility to engage with relevant stakeholders throughout the year, ensuring that our sustainability strategy is built on the non-financial aspects that is considered to be most material by our stakeholders. This is an important part of keeping our business resilient and that we don't lose focus.

We engage with a number of stakeholders in all markets every day and we are continuously developing our processes to channel and act upon the input we receive in our daily business. As part of our stakeholder engagement in 2020, we have conducted one on one interviews as well as sent out surveys to collect and understand what non-financial aspects are considered to be most important for us to act upon. This year we have focused on our client banks: employees, trade associations and financial analysts. The data collected have been mapped out in the below materiality matrix.

Materiality Matrix



Most of these areas are addressed in our sustainability platform.

How we define our stakeholders

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

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

Our Five Step Stakeholder Engagement Process:

1. Analysis of external and internal perspectives

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

2. Stakeholder mapping and prioritization

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

3. Design process

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

4. Engagement

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

5. Review, Report and Act

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



Our Reporting Logic

This is Hoist Finance's fourth integrated sustainability report, presented annually each accounting year, in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, Standard Core option. Our sustainability reporting covers all of our operations, unless otherwise stated. The scope of the sustainability report is presented in the GRI-index below.

The most recent sustainability report was issued in March 2021. The table of contents found in the GRI-index contains all standard disclosures and the specific disclosures that have been identified as the most relevant to our long-term sustainability targets.

Please contact Group Head of IR, [Andreas Lindblom](#) with questions concerning sustainability.

Our statutory sustainability report for 2020, pursuant to the Annual Accounts Act, is included in this statutory annual report.

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

Reference to statutory annual report and sustainability report

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

Key metrics

	2020	2019	2018
We contribute to an inclusive financial ecosystem			
Customer experience, %	14)	74 ¹⁾	79
We uphold the highest ethical standards			
Number of confirmed incidents	-	-	-
We create a great place to work (scores in GPTW-survey)			
TRUST-index, %	77	68	61
Diversity, %	91	89	85
Wellbeing, %	84	68	62
We combat climate change			
Energy consumption within the organisation, kWh	820,386 ⁷⁾	1,873,049 ²⁾	2,688,076 ³⁾
Direct CO2 emissions, Metric tonnes	41	109	3 ⁴⁾
Indirect CO2 emissions, Metric tonnes	264 ⁷⁾	1,107 ²⁾	1,607 ³⁾
Indirect emissions per sq. m. office space, Metric tonnes	0.02 ⁷⁾	0.08 ²⁾	0.10 ³⁾
Other indirect GHG emissions, Metric tonnes	332 ⁸⁾	1,406	1,309 ⁵⁾
Other indirect emissions per employee, Metric tonnes	0.2 ⁸⁾	0.9	0.9 ⁵⁾
Total amount of sent letters to customers, "Baseline"	10,780,478	N/A	N/A

1 The quality of the customer satisfaction reporting has improved during 2019.

2 Excluding BENE, Greece and Poland.

3 Excluding BENE, Greece, London and Spain.

4 Excluding Poland, which is the only market where we have company cars.

5 Excluding Greece and Spain.

6 Excluding London, Spain, Greece

7 Excluding BENE, Greece, London

8 Excluding BENE, London

9 Excluding Greece

10 Excluding London and Greece







11 Excluding BENE, London, Spain







12 Excluding BENE, London, Germany, Spain, Romania, UK, Poland, Stockholm

13 Excluding Poland, UK, Germany, Greece & Spain

14 During 2020 we have redesigned our approach to customer experience measurement and changed our process. The previous measurement was therefore discontinued during 2020.

Overview of activities during 2020

Our Goals	Our Indicators and Commitments 2020	Achievements 2020	Our Progress
Reduce indirect and direct Co2 emissions.	Reduce CO ₂ Emissions by 10% (direct and indirect) per employee.	>> Group wide travel agency in place. >> Conversion to green energy supplier in most of our markets. >> Plastic free offices and recycling implemented. >> 95% of workforce working from home. >> Over 500% increase in digital meetings.	
Reduce paper consumption.	Reduce amount of letters sent by 10% per customer.	>> Digital customer self-service portals implemented in five markets. >> Creation of a baseline for number of letters sent per market and type of letters. >> Through the implementation of a Rules Engine we have developed a more efficient and standardised approach to our customer contact strategies.	
Reduce business risks connected to climate change.	Pilot and learn climate change risk assessment on portfolios within the Secured segment.	A new database structure was developed to capture information regarding our secured portfolios (performing and non-performing), a structure based on a framework designed by the EBA. The structure includes information for performance monitoring and regulatory reporting with new automatic valuation tools to drive environmental risk reports that assesses the susceptibility of the assets to key risks such as flooding, subsidence and other climate-related issues.	
Excellence in customer satisfaction.	To design a One Hoist Finance customer satisfaction management process.	The customer journey touchpoints visualized (unsecured and secured segments) with identified targets for each touchpoint to better understand customer perception throughout the customer journey. The process was tested in France for unsecured and Italy for secured at the end of the year.	
Digital channel development for improved servicing.	>> Increased shared of collections through digital channels also resulting in increased customer satisfaction.	>> 20% self-service collection through portals (2019: 15%) >> Portal customer satisfaction rate 91% (2019: 88%)	
Forming external partnerships with organisations that have new innovative ideas for increased financial inclusion.	To establish 2-3 partnerships	>> Partnership with Team U formalised. >> Partnership with ONSBank formalised.	

Our Goals	Our Indicators and Commitments 2020	Achievements 2020	Our Progress
Business Partner satisfaction.	To implement a systematic continuous partner satisfaction survey.	Client bank survey launched. The questionnaire was sent to more than 80 banks over Europe with a response rate close to 50%. Read about the results here .	
Employee health and wellbeing.	Annual GPTW survey scores: >> 70% in employee wellbeing >> 85 – 90% score in diversity category >> 68% score in TRUST index	We delivered over and above on our Great Place To Work (GPTW) scores. During the year we have worked diligently to support our employees in all markets. Examples of actions during the year: >> Providing access to preventative health care programs in all markets, >> Access to mental health support in all markets, >> Digital Town Hall meetings on local and group level, >> Increased communication from management, and much more.	
Diversity and equal opportunity.	Create groupwide initiatives to improve gender equality in management.	>> We have embedded group-wide policies promoting diversity and inclusion throughout our operations and we encourage suppliers and other business partners to do the same. >> We ensure all employees have access to parental leave and can return to work, in all markets. >> A diversity initiative was launched during 2020 to develop a program to be launched in 2021. >> A working group was created to ensure that our diversity agenda is maintained and activities in place. >> In all our markets we work to promote equal remuneration for men and women, for work of equal value. In France a new framework to monitor this was launched.	
Strong customer integrity processes.	100% of staff trained in data protection and how to treat personal data.	GDPR e-learning launched and completed by 98% during 2020.	
Robust framework on anti-corruption practises.	>> Transparent reporting on number of confirmed incidents of corruption. >> 100% of employees to undergo anti-corruption training.	>> No confirmed incidents reported in 2020. >> E-learning launched and completed by 98% >> During 2020 a "Corruption risk assesment survey" was sent to Managers and 10% of employees in all markets, with a response rate of 62%.	
Sustainable and local sourcing.	100% of new suppliers above a certain size to be screened according to sustainable procurement practices (ESG).	>> Finalized Procurement Guidelines. >> Implemented Sustainability screening in our new contract management system which will enable us to report on number of suppliers screened moving forward. >> All new group procurement processes during 2020 were aligned around our sustainability screening process.	

GRI Index

Standard disclosures

Disclosure	Reference and Comment
102-1 Name of the organisation	Startpage , Administration Report
102-2 Activities, brands, products, and services	Our business , Our Strategy
102-3 Location of headquarters	Corporate Governance Report
102-4 Location of operations	Our presence
102-5 Ownership and legal form	The share , Administration Report Corporate Governance Report
102-6 Markets served	Our presence , Competitive position , Asset classes
102-7 Scale of the organisation	Startpage , The value we create
102-8 Information on employees and other workers	Our People , People in figures , Note 9 – Personnel expenses
102-9 Supply chain	Sustainability Reporting
102-10 Significant changes to the organisation and its supply chain	Highlights 2020 , CEO letter , Our strategy , Our presence , Our asset classes , Digital channels , Our people
102-11 Precautionary Principle or approach	Sustainability management
102-12 External initiatives	Sustainability strategy
102-13 Membership of associations	Sustainability milestones UN Global Compact
102-14 Statement from senior decision-maker	CEO letter
102-16 Values, principles, standards, and norms of behaviour	Our business , Our strategy , Our People , Sustainability , Our customers , Risk management
102-17 Mechanisms for advice and concerns about ethics	Sustainability strategy , Sustainability management
102-18 Governance structure	Sustainability management , Corporate Governance Report
102-40 List of stakeholder groups	Stakeholders , The value we create
102-41 Collective bargaining agreements	Sustainability strategy , Our People
102-42 Identifying and selecting stakeholders	Stakeholders
102-43 Approach to stakeholder engagement	Stakeholders , The value we create
102-44 Key topics and concerns raised	Stakeholders
102-45 Entities included in the consolidated financial statements	Note 3 - Segment reporting , Business Lines
102-46 Defining report content and topic boundaries	Sustainability reporting
102-47 List of material topics	Stakeholders
102-50 Reporting period	Administration Report
102-51 Date of Most recent report	Sustainability reporting
102-52 Reporting cycle	Sustainability reporting , Administration Report
102-53 Contact point for questions regarding the report	Sustainability reporting
102-54 Claims of reporting in accordance with the GRI Standards	Sustainability reporting
102-55 GRI content index	GRI index
102-56 External assurance	Auditor's report on the statutory sustainability statement

Management approach

Disclosure	Reference and Comment
103-1 Explanation of the material topic and its boundary	CEO Letter , Our Strategy , Our customers , Our People , Sustainability , Corporate Governance Report .
103-2 The management approach and its components	Our Customers , Our People , Sustainability strategy , Sustainability management , Corporate Governance Report .

Specific disclosures

Disclosure	Reference and comments
201-1 Direct economic value generated and distributed	Startpage , The value we create , The share
201-3 Defined benefit plan obligations and other retirement plans	Note 9 - Personnel expenses
205-1 Operations assessed for risks related to corruption	Risk management
205-2 Communication and training about anti-corruption policies and procedures	Sustainability report
205-3 Confirmed incidents of corruption and actions taken	Sustainability report
302-1 Energy consumption within the organisation	Sustainability report
305-1 Direct (Scope 1) GHG emissions	Sustainability report
305-2 Energy indirect (Scope 2) GHG emissions	Sustainability report
305-3 Other indirect (Scope 3) GHG emissions	Sustainability report
305-4 GHG emissions intensity	Sustainability report
308-1 New suppliers that were screened using environmental criteria	Sustainability report
401-1 New employee hires and employee turnover	People in figures
403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Our People , People in figures
404-1 Average hours of training per year per employee	Our people
405-1 Diversity of governance bodies and employees	People in figures , Board of Directors Management .
405-2 Ratio of basic salary and remuneration of women to men	A groupwide Human Resource Management System was implemented by the end of 2020, which means results will be collected in 2021.
406-1 Incidents of discrimination and corrective actions taken	None reported.
414-1 New suppliers that were screened using social criteria	Sustainability report .
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability strategy , Sustainability reporting
419-1 Non-compliance with laws and regulations in the social and economic area	Sustainability management

Sustainability Management

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

Sustainability policy

In 2020 we introduced a new sustainability policy to reflect our sustainability focus, including clear principles for each stakeholder group, as well as a clear governance model for sustainability. The launch of the policy was combined with a group-wide e-learning targeted at all employees in local languages. We achieved a total completion rate of 89% for this e-learning.

New governance model implementation 2020

Business reviews

A key aspect of our new governance model for sustainability has been the integrated follow-up on the sustainability indicators in our existing business review process. This is to secure that all operations are engaged and have activities in place to deliver on our goals and indicators. During 2020 the follow-ups was included in the H1 and H2 business reviews. The goal is to include this for each quarter in 2021.

Business Ethics and Sustainability Committee

During 2020 we implemented our Business Ethics and Sustainability Committee, chaired by our CEO, Klaus Anders Nysteen.

The main purpose of the Committee is to work as a forum to exchange information between functions in Sustainability and Ethical matters, topics included are ethical, environmental, social, human rights, human resource, customer, risk and compliance related matters. During 2020 the Committee held four meetings.

Human rights

When we speak about human rights at Hoist Finance, it not only involves our people, but also our customers, shareholders, suppliers and communities. Beyond words, we aim to ensure the protection of human rights within anyone's journey with Hoist Finance, through processes and actions. From preventing discrimination, respecting the freedom of association and helping eradicate all forms of corruptions, to taking measures to abolish any risk of forced labour and child exploitation, the respect of human rights is addressed carefully at Hoist Finance in each of our activities.

Hoist Finance's work on human rights is integrated into all policies that govern sustainability efforts. The sustainability policy, diversity policy, personal data policy and the anti-corruption policy provide details in more specific areas.

By emphasizing Hoist Finance's views on human rights, the company can reduce the risk that violations occur.

Anti-corruption and Compliance

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

Since 2017, the Compliance function has been conducting an annual Anti-Corruption Survey. The survey's primary goal is to identify strengths and weaknesses in the area. This year the survey was extended to not just all managers but to 10% of the employees in all markets where Hoist Finance operates. Survey results shows that managers as well as employees have a healthy understanding of what corruption comprises, how to prevent corruption incidents and the majority are very familiar with the internal rules and are well-trained on the subject. Although the results are positive, work to improve the anti-corruption framework will continue in 2021 in order to constantly lower the risk for corruption. An Anti-Corruption Index will also be developed.

During 2020, Hoist Finance was not subject to any financial or non-financial sanctions for compliance breach, by any supervisory authority in any operating country.

Whistleblowing

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

Data Privacy

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

Memberships

As an actor in an industry where the need to care for the end-customer is particularly important it is critical to ensure an active voice in our local markets, and to keep track of trends and tendencies at an early stage. This enables us to be prepared and improve our ability to respond quickly to change.

To ensure that we fully take part of the developments in our industry we are members of local trade associations in most markets and an industry partner to the pan-European organisation Federation of European National Collection Associations (FENCA).

Country Name of organisation

Poland	» Association of Financial Companies in Poland (pol. Związek Przedsiębiorstw Finansowych w Polsce - ZPF)
Germany	» BDIU (Bundesverband Deutscher Inkassounternehmen) (German Collection Association) » BKS (Bundesvereinigung Kreditankauf und Servicing e. V.) (German Association for receivables buyer/seller) » Bankenfachverband (Association for privat banks)
Spain	» ANGECO (Asociación Nacional de Entidades de Gestión de Cobro)
France	» FIGEC (National Federation of Business Information, Debt collection and Civil Investigation)
Italy	» UNIREC » Forum Unirec Consumatori
The UK	» Credit Services Association (CSA)
Greece	» Hellenic Association of Credit Servicing Firms (not official translation)
The Netherlands	» NVI, Netherlands Collections Association » VFN, Assocation for Financing companies Netherlands
Group	» FENCA (Federation of European National Collection Associations)

Our People

As we continue to transform Hoist Finance into a unified, efficient pan-European company, working by our customer's side during perhaps some of their most challenging times in life, it is essential our employees support this aim. At the beginning of 2020, the People team launched a three year strategic plan setting out the following:

- » How we engage with our people,
- » Help the business to manage the change required,
- » Extend our expertise and knowledge in different asset classes, digital and retail banking,
- » To create the type of workplace where people feel proud to contribute and see the difference their work makes.

One Hoist Finance

Despite the difficult year presented by Covid-19, we have continued to focus our attention on finding ways to work, whilst keeping our people and their loved ones safe. The pandemic accelerated activity on introducing greater flexible working practices and overcoming technical and compliance challenges to create a safe remote working environment for our employees, with 1,100 new laptops being set up over two weeks to ensure everyone being able to work from home.

During 2020 we have used these unusual times to pilot different ways of working, with one of our markets piloting our first fully remote working team. This is allowing us to test the recruitment and training of teams from a much wider recruitment base, demonstrating that our business can work with people based anywhere in the world. We have also implemented digital induction and onboarding programmes for all new appointments, paving the way for some form of remote working becoming a normal part of how we work at Hoist Finance – as a result we can offer a better work life balance for our employees.



Career and skills development

In a world where digitalisation and change are proceeding at a rapid rate, the skills and well being of our people are increasingly important and despite Covid-19, we have continued to focus on using technology to create a stimulating and innovative environment that ensures our people are constantly developing.

As new customer strategies were deployed to support during the crisis, digital training programmes were launched to ensure our people work with compassion at times of great need. The High Performing Teams programme was launched and delivered to all frontline employees in the UK, Poland and France, totalling 1,854 training hours. The objective is to see the benefits of this training in collections as our customers recognise the compassion and support they have received as our people work by their side to resolve financial problems.

“

Approach centred on listening, in the search for a solution adapted to the client not to the requirements of a collection company, I was also reassured by the follow-up of my payment, the possible postponements of deadlines.

”

Customer in the UK

We continue to invest in our people with the creation of a digital learning library, providing a self-service option for employees to access learning tools and company-wide programmes.

We have also invested in a new digital HR system, Youniverse, allowing the interactive management of our people and will give managers access to people management data in real time. Our first priority in the deployment of the system has been to digitalise our employee appraisal process (PDD) to ensure we have consistent employee and manager discussions so everyone is clear about what needs to be delivered, career paths are developed and we design our learning development offering to deliver this. In 2020 we have had greater focus on career paths and continued running programmes to develop our future managers.

“

I seized the opportunity to move to Bucharest to help create our new site. I saw it as an opportunity to discover a new culture, a new language, to broaden my horizons.

”

A French Contact Centre Representative who was promoted to a managerial role in Romania

This has also led to Hoist Finance implementing informal processes that support a wide variety of secondments, mentoring and development opportunities, bringing together our top talent on a variety of strategically important programmes; proving that long and short term assignments are important to increase knowledge sharing and collaboration. To support this work, Hoist Finance implemented LEAN workshops for the top 100 senior leaders encouraging innovation, personal ownership and collaboration. In our engagement survey we ask if the employees feel they are offered training or development to further themselves professionally and we have seen a strong increase of the result with 9%.

Hoist Finance has continued to implement a variety of change programmes across its markets to deliver cost efficiencies and remove reporting hierarchies so business decisions are made quickly and without duplication. Hoist Finance has redesigned many of its administrative workflows resulting in a significant people reduction within our local support functions and operational areas, whilst at the same time growing its Shared Service Centre in Poland and Nearshoring Centre in Romania by 70 per cent.

Despite delivering these change programmes remotely, Hoist Finance has worked hard to ensure we treat people fairly and with respect – the cornerstone of what it means to work at Hoist Finance. As we restructured, affected employees are provided with digital career development workshops, remote welfare calls and support in finding other employment.

Hoist Finance has also invested in growing its knowledge in different asset classes, retail banking and the digital arena through targeted recruitment campaigns delivered during 2020, as well as digital strategies to onboard new recruits. Redesigning our recruitment processes and tools with a digital focus has allowed us to continue to attract top talent during a year of lockdowns and working remotely. We have built up additional knowledge in Business Development, Retail Banking, Secured Assets, Risk, and Compliance areas, offering Hoist Finance employees new career opportunities in the banking sector. We have recruited and trained Contact Centre teams, as well as enhanced our digital skill capability. Our digital team has enabled us to push forward with variety of innovations with digital collections increasing by 25 per cent and customers stating that our accessible and straightforward approach is helping them to tackle their debt effectively.

Employee health and well being

Health and safety is always a priority at Hoist Finance and this year has been about ensuring our employees work in Covid secure work environments. Offices were closed or the numbers of people working on our sites were severely restricted. Most of our employees were set up to work from home with digital training to ensure safety was a priority in their home environments too.

Hoist Finance has continued to find ways to support employees, at a time when employee health and well-being is of ever so high importance. Counselling services are provided to our employees and throughout 2020, Hoist Finance has delivered various programmes to support employee's physical health as well as social events to encourage camaraderie and team spirit on a remote basis. We have created a workplace where employees feel supported and secure in the knowledge that we remain by their side. In our latest GPTW survey 76% responded positively in the wellbeing category and as many as 91% feel that we are offering a safe workplace.

Hoist Finance has also worked hard to deliver an engagement and feedback culture, implementing a variety of survey tools and team events, including monthly 'temperature' checks, workshops and Town Halls. In addition we have held several remote Leadership Conferences to ensure our people continue to have a voice that is listened to and so we can respond effectively to what they think.

Compassion for our customers has allowed employees to see how the work they do can make a positive difference to our customers lives. Hoist Finance's approach to community engagement gives priority to initiatives with a clear link to company values and our expertise. We have continued to forge partnerships with diverse institutions to deliver locally driven programmes to promote financial inclusion within local communities.

A competition was launched called Challengeize, encouraging all employees to improve their physical fitness, whilst at the same time raising money to work in partnership with a key stakeholder, ONSbank, to help young people with bad debt get their lives back on track. With the strong participation across all our offices we managed to achieve a high engagement resulting in a commitment to help three youngsters to access ONSbank's programme for youth between 18-27 years old. We plan to expand this programme so that everyone working at Hoist Finance comes to work in the knowledge that they will make a positive impact on people's lives and the communities around them. We believe that enabling our people to play an active part in helping our customers keep their commitments strengthens our employees well-being.

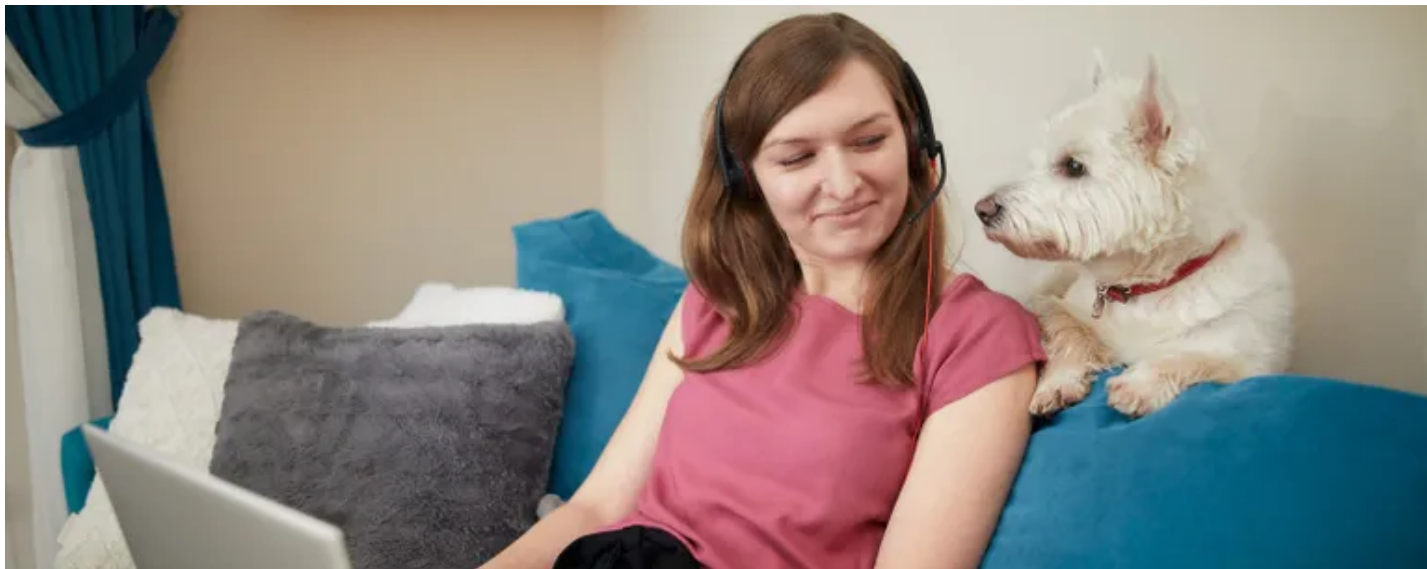


Diversity and equal opportunity

The fundamental belief of Hoist Finance is that everyone has equal value and a right to equal treatment, with the same employment conditions, skills development and promotion that underpins all its management practices. Pay is based on industry, local market and collective agreements and is reviewed annually. We actively seek to recruit a diverse workforce to match our varied customer base and we are proud that our Great Place to Work annual survey continues to receive the highest rating on diversity where four out of five statements have moved up between one and five per cent.

To ensure we do not lose focus on the issue of diversity, Hoist Finance has launched a new Diversity Forum, with representatives from every part of the business. Earlier this year we introduced a new method for tracking and reporting on gender equality. The overall gender balance across all employees at December 31, 2020 was 62 per cent female and 38 per cent male, with a high proportion of operational employees being female, in line with industry norms.

Women in senior leadership at Hoist Finance is 16 per cent, so there remains more work to do in this area. This year we have taken steps to improve female representation at senior levels by attracting more female candidates to such roles. As a result, we have been able to appoint the best person for advertised senior roles, which has included the appointment of more females to certain executive and senior leadership roles.



Great Place to Work®

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

The result for 2020 was an index of 77 per cent (68), an impressive 9 per cent increase from 2019. There was also a 12 per cent increase in number of employees saying that Hoist Finance is a great place to work. Sweden and Italy both received Great Place to Work certification in 2020. This gives Hoist Finance a high rank in comparison with companies of similar size in each market.

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



Whistleblowing

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

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

To continuously raise awareness of employees' responsibility in this area, e-learning courses on the whistleblowing procedures are in place. Less than 3 cases were reported through the whistleblower procedure in 2020.

Our People in figures

At 31 December 2020, Hoist Finance had 1,798 employees (1,725), including temporary employees, in 12 (11) countries. Of these, 72 per cent (84) were permanent employees and 28 per cent (16) were temporary employees. Recalculated as full-time employees (FTEs), there were 1,631 employees (1,575) at year-end, of which 979 (911) were women and 652 (664) were men. The average number of employees in 2020 was 1,615 (1,545), of which 949 (894) were women and 666 (651) were men.

Calculated based on average number of employees, 59 per cent (58) of employees were women. At year-end, 13 per cent (13) of the members of the Executive Management Team were women. At 31 December 2020, 44 per cent (17) of the members of the Group Boards of Directors were women, and 57 per cent (50) of the members of the Parent Company's board were women. Within the Group, 53 per cent (45) of managers were women during the same period.

Our people in figures

Number of employees	Women 2020	Women 2019	Men 2020	Men 2019	Total 2020	Total 2019
Total number of employees, 31 December	1,122	1,026	676	699	1,798	1,725
Full-time employees (FTEs), 31 December	979	911	652	664	1,631	1,575
Average number of employees	949	894	666	651	1,615	1,545

Percentage women	2020	2019
Senior executives	33%	31%
Parent Company Board of Directors	57%	50%
Full-time employees (FTEs)	60%	58%

People turnover and sick leave

In 2020, 349 (514) new employees were recruited and staff turnover was 26.3 per cent (29.9). Short-term absence due to illness was 2.62 per cent (3.31), which we believe corresponds to that of other businesses with a high percentage of customer centre jobs.

Great Place to Work results, Group

People have been treated fairly:	2020	2019
irrespective of age	88%	83%
irrespective of ethnic origin	96%	95%
irrespective of gender	94%	90%
irrespective of sexual orientation	96%	95%

Banks and Financial Institutions

We offer banks and financial institutions extensive support with debt restructuring solutions thanks to our solid experience, knowledge of the regulatory environment and presence in twelve European markets.

To protect the most financially vulnerable people in society, Hoist Finance only buys non-performing loans from reputable banks with a sound credit policy and actively turns down portfolios from some parts of the consumer finance markets including pay-day loans and SMS loans.

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

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

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

Client Survey in 2020

This year we ran a survey among our client banks and financial institutions to find out what they value and prioritize when selling loan portfolios.

The goal was to implement an automated solution and make the degree of satisfaction measurable and comparable, as well as collecting what non-financial aspects they deem as the most material for Hoist Finance to focus on. By knowing what is important for our business partners, which factors might influence them and how they rate us, we can identify potential for improvement and strengthen the relationship.

From about 30 responding banks, the results showed that more than 80 per cent of banks and financial institutions ranked "Ability to protect the image of the seller" as very important and more than 70 per cent ranked "Reputation in the market" as very important. Furthermore, the top two most important aspects in the market is the "Amicable collection strategy" and "Flexibility to buy all types of debt".

Banks and financial institutions hence choose to work with Hoist Finance because of our good reputation in the market and the fact that we have a strong ability to protect their image in the treatment of their customers through our amicable collection strategy. Hoist Finance is rated as "Very competent", a "Reliable partner" and "Top 3" in the market for 80 per cent of our responding clients in the survey.

The survey will continue in 2021 to get deeper insights and show our business partners that their needs are important to us.

Regulated as a bank

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

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

[Read about our Risk management](#)

[Read about Banking platform](#)

Our offering

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

During the past two years, the asset classes for Secured NPLs and Performing loans have become increasingly important for Hoist Finance. During 2020, the two business lines for Performing and Secured NPLs have been further developed by the recruitment of best in class experienced teams through internal and external recruitments. By expanding in these asset classes, we have become more of a full service provider for a variety of debt resolution to banks and financial institutions.

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

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

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

[Read about our Asset classes](#)

Our loan acquisition strategy

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

Bank-originated loans

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

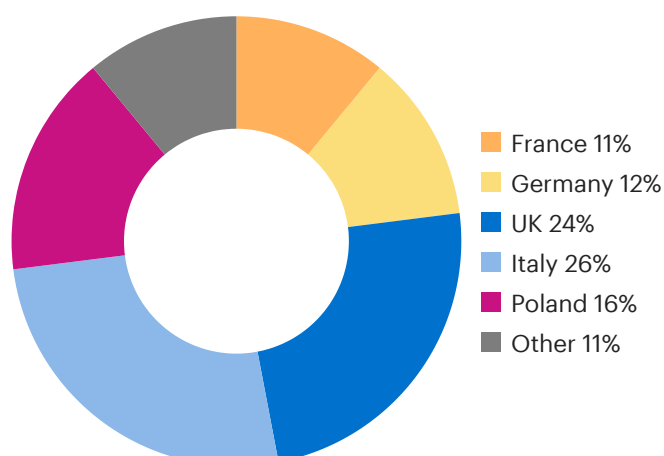
Asset-class flexibility

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

Diversified geographic profile

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

Carrying value distribution per country (31 December 2020)



Different models for acquiring portfolios

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

Fair pricing

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

The Investment Proposition

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

Underlying reasons

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

Progress in 2020

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

- » Continuous investment strategy improvements to achieve the company's return on equity target to exceed 15 per cent.
- » 2020 return on equity, excluding items affecting comparability was 3 per cent. This was severely affected by the pandemic, which caused large impairments as a result revised cash projections, as well as lower than anticipated acquired volumes.

Focus on operational efficiency and effectiveness in strategic markets.

Underlying reasons

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

Progress in 2020

- » Improved operational efficiency and continued digitalisation.
- » Continued work in improving operational efficiency and significant progress in digital area.
- » Continued expansion of our nearshoring setup, currently close to 150 FTEs.
- » Discontinuing UK servicing to make the local set up more cost efficient by focusing on acquired debt.
- » Further investments into the IT infrastructure, consolidating systems and moving to the cloud (85 per cent by year-end).

2020 was a different year because of the pandemic, where the focus when entering the pandemic uncertainties was to maintain strong capital ratios. The total transaction volume for 2020 was approximately 50 per cent lower than 2019, but is expected to pick up significantly as a result of Covid-19.

Underlying reasons

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

- » Regulatory pressure continue to act to incentivise banks to sell NPLs.
- » Growing outsourcing trend among European banks.
- » The aftermath of Covid-19 will result in an increased amount of defaulted loans.

Progress in 2020

The pandemic has resulted in increased bank provisioning throughout Europe, which will result in large volumes coming to market in the years to come. Industry experts anticipate the NPL market to double in the aftermath of the pandemic.

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

Underlying reasons

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

Progress in 2020

Hoist Finance ambition to move closer to the customers and improve customer service was even more important in 2020. Our role to support our customers in need became ever more evident the pandemic. The rate of collections coming from self-service portals also picked up significantly throughout the year, giving the customer the power to manage their debt at his or her own convenience.

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

Underlying reasons

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

Progress in 2020

Leveraged the company's status as a regulated entity

- » 2020 was a different year because of the pandemic, where the focus when entering the pandemic uncertainties was to maintain strong capital ratios. The total transaction volume for 2020 was approximately 50 per cent lower than 2019, but is expected to pick up significantly as a result of Covid-19.

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

Underlying reasons

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

Progress in 2020

- » The deposit-funding base remained solid throughout the year, with no impact from the pandemic.
- » We were able to extend our maturity profile by issuing EUR 200m senior unsecured despite difficult market conditions.

Sustainable business practices.

Underlying reasons

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

Progress in 2020

- » Established sustainability strategy with clear ESG goals and indicators, which together with the extensive reporting puts Hoist Finance as a front-runner in the debt resolution industry.
- » Partnership with AppJobs in order to help customers find new job opportunities.
- » Expansion of partnership with ONSbank helping young people with debt getting their lives back on track.
- » Partnership with Team-U in Germany to support SMEs in financial difficulties to avoid insolvency or bankruptcy.
- » Mental health support for our employees who have worked at home for most of 2020 as a result of Europe wide lockdowns.

The Share

Hoist Finance's market capitalisation was SEK 3,256 million based on the last price paid on 30 December 2020, which was SEK 36.46 per share.

Share performance in 2020

Hoist Finance's share price decreased 27 per cent in 2020, while the total OMX Stockholm PI index increased 12.9 per cent. The highest closing price quoted during the year was SEK 58.5, on 12 February 2020, and the lowest closing price was SEK 18.93, on 15 May 2020.

Trading volume

A total of 192 million Hoist Finance shares¹⁾ were traded on all trading platforms during 2020, while the average daily trading volume was 762,275 shares. Trading on Nasdaq Stockholm accounted for 93.1 per cent (83.5) of total trading volume in the Hoist Finance share.

Beta value and volatility

The beta value of the Hoist Finance share was 1.53 in 2020 (1.01). The beta value shows the way in which a share price fluctuates in relation to the market as a whole – in this case, as compared with OMX Stockholm Pi. A beta value of 1.00 indicates that the share price has developed in line with the rest of the market. Share price volatility was 62.3 per cent (52.2) in 2020. This figure shows the daily share price movements in relation to its average value.

Share capital

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

Ownership structure

The number of shareholders was 6,877 at year-end 2020, a decrease of 7 per cent compared to prior year. Of Hoist Finance's share capital, 84.9 per cent (84.6) is owned by Swedish investors¹⁾. The US, Norway and Denmark account for the largest share of foreign ownership. The Hoist Finance share has been listed on Nasdaq Stockholm's Mid Cap list since 25 March 2015.

Dividend

The Board of Directors proposed that no dividend be distributed for 2020. The non-payment of dividends has a positive impact of 0.04 percentage points on the CET1 capital ratio as at 31 December 2020 (assuming a 25 per cent dividend payout).

Credit rating

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

1) Source: Modular Finance AB and Bloomberg.

Hoist Finance share data 2020

Closing low, SEK	18.93
Closing high, SEK	58.50
VWAP	31.87
Share turnover	192,093,256
Daily turnover, shares	762,275
Number of trades	294,615
Average per day, trades	1,169
Average value per trade, SEK	20,780
Average daily turnover, SEK M	24.29
Daily turnover in relation to mkt cap, %	0.81%
On Nasdaq (ordinary trading), %	93.1%
Block trades, %	6.0%
Dark pools (Nasdaq), %	0.9%

1) Source: Modular Finance AB.

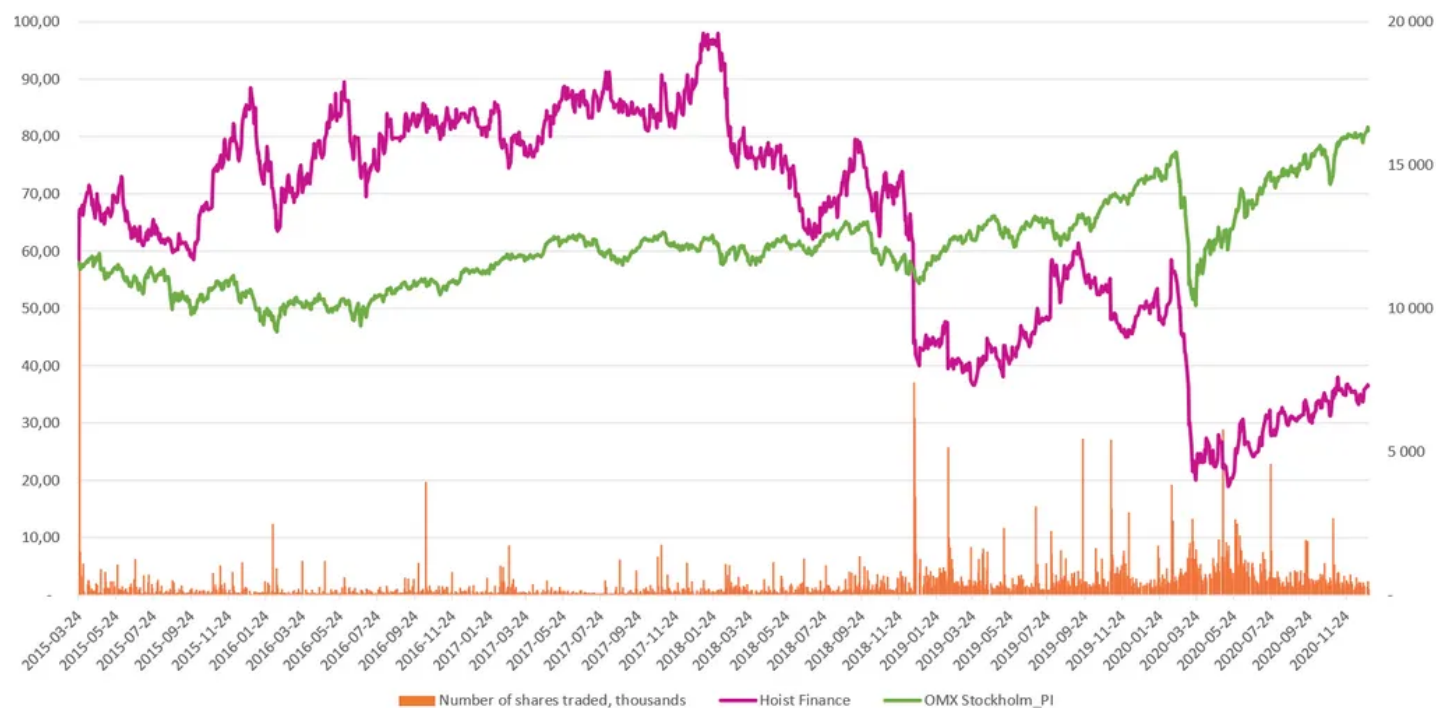
Size	Number of shares	Capital, %	Votes, %	No. of shareholders	Shareholders, %
1-500	683,890	0.8	0.8	4,202	61.1
501-1,000	786,605	0.9	0.9	943	13.7
1,001-2,000	921,500	1.0	1.0	564	8.2
2,001-5,000	2,044,479	2.3	2.3	591	8.6
5,001-10,000	1,958,243	2.2	2.2	255	3.7
10,001-20,000	1,828,840	2.0	2.0	116	1.7
20,001-50,000	3,343,064	3.7	3.7	104	1.5
50,001-100,000	2,473,833	2.8	2.8	35	0.5
100,001 -	74,680,324	83.6	83.6	67	1.0
Owned anonymously	582,222	0.6	1.7	N/A	N/A
Total	89,303,000	100.0	100.0	6,877	100.0

Source: Modular Finance AB

Ownership structure, 31 December 2020

	Share of capital and votes, %
Erik Selin	14.0%
Swedbank Robur Fonder	9.1%
Avanza Pension	7.6%
Per Arwidsson through closely related persons' holding	6.8%
C WorldWide Asset Management	4.9%
Svenskt Näringsliv	3.4%
Jörgen Olsson privately and through company	2.9%
Dimensional Fund Advisors	2.9%
Tredje AP-fonden	2.6%
BlackRock	2.6%
Per Josefsson privately and through company	2.2%
Håkan Eriksson (Skandinavkonsult)	1.7%
Jan Ståhlberg	1.7%
Skandia Fonder	1.5%
Holberg Fonder	1.5%
Total 15 largest shareholders	65.2
Other shareholders	34.8
Total	100.0

Source: Modular Finance AB

Hosit Finance, 25 March 2015 - 30 December 2020

Competitive Position

European NPL Market

Sales of European loan portfolios decreased significantly in 2020, showing the least amount of activity since 2015¹ over the first three quarters. A combination of this lack of activity in legacy NPL sales and stress on consumers, as a result of the pandemic, has led to an increase in NPL stock and an increase in provisions for European banks. Whilst it will take time, as the pandemic endures, for us to get a clearer picture of the resulting landscape, it is expected that NPL ratios will increase to levels last seen after the global financial crisis (“GFC”).

As with the GFC, there will likely be a lag in terms of the time between a peak in NPL stock on balance sheets and a subsequent peak in NPL sales. However, whilst transactions peaked in 2013 post-GFC², we would expect less of a lag this time around given that the European market as a whole is now more accustomed to asset disposals.

Ultimately, the pandemic will create a significant buying opportunity in the years ahead and we are likely to see a ramp up during 2021 as banks' focus switches from helping customers through the crisis, to managing their own balance sheets. We have already started to see a reduction in levels of provisioning from H1, where levels trebled year-on-year across Europe³, to H2 of 2020 in key markets, which suggests that this process may have already begun⁴.



Italy continues to be Europe's most active market⁵ and disposals bucked the trend seen elsewhere in 2020 with NPLs decreasing year-on-year as their banks accounted for close to two-thirds of closed deals by the end of Q3 2020. The Greek market also continued to be active in the year and the two markets combined accounted for the vast majority of closed and live deals heading towards the end of the year.

Beyond those two jurisdictions, transactions in other markets have been sparse for the majority of the year but have now begun to pick-up with 2021 looking like a busy year. In the UK much of the proposed sale activity was put on hold when the pandemic hit but we have started to see sales pick up in Q4 with several of the key retail banks coming to market. The UK's transaction pipeline for 2021 looms large given that UK bank's had accounted for some of the largest increases in NPLs across Europe by the end of H1 2020, up 8.8% year-on-year⁶. In France, the largest NPL sale since 2015 completed although it had been in the pipeline for over a year. France has had the largest NPL level of any European country since the beginning of 2020 and there could be pressure from the ECB for sales to be conducted in 2021⁷, adding to an already busy pipeline.

The Spanish market became extremely busy in Q4, particularly with SME loan portfolios, and Hoist participated in five sale processes during the period. Whilst NPL levels at Spanish banks have been falling now for several years, there was an increase between Q1 and Q2 of 2020 as the impact of the pandemic became apparent, although levels were still below those of a year earlier. Finally, both the German and Polish markets were quiet in Q2 but came back to life ahead of other European markets in Q3 with Hoist participating in several deals in each jurisdiction. The forbearance ratio for both countries rose year-on-year to H1 2020 suggesting an increase in payment holidays across the board but the ratio of NPLs actually declined over the same period (although there was a marginal increase between Q1 and Q2)⁸.

Looking more deeply at the asset class mix, real-estate backed transactions continue to dominate the market. This includes portfolios with a mix of secured and unsecured assets, with banks seeking to drive down their NPL ratios quickly via bloc sales rather than granular disposals. Unlikely-to-Pay (“UtP”) deals have continued to become more commonplace⁹ and make up an element of two of the top four deals in the market during the year. Deals in both the corporate and performing arenas have been less frequent during the year. The growing trend in the securitisation of assets has continued, accounting for over half of European transactions during the year and these have involved secured, unsecured and corporate claims.

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





Our Competitive Position

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

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

Hoist Finance also operates under a banking model, having been a licensed credit institution since 1996. This provides us with a unique funding advantage, with our acquisitions funded primarily through the use of customer deposits from our HoistSpar platform in Sweden and Germany. However, beyond this funding advantage, we are yet to fully exploit the potential of our banking platform. We have in the year taken new initiatives to ensure we are able to derive full value for our [banking platform](#).

Debt Purchase Market Landscape

Full-service	<ul style="list-style-type: none">» Large industry players with integrated servicing platforms in multiple countries» Have tended to grow expertise through M&A transactions» Competing at the larger end, but not seeking to compete directly with PE
Asset Specialists	<ul style="list-style-type: none">» Smaller, more specialist companies targeting a specific asset class» Typically tend to operate in one or a small number of jurisdictions» Candidates for M&A, being absorbed by the “One Stop Shops”
Banking Model	<ul style="list-style-type: none">» Players who use banking model to fund their acquisitions» Well placed to manage more complex assets (performing, corporate, UtP)» May be a platform to develop into a true challenger bank
Capital-light	<ul style="list-style-type: none">» Focus on servicing relationships, with fewer assets on balance sheet» May complement servicing revenues with some portfolio acquisitions» Look for strategic partnerships: selling banks, investors, securitisation etc.
Private Equity	<ul style="list-style-type: none">» (Very large) investors who typically target a smaller number of high value deals» May acquire servicing platforms, but treat these more as parallel investments» Typically more visible in SME, corporate and secured NPL markets

1) <https://www.debtwire.com/intelligence/view/docrepo-DdOrKI6-k2>

2) <https://pwc.blogs.com/deals/2020/11/will-covid-19-trigger-a-rapid-wave-of-non-performing-loan-npl-transactions.html>

3) <https://www.debtwire.com/document-repository/document/DdOrKI6-k2>

4) <https://www.debtwire.com/intelligence/view/intelcms-bccwn4>

5) <https://www.debtwire.com/non-performing-loans>

6) <https://www.debtwire.com/document-repository/document/DdOrKI6-k2>

7) <https://www.debtwire.com/document-repository/document/DdOrKI6-k2>

8) <https://eba.europa.eu/risk-analysis-and-data/risk-dashboard>

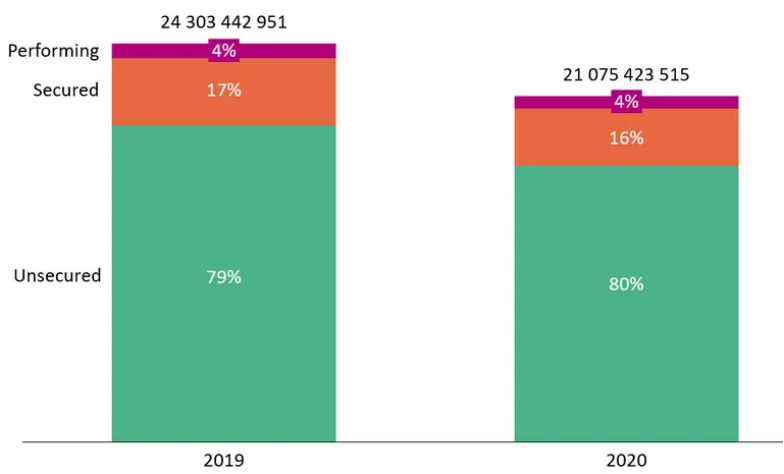
9) <https://www.debtwire.com/non-performing-loans>

Asset Classes

Definitions of Asset Classes

- Non-performing loan ("NPL"):** A loan that is deemed to cause probable credit losses including individually assessed impaired loans, portfolio assessed loans past due more than 60 days and restructured portfolio assessed loans. Hoist Finance primarily purchases loans that are credit-impaired on initial recognition.
- Performing loan:** A loan in which payments of interest and principal are less than 90 days due.
- Secured loan:** A loan in which the borrower pledges some asset as collateral for the loan, which then becomes a secured debt owed to the creditor who gives the loan.
- Unsecured loan:** A loan that is issued and supported only by the borrower's creditworthiness, rather than by any type of collateral.
- Consumer loan:** A loan given to a person to finance specific types of expenditures.
- SME loan:** A business loan extended only to small- or medium-sized enterprises.

Book value



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

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

In spite of Covid-19, the year 2020 has seen a continuation of our growth in Secured NPLs asset class, expanding our geographical footprint to Spain and Cyprus, representing 6 per cent of our total acquisitions for the year.

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

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

Banking Platform

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

Deposits from the public amounted to SEK 17.9 billion (21.4), of which SEK 10.6 billion (12.2) relates to deposits in Sweden and SEK 7.4 billion (9.2) to German household deposits denominated in Euro. Total short-term and long-term market funding amounted EUR 678 million at year-end (610), with no outstanding money market instruments at year-end (EUR 30).

Deposits

Hoist Finance offers savings accounts with fixed and flexible interest rates at competitive terms to customers in Sweden under the brand name "HoistSpar",

and in Germany under the brand name "Hoist Finance". The savings account products are offered to retail customers and corporates, and customers in Sweden can save up to SEK 950,000 and in Germany up to EUR 100,000.

During the year, Hoist Finance has actively focused on increasing the share of savings accounts with 12-month or longer maturities. As per 31 December 2020, Swedish deposits decreased by 13 per cent to SEK 10.6 billion (12.2), distributed over 41,027 customers (44,370). The deposits in Germany decreased to EUR 682 million (881), distributed over 38,242 customers (31,421).



Market funding

Hoist Finance returned to the markets in 2020. In the fourth quarter the company issued a senior preferred unsecured EUR 200 million bond under its Euro Medium Term Note (EMTN) Programme in conjunction with a tender offer on the EUR 250 million senior preferred unsecured bond due October 2021.

At year-end Hoist Finance had issued EUR 678 million under its EMTN programme, of which EUR 80 million constituted subordinated debt. Hoist Finance had no outstanding issues under its commercial paper programme at year-end (EUR 30).

During the first quarter, Hoist Finance issued EUR 40 million in Additional Tier 1 capital (AT1).

Why invest with us?

European deposit guarantee

Deposits in Hoist Finance are covered by the deposit guarantee scheme, which in Sweden corresponds to SEK 950 000 (on 1 January 2021, the amount covered will be raised to SEK 1 050 000).

Regulated credit market company

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

Investment grade rating

Hoist Finance holds some of the strongest ratings in the debt purchasing industry. Moody's has assigned Baa3 long-term issuer and senior unsecured debt ratings, and a P-3 short-term issuer rating to Hoist Finance. The outlook was revised to negative during 2020.

Retail banking and Business Development

A key cornerstone of the Hoist Finance strategy is to maximise the value of our banking license and platform by offering a wider range of products and services. In 2020, we have established a strong team with a clear vision and plan forward.

Given our longstanding relationship with our significant customer base, we are uniquely positioned to support an underprivileged segment of the market, potentially through incentivisation of savings or providing customer credit. Through our focus on amicable and flexible long-term solutions, we are ready to support our customers taking the next step towards financial inclusion.

By providing our customers with further opportunities, we are contributing to society – this social impact is fundamental to our business process. Our focus on financial inclusion strengthens our brand and provides us with further business opportunities.

Portfolio acquisitions remains the core business for Hoist Finance. For the retail bank, growing the performing platform, diversifying the balance sheet and building scale are main priorities. As a result of Hoist Finance focus on people in financial difficulties, our clients are comfortable selling to Hoist, knowing that we safeguard the reputation of our clients by supporting customers in their financial journey.

Risk management

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

The risk management framework

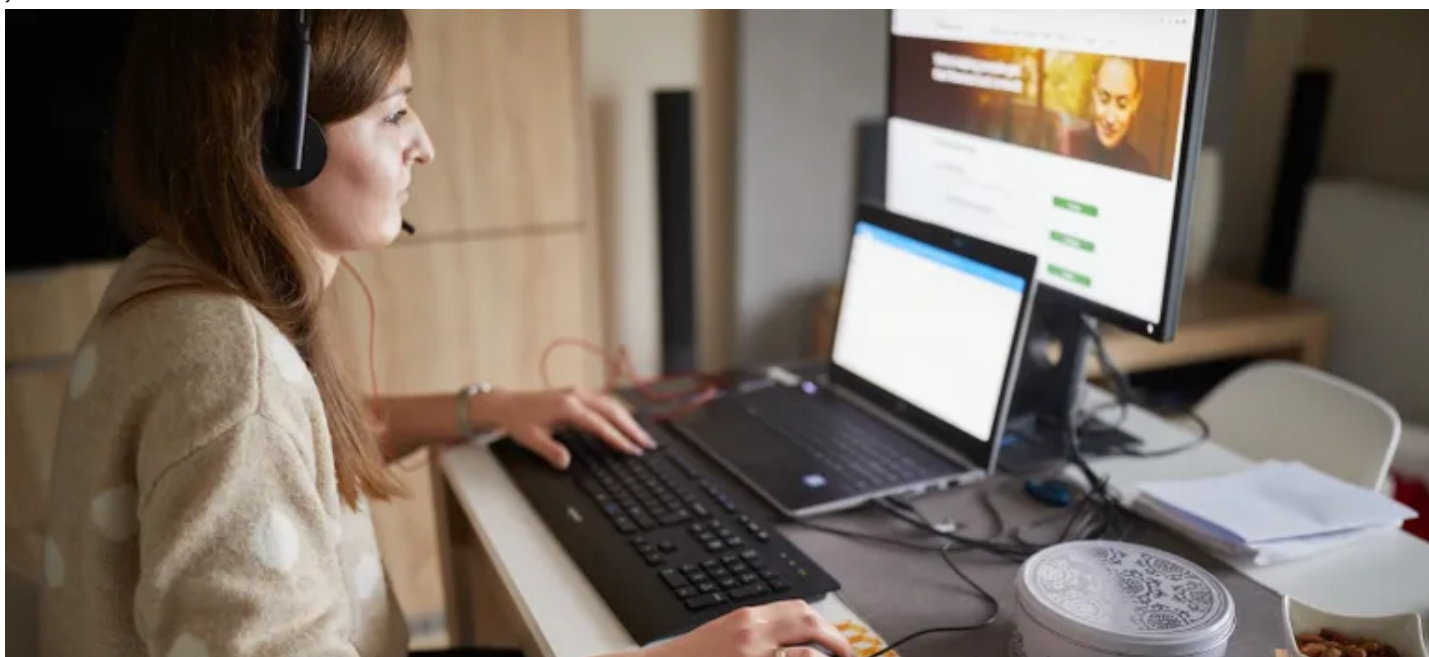
Risk management at Hoist Finance aims to:

- » Increase awareness around the company's complete risk picture through identification, analysis, measurement, control and reporting of risks.
- » Facilitate and ensure sound and safe development of the business.
- » Secure the company's survival by maintaining adequate capital and liquidity levels.

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

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

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



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

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

Three lines of defence

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

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

Risk culture

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

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

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

Security Management

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

Our Executive Management Team and the Board of Directors are highly involved in the security management work. Our Board of Directors decides on both the Security Strategy and on the Security Policy. These policies and strategies are based on the business strategy, threat intel and risk analysis conducted in the business.

We have functions in all three layers of defense that actively work with security to execute on operational level in the first line, control and measure through the second line and internal audits in the third line.



We have started and implemented several security initiatives throughout the year. Among others, we have intensified the work around risk analysis and monitoring of our third parties, created a systematic approach on risk indicators as well as further enhanced the governance and control of the information security work. Furthermore, we have implemented new guidelines set out by the EBA that is relevant for our area of responsibility. We have a management system for the information security work that includes documented security requirements, for example how we classify information, how we technically must protect data within different classification levels, requirements on physical security and encryption of data.

Last year we created a training and awareness plan for the company. This year we implemented the plan and started measuring the results. The plan contains requirements on training in the field of information security for new employees but also on extended training for existing staff and more enhanced training for staff within ICT. For example, several key-functions within the ICT organization has conducted a Certified Information Security Manager (CISM) training. This is to further enhance the awareness level in the first line.

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

Brexit

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

Climate change risk assessment

Climate change has an impact on the economy in general, on a more specific note it affects collateral values. The level of investments in portfolios secured by real estate increases and Hoist Finance is placing greater focus on monitoring our collateral, including effects from environmental/climate change risks. This serves both to protect Hoist Finance against unforeseen deterioration in collateral asset quality and to ensure we are able to assess whether environmental factors pose any risk to our customers.

Risk exposure

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

Strategic Risks

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

Business-related financial risks

Risk type	Risk profile	Risk management
Credit risk The risk of loss arising from a customer's failure to repay principal or interest or otherwise meet a contractual obligation.	Credit risk refers mainly to acquired NPL portfolios and the risk that collection on these will be lower than forecasted. Credit risk also includes the risk of credit losses on acquired performing loans. Other credit risk exposures are: (i) cash deposits with banks; (ii) investments in interest bearing instruments; and (iii) counterparty risk related to hedging FX and interest-rate risk.	Credit risk in acquired loan portfolios is monitored, analysed and managed by the management in each country, and by the Group's Business Control unit. Other credit risks are analysed and managed by the Group's Treasury function. The Risk Control function analyses and monitors all credit risk exposures.
Market risk The risk arising from adverse movements in foreign exchange rates and interest rates.	The main FX risks arise from the fact that the loan portfolios (the assets) are denominated in EUR, PLN and GBP, while the reporting currency is SEK and the majority of liabilities are denominated in SEK. Interest-rate movements have an effect on net interest income.	Market risks are hedged continuously by the Group Treasury function and are independently analysed by the Group's Risk Control function.
Liquidity risk The risk of difficulties in obtaining funding, and thus being unable to meet payment obligations when they fall due, without a significant increase in the cost of obtaining means of payment.	Liquidity risk is linked primarily to deposits from the public and the risk of large withdrawals occurring at short notice. Furthermore, increased requirements for funds pledged as collateral for derivative positions, and refinancing risk associated with existing market funding, could potentially impact liquidity in a negative way.	The Group has a significant liquidity reserve to cover potential outflows of liquidity. Hoist Finance also works pro-actively to diversify the number of funding sources.
Operational risk The risk of loss resulting from inadequate or failed internal processes, people, IT-systems or from external events including legal and compliance risk.	Operational risk is present across our operations and come in many forms. Common examples are to failure in our processes due to issues with our IT-systems or lack of or erroneous data to perform tasks.	The operational risk framework is implemented to analyse, control, report and mitigate operational risks Hoist Finance is exposed to. During 2020 confirmation has been received that Hoist Finance has good capacity to handle a crisis and adopt the way of working to deal with unexpected changes.

Additional and more detailed information about Hoist Finance's risk management is presented in the Administration Report, Note 33 and in Hoist Finance's Pillar 3 report. This also includes quantitative risk measurements.

Administration Report

Business overview

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

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

The Group operates a traditional internet-based retail deposit product in Sweden under the HoistSpar brand, and has also launched savings accounts in Germany, in partnership with one of the largest deposit savings platforms in Europe. As a regulated credit market company, Hoist Finance can offer the public a deposit service which is fully covered by the Swedish state deposit guarantee up to an amount of SEK 950,000 for each account. The state deposit guarantee was increased to SEK 1,050,000 as from 1 January 2021. This gives the Group a cost-effective, flexible and reliable source of funding, which is primarily used for the acquisition of NPLs

The market

Hoist Finance's geographic focus is Europe. The Group has acquired loan portfolios in Belgium, Cyprus, France, Greece, Italy, the Netherlands, Poland, Spain, the UK, Germany and Austria. In accordance with the Group's strategy, the prioritised markets are France, Italy, Poland, Germany and the UK. By selling their NPLs, banks and other originators can focus on their core business, free up capital, improve liquidity, limit the risk of doubtful payment profiles and improve key performance indicators. The European NPL market has grown in recent years, mainly as a result of the underlying market expansion of the consumer credit market and the new capital adequacy (Basel III) regulations, as well as the regulation for minimum loss coverage for non-performing exposures ("NPL prudential backstop") that took effect in 2019. For further information on the NPL prudential backstop, see the "NPL Prudential Backstop" section, the "Development of Risks" section in the Administration Report, and Note 33 "Risk Management". Hoist Finance's main competitors include debt acquisition and collection companies, integrated players offering a wide range of financial services, and specialised investors.

Group structure and ownership

Hoist Finance was listed on the Nasdaq Stockholm Mid Cap list on 25 March 2015. At 30 December 2020, the number of shares totalled 89,303,000 and the share price closed at SEK 36.46, corresponding to a market capitalisation of SEK 3,256m. See Hoist Finance's website, www.hoistfinance.com, for additional information on the share and shareholders. The Articles of Association do not include any restrictions on the negotiability of the shares and there are no other circumstances that require disclosure under Chapter 6, 2a § 3–11 of the Swedish Annual Accounts Act.

Hoist Finance together with a number of subsidiaries acquire and hold loan portfolios for the Group. Day-to-day collection operations are mostly run by local branch offices and subsidiaries. Some of these companies also provide commission-based administration services to third parties. The Polish branch office operates as a shared service centre and the Romanian branch office is a nearshoring operation providing services within the Hoist Finance Group.

Note 19 "Shares and Participations in Subsidiaries", sets out the Hoist Finance Group and its key subsidiaries and branch offices as of 31 December 2020.

Proposed dividend

The Board of Directors proposes that the 2021 Annual General Meeting resolve not to distribute a dividend to the shareholders of Hoist Finance AB (publ) for financial year 1 January – 31 December 2020. The Board deems that this exception to the current dividend policy will be instrumental in strengthening the Company's CET1 capital ratio and will facilitate the Company's growth in 2021.

Proposed appropriation of profits

According to the Parent Company's balance sheet, the following unappropriated earnings are at the disposal of the Annual General Meeting:	SEK
Share premium	1,882,891,946
Reserves	2,389,541
Retained earnings	1,366,480,047
Profit/loss for the year	255,032,807
Total	3,506,794,341

The Board of Directors proposes that unappropriated earnings be distributed as follows:	SEK
To be carried forward	3,506,794,341

Key events during the year

- » During the first quarter Hoist Finance established a new sustainability strategy. The strategy outlines ESG goals and indicators, which together with the extensive reporting puts Hoist Finance as a front-runner in the debt management industry.
- » Successful AT1 issue further strengthening the capital structure.
- » Strong execution on strategic projects with significant IT investments and closing of third party collection in the UK.
- » Launch of a new platform to support customers with financial planning.
- » The Swedish FSA has assessed and concluded that Significant Risk Transfer (SRT) is achieved in Hoist Finance's securitisations.
- » 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.

Developments during the 2020 financial year

Unless otherwise indicated, all comparative market, financial and operational information refers to full-year 2019.

Total operating income

Interest income from acquired loan portfolios totalled SEK 3,302m (3,359) during the year. The decrease was mainly driven by the low volume of portfolio acquisitions during the year. Other interest income totalled SEK 6m (–2). Interest expense increased to SEK –582m (–494). The increase is mainly attributable to the securitisation of Italian loan portfolios conducted during Q4 2019 and to higher interest expense for deposits from the public in Germany. The shift towards longer maturities, which started during the second half of 2019, continued during the year. There was a sharp drop in demand deposits in EUR following Hoist Finance's lowering of the interest rate for this product due to the reduced need for funding.

Impairment gains and losses totalled SEK –458m (120), constituting the year's realised collections against current forecast as well as portfolio revaluations. Price adjustments were made to several portfolios during the year due to guarantee commitments by selling banks in the UK, Greece and France. These guarantee commitments had a negative impact on portfolio revaluations and a positive impact on collection difference against active forecast of SEK 222m.

Portfolio revaluations totalled SEK –805m (–144) during the year. Adjusted for price adjustments, portfolio revaluations totalled SEK –583m and are mainly attributable to portfolio revaluations conducted in Spain during Q1 and to revaluations conducted during Q2 related to Covid-19 and its impact on collections. Collection performance in Spain has been unsatisfactory for quite some time, despite changes implemented to improve profitability. Spain has been greatly impacted by Covid-19 and the weak collection performance continued during the first quarter. Accordingly, the write-down decision was taken as the implemented changes were not expected to produce the desired effect.

Collections against current forecast totalled SEK 348m (267). Adjusted for price adjustments collections against current forecast total SEK 126m. Collections during the third and fourth quarters in particular exceeded projected levels for secured and unsecured loans. Collection performance was strongly impacted by Covid-19 during the first and second quarters and failed to meet projected levels in a number of markets. Collection performance was strong during Q4 despite continued delays in legal proceedings, mainly in Italy and Spain where the legal system is commonly used for recovery activities.

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). Exchange rate effects had a positive effect, while unrealised changes in the value of interest rate hedging positions, as well as bond buy-back costs, had a negative effect. Other operating income totalled SEK 14m (22) during the year.

Total operating expenses

Personnel expenses totalled SEK –862m (–875) for the year. Investments in the shared service centre in Poland and nearshoring in Romania continued to generate a positive result, mainly during the second half of the year, in line with the cost savings programme. Certain restructuring costs had a negative impact on personnel expenses and are attributable to the relocation of operations to Romania and Poland from other markets.

Collection costs decreased SEK 53m during the year to SEK –734m (–787). The decrease is attributable to efficiency measures and digital investments, as well as 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.

Other administrative expenses increased SEK 45m and totalled SEK –613m (–568). The cost increase is related to IT outsourcing and the Group-wide digitalisation initiative. The increase in administrative expenses for IT outsourcing resulted in a reduction in personnel expenses, as Hoist Finance previously had in-house IT staff. This change initiative is 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.

Earnings before tax and total comprehensive income

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

The year's tax expense was SEK -41m (-143). The effective tax rate was 50 per cent (19) 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 for the year totalled SEK 41m (605).

Balance sheet

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	2020	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
Debt securities issued	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	18

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

Total interest-bearing debt amounted to SEK 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 rates for most products. This resulted in deferred outflows during the year. 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.

Acquired loans

SEK m	2020	2019	Change %
Portfolio acquisitions	1,761	5,952	-70
Carrying amount, acquired loans ¹⁾	21,241	24,513	-13

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

The loan portfolio acquisition volume was low during the year, largely due to the market uncertainty resulting from Covid-19. Hoist Finance also prioritised having strong liquidity and capital positions during the year. To ensure acquisition capacity during 2021, a 4-year senior fixed-interest bond of EUR 200m was issued in November.

Total 2020 acquisition volume amounted to SEK 1,761m (5,952). The carrying value of acquired loans totalled SEK 21,241m (24,513) on 31 December 2020, a decrease of SEK –3,272m since 2019. Work continued in 2020 on the securitisation of loan portfolios, and after the close of the year Hoist Finance announced a partnership agreement with Magnetar Capital. The agreement covers new portfolio acquisitions in Europe.

Cash flow

SEK m	2020	2019	Change %
Cash flow from operating activities	4,857	3,117	56
Cash flow from investing activities	-3,066	-5,098	-40
Cash flow from financing activities	-2,410	3,923	N/A
Cash flow for the year	-619	1,942	N/A

Cash flow from operating activities totalled SEK 4,857m (3,117). Amortisation of acquired loan portfolios increased somewhat during the year and totalled SEK 3,164m (3,040). Cash flow from other assets and liabilities amounted to SEK 1,021m (–629), the majority of which pertains to realised cash flows for FX hedging.

Cash flow from investing activities totalled SEK –3,066m (–5,098). Portfolio acquisitions decreased year-on-year to SEK –1,715m (–5,952). Net cash flow from bonds and other securities totalled SEK –1,318m (866). Cash flows from operating activities were partly invested in covered bonds.

Cash flow from financing activities totalled SEK –2,410m (3,923). Net cash flow from deposits from the public amounted to SEK –3,272m (4,204) during the year. Outflows during the year are in accordance with Hoist Finance's objectives, as the need for funding is significantly reduced due to Covid-19. In Sweden, outflows from deposits from the public totalled SEK –1,710m, with decreased volumes for all savings products. Inflows to savings products of longer durations continued in Germany and totalled SEK 1,125m, and were offset by an outflow of SEK –2,687m from variable interest accounts and accounts with fixed 1-year durations. Issued securities totalled SEK 2,018m (3,450) and pertain to the issuance of a EUR 200m senior bond in November. Repurchases and repayments of issued securities totalled SEK –1,454m (–3,629). Of this amount, SEK –1,029m pertains to the senior bond repurchase in November, SEK –322m to commercial paper repayment, and SEK –103m to repayment of bonds in Italian special purpose vehicle Marathon SPV S.r.l. Other cash flows from financing activities are attributable to interest paid on Tier 1 capital contributions (SEK –60m), amortisation of lease liability (SEK –48m), and SEK –8m in cash flows related to acquisition agreement for treasury shares.

Total cash flow for the year amounted to SEK –619m (1,942).

Segment overview

Hoist Finance works under an organisational structure with a focus on building a stronger, more integrated company to improve the Company's operational efficiency and better capture market growth. The division of segments into countries forms the basis for the Executive Management Team's monitoring of operations. See Note 3 "Segment Reporting" for additional details.

Sustainability report

Hoist Finance has prepared a Sustainability Report in accordance with the Annual Accounts Act. The Sustainability Report can be found in the "Sustainability" section under "The value we create" in Hoist Finance Annual report 2020, pages 27-47. The auditor's report on the statutory sustainability statement can be found on page 219.

Other disclosures

Parent Company disclosures

Hoist Finance AB (publ) is a registered credit market company under the supervision of the Swedish Financial Supervisory Authority. The operating Parent Company acquires and holds loan portfolios, which are managed by foreign branch offices. These units also provide commission-based administration services to third parties. The Polish branch office operates as a shared service centre and the Romanian branch office is a nearshoring operation providing services within the Hoist Finance Group.

The Parent Company's net interest income totalled SEK 1,184m (1,355) during 2020. The decrease is mainly attributable to lower interest income on loans to subsidiaries, as a result of low acquisition volumes during the year and amortisation on loans to subsidiaries. Interest expense increased SEK -63m, mainly due to greater volumes related to deposits from the public of longer durations in the German market.

Total operating income amounted to SEK 1,633m (1,447). Dividends received from subsidiaries totalled SEK 302m (10). Net result from financial transactions totalled SEK -112m (-147) and is mainly attributable to exchange rate fluctuations in assets and liabilities in foreign currencies. Other operating income totalled SEK 256m (232) and is mainly attributable to management fees invoiced to subsidiaries.

Total operating expenses totalled SEK -1,206m (-1,209). Start-up expenses related to IT outsourcing had a negative impact on net profit during the year. Depreciation and amortisation of tangible and intangible assets totalled SEK -62m (-49), of which SEK -12m pertains to impairment of IT projects.

Net operating profit totalled SEK 341m (365). Impairment gains and losses of SEK -41m (56) are attributable to the differences between actual and projected collections, to portfolio revaluations and to loss allowances for performing loans. Shares in participations in subsidiaries were written down by SEK -116m (-). Profit from participations in joint ventures totalled SEK 71m (71).

Net profit for the year totalled SEK 255m (197) and taxes totalled SEK -77m (-121). During the year SEK -7m was provisioned for uncertainties about the tax treatment for previous years.

At 31 December, the carrying value of acquired loan portfolios totalled SEK 6,755m (7,394), a year-on-year decrease due primarily to reduced acquisition volumes as compared with previous years as a result of the Covid-19 situation. Loans to subsidiaries totalled SEK 14,402m (17,432) attributable primarily to the financing of subsidiaries' acquisitions of loan portfolios. Deposits from the public decreased during the year to SEK 17,928m (21,435). Deposits decreased in both Sweden and Germany, mainly related to deposits in variable interest savings accounts.

Significant risks and uncertainties

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

The impact of Covid-19 on Hoist Finance's operations is outlined in the Development of Risks section below. Details on Hoist Finance's risk management and its most significant risks are presented in the Risk Management section and in Note 31, "Risk Management".

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 year Hoist Finance employees worked 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 previous years.

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 year 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.

During the autumn the Swedish Financial Supervisory Authority (SFSA) published its decision regarding changes to banks' capital requirements which will entail, among other things, that the SFSA will make separate decisions on Pillar 2 requirements for each bank and that capital planning buffers will be replaced with a new Pillar 2 guideline. Hoist Finance currently evaluating the effects of the SFSA's proposal.

Liquidity risk was low during the year. 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.

Remuneration to senior executives

Information on the most recently approved guidelines for remuneration for senior executives is presented in Note 9 "Personnel expenses". The remuneration policy was adopted by the Board at the constitutive board meeting in May 2020. The Board will present the following proposed guidelines for approval at the AGM in April 2021.

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

These guidelines cover senior executives in Hoist Finance AB (publ) ("Hoist Finance" or the "Company"). The term senior executives shall in this context mean the CEO and the other members of the executive management team, and board members to the extent they receive remuneration for services performed outside of their Board duties. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting 2021. The guidelines do not apply to any remuneration decided by the Annual General Meeting.

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

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

Hoist Finance's business strategy, longterm interests and sustainability work are described on the Company's webpage, www.hoistfinance.com.

Types of remuneration

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

Fixed cash salary

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

Variable cash remuneration

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

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

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

The fulfilment of the criteria for payment of variable cash remuneration shall be measured during a period of one year. When the measurement period for the fulfilment of the criteria for the payment of variable cash remuneration has ended it shall be evaluated/determined to which extent the criteria have been fulfilled.

The Remuneration Committee, and the Board of Directors with respect to remuneration to the CEO, are responsible for the assessment.

Pension benefits and other benefits

Pension and insurance are offered pursuant to national laws, regulations and market practices and are structured as collective agreements, company-specific plans or a combination of the two. Hoist Finance has defined-contribution pension plans. A few senior executives receive gross salary; in these instances, the Company does not make pension contributions. Variable cash remuneration shall not qualify for pension benefits.

The pension premiums for premium defined pension shall amount to no more than 30 per cent of the fixed annual cash salary.

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

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

Sign-on bonus

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

Loans

Issuing loans to senior executives is not permitted.

Salary and employment conditions for employees

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

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

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

Termination of employment

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

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

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

Derogation from the guidelines

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

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

The Board's report on the most important elements of the system for internal control and risk management for financial reporting for the 2020 financial year is presented as a separate section in the Corporate Governance Report.

Subsequent events

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

No other significant events affecting operations took place.

Outlook

The outlook is more uncertain as a result of the rapid Covid-19 development. During 2020 we saw a temporary pause in the supply of debt portfolios, but we anticipate a normalisation in 2021 and firmly believe that the market outlook remains positive in the slightly longer term. More than ten years after the financial crisis, European banks still have significant exposures towards non-performing loans. Driven in part by regulatory changes implemented in 2018 and 2019 but primarily by the effects of Covid-19, the supply of non-performing loans is expected to increase in the next few years.

Meanwhile, we see that the market is more consolidated than it has been and that the cost of funding through the bond market remains relatively high. Many companies in the CMS industry are aiming to reduce their leverage, which also impacts market demand. Margins continued to improve in 2020, and the trend seems to be continuing in 2021.

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

Hoist Finance's acquisitions were significantly limited during 2020 due to the uncertainty caused by Covid-19. The total supply on the market was on a par with 2013, approximately 50 per cent lower than 2019. However, it is anticipated that over time the impact of Covid-19 will have major effects on the supply, which is expected to double

Five-year overview

Consolidated income statement in summary

SEK m	2020	2019	2018	2017	2016
Total operating income	2,368	3,038	2,829	2,365	2,139
<i>of which net interest income</i>	2,726	2,863	2,435	2,329	2,107
Total operating expenses	-2,343	-2,352	-2,146	-1,860	-1,692
Profit before tax	82	748	755	581	533
Net profit for the year	41	605	590	453	417

Consolidated balance sheet in summary

SEK m	2020	2019	2018	2017	2016
Cash and lending to credit institutions	2,526	3,075	1,187	1,681	1,064
Treasury bills and treasury bonds	2,411	2,729	2,653	1,490	2,274
Lending to the public	6	10	14	37	36
Acquired loan portfolios	21,075	24,303	20,605	14,766	12,386
Bonds and other securities	4,082	2,769	3,635	3,689	2,539
Shares and participations in joint ventures	160	201	215	238	241
Fixed assets	620	651	446	329	284
Other assets	984	649	500	307	326
Total assets	31,864	34,387	29,255	22,537	19,150
Deposits from the public	17,928	21,435	17,093	13,227	11,849
Other liabilities and provisions	8,778	8,054	7,749	6,082	4,376
Equity	5,158	4,898	4,413	3,228	2,925
Total liabilities and equity	31,864	34,387	29,255	22,537	19,150

Key ratios, Group¹⁾

SEK m	2020	2019	2018	2017	2016
Net interest income margin, %	12	13	14	-	-
C/I ratio, %	97	76	74	76	76
Return on equity, %	-1	13	16	15	17
Return on assets, %	0.1	1.9	2.3	2.2	2.3
Portfolio acquisitions	1,761	5,952	8,048	4,253	3,329
Carrying value on acquired loans	21,241	24,513	20,834	15,024	12,658
Gross 180-month ERC ²⁾	32,763	38,874	33,602	-	-
Gross 120-month ERC ²⁾	30,404	35,460	30,733	23,991	21,375
Total capital ratio, %	16.49	14.01	14.14	17.71	16.76
CET1 ratio, %	10.76	9.94	9.66	11.70	12.46
Liquidity reserve	8,652	8,024	7,399	6,800	5,789
Number of employees (FTEs)	1,615	1,575	1,556	1,335	1,285

1) See definitions.

2) "Estimated Remaining Collections"

Corporate Governance Report

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

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

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

Application of the Swedish Corporate Governance Code

All companies with shares listed on Nasdaq Stockholm, regardless of market capitalisation, have been required since 1 July 2008 to apply the Swedish Corporate Governance Code. The Code is based on the "comply or explain" principle, meaning that a company's deviation from the Code's provisions is not deemed a breach thereof if the company explains its reason for the deviation. Hoist Finance complies with and in 2020 complied with all provisions of the Code. This Corporate Governance Report is part of the Company's Administration Report and is reviewed by the Company's auditors.

Corporate governance within the Company

Hoist Finance is subject to external and internal control systems.

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

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

The following are of particular importance in this context:

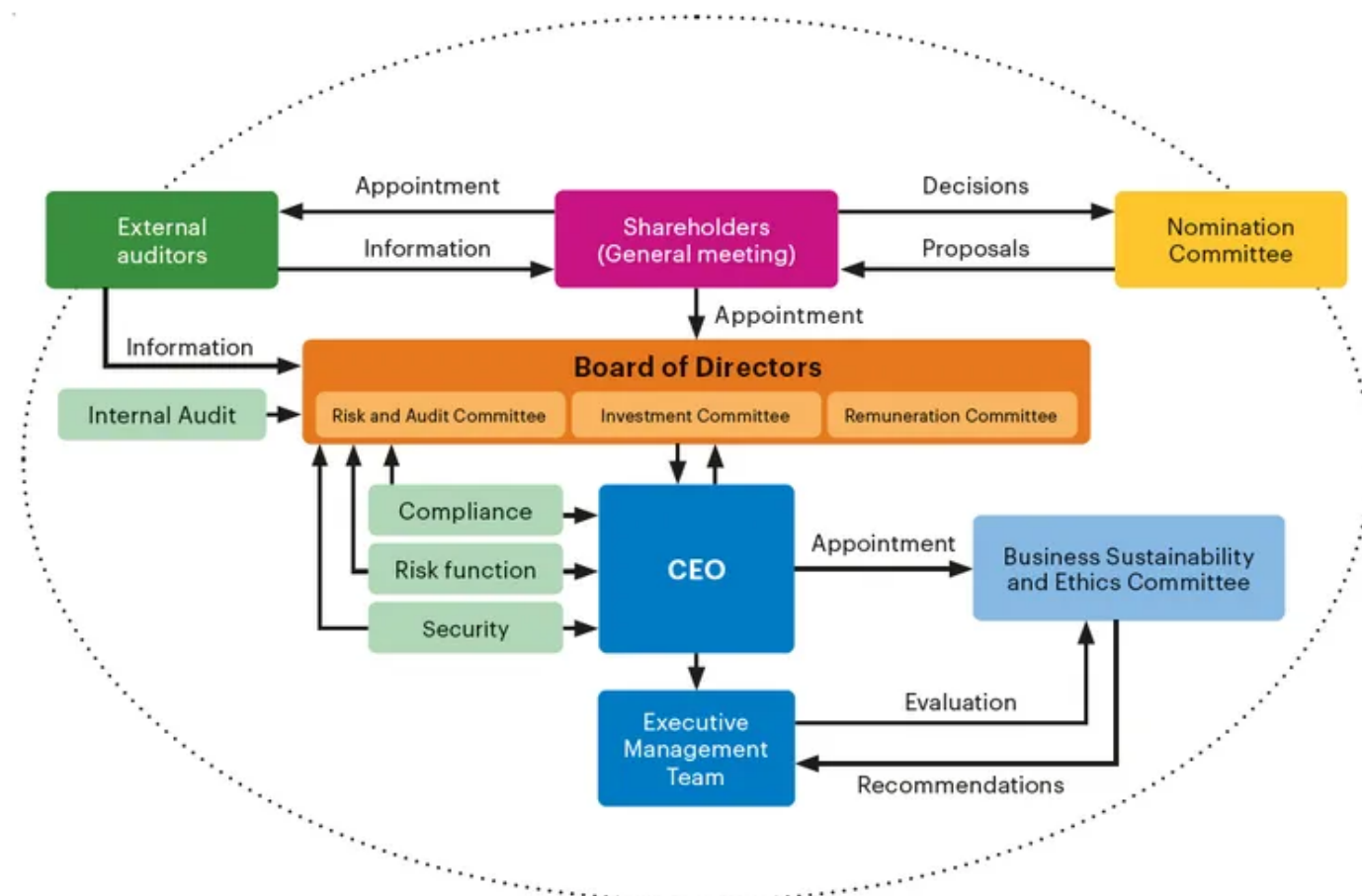
- » Rules of procedure for the Board
- » Instruction for the CEO
- » Policy for internal governance and control
- » Instructions for the Risk and Audit Committee
- » Instructions for the Remuneration Committee
- » Instructions for the Investment Committee and
- » Order of Authorisation

Articles of Association

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

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

Governance structure



Shareholders

As of 31 December 2020, the total number of shares was 89,303,000 and the share capital was SEK 29,767,666.66. Each share carries one vote. The Company had 6,875 shareholders at year-end. The 15 largest shareholders held an aggregate of 65.4 per cent of total share capital at the end of 2020. Read more about the Company's largest shareholders at www.hoistfinance.com.

Annual General Meeting

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

Hoist Finance's financial year runs from 1 January to 31 December. Pursuant to the Companies Act, notice must be given no earlier than six weeks prior to, and no later than four weeks prior to, the AGM. The AGM resolves on adoption of the year's balance sheet and income statement, appropriation of profits, election of Board members and auditors, remuneration to Board members and auditors and other business matters as prescribed by the Companies Act and the Articles of Association. All shareholders listed in the shareholders' register six banking days prior to the AGM who have provided notification of their participation during the prescribed time-frame are entitled to participate in the AGM, either in person or by proxy, and to vote in relation to their holdings.

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

2020 Annual General Meeting

The most recent AGM was held on 14 May 2020 in Stockholm. 57 shareholders, representing 26.25 per cent of the shares and votes in the Company, were present at the AGM. Due to the Covid-19 pandemic, many shareholders participated via mail voting. The Chairman of the Board was present at the AGM.

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

- » To adopt the balance sheet and income statements
- » To not distribute dividend
- » To discharge Board members and the CEO from liability
- » To re-elect Board members Ingrid Bonde, Cecilia Daun Wennborg, Malin Eriksson, Liselotte Hjorth, Robert Kraal and Lars Wollung and to elect Henrik Käll as new Board member. The AGM re-elected Ingrid Bonde as Chairman of the Board. Former Board members Marcial Portela and Joakim Rubin resigned from the Board at the AGM
- » On remuneration for the Chairman of the Board and other Board members
- » To elect EY, represented by Daniel Eriksson, as auditor for the period until the close of the next AGM and to pay auditor's fees based on approved invoices
- » To adopt guidelines for remuneration of senior executives.
- » To approve the deferred bonus plan for 2020
- » To authorise the Board to issue shares
- » To authorise the Board to acquire own shares

The complete minutes of the 2020 AGM are available at www.hoistfinance.com.

2021 Annual General Meeting

The 2021 AGM will be held via postal voting, on Tuesday, 13 April 2021.

Nomination committee

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

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

The Nomination Committee is composed of the following members: Jan Andersson (representing Swedbank Robur Fonder AB) Chairman of the Nomination Committee, Erik Selin (representing Erik Selin Fastigheter AB), Per Arwidsson (representing Arwidso) and Ingrid Bonde (Chair of the Board of Hoist Finance). The Committee has held five minuted meetings ahead of the 2021 AGM and maintained regular contact between meetings. The Committee also held individual interviews with several of the current board members, the CEO and a number of Board member candidates.

The Nomination Committee's proposals, its report on Committee work performed in preparation for the 2021 AGM, and information on the new proposed Chairman of the Board, proposed Board members and auditors are published in connection with the AGM notice.

Board of Directors

Pursuant to the Articles of Association, Hoist Finance's Board shall be composed of at least three and no more than nine members. Members of the Board are appointed by the AGM for a one-year term. In accordance with the resolution of the 2020 AGM, the Board is composed of Ingrid Bonde (Chair of the Board), Cecilia Daun Wennborg, Malin Eriksson, Liselotte Hjorth, Robert Kraal, Lars Wollung and Henrik Käll. Former Board members Marcial Portela and Joakim Rubin resigned from the Board at the AGM.

At the end of the financial year, the Board had four female and three male members. All Board members were independent in relation to the Company's major shareholders (as defined in item 4.4 of the Swedish Corporate Governance Code), the Company and the Executive Management Team in 2020. For further information on the Board members, see the section on the Company's Board of Directors and Executive Management Team on the Company's website, www.hoistfinance.com.

See Note 9 "Personnel expenses" for details on the remuneration to the Board of Directors.

Diversity policy

The Company's Board as a whole shall have the appropriate collective expertise, experience and background in the Company's business operations to enable identification and understanding of the risks such operations entail. The objective is to have a Board composed of members with complementary experience and expertise and of varying ages, genders, geographic origins, and educational and professional backgrounds that, taken together, contribute to independent and critical reflection.

The Company's Board has adopted a Diversity Policy applicable to the Board. To achieve a diverse Board, in preparing its proposal to the AGM, the Nomination Committee takes into consideration item 4.1 of the Swedish Corporate Governance Code, the Board's Diversity Policy and the European Banking Authority's guidelines on eligibility assessments for Board members. The Company continuously evaluates the composition of the Board and believes that its composition was satisfactory in 2020.

Work of the Board

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

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

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

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

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

Board meetings in 2020

A total of 11 minuted Board meetings were held in 2020; seven ordinary meetings, one statutory meeting and three extraordinary meetings. All Board members attended these meetings, with the exception of the Board meetings held on 28 January, 11 February and 26 March when Marcial Portela did not participate. The CEO, the CFO and the Board's secretary participated in the Board meetings. A number of Company employees also participated in some of the Board meetings to report on specific issues.

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

The matters addressed by the Board in 2020 included, among other things, organisation, strategy, cost saving programme, digitalisation, security and remuneration matters. The Board also held a meeting with the external auditors without the Executive Management Team in attendance.

Training for the Board

The Board received training in various subjects during 2020, including securitisation, data protection, security and ICT risks, ICAAP/ILAAP, and anti-money laundering.

Work of the Board in 2020



Board Committees

Risk and Audit Committee

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

The Committee is required to meet at least four times per financial year.

The Risk and Audit Committee has at least three members appointed by the Board on an annual basis. Committee members may not be employed by the Company. One member is elected Committee Chairman. The Chairman may not be the Chairman of the Board of Hoist Finance. Since the 2019 AGM, the Risk and Audit Committee members have been Cecilia Daun Wennborg (Chair), Ingrid Bonde and Liselotte Hjorth. The CEO, CFO and the Company's external auditors also attend the Committee's meetings. The Company's employees may be summoned to Committee meetings to provide details on specific reports or issues. Committee meeting minutes are kept and made available to all Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed and proposed at Committee meetings. The Committee held six meetings in 2020, with all members in attendance at these meetings.

Remuneration Committee

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

The Remuneration Committee is to have at least two members appointed by the Board on an annual basis. All members must be independent in relation to the Company, the Company's management and the Company's major shareholders. The Remuneration Committee meets at least twice per financial year. Since the 2020 AGM, the Board's Remuneration Committee members have been Ingrid Bonde (Chairman), Lars Wollung and Robert Kraal. Joakim Rubin was a member of the Remuneration Committee until the 2020 AGM. The CEO and Chief People Officer also attend the Committee's meetings. Company employees may be summoned to Committee meetings to provide details on specific reports or issues. Remuneration Committee meeting minutes are recorded and are available to Board members. The Committee Chairman reports to the Board concerning the issues discussed and proposed at Committee meetings. The Committee held five meetings in 2020, with all members in attendance at these meetings, except for the meeting on 4 February 2020 which Lars Wollung did not attend.

Investment Committee

The Investment Committee is both a preparatory and a decision-making committee. Its responsibilities include evaluating and approving standard portfolio acquisitions valued at EUR 75m or more, portfolio acquisitions not considered to be standard and valued at EUR 25m or more and investments that require the approval of the Swedish Financial Supervisory Authority. The Investment Committee is also involved in the process of potential revaluations of credit portfolios. The Investment Committee is to have at least three members appointed by the Board on an annual basis. The Chairman must be independent in relation to the Company and the Company's management and may not be the Board Chairman of Hoist Finance. The Committee meets at least four times per financial year and whenever a Committee decision or recommendation is required as per the Company's Investment Policy or Revaluation Policy. Since the 2020 AGM, the Board's Investment Committee has been composed of Malin Eriksson (Chairman), Liselotte Hjorth, Lars Wollung and Henrik Käll.

Joakim Rubin was a member of the Committee until 14 May 2020. Company employees may be summoned to Committee meetings to provide details on investment data. Committee meeting minutes are recorded and are available to all Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed, proposed and decided on at Committee meetings. The Committee held seven meetings in 2020, and, save for one revaluation meeting (where the non-attending member was provided a separate presentation the day after the meeting), all members attended these meetings. In addition, the Committee has had continuous communication and discussions around revaluation matters.

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

Chairman of the Board

Ingrid Bonde was re-elected as Chair of the Board of Hoist Finance by the AGM held on 14 May 2020. Ingrid Bonde has served in this capacity since 16 November 2014.

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

The Chairman's particular duties are to:

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

Board evaluation

In accordance with the Board's rules of procedure, the Chairman of the Board initiates an evaluation of the Board's performance once per year. For the 2020 evaluation all Board members were able to give their views during individual meetings between the Chairman of the Board and the Board members, on issues including working methods, Board meetings, work performed by the Board and management during the year, and Board and management structure. The purpose of the evaluation is to gain an understanding of the Board members' views on the Board's performance and the measures that can be taken to make the Board's work more efficient. The purpose is also to gain an understanding of the type of issues the Board believes should be given more attention and the areas that may require additional Board expertise. The result of the evaluation was shared with the board members and the nomination committee.

CEO and Executive Management Team

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

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

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

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

The CEO's main duties include:

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

Executive Management Team

For information on the Executive Management Team, see the section on the Company's Board and Executive Management Team and the Company's website, www.hoistfinance.com.

See Note 9 "Personnel expenses" for details on the remuneration of the CEO and Executive Management Team.

Important guidelines

The Company has set up a Business Sustainability and Ethics Committee composed of i.a. the CEO, the Head of Sustainability, the Head of Compliance and certain other Company managers that the CEO nominates. The Company's CSR policy is applied throughout the Group, and in the day-to-day operations measures are taken to achieve both Group wide and local goals. The CSR governance structure is composed of a framework for internal governance and control that includes a functional organisational structure with a clear division of responsibilities between management, operations and control functions, as well as principles, policies and processes. To further support policy application and relevance, each policy is assigned to a "document owner" – often the person responsible for the policy's specific area. The Executive Management Team is responsible for the CSR strategy, while the Chief Retail Banking and Business Development Officer has had overall responsibility for implementation of the strategy during 2020. Day-to-day responsibility for the achievement of individual targets rests with each relevant manager.

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

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

Auditors

The 2020 AGM elected registered public accounting firm Ernst & Young AB as the Company's auditor for the period until the close of the next AGM. Authorised Public Accountant Daniel Eriksson is Auditor in Charge.

Financial reporting

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

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

Internal reports

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

Guidelines for remuneration of senior executives, etc.

Guidelines for remuneration to senior executives were adopted by the AGM on 14 May 2020. Remuneration to senior executives shall be on market terms and may consist of the following components; fixed cash salary, variable cash remuneration, pension benefits and other benefits. The remuneration in Hoist Finance shall encourage senior executives to promote the Company's business strategy, long-term interests and sustainability and a behaviour in line with the Company's ethical code of conduct and values. The remuneration shall also be structured to enable Hoist Finance to attract, retain and motivate employees who have the requisite skills. The remuneration shall encourage good performance, prudent behaviour and risk-taking aligned with customer and shareholder expectations. Hoist Finance's business strategy, long-term interests and sustainability work are described on the Company's webpage, www.hoistfinance.com.

Variable remuneration for senior executives will be paid out based on a long-term incentive program (LTIP) and shall not exceed 100 per cent of the fixed annual cash salary. Variable remuneration is based on various financial and non-financial criteria and is linked to the performance of the Hoist Finance Group and the respective business unit as well as individual targets. It is hence distinctly linked to the business strategy and thereby to the Company's long-term value creation, including its sustainability.

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

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

Pension and insurance are offered pursuant to national laws, regulations and market practices and are structured as collective agreements, company-specific plans or a combination of the two. Hoist Finance has defined-contribution pension plans. A few senior executives receive gross salary, in these instances, the Company does not make pension contributions. The Remuneration guidelines are presented in their entirety in Note 9 "Personnel expenses". The Board's proposed new guidelines for 2021 are presented in the Administration Report. Information on salaries and other remuneration to senior executives is presented in Note 9 "Personnel expenses".

Internal control over financial reporting

Internal governance and control

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

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

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

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

Roles and responsibilities

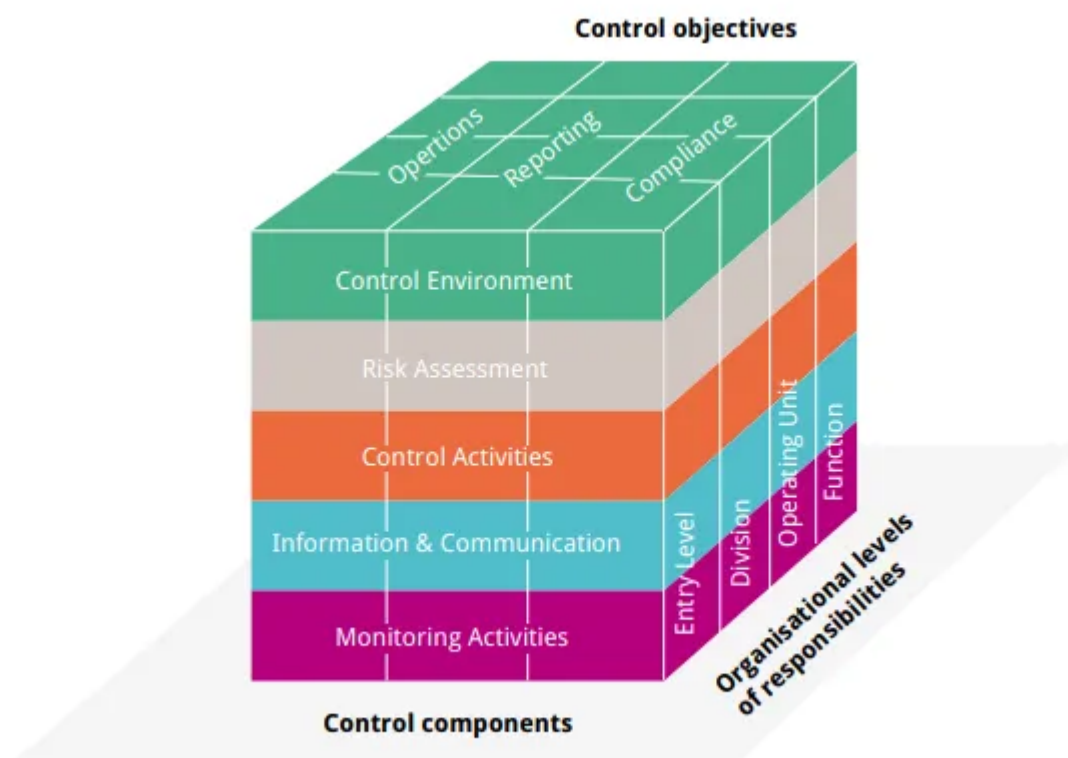
The Board is ultimately responsible for limiting and overseeing Hoist Finance's risk exposure. The Board and the Risk and Audit Committee are responsible for establishing the main rules and guidelines for internal control.

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

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

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

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



Areas of responsibility

Risk Control function

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

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

Compliance function

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

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

Security function

As from the beginning of 2020, the Company's Security function is organised as a control function. The Head of Security is responsible for ensuring that security and ICT risks are identified, monitored, managed and reported.

The Security function is supporting the entire Group in managing security and ICT risks and is continuously reporting to the CEO, the Board and the Risk and Audit Committee.

Internal Audit function

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

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

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

Three lines of defence for risk management and internal control

1st line of defence

The first line of defence is comprised of the Board, CEO and business organisation, which are responsible for conducting operations in accordance with the adopted risk exposure, internal control framework and the rules and regulations applicable to Hoist Finance. The first line of defence has a well-functioning governance structure and effective processes to identify, measure, assess, monitor, minimise and report risks.

2nd line of defence

The second line of defence is comprised of the Risk Control function, the Compliance function and the Security function, independent units that monitor and control Hoist Finance's risks and report independently of each other to the Board and the CEO.

3rd line of defence

The third line of defence is the Internal Audit function that conducts independent audits and reviews and provides the Board with evaluations of Hoist Finance's internal control and risk management processes.

Internal control process

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

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

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

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

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

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

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

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

Financial reporting competencies

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

Board of Directors



Ingrid Bonde Chair of the Board

Board member since 2014.

Born: 1959.

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

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

Other significant external assignments: Chair Alecta AB, Chair Apoteket AB, Board member Securitas AB, Deputy Chairman Telia AB, Chair Swedish Climate Policy Council.

Previous experience: CFO and Deputy CEO of Vattenfall, president and CEO of AMF, Director General of the Swedish FSA, Deputy Director General of the Swedish National Debt Office, Vice President Finance of SAS, Vice President foreign currency funding and debt management at the Swedish National Debt Office. Board member of Danske Bank, Loomis AB and The Swedish Corporate Governance Board.

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

Shareholding: 22,600 shares.



Cecilia Daun Wennborg Board member

Board member since 2017.

Born: 1963.

Education: Bachelor of Business Administration, Stockholm University.

Internal assignments: Board member, Risk and Audit Committee Chair.

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

Previous experience: VP and CFO at Ambea, CEO and CFO at Carema Vård och Omsorg, Acting CEO at Skandiabanken, Head of Swedish Operations Skandia Group and CEO at SkandiaLink. Board member of Sophiahemmet AB and Sophiahemmet Non-Profit Association.

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

Shareholding: 3,500 shares.



Malin Eriksson

Board member

Board member since 2017.

Born: 1971.

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

Internal assignments: Board member, Investment Committee Chair.

Other significant external assignments: Co-founder and Chief Investment Officer Credo Capital Partners, Board member Webbank, Board member Ingenico e-payments.

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

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

Shareholding: 31,500 shares.



Liselotte Hjorth

Board member

Board member since 2015.

Born: 1957.

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

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

Other significant external assignments: Chair of the Board Brunswick Real Estate Capital Advisory AB, Chair of the Board White arkitekter AB, Chair of the Board Eastnine AB (publ), Board member Rikshem AB (publ), Board member Ativo Finans AB, Board member Emilshus AB.

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

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

Shareholding: 4,700 shares.



Robert Kraal

Board member

Board member since 2019.

Born: 1974.

Education: Master of Science in geophysics, Utrecht University.

Internal assignments: Board member

Other significant external assignments: CEO Skillpe Bv, CEO Paysium Holding Bv.

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

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

Shareholding: 0 shares.



Henrik Käll

Board member

Board member since 2020.

Born: 1967

Education: Master of Science in Economics and Business Administration from Uppsala University.

Internal assignments: Board member, Investment Committee member.

Other significant external assignments: -

Previous experience: Global Head of Markets & Sales Distribution at Nordea and various other positions at Nordea, i.a. Global Head of Markets Trading, Head of FICC Sweden, Head of Investments and Institutional Sales and Nordic Head of Structured Products. Various positions at Dresdner Kleinwort London, Natixis (previously IXIS) and Öhman Fondkommission Stockholm.

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

Shareholding: 6,000 shares.



Lars Wollung

Board member

Board member since 2019.

Born: 1961.

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

Internal assignments: Board member, Remuneration Committee member, Investment Committee member.

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

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

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

Shareholding: 301,850 shares.

Shareholding stated as at 4 March 2021.

Auditor in Charge

Ernst & Young AB

Daniel Eriksson

Authorised Public Accountant

Born: 1973.

Executive Management Team



Klaus-Anders Nysteen Chief Executive Officer

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

Born: 1966.

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

Other significant external assignments: Bank Norwegian ASA, Chairman of the Board of Directors.

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

Shareholding: 82,170 shares through Nysteen Invest AS and own holding.



Christer Johansson Chief Financial Officer

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

Born: 1979.

Education: Master of Science, Royal Institute of Technology.

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

Shareholding: 6,400 shares.



Jarkko Heinonen Chief Digital Officer

Member of the Executive Management Team since January 2021. Hoist Finance employee since 2021.

Born: 1973.

Education: B.Sc. degree in Computer Science, University of Helsinki and studies in Economics and Management.

Previous experience: Chief Commercial Officer at Lippupiste, sales and digital transformation leader at Google, and digital business and marketing leader at Ferratum Group and Evli Bank.

Shareholding: 4,000 shares.



Fabien Klecha

Chief Secured Assets Officer

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

Born: 1984.

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

Other Assignments: Hoist Finance Country Manager, France

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

Shareholding: 0 shares.



Stephan Ohlmeyer

Chief Investment Officer

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

Born: 1968.

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

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

Shareholding: 50,000 shares.



Julian Winfield

Chief Market Execution Officer

Member of the Executive Management Team since January 2021. Hoist Finance employee since 2014.

Born: 1970.

Education: Fellow Member of the Association of Chartered Certified Accountants (FCCA) Master of Business Administration (MBA) from Manchester Business School.

Other Assignments: Hoist Finance Country Manager, UK

Previous experience: Over 20 years of experience working within Financial Services. CFO, Paymentsshield; a subsidiary of Tower Gate Finance Director, Shop Direct Financial Services Commercial & JV Director, Shop Direct Financial Services.

Shareholding: 0 shares.



Jelle Dekkers

Chief Contact Centre Operations Officer

Member of the Executive Management Team since January 2021. Hoist Finance employee since 2017.

Born: 1981.

Education: Bachelor in Business Administration at Avans Hogeschool, s'-Hertogenbosch, The Netherlands.

Other assignments: Hoist Finance Country Manager, BeNeLux

Previous experience: 16 years of prior experience in the collections industry, related to amicable and legal collections for various branches (Banking, Utilities, Health insurance and Logistics).

Shareholding: 0 shares.



Julia Ehrhardt

Chief Retail Banking and Business Development Officer

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

Born: 1980.

Education: Engineering Physics, The Royal Institute of Technology.

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

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



Melanie Foster

Chief of Staff

Member of the Executive Management Team since January 2021. Hoist Finance employee since 2012.

Born: 1975.

Education: Bachelor of Science, The University of Glasgow

Previous experience: Joined Hoist Finance as part of the acquisition of Robinson Way in 2012 as Head of IS. Appointed Head of PMO in 2015. Prior to that various positions in Robinson Way in Client Services, IS and analytics.

Shareholding: 0 shares.

Shareholding stated as at 4 March 2021.

Consolidated income statement

SEK m	Not	2020	2019
Interest income acquired loan portfolios calculated using the effective interest rate method	4	3,302	3,359
Other interest income ¹⁾	4	6	-2
Interest expense	4	-582	-494
Net interest income	4	2,726	2,863
Impairment gains and losses	5	-458	120
Fee and commission income	6	93	121
Net result from financial transactions	7	-6	-79
Derecognition gains and losses	7	-1	-9
Other operating income	8	14	22
Total operating income		2,368	3,038
Personnel expenses	9	-862	-875
Collection costs	10	-734	-787
Other administrative expenses	10	-613	-568
Depreciation and amortisation of tangible and intangible assets	20,21	-134	-122
Total operating expenses		2,343	-2,352
Net operating profit/loss		25	686
Share of profit from joint ventures	11	57	62
Profit/loss before tax		82	748
Income tax expense		-41	-143
Net profit/loss for the year		41	605
Profit/loss attributable to:			
Owners of Hoist Finance AB (publ)		-45	542
Additional Tier 1 capital holders		86	63
Basic and diluted earnings per share SEK	14	-0.5	6.07

1) Of which interest income calculated using the effective interest income method amounted to SEK 1.7m (5.5).

Consolidated statement of comprehensive income

SEK m	Not	2020	2019
Net profit for the year		41	605
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Revaluation of defined pension benefit plans		-5	-3
Revaluation of remuneration after terminated employment		0	-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	29	-5	-3
Items that may be reclassified subsequently to profit or loss	<u>29</u>		
Translation differences, foreign operations		-99	32
Translation differences, joint ventures		-20	-1
Hedging of currency risk in foreign operations		-18	-114
Hedging of currency risk in joint ventures		11	-8
Transferred to the income statement during the year		6	9
Tax attributable to items that may be reclassified to profit or loss		-3	26
Total items that may be reclassified subsequently to profit or loss		-123	-56
Other comprehensive income		-128	-59
Total comprehensive income		-87	546
Profit/loss attributable to:			
Owners of Hoist Finance AB (publ)		-173	484
Additional Tier 1 capital holders		86	63

Consolidated balance sheet

SEK m	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	15,17	2,411	2,729
Lending to credit institutions	15,17	2,526	3,075
Lending to the public	15,17	6	10
Acquired loan portfolios	15,17,18	21,075	24,303
Bonds and other securities	15,17	4,082	2,769
Participations in joint ventures	11	160	201
Intangible assets	20	358	382
Tangible assets	21	262	269
Other assets	23	763	511
Deferred tax assets	13	97	32
Prepaid expenses and accrued income	24	124	106
Total assets		31,864	34,387
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	15,17,28	17,928	21,435
Debt securities issued	15,17,28	6,355	5,900
Tax liabilities	13	132	86
Other liabilities	25	1,025	823
Deferred tax liabilities	13	141	150
Accrued expenses and deferred income	26	239	154
Provisions	27	65	89
Subordinated debts	15,17,28	821	852
Total liabilities		26,706	29,489
Equity			
Additional Tier 1 capital holders	29	1,106	690
Share capital		30	30
Other contributed equity		2,275	2,275
Reserves		-381	-258
Retained earnings including profit/loss for the period		2,128	2,161
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	RESERVES						Total equity
	Additional Tier 1 capital holders	Share capital	Other contributed equity	Hedge reserve	Translation reserve	Retained earnings including profit/loss for the period	
Opening balance 1 Jan 2020	690	30	2,275	-439	181	2,161	4,898
Comprehensive income for the period							
Profit for the year						41	41
Other comprehensive income				-4	-119	-5	-128
Total comprehensive income for the period				-4	-119	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 30 Dec 2020	1,106	30	2,275	-443	62	2,128	5,158

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

2) No share-based payment are outstanding as of 31 December 2019. For more information see Note 9 "Personnel expenses".

3) To secure the delivery of treasury shares in the LTIP program with third party see Note 9 "Personnel expenses".

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
				Hedge reserve	Translation reserve			
Opening balance 1 Jan 2019	690	30	2,275	-352	150	1,620	0	4,413
Comprehensive income for the period								
Profit for the period						605		605
Other comprehensive income				-87	31	-3		-59
Total comprehensive income for the period				-87	31	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 30 Dec 2019	690	30	2,275	-439	181	2,161	0	4,898

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

Consolidated cash flow statement

SEK m	Note	2020	2019
OPERATING ACTIVITIES			
Profit before tax		82	748
<i>of which, paid-in interest</i>		3,321	3,365
<i>of which, interest paid</i>		-449	-374
Adjustment for other items not included in cash flow			
Depreciation and amortisation on tangible and intangible assets		134	122
Unrealised component of net income from financial transactions		-9	57
Impairment gains and losses		458	-120
Unrealised gains on shares and participations in joint ventures		14	7
Increase/decrease in accrued interest income and interest expense		146	128
Increase/decrease in provisions		-21	14
Derecognition gains and losses		1	9
Other items		-13	-9
Adjustment for items included in investing activities			
Realised result from divestment of shares and participations in joint ventures		-58	-60
Income tax paid		-62	-190
Amortisations on acquired loan portfolios		3,164	3,040
Increase/decrease in other assets and liabilities		1,021	-629
Cash flow from operating activities		4,857	3,117
INVESTING ACTIVITIES			
Acquired loan portfolios		-1,715	-5,952
Investments in/divestments of bonds and other securities		-1,318	866
Other cash flows from investing activities		-33	-12
Cash flow from investing activities		-3,066	-5,098
FINANCING ACTIVITIES			
Deposits from the public		-3,272	4,204
Debt securities issued		2,018	3,450
Repurchase and repayment of Debt securities issued		-1,454	-3,629
Additional Tier 1 capital		414	-
Interest paid on Additional Tier 1 capital		-60	-62
Acquisition agreement for treasury shares		-8	-
Amortisation of lease liabilities		-48	-40
Cash flow from financing activities	32	-2,410	3,923
Cash flow for the year		-619	1,942
Cash at beginning of the year ¹⁾		5,261	3,840
Translation difference		-66	22
Cash at end of the year ²⁾		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. Adjustment to cash at beginning of 2020 totalled SEK -543m. 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	Not	2020	2019
Interest income	4	1,705	1,813
Interest expense	4	-521	-458
Net interest income	4	1,184	1,355
Dividends received		302	10
Fee and commission income	6	4	5
Net result from financial transactions	7	-112	-147
Derecognition gains and losses	7	-1	-8
Other operating income	8	256	232
Total operating income		1,633	1,447
Personnel expenses	9	-376	-393
Other administrative expenses	10	-768	-767
Depreciation and amortisation of tangible and intangible assets	20,21	-62	-49
Total operating expenses		1,206	-1,209
Profit before credit losses		427	238
Impairment gains and losses	5	-41	56
Amortisation of financial fixed assets		-116	-
Profit from participations in joint ventures	11	71	71
Net operating profit		341	365
Appropriations	12	-9	-47
Taxes	13	-77	-121
Net profit		255	197

Parent Company statement of comprehensive income

SEK m	Not	2020	2019
Net profit		255	197
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Translation difference, foreign operations		0	0
Tax attributable to items that may be reclassified to profit or loss		-1	-
Total items that may be reclassified subsequently to profit or loss		-1	0
Other comprehensive income for the period		-1	0
Total comprehensive income for the period		254	197
Profit/loss attributable to:			
Owners of Hoist Finance AB (publ)		168	134
Additional Tier 1 capital holders		86	63

Parent Company balance sheet

SEK m	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	15,17	2,411	2,729
Lending to credit institutions	15,17	1,611	1,455
Lending to the public	15,17	6	13
Acquired loan portfolios	15,17,18	6,755	7,394
Receivables, Group companies		14,402	17,432
Bonds and other securities	15,17	4,082	2,769
Shares in participation in subsidiaries	19	816	807
Shares in participation in joint ventures	11	11	16
Intangible assets	20	187	186
Tangible assets	21	35	29
Other assets	23	462	290
Deferred tax assets	13	1	2
Prepaid expenses and accrued income	24	55	55
Total assets		30,834	33,177
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	15,17,18	17,928	21,435
Debt securities issued	13,15,28	5,959	5,431
Tax liabilities	13	96	33
Other liabilities	25	890	912
Deferred tax liabilities	13	3	2
Accrued expenses and deferred income	26	94	60
Provisions	27	37	53
Subordinated debts	13,15,28	821	852
Total liabilities and provisions		25,828	28,778
Untaxed reserves	12	277	268
Equity			
Restricted equity			
Share capital		30	30
Statutory reserves		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 year		255	197
Total unrestricted equity		4,612	4,009
Total equity		4,729	4,131
Total liabilities and equity		30,834	33,177

Parent Company statement of changes in equity

	RESTRICTED EQUITY				NON-RESTRICTED EQUITY					
SEK m	Share capital	Statutory reserves	Revaluation reserve	Development expenditure fund	Additional Tier 1 capital holders	Share premium	Reserves	Retained earnings for the year	Profit/loss for the year	Total equity
Opening balance 1 Jan 2020	30	13	74	5	690	1,883	3	1,236	197	4,131
Transfer of previous year´s net profit/loss								197	-197	0
<i>Total comprehensive income for the year</i>										
Profit for the year									255	255
Other comprehensive income							-1			-1
Total comprehensive income for the year							-1		255	254
<i>Transactions reported directly in equity</i>										
Transfer between restricted and non-restricted equity				-3				3		0
Additional Tier 1 capital instrument					414					414
Interest paid on capital contribution								-60		-60
Share-based payments								-1		-1
Acquisition agreement for treasury shares								-8		-8
Portfolio revaluation reserve			-2							-2
Tax effect on items reported directly in equity			0		2					2
Total transactions reported directly in equity			-2	-3	416			-66		345
Closing balance 31 Dec 2020	30	13	72	2	1,106	1,883	2	1,366	255	4,729

SEK m	RESTRICTED EQUITY				NON-RESTRICTED EQUITY					
	Share capital	Statutory reserves	Revaluation reserve	Development expenditure fund	Additional Tier 1 capital holders	Share premium	Reserves	Retained earnings for the year	Profit/loss for the year	Total equity
Opening balance 1 Jan 2019	30	13	66	4	690	1,883	3	616	647	3,952
Transfer of previous year's net profit/loss								647	-647	0
<i>Total comprehensive income for the year</i>										
Profit for the year									197	197
Other comprehensive income									0	0
Total comprehensive income for the year									197	197
<i>Transactions reported directly in equity</i>										
Merger result								35		35
Transfer between restricted and non-restricted equity				1				-1		0
Interest paid on capital contribution								-62		-62
Share-based payments								1		1
Portfolio revaluation reserve			10							10
Tax effect on items reported directly in equity			-2							-2
Total transactions reported directly in equity			8	1				-27		-1
Closing balance 31 Dec 2019	30	13	74	5	690	1,883	3	1,236	197	4,131

Parent Company cash flow statement

SEK m	Note	2020	2019
OPERATING ACTIVITIES			
Profit before appropriations and taxes		341	365
<i>of which, paid-in interest</i>		1,450	880
<i>of which, interest paid</i>		-434	-344
Adjustment for other items not included in cash flow			
Depreciation and amortisation on tangible and intangible assets		62	49
Impairment of shares in subsidiaries		116	-
Unrealised component of net income from financial transactions		96	96
Impairment gains and losses		41	-56
Increase/decrease in accrued interest income and interest expense		-168	156
Increase/decrease in provisions		-16	10
Derecognition gains and losses		1	8
Other items		-31	7
Adjustment for items included in investing activities			
Dividend from subsidiaries		-302	-10
Realised profit from divestment of shares and participations in joint ventures		-58	-60
Income tax paid		-15	-160
Amortisations on acquired loan portfolios		1,235	1,014
Increase/decrease in other assets and liabilities		1,355	-628
Cash flow from operating activities		2,657	791
INVESTING ACTIVITIES			
	Note	2020	2019
Acquired loan portfolios		-869	-2,647
Loans to Group companies		-437	-5,511
Repaid loans, Group companies		1,912	3,919
Investments in/divestments of bonds and other securities		-1,318	866
Dividend from subsidiaries received		302	10
Other cash flows from investing activities		-6	-49
Cash flow from investing activities		-416	-3,412
FINANCING ACTIVITIES			
	Note	2020	2019
Deposits from the public		-3,272	4,204
Debt securities issued		2,018	839
Repurchase and repayment of Debt securities issued		-1,352	-1,526
Additional tier 1 capital		414	-
Interest paid on Additional Tier 1 capital		-60	-62
Acquisition agreement for treasury shares		-8	-
Cash flow from financing activities		-2,260	3,455
Cash flow for the year		-19	834
Cash at beginning of the year		3,602	2,690
Cash acquired through merger		-	78
Translation difference		-7	0
Cash at end of the year ¹⁾	32	3,576	3,602

1) 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	1,611	1,455
excl. pledged bank balances	0	-
Liabilities to Group companies, group account	-446	-582
Total cash and cash equivalents in cash flow statement	3,576	3,602

Note 1 - Accounting principles

1. Corporate information

The Annual Report is issued as of 31 December 2020 by Hoist Finance AB (publ), CIN 556012-8489, the Parent Company of the Hoist Finance Group ("Hoist Finance"). The parent company is a Swedish public limited company, registered in Stockholm, Sweden.

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

The consolidated accounts for financial year 2020 were approved by the Board of Directors on 22 March 2021 and will be presented for adoption at the Annual General Meeting on 13 April 2021.

2. Statement of compliance

Accounting principles of the Group

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

Accounting principles of the Parent Company are presented in section 22.

3. Changed accounting principles

New and amended standards adopted in the financial statements

Compared with the 2019 Annual Report, there have been no material new accounting standard for Hoist Finance to apply in 2020.

It is worth mention that the amendments to IAS 39, IFRS 9 and IFRS 7, which were made due to uncertainty arising from the ongoing interest rate benchmark reform (IBOR reform phase 1), came into effect on 1 January 2020. The amendments that have been implemented have no effect on Hoist Finance's accounting principles, as the risks that are hedged and to which Hoist Finance has elected to apply hedge accounting do not include interest-based cash flows.

Other 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 has accounted separately for additional Tier 1 capital and has moved it from other contributed capital in order to improve transparency in the consolidated accounts. Comparative figures have been adjusted.

In all other material aspects, the Group's and the Parent Company's accounting policies, bases of calculation and presentation are unchanged compared with the 2019 Annual Report.

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

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 nearly 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 performing 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 amendments are not assessed to have any significant impact on Hoist Finance financial statements compared with the current situation.

5. Estimates and assumptions

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

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

The spread of Covid-19 and its impact on economic development affected Hoist Finance in 2020 and there is a risk that it will continue to do so. Hoist Finance is continuously monitoring developments in the Group's loan portfolios and markets and ways in which these are impacted by Covid-19.

Estimates and assumptions made by Management that have a significant impact on the consolidated financial statements and which may affect the consolidated financial statements in subsequent years are described in more detail in Note 37 "Critical Estimates and Assumptions".

6. Consolidation

Subsidiaries

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

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

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

Joint ventures

For accounting purposes, joint ventures are entities over which the Group has joint controlling influence through contractual arrangements with one or several parties and has a right to the net assets.

In the consolidated accounts, joint venture holdings are consolidated in accordance with the equity method, under which the asset is initially reported at acquisition value. The carrying value is subsequently increased or decreased to reflect the owner company's profit share in the investment after the acquisition date. Tax reported for shares and participations in joint ventures is the capital gain that will accrue when the shares and participations are redeemed. "Share of profit from joint ventures" is reported net after tax. Changes attributable to exchange differences are reported in "Other comprehensive income".

7. Segment reporting

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

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

See Note 3 "Segment Reporting" for additional information on the operating segments.

From 2021, Hoist Finance will establish a new operating model with four business lines that also will work as operating segments; Digital (unsecured non-performing loans), Contact Centre Operations, Secured non-performing loans and Retail Banking (performing loans).

8. Foreign currency translation

Functional currency

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

Transactions in foreign currency

Transactions in a currency other than the local functional currency are translated at the exchange rate in effect on the transaction date. When such transactions are settled, the exchange rate may deviate from the transaction date rate, in which case a realised exchange difference arises.

Monetary assets and liabilities in foreign currency are also translated to functional currency at the balance sheet date exchange rate, which gives rise to unrealised exchange differences. Both realised and unrealised exchange differences of this type are reported in the consolidated income statement.

Translation of foreign operations' financial statements

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the operation's functional currency to the Group's reporting currency at the balance sheet date exchange rate. Revenues and expenses are translated at the yearly average rate, which serves as an approximation of the rate that was applied on each transaction date.

Translation differences from subsidiaries arise because the balance sheet date exchange rate changes each period and because the average rate deviates from the balance sheet date exchange rate. Translation differences are reported in "Other comprehensive income" as a separate component of equity. Information on the most important exchange rates is presented in Note 2 "Exchange Rates".

9. Financial assets and liabilities

Recognition in and derecognition from the balance sheet

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

With regard to "Acquired loan portfolios", changes in instalment agreements do not comprise grounds for derecognition from the balance sheet or for recognition of modifications of loan receivables.

Debtor instalment agreements are completed on a regular basis for receivables in "Acquired loan portfolios" and in some countries, the instalment agreements are established through legal processes pursuant to insolvency rules. Changes in expected cash flows as a result of instalment agreements have an impact on the portfolios' amortised cost and are recognised in profit or loss as "Impairment gains and losses".

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

Classification and measurement

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

Financial assets and liabilities at fair value through profit or loss

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

Fair value measurement

The fair value of financial instruments traded on an active market (level 1) is determined for financial assets based on the current bid price. Assets measured at fair value in the balance sheet and traded on an active market comprise investments in “Treasury bills and Treasury bonds” and “Bonds and other securities”. Financial instruments that are not traded on an active market but which can be measured using other valuation methods, with observable market information as input (level 2), are comprised of currency hedges and interest derivatives. In cases where assets and liabilities have conflicting market risks, the mid-price is used to determine fair value. See Note 15 “Financial instruments”.

Financial assets and liabilities recognised at amortised cost

Acquired loan portfolios

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

Measurement methods

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

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

Interest income

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

Impairment

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

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

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

- » All financial assets that are not credit-impaired at initial recognition are classified as stage 1 and Hoist Finance continuously monitors their credit risk.
- » Stage 2 financial assets are those which have experienced a trigger event for a significant increase in credit risk but are not yet deemed to be credit-impaired. Note 33 "Risk Management" describes the criteria for the triggers for a significant increase in credit risk.
- » Stage 3 financial assets are those which are credit-impaired. Note 33 "Risk management" describes the criteria for a financial asset to be considered credit-impaired or in default.

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

Write-offs

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

Unidentified revenue and payments

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

Securitisation

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

Other financial assets at amortised cost

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

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

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

Seized assets

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

Financial liabilities

The Group’s financial liabilities are comprised of “Debt securities issued”, “Subordinated debts” and other financial liabilities. Financial liabilities are initially recognised at fair value, including transaction costs directly attributable to the acquisition or issue of the debt instrument. Subsequent to acquisition, they are recognised at amortised cost pursuant to the effective interest method. Financial liabilities valued at fair value through profit or loss include such financial liabilities held for trading (derivatives).

Modification of financial assets and liabilities

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

- » Change in interest rate or the denomination of the currency of the loan
- » Extension of the loan term or changes in payment plan
- » Schedule insertion of collateral or other security or credit enhancements that affect the credit risk associated with the loan.

If the terms are substantially different, Hoist Finance derecognises the original financial asset/liability and recognises a new asset/liability at fair value according to the new contractual terms, and recalculates a new effective interest rate. The difference in gross carrying amount is recognised in "Derecognition gains and losses".

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

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

10. Hedge accounting

The Group applies hedge accounting in accordance with IAS 39.

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

For qualitative information on the Group's management of market risk, see note 33 "Risk management". Quantitative information on the Group's derivative instruments for hedging purposes is presented in Note 16 "Derivatives".

11. Leasing

Contracts that are deemed as at their start date to transfer right-of-use for an identified asset for a specified period in exchange for consideration are reported as lease contracts by Hoist Finance. The Group applies the exceptions allowed under the standard for intangible assets, short-term leases and lease contracts with low-value underlying assets. These lease contracts are reported as other expenses.

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

At a lease contract's start date, a right-of-use asset and a lease liability are reported in the balance sheet. The lease liability is initially valued at the present value of remaining leasing fees at the start of the lease contract. After initial recognition, the lease liability is valued at amortised cost pursuant to the effective interest method. Lease payments are allocated between interest and amortisation of the outstanding liability. Interest is allocated over the lease period so that every accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognised during the respective period. Right-of-use is initially valued at an amount corresponding to the lease liability's original value plus any prepaid leasing fees or initial direct costs, and is then written off on a straight-line basis over its useful life. The carrying value of the right-of-use asset is adjusted for any revaluations of the lease liability.

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

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

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

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

12. Intangible assets

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

Capitalised expenses for IT development

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

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

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

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

Goodwill

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

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

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

Other intangible assets

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

Impairments

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

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

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

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

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

13. Tangible assets

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

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

Principles for depreciation/amortisation of assets

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

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

14. Provisions

Provisions are recognised for existing legal or informal obligations arising from past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation. The amount must be able to be reliably estimated in order for recognition to occur. The provision is measured at the amount corresponding to the best estimate of the expenditure required to settle the obligation at the balance sheet date.

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

15. Income and expenses

Interest income

Interest income encompasses interest income according to the effective interest method from “Acquired loan portfolios”, from “Lending to credit institutions” and investments in “Treasury bills and Treasury bonds” and “Bonds and other securities”.

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

Interest expense

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

Impairment gains and losses

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

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

Fee and commission income

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

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

Net result from financial transactions

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

Collection costs

Various types of costs directly related to loan portfolio administration are grouped under "Collection costs". For the Group, "Collection costs" are mainly direct costs for external and internal collection services.

16. Employee benefits

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

Short-term benefits

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

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

Redundancy payments

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

Pensions

Group companies operate various pension schemes, which are generally funded through payments determined by periodic actuarial calculations to insurance companies or trustee-administered funds. The Group has both defined benefit and defined contribution plans:

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

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

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

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

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

Revaluation effects are reported in "Other comprehensive income".

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

- »» When the change to or reduction in the plan occurs, or
- »» When the company reports the associated restructuring costs and redundancy costs changes/reductions are reported.

Changes/reductions are reported directly as personnel expenses in the profit and loss accounts. The special employer's contribution is included in the actuarial assumptions and is reported as part of the net obligation/asset.

Tax on returns from pension funds is reported in profit or loss for the period the tax relates to, and is thus not included in the liability projection. For funded pension plans, the tax is charged to "Return on plan assets" and is reported in "Other comprehensive income". For unfunded or partially unfunded plans, the tax is charged to "Net profit for the year".

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are reported as employee benefit expense when they fall due. Prepaid contributions are reported as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payment arrangement

A long-term incentive plan (LTIP) enables the Executive Management team to acquire shares in the company. The fair value of the granted options is recognised as a personnel expense, with a corresponding increase in equity. Fair value is calculated at grant date and distributed over the vesting period. The fair value of the granted options is calculated and takes into account market conditions, conditions that are not vesting conditions, and applicable conditions on grant date. The cost recognised corresponds to the fair value of the estimated number of options expected to be vested, taking into account service and performance conditions that are not market conditions. The cost is adjusted in subsequent periods to ultimately reflect the actual number of vested options, although no adjustment is made when forfeiture is based solely on non-fulfilment of market conditions and/or conditions that are not vesting conditions.

Social fees attributable to share-based instruments granted to employees as remuneration for purchased services are expensed over the period during which services are rendered. The provision for social fees is based on the options' fair value at the reporting date.

For additional details, see Note 9 "Personnel expenses".

17. Taxes

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

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

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

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

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

Deferred tax assets from deductible temporary differences and tax losses carry-forwards are only recognised if it is likely that they will be utilised within the foreseeable future. The value of deferred tax assets is reduced when they are utilised or when it is no longer deemed likely that they will be utilised. Current tax, deferred tax, and tax attributable to the previous year are reported under "Income tax expense".

18. Earnings per share

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

Diluted earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long-term incentive programmes.

Potential ordinary shares are only considered to be dilutive on the balance sheet date if a conversion to ordinary shares would reduce the earnings per share. The rights are further considered dilutive only when the exercise price, plus future services, is lower than the period's average share price and the vesting requirements for the warrant programme have been met.

19. Equity

When a financial instrument is issued in the Group it is reported as a financial liability or as an equity instrument, in accordance with the financial implications of the instrument's terms. These instruments or sections thereof are reported as liabilities when the company has an irrevocable obligation to pay cash. Issued financial instruments that do not irrevocably oblige the company to pay cash on interest and nominal amounts are reported as equity.

Return to investors is reported as a dividend to equity with respect to equity instruments and as an interest expense in profit or loss with respect to debt instruments.

Dividend

Proposed dividends are reported as a liability after having been approved by the Annual General Meeting.

20. Related-party transactions

Hoist Finance defines related parties as:

- » Shareholders with significant influence
- » Group companies and joint ventures
- » Key senior management
- » Other related parties

All intra-group transactions between legal entities and transactions with other related parties are conducted pursuant to the arm's length principle in accordance with OECD requirements. Intra-group transactions are eliminated in the consolidated accounts.

Shareholders with significant influence

Shareholders with significant influence are entitled to take part in decisions on Hoist Finance's financial and operational strategies, but do not have controlling influence over such strategies.

Group companies and joint ventures

A company is defined as a related party if the company and its reporting entity are part of the Hoist Finance Group.

See section 6 "Consolidation", for the definition of "subsidiaries and joint ventures". Further information on Hoist Finance Group companies is presented in Note 19 "Group companies".

Key senior management

Key senior executives include:

- » the Board of Directors
- » the Chief Executive Officer (CEO)
- » the Executive Management Team

See Note 9 "Personnel Expenses" for details on compensation, pensions and other transactions with key senior executives.

Other related parties

Other related parties comprise close relatives and family members of key senior management, if that or those person(s) has or have controlling influence, severally or jointly, over the reporting entity.

Other related parties are also companies over which Hoist Finance Group key management personnel, or their close relatives, have significant influence.

Information on transactions between Hoist Finance and other related parties is presented in Note 35 "Related-party transactions".

21. Cash flow statement

The cash flow statement includes changes in the balance of cash and cash equivalents. The Group's cash and cash equivalents is comprised of cash, treasury bills exposed to an insignificant risk of value fluctuations, and non-restricted lending to credit institutions. Cash flow is divided into cash flow from operating activities, investment activities and financing activities. The indirect method is used to report cash flow.

Cash flow from investing activities includes only actual disbursements for investments made during the year.

Foreign subsidiaries' transactions are translated in the cash flow statement at the average exchange rate for the period.

Acquired and divested subsidiaries are reported as "Cash flow from investing activities, net", after deducting cash and cash equivalents in the acquired or divested company. For acquired and divested subsidiaries that hold debt portfolios, acquired and divested loan portfolios are reported in "Operating activities".

22. Parent Company accounting principles

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act for credit institutions and securities companies (1995:1559) and the regulatory code issued by the Swedish Financial Supervisory Authority on Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25), including applicable amendments. The Swedish Financial Board's RFR 2 "Accounting for legal entities" requires the Parent Company to use the same accounting principles as the Group (i.e., IFRS) to the extent allowed by Swedish accounting legislation. However, the exception in RFR 2 is applied with respect to guarantee agreements benefiting subsidiaries and leases.

Mergers are accounted for in accordance with BFNAR 1999:1. The differences between the Group's and the Parent Company's accounting principles are stated below.

22.1 Change in accounting principles

Unless otherwise indicated below, the Parent Company's accounting principles have changed in accordance with what is specified above for the Group.

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

22.2 Group contributions and dividends

Group contributions

Hoist Finance applies the main rule in RFR 2 IAS 27.2. Group contributions received from Group companies are reported in the income statement. The net of Group contributions paid or received for optimising the Group's tax expense is reported as appropriation in the Parent Company. Group contributions from the Parent Company to subsidiaries are reported as an increase in participations in Group companies, net of tax.

Dividends

Dividends paid to Hoist Finance AB (publ) shareholders are reported as a liability following the approval of the Annual General Meeting. Dividends from subsidiaries and associated companies are reported as "Dividends received".

22.3 Subsidiaries

Parent Company shareholdings and participations in Group companies are reported based on cost of acquisition. Holdings are carried at cost and only dividends are reported in the income statement. Impairment tests are conducted in accordance with IAS 36 "Impairment of assets" and write-downs are made when permanent decline in value is established.

Transaction costs are included in the carrying value of the holding in the subsidiary.

Transaction costs attributable to subsidiaries are reported directly in profit or loss in the consolidated accounts when incurred.

Contingent purchase prices are valued based on probability of payment. Any changes to the provision/receivable are added to/reduced from the cost of acquisition.

22.4 Revaluation reserve

The Swedish Accounting Standards Board (BFN) responded to the Financial Supervisory Authority in June 2018 on the question of revaluation rules contained in the Swedish Annual Accounts Act (1995:1554) regarding financial assets classified as purchased or issued credit-impaired loans. The BFN's response specifies that in cases where the Parent Company makes a new assessment that leads to an upward revision of future cash flow compared with the cash flow that formed the basis of the calculation of the effective interest rate at the time of acquisition, it must report these revaluations in a revaluation reserve for restricted equity. The transfer therefore has an effect on distributable funds, until upward adjustments to cash flows are realised or reduced and amounts in the revaluation reserve are reversed. Revaluations and their reversals have no effect on earnings. In the Parent Company, the present value of the upwardly adjusted portion of future cash flows are reported in the revaluation reserve, with respect to acquired unsecured credit-impaired loans pursuant to collective valuation. Reporting is done prospectively as from 1 October 2018. BFN's response is also taken into account for acquired secured credit-impaired loans in cases where cash flows are adjusted upward. Revaluation may also be done for other non-current assets with a permanent value that significantly exceeds the carrying amount.

22.5 Development expenditure fund

Capitalisation of self-generated development expenditures is limited by the option of distributing capital. The amount corresponding to capitalised self-generated development expenditure is transferred from retained earnings to a special restricted fund. The fund is reduced in the event of amortisation, impairment or divestment.

22.6 Untaxed reserves

In the Parent Company, untaxed reserves are reported as a separate item in the balance sheet. In the consolidated financial statements, untaxed reserves are divided into a 'deferred tax liability' component and an 'equity' component.

22.7 Financial instruments

The Parent Company applies the RFR 2 exception with respect to guarantee agreements benefiting subsidiaries.

The Parent Company's financial assets are classified at amortised cost and are subject to a loss allowance. The calculated credit loss in the Parent Company is not significant and no loss allowance is presented.

22.8 Hedge accounting

The Parent Company applies hedge accounting to the fair value of participations in foreign subsidiaries as well as participations in the Polish joint venture. In hedge accounting, exchange rates influence the carrying value of shares and participations in subsidiaries and shares and participations in joint ventures. This change in value is reported in “Net result from financial transactions”, as is the change in value of hedging instruments. Hedge accounting thus shows a net effect in “Net result from financial transactions” compared with previous reports, when reported changes in value of hedging instruments did not correspond to any reported changes in value of participations in subsidiaries or joint ventures.

22.9 Leasing

The Parent Company reports leasing fees as costs on a straight-line basis over the lease period.

22.10 Pensions

The Parent Company calculates imputed pension costs in accordance with the Pension Obligations Vesting Act and Financial Supervisory Authority regulations. As compared with the Group, this primarily involves differences regarding determination of the discount rate and the calculation of future obligations, which does not take assumptions about future salary increases into account. The reported net cost for pensions is calculated as the sum of pensions paid and pension premiums.

Note 2 - Exchange rates

	2020	2019
1 EUR = SEK		
Income statement (average)	10.4844	10.5850
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 Function. This Central Functions item pertains to the net income for intra-group financial transactions.

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

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

Income Statement, 2020									
SEK m	Great Britain	Italy	Germany	Poland	France	Other countries	Central functions	Eliminations	Group
Net interest income	550	700	307	361	261	444	103	0	2,726
<i>of which, internal funding costs</i>	-210	-145	-59	-157	-43	-61	675	0	0
Dividend income	-	-	-	-	-	-	302	-302	0
Impairment gains and losses	-113	-72	13	-24	10	-272	0	0	-458
Fee and commission income	22	67	4	0	0	0	0	0	93
Net income financial transactions	-	0	-	0	-	-	-7	2	-6
Other operating income	1	3	3	2	3	0	1	0	13
Total operating income	460	698	327	339	274	171	399	-300	2,368
Total operating expenses	-333	-468	-213	-181	-168	-281	-698	-1	-2,343
Impairment shares in subsidiaries	-	-	-	-	-	-	-116	116	0
Profit from participations in joint ventures	-	-	-	-	-	13	44	-	57
Profit before tax	127	230	114	158	106	-97	-371	-185	82

Income Statement, 2019									
SEK m	Great Britain	Italy	Germany	Poland	France	Other countries	Central functions	Eliminations	Group
Net interest income	588	729	332	350	154	495	215	0	2,863
<i>of which, internal funding costs</i>	-233	-156	-63	-161	-28	-71	-712	-	0
Dividend income	-	-	-	-	-	-	10	-10	0
Impairment gains and losses	-46	126	9	94	-32	-32	0	0	119
Fee and commission income	43	71	5	1	1	0	0	0	121
Net income financial transactions	-	-	-6	-	-	-	-80	1	85
Other operating income	5	5	10	1	2	6	8	-17	20
Total operating income	590	931	350	446	125	469	153	-26	3,038
Total operating expenses	-375	-506	-221	-192	-162	-281	-631	16	-2,352
Profit from participations in joint ventures	-	-	-	-	-	9	53	-	62
Profit before tax	215	425	129	254	-37	197	-425	-10	748

Acquired loans, 31 Dec 2020									
SEK m	Great Britain	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⁾	-	-	-	-	-	-	161	-	161
Acquired loans	5,061	5,428	2,446	3,366	2,320	2,460	161	-	21,242

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

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 – Net interest income

SEK m	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Interest income/Net revenues				
Acquired loan portfolios calculated using effective interest rate method	3,302	3,359	1,040	970
Total interest income/net revenues from acquired loan portfolios	3,302	3,359	1,040	970
Lending to credit institutions	2	5	1	3
Lending to the public	0	4	0	4
Bonds and other securities	4	-11	4	-11
Receivables, Group companies	-	-	660	847
Total other interest income	6	-2	665	843
<i>of which, interest income from financial items not valued at fair value</i>	3,306	3,348	1,043	958
Interest expense				
Deposits from the public	-257	-213	-257	-212
<i>of which, deposit guarantee scheme expenses</i>	-34	-19	-34	-19
Debt securities issued	-229	-197	-166	-161
Subordinated debts	-33	-35	-33	-35
Other interest expenses	-63	-49	-65	-50
Total interest expenses	-582	-494	-521	-458
<i>of which, interest expense from financial items not valued at fair value</i>	-262	-232	-199	-195
Net interest expenses	2,726	2,863	1,184	1,355
Of which, interest income from financial assets valued at amortised cost using the effective interest rate method	3,304	3,368	1,041	976
Of which, interest expense from financial liabilities valued at amortised cost using the effective interest rate method	-519	-445	-455	-407

Note 5 – Impairment gains and losses

SEK m	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Portfolio revaluations LECL, acquired credit-impaired loan portfolios	-805	-145	-386	-21
Collection differences LECL, acquired credit-impaired loan portfolios	348	267	345	77
Impairment gains and losses, acquired credit-impaired loan portfolios	-457	122	-41	56
Impairment gains and losses 12M ECL stage 1, acquired performing loan portfolios	0	1	0	1
Impairment gains and losses LECL stage 2, acquired performing loan portfolios	0	0	0	0
Impairment gains and losses LECL stage 3, acquired performing loan portfolios	-1	-3	0	-2
Impairment gains and losses, acquired performing loan portfolios	-1	-2	0	-1
Total impairment gains and losses	-458	120	-41	55

Note 6 – Fee and commission income

Revenues from fee and commission income relates to revenues from contracts with customers. The Group provides debt collection services through call centers for third parties and the majority of customers operates within the financial industry. Under these contracts, the Group is entitled to a remuneration that corresponds to a fixed percentage of collections.

The Group can also be entitled to a bonus payment if the collections for a period reaches a certain level. A contract can also include a termination fee. The majority of the contracts have no fixed end-date, but continue until further notice.

SEK m	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Revenues from servicing	93	120	4	5
Bonus fees	0	1	-	-
Total	93	121	4	5

Service revenues for remaining performance obligations

Expected service revenues for residual maturity, per year.

SEK m	2021	2022	2023	2024
Revenues from servicing	11	9	7	6
Total	11	9	7	6

Service revenues for the Parent Company derive from the German, Belgian and France branch offices. See Note 3 "Segment reporting" for revenue distribution.

Note 7 – Net result from financial transactions and Derecognition gains and losses

SEK m	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Exchange rate fluctuations	58	-80	-48	-151
Profit/Loss from financial assets mandatorily at fair value through profit or loss, net	9	7	9	7
Profit/Loss from financial liabilities mandatorily at fair value through profit or loss, net	-39	-	-39	-
Profit/Loss from financial assets designated at fair value through profit or loss, net	27	41	27	41
Profit/Loss from financial liabilities designated at fair value through profit or loss, net	-43	-29	-43	-29
Profit/Loss from financial assets at amortised cost	0	-15	-	-15
Profit/Loss from financial liabilities at amortised cost	-18	-3	-18	0
Total Net result from financial transactions	-6	-79	-112	-147
Derecognition gains and losses at amortised cost ¹⁾	-1	-9	-1	-8
Total Derecognition gains and losses	-1	-9	-1	-8

Note 8 – Other operating income

SEK m	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Intercompany transactions	-	-	250	222
Other	14	22	6	10
Total	14	22	256	232

Note 9 – Personnel expenses

Total personnel expenses and remuneration¹⁾

SEK m	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Salaries and remuneration ²⁾	-612	-654	-263	-285
<i>Of which, salaries and other compensation to senior executives ³⁾</i>	-32	-42	-20	-22
<i>Of which, salaries and other compensation to other employees</i>	-580	-612	-243	-263
Pension expenses	-27	-27	-18	-16
<i>Of which defined-benefit plans</i>	0	0	0	0
Social fees	-134	-133	-68	-66
Other personnel-related expenses	-89	-60	-27	-24
Summa	-862	-874	-376	-391

1) The table also includes costs for redundancy payments and similar items in connection with organisational changes.

2) The amount includes fixed and variable remuneration.

3) Senior executives include Board members, the President/CEO and the executive Management team. Former Board members are included. Nil (0) Board members invoiced fees via own companies during 2020; see Note 35 "Related-party transactions". Senior executives during the year included 17 (20) individuals, of which Board members accounted for 9 (10) and the CEO for 1 (1).

Remuneration to Members of the Board and the Executive Management Team

Approved guidelines for remuneration for executive officers, resolved on by the AGM on 14 May 2020.

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

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

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

Types of remuneration

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

Fixed cash salary

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

Variable cash remuneration

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

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

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

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

Pension benefits and other benefits

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

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

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

Sign-on bonus

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

Loans

Issuing loans to senior executives is not permitted.

Salary and employment conditions for employees

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

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

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

Termination of employment

Upon the group’s termination of an employment contract, the maximum notice period is twelve months and no severance payment is made.

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

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

Derogation from the guidelines

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

Remuneration to the Board of Directors ¹⁾

Chair of the Board:	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Ingrid Bonde	1,650	1,631	1,650	1,631
Other Board members:				
Liselotte Hjorth	715	708	715	708
Gunilla Öhman ²⁾	-	242	-	242
Jörgen Olsson ³⁾	-	338	-	338
Joakim Rubin ⁴⁾	240	633	240	633
Cecilia Daun Wennborg	690	673	690	673
Malin Eriksson	665	648	665	648
Marcial Portela ⁵⁾	184	483	184	483
Robert Kraal ⁶⁾	521	306	521	306
Lars Wollung	640	338	640	338
Henrik Käll ⁷⁾	369	-	369	-
Total	5,674	6,000	5,674	6,000

1) Director and Committee member fees comprise a fixed annual amount, excluding social fees. No member fees was paid for subsidiaries pursuant to an AGM resolution. As from the 16 May 2018 AGM, all director fees are paid as salary.

2) Gunilla Öhman stepped down from the Board in conjunction with the 16 May 2019 AGM.

3) Jörgen Olsson stepped down as CEO on 14 March 2018. He stepped down from the Board in conjunction with the 16 May 2019 AGM.

4) Joakim Rubin stepped down from the Board in conjunction with the 14 May 2020 AGM.

5) Marcial Portela stepped down from the Board in conjunction with the 14 May 2020 AGM.

6) Robert Kraal joined the Board as per the 16 May 2019 AGM.

7) Henrik Käll joined the Board as per the 14 May 2020 AGM.

Salaries and benefits ¹⁾

	FIXED SALARY		PERFORMANCE-BASED COMPENSATION ³⁾		ALLOCATED VALUE LTIP ⁴⁾		BENEFITS ⁵⁾		PENSION BENEFITS ⁶⁾		TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Chief Executive Officer :												
Klaus-Anders Nysteen	5,333	5,377	-	1,061	-	1,592	3	5	2,138	1,970	7,474	10,005
Executive Management Team ²⁾ :												
7 (9) people excluding the CEO	20,685	25,981	-	3,448	-	3,768	93	565	2,801	2,763	23,579	36,525
Total	26,018	31,358	0	4,509	0	5,360	96	570	4,939	4,733	31,053	46,530

1) Excluding social fees.

2) 2019 fixed salary includes redundancy payment of SEK 3,588 thousand for Björn Hoffmeyer.

3) Variable remuneration relating to the 2019 financial year includes the part of the share-based incentive programme that will be paid in cash.

4) The value stated refers to a preliminary calculation of the performance amount for 2019 which will be paid in shares. The final outcome will be determined in the first quarter of 2020. In order to receive these shares an additional three years of service are required. The total cost has not yet been expensed as the cost is allocated over the vesting period in accordance with IFRS 2, see the section under the heading "share-based incentive program". In 2020 it was decided that no remuneration would be paid under the 2019 share-based incentive programme.

5) Benefits have been included in the taxable fringe benefit, excluding social fees. Benefits primarily comprise a company car, housing, health insurance and other benefits associated with foreign posting.

6) The amounts pertain to pension costs during the year for senior executives. Pension costs comprise pension premiums for defined-contribution pension plans expensed during the year (costs for services rendered during the current and previous years and settlements as defined by IAS 19). 100 per cent of total pension costs is attributable to defined contribution pension plans.

Directors' remuneration

The Board

The AGM of Hoist Finance held on 14 May 2020 resolved that annual directors' fees are to be paid as follows:¹⁾

Chair of the Board	1 475 000 SEK
Board member	490 000 SEK
Chair, Risk and Audit Committee	200 000 SEK
Member, Risk and Audit Committee	125 000 SEK
Chair, Remuneration Committee	50 000 SEK
Member, Remuneration Committee	50 000 SEK
Chair, Investment Committee	175 000 SEK
Member, Investment Committee	100 000 SEK

1) For the period through the next AGM.

CEO

The CEO's basic salary, Long-term Incentive Plan and other terms of employment are proposed by the Board's Remuneration Committee and adopted by the Board of Directors. The CEO's salary amounted to SEK 5,333 thousand (5,377), in line with Hoist Finance's remuneration policy. The CEO's salary is paid in Swedish kronor. The performance-based compensation amounts to maximum 100 per cent of fixed salary. The CEO has a 12-month notice period. There is no agreement in place on redundancy payments.

CEO Pension

The pension premium for Klaus-Anders Nysteen is 30 per cent (30) of fixed salary.

It is a defined-contribution pension.

Executive Management Team (EMT)

The Board's Remuneration Committee prepares for the Board's decision changes to remuneration rates and bonus programme results and other changes to EMT compensation agreements. During 2020, 4 EMT members had agreements concerning variable salary increments capped at 100 per cent of fixed salary. Three EMT members have had an agreement where the variable remuneration for a limited time exceeds 70 per cent of the fixed salary. Benefits primarily comprise a company car and health insurance benefits.

As of 31 December 2020, the EMT was comprised of 7 people (9), exclusive of the CEO.

Notice period

Five EMT members have a six-month notice period and two EMT member have a three-month notice period.

Pension benefits, EMT

At year-end, four EMT members have followed Hoist Finance's pre-determined pension scheme, for which fixed salary is the pensionable compensation amount.

One EMT member receives 10 per cent of fixed salary and one receives 13 per cent of fixed salary.

Pension provisions for one EMT member are not posted in the company.

Share-based incentive programme (LTIP)

Variable remuneration for senior executives is comprised of a longterm share-based incentive programme (LTIP). Variable remuneration takes into account the risks involved in the company's operations and is proportional to the Group's earning capacity, capital requirements, profit/loss and financial position, as well as individual targets.

Variable remuneration is based on results achieved during the performance year (calendar year 2020) and final performance amounts are determined when the year-end report is published. Of the remuneration amount, 40 per cent is paid in cash (governed by IAS 19 regulations) and 60 per cent through share grant (governed by IFRS 2). The original valuation date for the programme is January 2020, when Hoist Finance and the counterparty agreed on the programme's terms and conditions.

Remuneration is measured during the performance year at an estimated monetary value. The amount to be paid is then expressed in the number of share options granted during the time prior to the vesting period. The number of shares granted is based on the share price as determined in February the year after the performance year. The shares vest in equal 1/3 parts (i.e., the first, second and third year following the AGM's approval of the annual report). In practical terms, payment is made in equal parts in May 2022, May 2023 and May 2024. The share price for the 2020 LTIP programme has not been settled. The cost of the share options is allocated on a straight-line basis across the three stipulated periods, with a true-up for the rights lost by participants who terminate their employment during the vesting periods.

The options are converted automatically to ordinary shares on the vesting day, at an exercise price of nil. Participants are entitled to receive dividends on the granted shares. The right expires in the event the participant terminates their employment during the vesting period, except in limited cases approved by the Board on a case-by-case basis.

In 2020 the costs posted for the share option portion of the Group's LTIP programme totalled SEK 0m (1.3), excluding social fees. However, it was decided that, due to uncertainty surrounding the Covid-19 pandemic, no remuneration would be paid under the 2019 share-based incentive programme. In December 2020 the Company also decided that no variable remuneration would be paid under the 2020 incentive programme.

The table below shows the number of granted and outstanding share options at the beginning and end of the financial year:

	NUMBER OF OPTIONS	NUMBER OF OPTIONS
	2020	2019
outstanding at beginning of the period	118,242	
+ Granted during the year		118,242
– Vested during the year		
– expired during the year	-118,242	
outstanding at end of the period	-	118,242
outstanding share options at end of the period: weighted average remaining contractual duration	-	2,42 years

To hedge the 2019 incentive programme, Hoist Finance entered into a share swap agreement with a third party. Under the agreement the third party is obliged to acquire and transfer shares to participants in its own name to fulfil the Company's obligation to deliver shares and to cover social fees arising from vesting. Social fees are calculated based on the fair value of the share options and are expensed as incurred. As no remuneration will be paid under the 2019 share-based incentive programme, the shares acquired by the third party under the share swap agreement will revert to Hoist Finance no later than the May 2023 date of expiration.

Average number of employees during the year, Group	2020			2019		
	Men	Women	Total	Men	Women	Total
Sweden	36	28	64	35	31	66
Germany	64	118	182	82	133	215
France	45	86	131	39	76	115
Belgium	1	0	1	1	2	3
Netherlands	17	21	38	18	23	41
UK	163	139	302	179	147	326
Italy	117	261	378	128	244	372
Poland	128	199	327	144	191	335
Spain	33	49	82	23	45	68
Greece	3	3	6	2	2	4
Romania	59	45	104	-	-	-
Total	666	949	1,615	651	894	1,545

The average number of employees is calculated based on the number of full-time employees (FTEs) during the year. The Group also has contracted consultants, the number of which varies during the year depending on requirements.

As at 31 December 2020 the Group had 1,631 FTEs (1,575).

Gender distribution, senior executives	31 DEC 2020				31 DEC 2019			
	MEN		WOMEN		MEN		WOMEN	
	%		%		%		%	
Senior executives	10	67	5	33	11	69	5	32
Board of Directors	50	78	14	22	54	83	11	17
<i>of which, Parent Company</i>	3	43	4	57	4	50	4	50

Note 10 – Other operating expenses

SEK m	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Legal collection costs	-225	-265	-36	-41
Other collection costs	-509	-522	-198	-199
Consultancy services	-177	-230	-112	-218
Intra-Group consultancy services	-	-	-35	-31
Other intra-Group expenses	-	-	-118	-83
IT expenses	-274	-134	-187	-98
Telecom expenses	-8	-11	-4	-2
Premises costs	-46	-45	-45	-41
Travel expenses	-7	-29	-5	-11
Restructuring costs	-	-6	-	-6
Bank charges	-17	-16	-10	-8
Sales and marketing expenses	-9	-11	-7	-2
Other expenses	-75	-86	-11	-27
Total	1,347	-1,355	-768	-767

SEK m	2020	2019	2020	2019
EY and KPMG				
Audit assignments	-12	-12	-5	-6
<i>EY</i>	-9	-	-3	-
<i>KPMG</i>	-3	-12	-2	-6
Audit-related assignments	-2	-2	-3	-1
<i>EY</i>	-1	-	-1	-
<i>KPMG</i>	-1	-2	-2	-1
Tax services	-3	-1	-1	-1
<i>EY</i>	-1	-	-1	-
<i>KPMG</i>	-2	-1	-	-1
Other non audit-related assignments	-	0	-	0
<i>EY</i>	-	-	-	-
<i>KPMG</i>	-	0	-	0
Total	-17	-15	-9	-8

Expenses for audit assignments are included in Consultancy services in the table above.

Note 11 – Shares and participations in joint ventures

Shares and participations in joint ventures relate to Hoist Finance AB's (publ) holdings in Best III (50 per cent) and PQH Single Special Liquidation S.A (33 per cent). BEST III is a Polish closed-end fund located in Gdynia and designated for the acquisition of individual loan portfolios. The initial investment was PLN 40m (SEK 90m). During the year 2016 Hoist Finance acquired, along with Qualco S.A. and Pricewaterhouse Coopers Business solutions S.A., the Greek company "PQH". PQH is based in Athens and offers advisory services. All joint ventures are consolidated pursuant to the equity method.

Share of profit from joint ventures

SEK m	GROUP	
	2020	2019
Share of profit from joint ventures according to equity method	47	47
Performance-based compensation	13	11
Exchange rate differences	-3	4
Total profit	57	62

SEK m	PARENT COMPANY	
	2020	2019
Capital gain redemption of fund units	58	60
Performance-based compensation	13	11
Total profit	71	71

SEK m	GROUP	
	31 Dec 2020	31 Dec 2019
Opening balance	200	215
Redemption of fund units	-63	-67
Share of profit from joint ventures according to equity method	47	47
Reversal from shareholders' equity	-2	-6
Exchange rate differences	-22	11
Closing balance	160	200

SEK m	BEST III	
	31 Dec 2020	31 Dec 2019
Assets		
Acquired loan portfolios	328	405
Cash	11	12
Total assets	339	417
Liabilities		
Current liabilities	17	18
Total liabilities	17	18
Net assets	322	399
Interest income	141	136
Other expenses	-46	-42
Net profit for the year	95	95

There are no contingent liabilities pertaining to the Group's interest in this joint venture, nor does the joint venture have any contingent liabilities.

SEK m	PQH	
	31 Dec 2020	31 Dec 2019
Assets		
Current assets	24	8
Cash	0	1
Total assets	24	9
Liabilities		
Current liabilities	27	9
Total liabilities	27	9
Net assets	-3	0
Interest income	64	51
Other expenses	-67	-52
Profit before tax	-3	-1
Income tax expense	0	0
Net profit for the year	-3	-2

There are no contingent liabilities pertaining to the Group's interest in this joint venture, nor does the joint venture have any contingent liabilities.

Note 12 – Untaxed reserves

SEK m	PARENT COMPANY	
	31 Dec 2020	31 Dec 2019
Tax allocation reserve		
Provision to tax allocation reserve 2014	-	34
Provision to tax allocation reserve 2015	20	20
Provision to tax allocation reserve 2016	60	60
Provision to tax allocation reserve 2017	24	24
Provision to tax allocation reserve 2018	75	75
Provision to tax allocation reserve 2019	55	55
Provision to tax allocation reserve 2020	43	-
Closing balance 31 Dec	277	268

Note 13 - Tax

SEK m	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Current tax expense/income				
Tax expense/income for the year	-96	-69	-59	-65
Tax adjustment attributable to previous years	-14	-29	-16	-61
Total	-110	-98	-75	-126
Deferred tax expense/income				
Deferred tax attributable to temporary differences	69	-45	-2	5
Total	69	-45	-2	5
Total recognised tax expense	-41	-143	-77	-121

SEK m	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Profit before tax	82	748	333	318
Tax calculated at 21.40% (Swedish) tax rate	-18	-160	-71	-68
Effect of different tax rates in different countries	9	38	0	0
Adjustment related to change in tax rate	-3	-	0	-
Non-taxable revenue	17	43	65	11
Non-deductible expenses	-26	-34	-55	-11
Adjustments with reference to previous years	-14	-29	-16	-61
Utilisation of previously uncapitalised loss carry-forwards	0	4	-	-
Decrease in capitalised loss carry-forwards not expected to be utilised	-6	-9	-	-3
Other	0	4	0	11
Total tax expense	-41	-143	-77	-121

The Group's effective tax rate was 50 per cent (19) at 31 December 2020.

In 2020, current tax on items recognised directly in equity in the Group totalled SEK 2m (-). Other comprehensive income includes tax in an amount of SEK -3m (27) related to hedging of currency risk in foreign operations, a revaluation of defined-benefit pension plans and a revaluation of post-service remuneration.

SEK m	GROUP		PARENT COMPANY	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Deferred tax				
Deferred tax assets	97	32	1	2
Deferred tax liabilities	-141	-150	-3	-2
Total	-44	-118	-2	0

GROUP 31 DEC 2020						
SEK m	Opening balance	Reclassification	Income statement	Other comprehensive income	Translation differences	Closing balance
Change in deferred tax						
Loss carry-forwards	12	11	53	-	-4	72
Joint ventures	-36	-	3	-	3	-30
Defined-benefit pension schemes and other employee benefits	5	-5	-	0	0	0
Acquired loan portfolios	-62	7	9	-	-1	-47
Untaxed reserves	-58	-	-1	-	-	-59
Other	21	-9	5	-	3	20
Total	-118	4	69	0	1	-44

GROUP 31 DEC 2019					
SEK m	Opening balance	Income statement	Other comprehensive income	Translation differences	Closing balance
Change in deferred tax					
Loss carry-forwards	9	3	-	0	12
Joint ventures	-38	2	-	0	-36
Defined-benefit pension schemes and other employee benefits	4	-	1	0	5
Acquired loan portfolios	-62	4	-	-4	-62
Untaxed reserves	-46	-12	-	-	-58
Other	-33	48	-	6	21
Total	-165	45	1	2	-118

The Group's deferred tax assets attributable to loss carry-forwards are expected to be fully utilised during the next five years. Deferred tax assets are only reported as a tax loss carry-forwards to the extent that a related tax benefit is likely to be realised.

Deferred tax assets and liabilities are offset to the extent there is a legal right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Note 14 – Earnings per share

Basic earnings per share

SEK m	2020	2019
Net profit/loss for the year	41	605
Profit/loss attributable to Parent Company shareholders, before dilution	-45	542
Net profit/loss for the year attributable to Additional Tier 1 capital holders	86	63
Weighted average number of shares outstanding, before dilution	89,303,000	89,303,000

Diluted earnings per share

SEK m	2020	2019
Net profit/loss for the year attributable to Hoist Finance AB (publ) shareholders, after dilution		
Profit/loss attributable to Parent Company shareholders, before dilution	-45	542
Profit/loss attributable to Parent Company shareholders, after dilution	-45	542
Weighted average number of shares outstanding, after dilution		
Basic weighted average number of shares during the year, before dilution	89,303,000	89,303,000
effect of options	-	5,000
Weighted average number of shares during the year, after dilution	89,303,00	89,308,000

The weighted average number of shares was effected by a long-term share-based incentive programme during 2019, see note 9 "Personnel expenses".

Basic earnings per share, SEK	-0.50	6.07
Diluted earnings per share, SEK	-0.50	6.07

Note 15 – Financial instruments

Carrying amount and fair value of financial instruments

GROUP 31 DEC 2020						
SEK m	ASSET/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	-	2,411	-	-	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 liabilities	-	-	-	1,185	1,185	1,185
Total	43	-	-	26,289	26,332	26,379

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

GROUP 31 DEC 2019						
SEK m	ASSET/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 liabilities	-	-	-	896	896	896
Total	29	-	6	29,083	29,118	29,415

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

PARENT COMPANY 31 DEC 2020						
SEK m	ASSET/LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS			Hedging instrument	Amortised cost	Total carrying amount
	Held for trading	Mandatorily				
Cash	-	-	-	-	0	0
Treasury bills and treasury bonds	-	2,411	-	-	-	2,411
Lending to credit institutions	-	-	-	-	1,611	1,611
Lending to the public	-	-	-	-	6	6
Acquired loan portfolios	-	-	-	-	6,755	6,755
Receivables, Group companies	-	10	-	-	14,392	14,402
Bonds and other securities	-	4,082	-	-	-	4,082
Derivatives	27	-	214 ¹⁾	-	-	241
Other financial assets	-	-	-	-	205	205
Total	27	6,503	214	22,969	29,713	30,123
Deposits from the public	-	-	-	-	17,928	17,928
Derivatives	43	-	-	-	-	43
Debt securities issued	-	-	-	-	5,959	5,959
Subordinated debt	-	-	-	-	821	821
Other financial liabilities	-	-	-	-	909	909
Total	43	-	-	25,617	25,660	25,678

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

PARENT COMPANY 31 DEC 2019						
SEK m	ASSET/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 liabilities	-	-	-	911	911	911
Total	29	-	6	28,629	28,664	28,924

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

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 of acquired loan portfolios is calculated by discounting cash flow forecasts at the average effective interest rate for purchased loan portfolios from the past 24 months in each jurisdiction.

Fair value measurement

MSEK	GROUP 31 DEC 2020				PARENT COMPANY 31 DEC 2020			
	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	-	-	21,945	21,945	-	-	7,149	7,149
Acquired loan portfolios	4,082	-	-	4,082	4,082	-	-	4,082
Receivables, Group companies ¹⁾	-	-	-	-	-	-	10	10
Derivatives	-	241	-	241	-	241	-	241
Total assets	6,493	241	21,945	28,679	6,493	241	7,159	13,893
Derivatives	-	43	-	43	-	43	-	43
Debt securities issued	-	6,479	-	6,479	-	6,054	-	6,054
Subordinated debt	-	744	-	744	-	744	-	744
Total liabilities	-	7,266	-	7,266	-	6,841	-	6,841

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			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and treasury bonds	2,729	-	-	2,729	2,729	-	-	2,729
Bonds and other securities	-	-	25,820	25,820	-	-	7,940	7,940
Acquired loan portfolios	2,769	-	-	2,769	2,769	-	-	2,769
Receivables, Group companies ¹⁾	-	-	-	-	-	-	9	9
Derivatives	-	107	-	107	-	107	-	107
Total assets	5,498	107	25,820	31,425	5,498	107	7,949	13,554
Derivatives	-	35	-	35	-	35	-	35
Debt securities issued	-	6,209	-	6,209	-	5,703	-	5,703
Subordinated debt	-	840	-	840	-	840	-	840
Total liabilities	-	7,084	-	7,084	-	6,578	-	6,578

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

For acquired loan portfolios, the valuation approach, key input data and valuation sensitivity to material changes are described in the Accounting Principles.

Derivatives used for hedging (see Note 16 “Derivatives”) were model-valued using interest and currency market rates as input data.

Treasury bills and treasury bonds, and bonds and other securities, are valued based on quoted rates.

The fair value of liabilities in the form of issued bonds and other subordinated debt was determined with reference to observable market prices quoted by external market players/places. In cases where more than one market price observation is available, fair value is determined at the arithmetic mean of the market prices. Since no observable market price is available for the junior notes their fair value has been calculated using the income approach.

Carrying amounts for accounts receivable and accounts payable are deemed approximations of fair value. The fair value of current loans corresponds to their carrying amount due to the limited impact of discounting.

Note 16 – Derivatives

The Group continuously hedges its assets denominated in foreign currencies in order to reduce its exchange rate exposure. As per 31 December 2020, the Group had exposures in EUR, GBP, PLN and RON, where of EUR, GBP and PLN are hedged using currency forward contracts. All outstanding derivatives are measured at fair value. Gains/losses on derivative instruments are recognised in the income statement for each annual statement. Gains/losses for hedge accounting in the Group are recognised in other comprehensive income for each annual statement.

The Group ceased its hedge accounting in EUR during 2018, as critical conditions for hedging net investments in foreign operations are no longer met.

The Parent Company Hoist Finance AB (publ) apply hedge accounting for the fair value of shares in subsidiaries and for shares and participations in joint ventures. Gains/losses on derivative instruments for hedge accounting in the Parent Company are recognised in shares in subsidiaries and in shares and participations in joint ventures.

Additional information on the Group's and the Parent Company's management of hedge accounting is presented in Accounting Policies sections 10 and 22.8 "Hedge accounting".

Derivatives held for trading

GROUP 31 DEC 2020						
	Nominal amount/maturity					
SEK m	Up to 1 year	1-5 years	Over 5 years	Nominal amount	Positive market values	Negative market values
Interest rate-related contracts						
Swaps	776	2,057	-	2,833		-40
Currency-related contracts						
Currency forwards	1,648	-	-	1,648	27	-3
Total	2,424	2,057	-	4,481	27	-43
SEK m					Positive market values	Negative market values
Currency breakdown of market values						
SEK					-	-3
EUR					10	-13
GBP					12	-17
PLN					5	-10
Total					27	-43

Derivatives for hedge accounting

GROUP 31 DEC 2020

Nominal amount/maturity						
SEK m	Up to 1 year	1-5 years	Over 5 years	Nominal amount	Positive market values	Negative market values
Currency-related contracts						
Currency forwards	9,141	-	-	9,141	214	-
Total	9,141	-	-	9,141	214	-

GROUP 31 DEC 2020

Average exchange rate						
SEK m	Up to 1 year	1-5 years	Over 5 years		Positive market values	Negative market values
Currency breakdown of market values						
SEK/GBP	11.38	-	-		135	-
SEK/PLN	2.26	-	-		79	-
Total					214	

Derivatives held for trading

GROUP 31 DEC 2019

Nominal amount/maturity						
SEK m	Up to 1 year	1-5 years	Over 5 years	Nominal amount	Positive market values	Negative market values
Interest rate-related contracts						
Swaps	1,043	1,527	1,043	3,613	3	-1
Currency-related contracts						
Currency forwards	7,111	-	-	7,111	38	-28
Total	8,154	1,527	1,043	10,724	41	-29
SEK m						
					Positive market values	Negative market values
Currency breakdown of market values						
SEK					-	-27
EUR					39	-1
GBP					2	0
PLN					-	-1
Total					41	-29

Derivatives for hedge accounting

GROUP 31 DEC 2019						
Nominal amount/maturity						
SEK m	Up to 1 year	1-5 years	Over 5 years	Nominal amount	Positive market values	Negative market values
Currency-related contracts						
Currency forwards	10,633	-	-	10,633	66	-6
Total	10,633	-	-	10,633	66	-6

GROUP 31 DEC 2019						
Average exchange rate						
SEK m	Up to 1 year	1-5 years	Over 5 years		Positive market values	Negative market values
Currency breakdown of market values						
SEK/GBP	12.33	-	-		66	-
SEK/PLN	2.44	-	-		-	-6
Total					66	-6

Hedging instruments and effectiveness in the hedge accounting 2020

GROUP								
Carrying amount								
SEK m	Nominal amount	Assets	Liabilities	Balance sheet item in which the hedging instrument is included	Change in fair value used to calculate ineffectiveness for the period	Change in value of the hedging instrument recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Income statement item which include the ineffectiveness
Currency-related contracts								
GBP - Derivatives, positive values	5,221	135	-	Other assets	66	66	-	Net result from financial transactions
PLN - Derivatives, positive values	3,920	79	-	Other assets	-72	-72	-	Net result from financial transactions
Total	9,141	214	-		-6	-6	-	

Hedging instruments and effectiveness in the hedge accounting 2019

GROUP								
Carrying amount								
SEK m	Nominal amount	Assets	Liabilities	Balance sheet item in which the hedging instrument is included	Change in fair value used to calculate ineffectiveness for the period	Change in value of the hedging instrument recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Income statement item which include the ineffectiveness
Currency-related contracts								
GBP -								
Derivatives, positive values	6,484	66	-	Other assets	-66	-66	-	Net result from financial transactions
PLN -								
Derivatives, positive values	20	0	-	Other assets	-	-	-	Net result from financial transactions
Total	6,504	66	-		-66	-66	-	
PLN -								
Derivatives, negative values	4,129	-	-6	Other liabilities	-49	-49	-	Net result from financial transactions
Total	4,129	-	-6		-49	-49	-	

Hedged items

2020

GROUP			
SEK m	Change in fair value used to calculate ineffectiveness for the period	Hedge reserve	Amounts remaining in the hedging relationships for which hedge accounting is no longer applied
Hedging of foreign exchange risk in net investments in foreign operations			
EUR	-	-149	-149
GBP	568	-143	-
PLN	257	-264	-
Total	825	-556	-149

Hedged items

2019

SEK m	GROUP		
	Change in fair value used to calculate ineffectiveness for the period	Hedge reserve	Amounts remaining in the hedging relationships for which hedge accounting is no longer applied
Hedging of foreign exchange risk in net investments in foreign operations			
EUR	-	-149	-149
GBP	-491	-209	-
PLN	-120	-200	-
Total	-611	-558	-149

Hedged items

2020

PARENT COMPANY				
	Carrying amount hedged item	Accumulated fair value adjustment included in the carrying amount of the hedged item		
SEK m				Change in value of hedged items used to determine inefficiency for the period
	Assets	Liabilities	Balance sheet item in which the hedged item is included	
Fair value hedges				
EUR	394		Shares and participations in subsidiaries and joint ventures	-
GBP	335	-21	Shares and participations in subsidiaries and joint ventures	19
PLN	147	-47	Shares and participations in subsidiaries and joint ventures	10
Total	876	-68		29

Hedged items

2019

PARENT COMPANY				
	Carrying amount hedged item	Accumulated fair value adjustment included in the carrying amount of the hedged item		
SEK m				Change in value of hedged items used to determine inefficiency for the period
	Assets	Assets	Balance sheet item in which the hedged item is included	
Fair value hedges				
EUR	295	-	Shares and participations in subsidiaries and joint ventures	-
GBP	335	19	Shares and participations in subsidiaries and joint ventures	22
PLN	147	10	Shares and participations in subsidiaries and joint ventures	17
Total	777	29		39

Note 17 – Maturity analysis

For additional information see Note 33 “Risk management”.

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m

GROUP 31 DEC 2020								
	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	No fixed maturity	Total	Of which anticipated recovery date >12 months
Assets								
Treasury bills and Treasury bonds	-	1,441	703	267	-	-	2,411	267
Lending to credit institutions	2,419	107	-	-	-	-	2,526	-
<i>Swedish banks</i>	643	-	-	-	-	-	643	-
<i>foreign banks</i>	1,776	107	-	-	-	-	1,883	-
Lending to the public	-	48	73	424	643	-	1,188	1,067
Bonds and other securities	-	-	578	3,504	-	-	4,082	3,504
Total assets with fixed/contractual maturities	2,419	1,596	1,354	4,195	643	-	10,207	4,838
Acquired loan portfolios ¹⁾	-	1,425	4,784	16,603	9,951	-	32,763	26,554
Total assets with no fixed/anticipated maturities	-	1,425	4,784	16,603	9,951	-	32,763	26,554
Liabilities								
Deposit from public ²⁾								
<i>retail</i>	5,375	2,226	2,827	7,453	-	-	17,881	7,453
<i>corporate</i>	47	-	-	-	-	-	47	-
Total deposits from the public	5,422	2,226	2,827	7,453	-	-	17,928	7,453
Lease liabilities	-	13	36	138	38	-	225	176
Debt securities issued ³⁾	-	21	1,697	5,377	100	-	7,195	5,477
Subordinated debt	-	-	31	834	-	-	865	834
Total liabilities with fixed/contractual maturities	5,422	2,260	4,591	13,802	138	-	26,213	13,940

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m

GROUP 31 DEC 2019								
	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	No fixed maturity	Total	Of which anticipated recovery date >12 months
Assets								
Treasury bills and Treasury bonds	-	1,890	572	267	-	-	2,729	267
Lending to credit institutions	2,996	79	-	-	-	-	3,075	-
Swedish banks	1,605	-	-	-	-	-	1,605	-
foreign banks	1,391	79	-	-	-	-	1,470	-
Lending to the public	-	38	83	507	807	-	1,435	1,314
Bonds and other securities	-	251	384	2,134	-	-	2,769	2,134
Total assets with fixed/contractual maturities	2,996	2,258	1,039	2,908	807	-	10,008	3,715
Acquired loan portfolios ¹⁾	-	1,102	5,444	22,377	9,951	-	38,874	32,328
Total assets with no fixed/anticipated maturities	-	1,102	5,444	22,377	9,951	-	38,874	32,328
Liabilities								
Deposits from the public ²⁾								
retail	8,690	2,097	2,754	7,822	-	-	21,363	7,822
corporate	72	-	-	-	-	-	72	-
Total deposits from the public	8,762	2,097	2,754	7,822	-	-	21,435	7,822
Lease liabilities	-	12	35	155	48	-	250	203
Debt securities issued ³⁾	-	365	177	5735	503	-	6,780	6,238
Subordinated debt	-	-	32	899	-	-	931	899
Total liabilities with fixed/contractual maturities	8,762	2,474	2,998	14,611	551	-	29,396	15,162

1) Maturity analysis for acquired loan portfolios is based on future cash flow forecast horizon of 180 months. See Note 33 "Risk management" for additional details on the Group's management of credit risk.

2) Deposits in SEK and EUR are payable on demand, although a fee is assessed for premature withdrawals from fixed-term deposits.

3) The nominal value is SEK 1,484m for unsecured debt maturing in 2021, SEK 2,509m for unsecured debt maturing in 2023 and SEK 2,008m for unsecured debt maturing in 2024 as per 31 December 2020. The nominal value is SEK 2,608m for unsecured debt maturing in 2021 and SEK 2,608m for unsecured debt maturing in 2023 as per 31 December 2019. See Note 28 "Funding" for additional information.

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m

PARENT COMPANY 31 DEC 2020

	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	No fixed maturity	Total	Of which anticipated recovery date >12 months
Assets								
Treasury bills and Treasury bonds	-	1,441	703	267	-	-	2,411	267
Lending to credit institutions	1,611	-	-	-	-	-	1,611	-
<i>Swedish banks</i>	643	-	-	-	-	-	643	-
<i>foreign banks</i>	968	-	-	-	-	-	968	-
Lending to the public	-	23	29	159	225	-	436	384
Receivables, Group companies	-	336	501	11,037	-	3,864	15,738	14,901
Bonds and other securities	-	-	578	3,504	-	-	4,082	3,504
Total assets with fixed/contractual maturities	1,611	1,800	1,811	14,967	225	3,864	24,278	19,056
Acquired loan portfolios ¹⁾	-	517	1,564	5,422	2,905	-	10,408	8,327
Total assets with no fixed/anticipated maturities	-	517	1,564	5,422	2,905	-	10,408	8,327
Liabilities								
Deposit from public ²⁾								
<i>retail</i>	5,375	2,226	2,827	7,453	-	-	17,881	7,453
<i>corporate</i>	47	-	-	-	-	-	47	-
Total deposits from the public	5,422	2,226	2,827	7,453	-	-	17,928	7,453
Liabilities, Group companies	445	48	-	-	-	-	493	-
Debt securities issued ³⁾	-	-	1,638	4,858	-	-	6,496	4,858
Subordinated debt	-	-	31	834	-	-	865	834
Total liabilities with fixed/contractual maturities	5,867	2,274	4,496	13,145	-	-	25,782	13,145

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m

PARENT COMPANY, 31 DEC 2019

	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	No fixed maturity	Total	Of which anticipated recovery date >12 months
Assets								
Treasury bills and Treasury bonds	-	1,890	572	267	-	-	2,729	267
Lending to credit institutions	1,455	-	-	-	-	-	1,455	-
Swedish banks	1,245	-	-	-	-	-	1,245	-
foreign banks	210	-	-	-	-	-	210	-
Lending to the public	-	15	32	188	272	-	507	460
Receivables, Group companies	-	1,134	7,038	5,408	-	3,416	16,996	8,824
Bonds and other securities	-	251	384	2,134	-	-	2,769	2,134
Total assets with fixed/contractual maturities	1,455	3,290	8,026	7,997	272	3,416	24,456	11,685
Acquired loan portfolios ¹⁾	-	364	1,722	6,861	2,733	-	11,680	9,594
Total assets with no fixed/anticipated maturities	-	364	1,722	6,861	2,733	-	11,680	9,594
Liabilities								
Deposit from public ²⁾								
retail	8,690	2,097	2,754	7,822	-	-	21,363	7,822
corporate	72	-	-	-	-	-	72	-
Total deposits from the public	8,762	2,097	2,754	7,822	-	-	21,435	7,822
Lease liabilities	582	68	-	-	-	-	650	-
Debt securities issued ³⁾	-	313	101	5,461	-	-	5,875	5,461
Subordinated debt	-	-	32	899	-	-	931	899
Total liabilities with fixed/contractual maturities	9,344	2,478	2,887	14,182	-	-	28,891	14,182

1) Maturity analysis for acquired loan portfolios is based on future cash flow forecast horizon of 180 months. See Note 33 "Risk management" for additional details on the Group's management of credit risk.

2) Deposits in SEK and EUR are payable on demand, although a fee is assessed for premature withdrawals from fixed-term deposits.

3) The nominal value is SEK 1,484m for unsecured debt maturing in 2021, SEK 2,509m for unsecured debt maturing in 2023 and SEK 2,008m for unsecured debt maturing in 2024 as per 31 December 2020. The nominal value is SEK 2,608m for unsecured debt maturing in 2021 and SEK 2,608m for unsecured debt maturing in 2023 as per 31 December 2019. See Note 28 "Funding" for additional information.

Note 18 – Acquired loan portfolios

SEK m	GROUP		PARENT COMPANY	
	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

For additional information see Accounting principles section 15 "Income and expenses" and Note 33 "Risk management".

Acquired credit-impaired loan portfolios, 31 Dec 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	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 losses and gains	-	-455	-455	-	-40	-40
Disposal	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

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 losses and gains	-	122	122	-	67	67
Disposal	0	-	0	-	-	-
Translation differences	631	3	634	83	0	83
Closing balance 31 Dec 2019	23,009	387	23,396	6,922	130	7,052

Undiscounted acquired loss allowances

As at 31 December 2020, the undiscounted acquired loss allowances at initial recognition totalled SEK 12,231m (27,896) for credit-impaired loan portfolios acquired by the Group during January to December, of which SEK 5,455m (7,498) is attributable to Parent Company acquisitions.

Acquired performing loan portfolios, 31 Dec 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	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

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	-10
Closing balance 31 Dec 2020	281	0	0	-3	-3	278

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

Acquired performing loan portfolios

SEK m	PARENT COMPANY					Net carrying amount
	Gross carrying amount	Stage 1 - 12M ECL	Stage 2 - LECL	Stage 3 - LECL	Loss allowance	
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

Portfolio overview

The portfolios comprise a large number of loans. The debtors have varying characteristics, such as payers, partial payers and non-payers. There is some degree of mobility between debtor categories, with non-payers becoming payers and vice versa. The Group divides its portfolios into different categories, such as countries, age, asset class and acquisition type.

Collection forecast

The Group evaluates portfolios by estimating future cash flows for the next 15 years. Cash flow forecasts are regularly monitored during the year and updated based on factors such as achieved collection results and instalment plan agreements with debtors. A new carrying amount is calculated for the loan portfolios based on the updated forecasts.

Revaluations

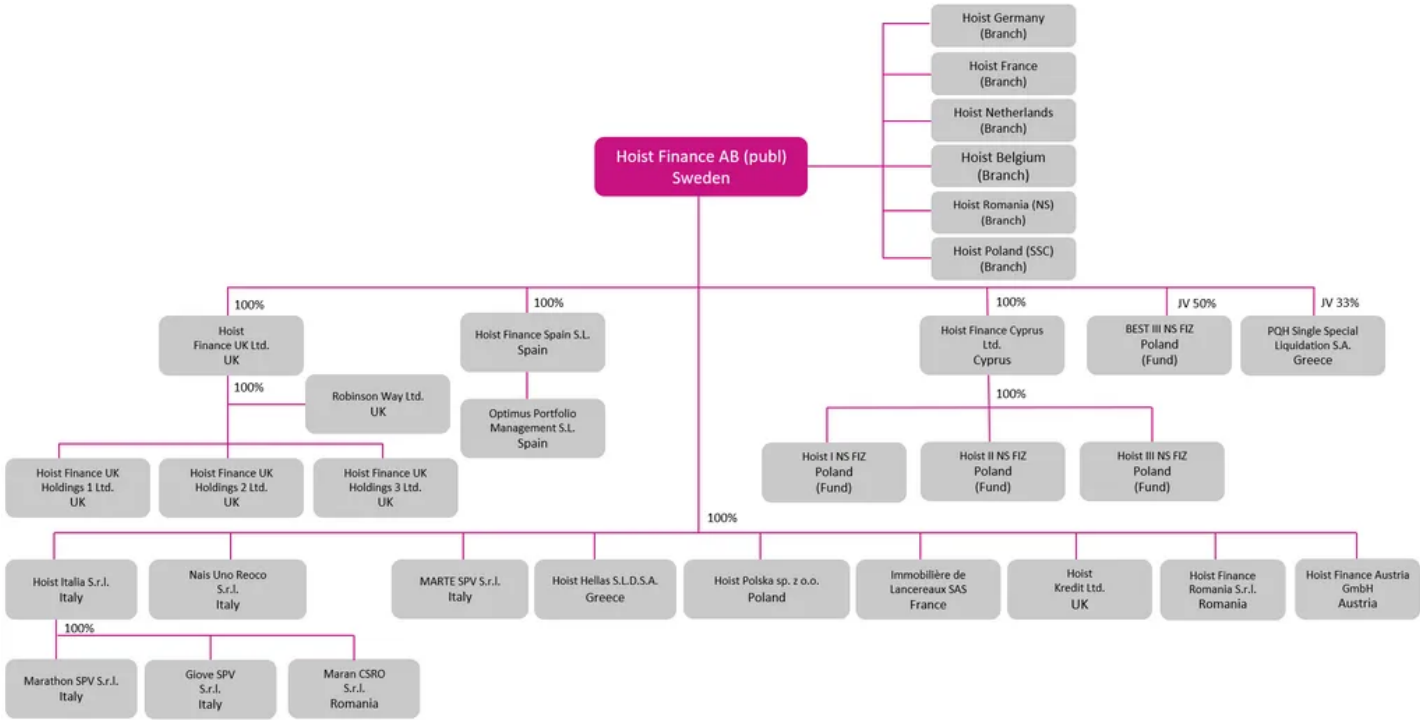
The Group evaluates actual collections in relation to the forecast that served as the basis for portfolio valuation during the same period. Deviations may in some cases result in an adjustment to future forecasts, specifically if operational efforts have not had, or are not expected to have, the intended effect.

Forecast revisions are managed by the internal Revaluation Committee, which reports to the Board's Investment Committee. Decisions are duly taken by either the Revaluation Committee or Investment Committee pursuant to instructions issued by the Investment Committee within the scope of the Revaluation Policy issued by the Board of Directors. Forecast adjustments and their impact on earnings are disclosed internally and externally. The portfolio valuation is independently audited by the Risk Control function.

Note 19 – Shares and participations in subsidiaries

Legal structure

The Hoist Finance Group with its most important subsidiaries and branches as at 31 December 2020.



Hoist Finance AB (publ), corporate identity number 556012-8489 and with its registered office in Stockholm, is the Parent Company of the Group. The list of Group subsidiaries is provided below.

Ownership percentage corresponds to share of voting power. All shares are unlisted. No registered credit market company. Information on the number of shares in Group companies is available upon request.

SEK m	Corp. ID no.	Registered office	Ownership, %	Carrying value 31 Dec 2020
Swedish				
Hoist Finance Services AB ¹⁾	5566409941	Stockholm	100	1
Foreign				
HECTOR SicherheitenVerwaltungs GmbH	HRB 74561	Duisburg	100	0
HOIST I NS FIZ ²⁾	RFI702	Warszawa	100	-
Hoist Kredit Ltd.	7646691	London	100	0
Hoist Finance UK Ltd.	8303007	Manchester	100	335
C L Finance Ltd. ¹⁾	1108021	Manchester	100	-
Robinson Way Ltd.	6976081	Manchester	100	-
The Lewis Group Ltd. ¹⁾	SC127043	Glasgow	100	-
Compello Holdings Ltd. ¹⁾	8045571	Manchester	100	-
Compello Operations Ltd. ¹⁾	8045559	Manchester	100	-
MKE (UK) Ltd. ¹⁾	7042157	Manchester	100	-
MKDP LLP ¹⁾	OC349372	Manchester	100	-
Marte SPV S.r.l.	4634710265	Conegliano	100	0
Hoist Italia S.r.l.	12898671008	Rom	100	22
Hoist Finance Cyprus Ltd.	HE 338570	Nicosia	100	0
Hoist Polska SpZ.O.O	536257	Wroclaw	100	147
Hoist Finance Spain S.L.	B87547659	Madrid	100	359
Optimus Portfolio Management S.L.	B86959285	Madrid	100	-
Hoist Hellas S.A	137777901000	Athens	100	11
Nais Uno Reoco S.r.l.	14564684007	Rom	100	1
Hoist III NS FIZ ^{2) 4)}	292229	Warszawa	100	-
Immobilière de Lancereaux SAS	2018B20590	Paris	100	0
Hoist Finance UK Holdings 1 Ltd.	11473838	Manchester	100	-
Hoist Finance UK Holdings 2 Ltd.	11473850	Manchester	100	-
Hoist Finance UK Holdings 3 Ltd.	11473909	Manchester	100	-
Nuova Maran S.r.l.	14846811009	Rom	100	-
Hoist II NS FIZ ²⁾	RFI1617	Warszawa	100	-
Hoist Finance Romania S.r.l	41830400	Bucharest	100	6
Marathon SPV S.r.l	5048650260	Conegliano	100	-
Maran CSRO S.r.l ³⁾	35910220	Bucharest	100	-
Giove SPV S.r.l ³⁾	05089700263	Conegliano	100	-
Hoist Finance Austria GmbH ³⁾	FN544345h	Mooslackengasse	100	0

1) The company is being liquidated.

2) Polish Sec. fund.

3) Companies added during the year.

4) Changed name from GoDebt1 FIZ NFS.

SEK m	2020	2019
Accumulated acquisition value		
Opening balance	950	904
Absorbed through merger	-43	-7
Acquired through merger	43	0
Acquisitions	-	0
Capital contribution	221	53
Disposal	0	0
Closing balance	1,171	950
Accumulated depreciations		
Opening balance	-143	-182
Acquired through merger	-116	-
Hedge fair value ¹⁾	-97	39
Closing balance	-355	-143
Closing balance	816	807

1) For additional information see Accounting principles section 22.8 "Hedge accounting" and Note 16 "Derivatives".

Business combinations

Maran CSRO S.r.l

On 3 February 2020 the remaining 80 per cent of Maran CSRO S.r.l. was acquired. The acquisition was conducted by Nouva Maran S.r.l. and Hoist Italia S.r.l., with 99 per cent acquired by the former and 1 per cent by the latter. The operations are run in Romania with a head office in Bucharest. All assets and liabilities were acquired through the acquisition. The purchase price totalled SEK 6.6m. The acquired net assets totalled SEK 3.1m, of which amount liquid assets totalled SEK 0.4m. Maran CSRO S.r.l.'s pre-acquisition operating profit was SEK 0.3m. The acquisition gave rise to goodwill amounting to SEK 3.4m, attributable primarily to expertise obtained by the Group. Net assets are consolidated in the Hoist Finance Group as from February 2020.

SEK m	
Cash	0.4
Tangible assets	0.1
Other assets	4.6
Other liabilities	-1.5
Other liabilities, Group companies	-0.4
Total net assets	3.1

Merger

Nouva Maran S.r.l. merged with Hoist Italia S.r.l.

Nouva Maran S.r.l. CIN 14846811009, was merged with Hoist Italia S.r.l. CIN 12898671008, on 1 August 2020, after which Italian operations have been run through Hoist Italia S.r.l.

The merged company's income statement and balance sheet:

SEK m	
Total operating income	46
Profit before tax	-17
Cash and interest-bearing securities	7
Other assets	78
Total assets	85
Other liabilities	84
Equity	1
Total liabilities and equity	85

Other changes in the Group

Hoist Finance AB (publ) Poland

On 1 September 2020, newly formed Polish branch office Hoist Finance AB (publ) Poland acquired a share in the net assets of subsidiary Hoist Polska SpZ.O.O, CIN 0000536257. The acquired net assets totalled SEK 0.4 million, corresponding to the purchase price.

Hoist Finance AB (publ) Romania

On 1 September 2020 the newly formed Romanian branch office acquired most of the net assets in subsidiary Hoist Finance Romania S.r.l., CIN 41830400. The Romanian operations are run through branch office Hoist Finance AB (publ) Romania. The acquired net assets totalled SEK 4.4m, corresponding to the purchase price.

Hoist Finance UK Ltd.

On 1 November 2020 Hoist Finance UK Ltd., CIN 08303007, acquired most of the net assets in subsidiary Robinson Way Ltd., CIN 06976081. The acquired net assets totalled SEK 38m, corresponding to the purchase price.

Note 20 – Intangible assets

	GROUP 31 DEC 2020					PARENT COMPANY 31 DEC 2020				
SEK m		Internally developed software	Licences and software	Work in progress	Total	Internally developed software	Licences and software	Work in progress	Total	
	Goodwill									
Opening balance	213	10	459	52	734	10	329	50	389	
Investments for the year	-	-	2	54	56	-	1	51	52	
Acquired companies	3	-	-	-	3	-	-	-	-	
Reclassification	-6	-	45	-39	0	-	38	-38	0	
Divestments and disposals	-	-	0	-4	-4	-	-	-	-	
Translation differences	-8	-	-11	0	-19	-	-3	-	-3	
Acquisition value	202	10	495	63	770	10	365	63	438	
Opening balance	-57	-7	-288	0	-352	-7	-196	0	-203	
Depreciation for the year	-	-2	-50	-	-52	-2	-37	-	-39	
Impairment for the year	-	-	-	-11	-11	-	-	-11	-11	
Divestments and disposals	-	-	0	-	0	-	-	-	-	
Translation differences	-5	-	8	0	3	-	2	-	2	
Accumulated depreciation	-62	-9	-330	-11	-412	-9	-231	-11	-251	
Carrying amount	140	1	165	52	358	1	134	52	187	

	GROUP 31 DEC 2019					PARENT COMPANY 31 DEC 2019				
SEK m		Internally developed software	Licences and software	Work in progress	Total	Internally developed software	Licences and software	Work in progress	Total	
	Goodwill									
Opening balance	210	10	347	122	689	10	210	122	342	
Investments for the year	-	-	8	41	49	-	2	38	40	
Acquired through merger	-	-	-	-	-	-	8	-	8	
Reclassification	-	-	112	-112	0	-	109	-109	0	
Divestments and disposals	-	-	-1	-2	-3	-	-1	-	-1	
Translation differences	3	-	-7	3	-1	-	1	-1	0	
Acquisition value	213	10	459	52	734	10	329	50	389	
Opening balance	-57	-5	-240	-	-302	-5	-160	-	-165	
Depreciation for the year	-	-2	-54	-	-56	-2	-36	-	-38	
Divestments and disposals	-	-	1	-	1	-	1	-	1	
Translation differences	0	-	5	-	5	-	-1	-	-1	
Accumulated depreciation	-57	-7	-288	-	-352	-7	-196	-	-203	
Carrying amount	156	3	171	52	382	3	133	50	186	

Impairment test for goodwill

The Group's goodwill of SEK 140m (156) has been identified as belonging to the cash-generating units Poland, SEK 127m, and Spain, SEK 10m. The remaining SEK 3m of goodwill is recognised locally in subsidiary Hoist Italia S.r.l. Goodwill was impairment tested in conjunction with the year-end accounts and no write-down requirement was identified.

Goodwill is tested for impairment at least annually and when there are indications for impairment. In impairment tests, the value in use of the cash-generating units is calculated by discounting estimated future cash flows. Value in use is compared with carrying value to determine whether impairment is required.

Cash flow forecasts are based on an assessment of future collections, portfolio acquisitions, and cost and revenue development.

The Group's impairment test is carried out as follows. The forecast period for gross cash collections is 15 years. Collection costs are calculated in relation to collection on portfolios, and other revenues and costs are based on established 3-year business plans. Investments are considered to be of a long-term nature and, accordingly, it is assumed that, for the period beyond the forecast period, revenues, costs and investments will increase 2 per cent in perpetuity.

The effective tax rate applied in the impairment test is the local tax rate in the relevant country. The discount rate is the weighted average cost of capital in the relevant country. The discount rate for 2019 is within the 4–6 per cent range after tax.

In this year's Group impairment test, the value in use was deemed to exceed the carrying value of the cash-generating units Poland and Spain. There is therefore no impairment requirement.

The impairment testing of goodwill in subsidiary Hoist Italia S.r.l. is carried out pursuant to local policies. No write-down requirement was identified in the year's impairment test.

Note 21 – Tangible assets

SEK m	GROUP 31 DEC 2020				PARENT COMPANY 31 DEC 2020	
	Land and buildings	Equipment	Properties repossessed for protection of claims	Total	Equipment	Total
Opening balance	235	240	11	486	123	123
Investments for the year	39	36	4	79	16	16
Acquired companies	-	0	-	0	4	4
Divestments and disposals	-5	-4	-3	-12	-1	-1
Translation differences	-12	-13	0	-25	-4	-4
Acquisition value	257	259	12	528	138	138
Opening balance	-38	-179	0	-217	-94	-94
Depreciation for the year	-41	-29	-	-70	-12	-12
Acquired companies	-	0	-	0	-	-
Divestments and disposals	5	2	-	7	0	0
Translation differences	3	11	0	14	3	3
Accumulated depreciation	-71	-195	0	-266	-103	-103
Carrying amount	186	64	12	262	35	35

SEK m	GROUP 31 DEC 2019				PARENT COMPANY 31 DEC 2019	
	Land and buildings	Equipment	Properties repossessed for protection of claims	Total	Equipment	Total
Opening balance	-	225	5	230	115	115
Transition to IFRS 16	161	12	-	173	-	-
Investments for the year	69	27	6	102	16	16
Acquired through merger	-	-4	-	-4	2	2
Divestments and disposals	-	-26	-	-26	-11	-11
Translation differences	5	6	0	11	1	1
Acquisition value	235	240	11	486	123	123
Opening balance	-	-171	-	-171	-91	-91
Depreciation for the year	-38	-27	0	-65	-11	-11
Acquired through merger	-	4	-	4	-	-
Divestments and disposals	-	22	-	22	8	8
Translation differences	0	-7	0	-7	0	0
Accumulated depreciation	-38	-179	0	-217	-94	-94
Carrying amount	197	61	11	269	29	29

Note 22 – Leasing

The Group's lease contracts mainly comprise leased premises, with a small share of lease contracts covering vehicles, equipment and furniture and IT hardware. All right-of-use assets are reported in Tangible assets in the balance sheet.

SEK m	GROUP 31 DEC 2020			GROUP 31 DEC 2019		
	Leased premises	Other right-of-use assets	Total	Leased premises	Other right-of-use assets	Total
Opening balance	235	19	254	-	-	-
Transition to IFRS 16	-	-	-	161	12	173
Investments for the year	39	2	41	69	6	75
Divestments and disposals	-5	-1	-6	-	-	-
Translation differences	-12	-1	-13	5	1	6
Acquisition value	257	19	276	235	19	254
Opening balance	-38	-7	-45	-	-	-
Depreciation for the year	-41	-6	-47	-38	-7	-45
Divestments and disposals	5	1	6	-	-	-
Translation differences	3	1	4	0	0	0
Accumulated depreciation	-71	-11	-82	-38	-7	-45
Carrying value	186	8	194	197	12	209

The year's investments in right-of-use assets pertain to new acquisitions and to additional amounts resulting from reviewing existing lease liabilities when lease contracts are extended or prematurely terminated.

As at 31 December 2020 the Group has not entered into any material leases that are not reported in the balance sheet. In addition to lease contracts reported in the balance sheet at 31 December 2019, the Group also had leases in which the right-of-use asset was not accessible until the following financial year. Obligation under these contracts amounted to SEK 18m at 31 December 2019.

Lease liabilities are reported in Other liabilities in the balance sheet and totalled SEK 204m (212) at 31 December 2020. A maturity analysis of lease liabilities is presented in note 17, "Maturity analysis".

Total cash flow for lease liabilities during the year was SEK 51m.

The effects of transition to IFRS 16 are presented in the Accounting Principles section.

Amounts reported in the income statement

SEK m	GROUP 31 DEC 2020	
	2020	2019
Depreciation of right-of-use assets	-47	-45
Interest expense related to lease liabilities	-7	-6
Costs related to short-term leases	0	-3
Costs related to low-value leases	0	0
Total	-54	-54

Interest expense related to lease liabilities is reported in note 4 "Net interest income". Depreciation of right-of-use assets is reported in Depreciation and amortisation of tangible and intangible assets. Costs related to short-term and low-value leases are reported in General administrative expenses.

Parent company

Hoist Finance AB (publ) has decided to apply the exceptions in RFR 2 in Parent company accounting. The new accounting standard IFRS 16, in force from 1 January 2019, is therefore not applied by the Parent Company.

All Parent company leases are reported according to the rules for operating leases. There are no leases classified as finance leases.

The Parent company's lease expenses totalled SEK 27m (30) during the year. No variable fees were charged to net profit for the year.

The Parent Company's obligations under operating lease agreements are presented below.

SEK m	PARENT COMPANY	
	31 Dec 2020	31 Dec 2019
Payment obligations under noncancellable lease contracts		
Within 1 year	27	24
Years 1–5	98	98
Year 5 and thereafter	26	48
Total	151	170

Note 23 – Other assets

SEK m	GROUP		PARENT COMPANY	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Derivatives ¹⁾	241	107	241	107
Financial assets	39	46	41	45
Tax receivables	13	22	6	-5
VAT receivables	17	14	11	13
Accounts receivables ²⁾	95	170	1	1
Advance payments to customers	9	20	9	20
Other short-term receivables	349	132	153	109
Total	763	511	462	290

1) See note 16 "Derivatives".

2) No loss allowance for accounts receivable has been calculated as at the balance sheet date, as the discrepancies are not deemed to be significant.

Note 24 – Prepaid expenses and accrued income

SEK m	GROUP		PARENT COMPANY	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Prepaid expenses	76	60	48	23
Accrued income	48	46	7	32
Total	124	106	55	55

Note 25 – Other liabilities

SEK m	GROUP		PARENT COMPANY	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Accounts payable	105	117	35	62
Payables to Group companies	-	-	439	647
Unpaid purchase consideration for portfolios	-	13	-	13
Liabilities from service billing	221	185	1	2
Derivatives ¹⁾	43	35	43	35
VAT payables	5	12	0	0
Employee withholding tax on deposit interest	31	27	31	27
Employee withholding tax	29	26	13	11
Payables to employees	46	34	14	4
Collateral received	244	91	244	91
Lease liabilities	204	212	-	-
Other liabilities	97	71	16	20
Total	1,025	823	890	912

1) See note 16 "Derivatives".

Note 26 – Accrued expenses and deferred income

SEK m	GROUP		PARENT COMPANY	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Accrued personnel expenses	46	57	15	23
Accrued legal costs	33	15	3	-
Accrued transaction costs	80	-	54	-
Accrued commission costs	7	4	1	-
Accrued collection costs	26	8	7	5
Accrued expenses for deposits from the public	0	-	0	-
Deferred income	4	1	-	-
Other accrued expenses	43	69	14	32
Total	239	154	94	60

Note 27 – Provisions

SEK m	PENSION PROVISION		RESTRUCTURING RESERVE		OTHER NON-CURRENT EMPLOYEE BENEFITS		OTHER PROVISIONS		GROUP	
	31 dec 2020	31 dec 2019	31 dec 2020	31 dec 2019	31 dec 2020	31 dec 2019	31 dec 2020	31 dec 2019	31 dec 2020	31 dec 2019
Opening balance	29	26	36	20	18	17	6	5	89	68
Provision	0	0	4	27	8	7	6	1	18	35
Amount released	-1	-1	-24	-11	-9	-8	-2	0	-36	-20
Dissolution recognized in income	-	-	-5	-2	-	-	-	-1	-5	-3
Change in value	-1	4	0	2	-1	2	-1	1	-3	9
Other	-	-	-	-	1	-	1	-	2	
Closing balance	27	29	11	36	17	18	10	6	65	89

Restructuring

Restructuring costs in 2020 relates to additional restructuring costs in Germany to coordinate Hoist Finance's operations in Germany, and a minor provision in the Netherlands. These provisions are expected to be utilised in 2021. Restructuring costs in 2019 related to costs resulting from the decision to coordinate Hoist Finance's operations in France to fewer offices, and additional restructuring costs in Germany. The provisions are to a majority utilised in 2020 and the remaining are expected to be utilised in 2021.

Pensions

The Group has defined-benefit pension schemes for Hoist Finance AB (publ) (SEK 6t), the German branch Hoist Finance AB (publ) Niederlassung (SEK 27m) and in the Greek subsidiary Hoist Hellas SA (SEK 315t), based on the employees' pensionable remuneration and length of service. Pension commitments are determined using the Projected Unit Credit Method, which includes current pensions, vested rights and future increases in these parameters in the valuation.

SEK m	GROUP	
	31 dec 2020	31 dec 2019
Net pension provision, recognised in the balance sheet		
Defined-benefit commitment	32	34
Fair value of plan assets	5	5
Net pension provision	27	29
Pension commitments		
Opening balance	34	30
Interest expense	0	1
Pension payments	-1	-1
Actuarial gains (-)/losses (+)	0	4
Currency effects, etc.	-1	0
Other	-	0
Closing balance	32	34
Assets under management		
Opening balance	5	4
Interest income	0	0
Employer-contributed funds	1	1
Benefits paid	-1	-1
Actuarial gains (+)/losses (-)	-	1
Currency effects	-	0
Closing balance	5	5

All plan assets are invested in investment funds.

Note 28 – Funding

SEK m	GROUP	
	31 dec 2020	31 dec 2019
Deposits from the public	17,928	21,435
Senior debt	5,959	5,431
Secured debt	396	469
Total issued securities	6,355	5,900
Subordinated debt	821	852
Total interest-bearing debt	25,104	28,187

Terms and conditions and repayment periods

SEK m	Currency	Nominal interest rate	Maturity	31 DEC 2020		31 DEC 2019	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Deposits from the public	SEK	0.50% - 1.75%	2020-2023	10,451	10,552	12,161	12,243
Deposits from the public	EUR	0.40% - 1.30%	2020-2025	7,329	7,376	9,152	9,192
Senior debt	EUR	1.125%	2021	1,484	1,476	2,608	2,567
Senior debt	EUR	2.750%	2023	2,509	2,485	2,608	2,551
Senior debt	EUR	3.375%	2024	2,008	1,998	-	-
Senior debt	EUR	0.199%-0.203%	2020	-	-	313	313
Secured debt	EUR	8.0%-15.0%	2034	404	396	527	469
Subordinated debt	EUR	3.875%	2027	802	821	835	852
Total interest-bearing liabilities				24,987	25,104	28,204	28,187

Retail funding

Deposits from the public

Hoist Finance AB (publ) has offered deposits for retail customers and corporates in Sweden since 2009 under the HoistSpar brand, where customers can save up to SEK 950,000. A new deposit programme was established in Germany in 2017, with customers allowed to save up to EUR 100,000. The Swedish and German deposit products offer both current account and fixed-term deposits, with the majority (99 per cent) of all deposits covered by the Swedish deposit guarantee. At year-end 2020, Hoist Finance AB (publ) had SEK 5,161m and SEK 5,391m in current account and fixed-term deposits in SEK, respectively, and SEK 261m and SEK 7,115m in current account and fixed-term deposits in EUR, respectively.

Wholesale funding

Senior debt

EUR 200m of new debt was issued under the Company's EMTN programme in 2020, and EUR 102m of the outstanding bond maturing in 2021 was repurchased. At year-end Hoist Finance AB (publ) had three outstanding senior unsecured bond loans totalling EUR 598m under the EMTN programme. There were no outstanding issues under the commercial paper programme as at year-end 2020.

Secured debt

Hoist Finance AB (publ) issued no secured debt in 2020.

Subordinated debt

Hoist Finance AB (publ) issued no subordinated debt in 2020.

Note 29 – Equity

Share capital. The Articles of Association of Hoist Finance AB (publ) specify that the company's share capital shall total a minimum of SEK 15m and a maximum of SEK 60m.

	GROUP	
Number of shares	2020	2019
Opening balance	89,303,000	89,303,000
Closing balance	89,303,000	89,303,000

The quota value is SEK 0.33 per share.

The total number of shares at 31 December 2020 and 2019 was 89,303,000.

Reserves comprise the translation reserve and hedge reserve. The translation reserve comprises all exchange differences arising through translation of foreign operations less hedging effects.

Other contributed equity refers to equity, other than share capital and AT1 capital contributions, contributed by shareholders.

AT1 capital contributions are subordinated loans, which have priority only over share capital. Subordinated loans that meet the requirements specified in Regulation (EU) No 575/2013 may be rated as AT1 capital. The instruments are perpetual and are redeemable only upon approval of the Swedish Financial Supervisory Authority and no earlier than five years after issue date. In 2020 Hoist Finance AB (publ) issued AT1 capital at a nominal amount of SEK 423m.

Retained earnings comprise accrued earnings in the Parent Company, subsidiaries and joint ventures. For the 2020 financial year, the Board has decided to propose to the AGM not to pay a dividend for 2020.

The **revaluation reserve** in the Parent Company comprises SEK 64m taken over from Hoist Kredit AB (publ) in the merger and which arose from revaluation of the share value in Hoist Finance UK Ltd in 2013. The revaluation reserve also comprises portfolio revaluations pertaining to positive revaluations of portfolios reported in restricted equity.

The **development expenditure fund** in the Parent Company, totalling SEK 2m (5), pertains to expenditures for the Company's own development work and has been transferred from retained earnings.

Note 30 – Pledged assets

	GROUP		PARENT COMPANY	
SEK m	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Pledges and equivalent collateral to secure own liabilities and commitments recognised as provisions	757	1,021	0	0

Note 31 – 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.

Note 32 - Specifications to the cash flow statement

Reconciliation of liabilities from funding activities

SEK m	NON-CASH CHANGES					31 Dec 2020
	31 Dec 2019	Cash flow	Investments	Accrued expenses	Exchange rate fluctuations	
Deposits from the public	21,435	-3,272	-	26	-261	17,928
Issued securities	5,900	564	-	108	-217	6,355
Subordinated debt	852	-	-	1	-32	821
Lease liabilities	211	-48	48	3	-10	204
Total liabilities from funding activities	28,398	-2,756	48	138	-520	25,308

Note 33 - Risk management

Introduction

The risks that originate from the Group's operational activities are primarily attributable to Group assets in the form of acquired loan portfolios and consequently the payment capacity of Hoist Finance's debtors. These risks are mitigated by a historically strong and predictable cash flow and through the continuous monitoring and evaluation of portfolio development. The Group is also exposed to operational risks as part of its daily operational activities and in connection with the Group's rapid growth. These risks are managed using a framework for managing operational risks that is based on continuous improvements to procedures and processes, risk awareness in the organisation, duality in all important transactions and analyses, and a clear division of responsibilities. The Group is also exposed to exchange rate and interest-rate fluctuations. The Group has adopted policies, regulations and instructions governing the management, analysis, evaluation and monitoring of risks. The Group has also adopted risk management strategies built on the principle that the company, based on its extensive experience and expertise in acquiring loan portfolios, actively seeks to increase its volumes in this business area while minimising other exposures and risks (such as market, liquidity and operational risks) as far as is financially justifiable.

The Group's Risk control function is responsible for working independently from Management to analyse, monitor and report all significant risks to the CEO and Board of Directors. The Risk control function also serves as an advisor to the Board on issues concerning risk management, risk appetite and risk strategies. This ensures that duality is achieved, as all significant risks are analysed, reported and monitored by the business operations as well as the independent Risk control function. Risks within the Group are managed and limited in accordance with policies and instructions adopted by the Board. The Risk control function is responsible for reporting and escalating deviations from the limits to both the CEO and the Board.

Risk exposures are calculated, analysed and compared with anticipated revenue to ensure the achievement of an attractive risk-adjusted return. Once defined, the Group's risk profile is assessed and evaluated. Assessment and evaluation include the following steps:

1) Assessment of each risk category

Each risk category is individually assessed. The risk assessment is documented and always results in a qualitative assessment of the risk as well as a quantifiable amount if possible.

2) Stress testing: Assessment of unforeseen events

Unforeseen events are defined as events that are possible but highly unlikely. Such events may be designated as "stress test events" and their consequences simulated and documented. Simulation results are reviewed against the Group's capital and liquidity. Unforeseen events may be based on historical experience, academic theory and/or hypothetical scenarios.

3) Assessment of how risks can be managed and controlled

Although not all risks can be quantified in an adequate way, an analysis is done to detail the way in which risks can be managed and controlled. When appropriate, measures are implemented to improve the management and control of the risk.

The most significant risks identified by the Group as being relevant to its business are:

- » (i) credit risk
- » (ii) operational risk
- » (iii) market risk (FX risk and interest rate risk)
- » (iv) liquidity risk

These risks are presented in separate sections below.

Credit risk

Credit risk is the risk to revenue and/or capital arising from a counterparty's failure to repay principal or interest at the stipulated time or a failure to otherwise perform as agreed.

Credit risk on the Group's balance sheet relates mainly to:

- » Acquired loan portfolios, comprised of performing and non-performing loans. Details on the credit risk for these two categories are presented in separate sections below.
- » Bonds and other securities.
- » Lending to credit institutions.
- » Counterparty risk exposure to institutions with which the Group conducts derivative transactions to hedge the Group's FX and interest rate exposure.

Credit Risk for acquired non-performing loan portfolios

The non-performing loans are acquired in portfolios at prices that typically vary between 5 and 35 per cent of the nominal value outstanding at the acquisition date. The price depends on the portfolios' specific characteristics and composition in terms of, inter alia, size, age, the existence of collaterals and type of loans, as well as debtor age, location, type, et cetera.

Measuring Credit Risk in the non-performing loan portfolios

Credit risk in the non-performing loan portfolios relates primarily to the Group overpaying for a portfolio — that is, recovering less from the portfolio than expected — resulting in higher than expected portfolio carrying amount impairments and lower revenue.

Total credit risk exposure is equal to the carrying amount of the assets. The year-end carrying amount of Hoist Finance's non-performing loan portfolios was SEK 20,322m (23,396). The majority of these loans are unsecured, although a number of portfolios have real estate properties as collateral. As at 31 December 2020, these portfolios had a carrying amount of SEK 3,458m (4,076).

Information on the loan portfolios' geographical distribution is presented in Note 3 "Segment reporting". Other information on acquired non-performing loan portfolios is presented in Note 18 "Acquired loan portfolios". An important parameter for Hoist Finance's credit risk management of non-performing loan portfolios is net cash flow forecasts, as presented in Note 18 "Acquired loan portfolios".

Impairment of non-performing loan portfolio values

The risk of loan portfolios failing to pay as expected is regularly monitored by the business operations and the Risk control function, by comparing actual outcome against forecasts. The process for identifying the need to impair portfolio values is regulated by a specific policy. The Risk control function monitors compliance with the policy and participates on the Revaluation Committee, which makes decisions on portfolio value impairment. Revaluation of portfolios and the difference between realised collections and forecasts is reported under "Impairment gains and losses".

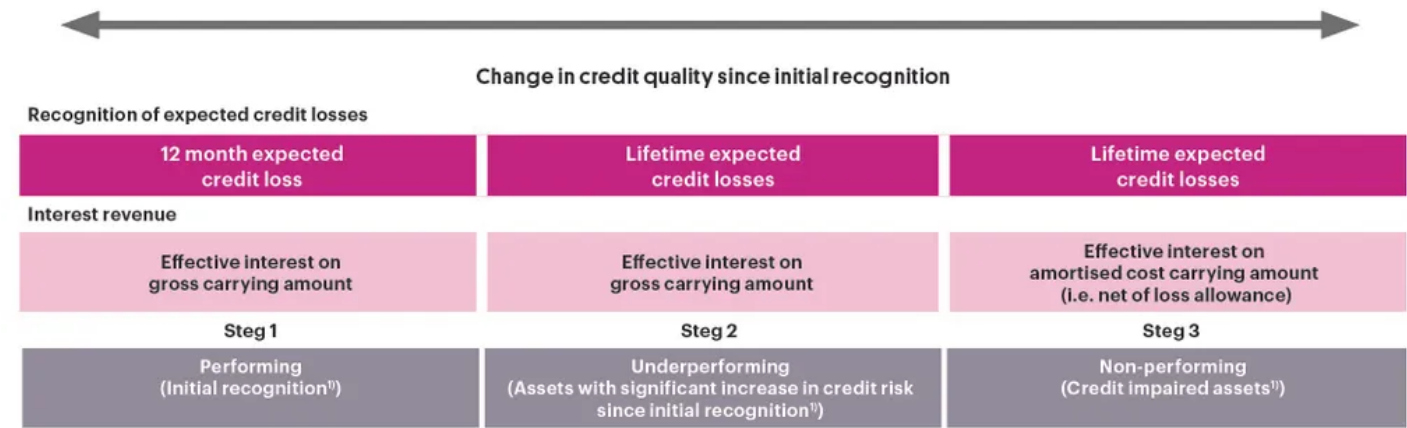
Securitisation

In 2019, Hoist Finance completed its first securitisation transactions backed by portfolios of unsecured non-performing loans. These transactions can be regarded as involving increased regulatory risk, given that Hoist Finance is obliged to continuously monitor and ensure that the requirements for "significant risk transfer" are fulfilled at all times. The securitised assets are fully consolidated in Hoist Finance's balance sheet and developments in the underlying loan portfolios are monitored in the same way as for non-securitised assets. The securitisation structure is funded with secured bonds. The bond's capital requirements are determined by their rating and, for this reason, the rating is constantly monitored.

Expected credit loss measurement for acquired performing loan portfolios

For acquired performing loans IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition. The model is only applicable to the Group’s performing loan portfolios. Non-performing loan portfolios are always classified in Stage 3. The loss allowance for non-performing loans is detailed below in the section “Credit risk for acquired non-performing loan portfolios”.

The IFRS 9 three-stage model is presented in the adjacent table.



1) Except for purchased or originated credit impaired assets

For Hoist Finance, initial recognition is the date on which a portfolio is acquired and subsequently recognised on the balance sheet. For acquired performing loan portfolios, all loans that are not considered credit-impaired are classified in Stage 1 at initial recognition. Criteria for migration to Stage 2 or Stage 3 are described under “Significant increase in credit risk” and “Definition of default and credit-impaired assets” respectively.

The general approach applied by Hoist Finance for measuring Expected Credit Losses (“ECL”) for acquired performing loan portfolios is component-based and builds upon an estimation of Exposure at Default (“EAD”), Loss Given Default (“LGD”), and Probability of Default (“PD”). These components are multiplied together each month to produce an ECL which is recognised in financial statements as a loss allowance.

At each reporting date, ECL is estimated on a 12-month and a lifetime basis for all acquired performing loan portfolios. For loans in stage 1, loss allowance is recognised for ECL over the next 12 months whereas for loans in Stage 2 and Stage 3, loss allowance is recognised for lifetime ECL.

The ECL for all acquired performing loans is measured on a collective basis, where a grouping is performed based on shared risk characteristics, type of product, type of counterparty and type of collateral. During the period, there have been no changes in estimation techniques or significant assumptions in the ECL measurement process.

Measuring ECL – explanation of inputs, assumptions and estimation techniques

When a performing portfolio is acquired, the ECL model components are estimated based on historical information both on a customer and on a debt level.

At initial recognition and at subsequent reporting dates, the lifetime and 12-month PD is estimated using transition matrices for modelling the probability of being in different survival states prior to default over the remaining lifetime of the loan. All loans are classified in a risk rating class system for which the probability of moving between different risk classes is estimated. The estimation of PD also includes incorporation of forward-looking macroeconomic information which is described under “Forward-looking information incorporated in ECL models”.

The lifetime and 12-month EAD is estimated based on the contractual payment profile of the loan along with behavioural assumptions for possible prepayments, overpayments and underpayments.

The lifetime and 12-month LGD is determined on the basis of factors impacting the expected post default recoveries such as the probability of curing to a non-default state and the value of any underlying collateral. The estimation of LGD also includes the incorporation of forward-looking macroeconomic information which is described under “Forward-looking information incorporated in ECL models”.

Lifetime ECL is calculated as the present value of all cash shortfalls over the remaining lifetime of the loan, discounted using the effective interest rate (“EIR”). The 12-month ECL is quantified based on the lifetime ECL weighted by the probability that this loss will occur during the next 12 months.

The most significant assumptions affecting the ECL allowance are as follows:

- » (i) The debtors’ historical and current payment patterns and ability to comply with their contractual obligations which is the main component used in estimating the PD of the debtors.
- » (ii) The Loan-To-Value for collateralised loans mitigating the loss in the event of default (LGD).

Significant increase in credit risk

Hoist Finance has defined rating class staging criteria based on the PD rating class system used in the transition matrices utilised for PD estimation. Significant increase in credit risk (“SICR”) is defined as when a loan experiences a risk class migration increase of one risk grade as counted from its original risk class at initial recognition.

Hoist Finance is not rebutting the IFRS 9 presumption that a SICR has occurred when a loan contract is more than 30 days past due on contractual payments. However it should be noted that Hoist Finance applies this backstop criteria provided that the past due amount is considered material in accordance with the definition of default described under “Definition of default and credit-impaired assets”.

Hoist Finance has not used the low credit risk exemption for any acquired performing loan portfolios.

Definition of default and credit-impaired assets

Hoist Finance defines an acquired loan as in default, which is fully aligned with the definition of credit-impaired, when it meets any of the following criteria:

- » The obligor is more than 90 days past due on its contractual payments by a material amount. Pursuant to the EBA’s guidelines on default of an obligor (article 178), material amounts are amounts exceeding EUR 100 plus 1 per cent of the outstanding amount
- » When a concession is granted which modifies the contractual cash flows resulting in a material loss
- » Bankruptcy of the obligor
- » Confirmed death of the obligor
- » An obligor’s sources of recurring income are no longer available to meet the payments of instalments
- » Hoist Finance has called any collateral, including a guarantee
- » There are justified concerns about an obligor’s future ability to generate stable and sufficient cash flow.

Concerning what is to be regarded as a purchased credit-impaired asset, the assessment is based on the information provided by the sellers of the acquired non-performing loan portfolios.

Forward-looking information incorporated in ECL models

The PD component incorporates forward-looking information through use of the macroeconomic variable proven to have the strongest impact on the default frequency of the portfolio. In the case of not having enough data a proxy default frequency may be used. The PD for each point in time is then adjusted in accordance with scenarios derived from that macroeconomic variable.

The LGD component incorporates forward-looking information by applying macroeconomic variable assumptions on the collateral valuation which impacts future recovery rates.

For the purpose of incorporating forward-looking macroeconomic information in the measurement of ECL, three different probability weighted scenarios are utilised.

- » (i) A base economic scenario which builds upon the projected economic development as estimated by the International Monetary Fund ("IMF"). The probability weighting assigned to this scenario is 90 per cent.
- » (ii) A negative economic downturn scenario. The probability weighting assigned to this scenario is 5 per cent.
- » (iii) A positive favourable economic scenario. The probability weighting assigned to this scenario is 5 per cent.

The below table outlines how the most significant period-end economic variable assumptions as at 31 December 2020 have been applied for the different economic scenarios.

		PERFORMING LOANS				
%		2021	2022	2023	2024	2025
Germany	Inflation CPI	0.5	1.1	1.3	1.5	1.7
Poland	GDP Current prices	1.1	-0.5	0.4	-0.1	-0.7
United Kingdom	GDP PPP (share of world)	-7.4	7.7	4.7	3.4	3.4

The positive and negative economic scenarios are derived by applying +/- two standard deviations from the assumed future macroeconomic variable development in the basic scenario.

Sensitivity analysis

Set out in the table below are the changes to the ECL as at 31 December 2020 that would result if the negative and positive economic scenarios used for ECL measurement purposes, as described in section "Forward-looking information incorporated in ECL models", materialised.

ECL Scenario Sensitives				
		LGD		
%		Positive	Neutral	Negative
PD	Positive	-8.47	-0.56	9.85
	Neutral	-8.12	0.00	10.38
	Negative	-7.81	0.37	11.20

Collateral

For acquired secured performing loan portfolios, the collateral which serves as security for mitigation of credit risk consists of properties and to a minor extent car vehicles. Hoist Finance prepares a valuation of the collateral to be obtained as part of the transaction process. Hoist Finance monitors the development of the value of the collateral in secured portfolios through periodic revaluation on an annual basis. There is no case where the ECL for a loan is zero due to the value of collateral.

Hoist Finance's policies for obtaining collateral have not significantly changed during the reporting period and there has not been any significant change in the overall quality of collateral held by Hoist Finance.

For acquired secured performing loans that subsequently have become credit-impaired, it becomes more likely that Hoist Finance might take possession of the collateral to mitigate potential credit losses. As at 31 December 2020 the value of collateral held for credit-impaired assets represents more than 100 per cent of the gross carrying amount of these loans which represents the maximum exposure to credit risk.

Write-offs

For acquired loan portfolios, Hoist Finance will, in whole or in part, derecognise assets where there is no reasonable expectation of recovery. As at 31 December 2020, there are no contractual amounts outstanding that are still subject to enforcement activity for written off acquired loans.

Modifications

For acquired loan portfolios, Hoist Finance has the ability to modify the contractual terms of the loan which alters the contractual cash flows. As at 31 December 2020, no losses or gains arising from modifications of contractual cash flows for acquired loan portfolios have been recognised for the reporting period. Thus, modification of contractual cash flows have not had any impact on measurement of ECL.

Credit risk exposure and maximum exposure to credit risk

For acquired non-performing and performing loan portfolios, the maximum exposure to credit risk is represented by the gross carrying amount of the loan. The adjacent table contains an analysis of the credit risk exposure for acquired loan portfolios based on credit risk classes. The credit risk class for "high credit quality" corresponds to loans where the exposure weighted average 12 month PD is 0.3 per cent. The equivalent PD averages for "medium credit quality" and "low credit quality" are 1.2 per cent and 21.4 per cent respectively.

ACQUIRED LOAN PORTFOLIOS 31 DEC 2020					
SEK m	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Credit grade					
Credit grade for high credit quality	535	-	-	-	535
Credit grade medium credit quality	171	-	-	-	171
Credit grade for low credit quality	4	7	-	-	11
Default	-	-	41	20,430	20,471
Gross carrying amount	710	7	41	20,430	21,188
Loss allowance	-1	0	-4	-108	-113
Net carrying amount	709	7	37	20,322	21,075

A full reconciliation of gross carrying amount and ECL movements can be found in note 18, "Acquired loan portfolios".

Concentration risk

Hoist Finance has receivables from a large number of counterparties, most of who are private individuals. The portfolio is also well diversified geographically, with receivables in 10 countries and no country accounting for more than 30 per cent of total loan portfolios. Limits are in place for banks and other financial counterparties and are monitored and reported on an ongoing basis. In light of this, Hoist Finance considers there to be no significant concentration risk.

Credit risk for the liquidity portfolio assets

The credit risk associated with exposures in Hoist Finance's liquidity reserve is managed in accordance with the Group's Treasury Policy, which regulates the portion that may be invested in assets issued by individual counterparties. Restrictions include limits on exposures to a given counterparty credit rating.

The table below shows S&P's credit rating for the Group's exposures in the liquidity reserve as per 31 December 2020 compared with 31 December 2019.

Rating	31 Dec 2020	31 Dec 2019
AAA	62.8	62.1
AA+	12.2	0.0
AA	0.0	6.5
AA-	8.4	10.4
A+	0.0	0.0
A	12.1	14.6
A-	0.3	0.5
BBB+	3.0	3.3
BBB	0.0	0.0
BBB-	0.1	0.0
BB+	0.3	0.2
BB	0.0	0.0
BB-	0.2	2.0
B+	0.0	0.0
B	0.0	0.0
B-	0.5	0.2
N/A	0.0	0.1
Total SEK m	8,652	8,024
<i>of which, in the liquidity portfolio</i>	6,493	5,498

As per 31 December 2020, the weighted average maturity for liquidity portfolio assets was 1.87 years (1.66) and the modified duration was 0.29 years (0.26). Maturity and modified duration are important measures for evaluating Hoist Finance's credit spread risks and interest-rate risks.

Credit risks arising from bond holdings or derivative transactions

Credit risks arising from bond holdings or derivative transactions are treated in the same way as other credit risks, that is, they are analysed, managed, limited and controlled.

Counterparty risk

The Group uses FX and interest-rate derivatives to hedge its exchange-rate and interest-rate exposure (see Note 16, "Derivatives"). To avoid counterparty risks associated with these derivatives, the Group uses ISDA and CSA agreements for all derivative counterparties. These agreements allow for netting and daily settlement of credit risk and, accordingly, counterparty risk with derivative counterparties corresponds at most to a one-day fluctuation of the derivative's value. The CSA agreement is backed by cash collateral. Derivative transactions are only conducted with stable counterparties with a minimum credit rating of A-, which also serves to limit the counterparty risk.

The tables below show financial assets and liabilities subject to setoff and covered by legally binding netting or similar agreements.

Financial per type of financial instrument

Financial assets and liabilities subject to set-off and covered by legally binding netting or similar agreements.

31 Dec 2020					
SEK m	Gross amount of financial assets and liabilities	Amount offset in the balance sheet	RELATED AMOUNTS NOT OFFSET IN THE BALANCE SHEET		
			Net amount presented in the balance sheet	Cash collateral	Net amount
Assets					
Derivatives	241	-	241	-244	-3
Liabilities					
Derivatives	43	-	43	-43	0
Total	198	-	198	-201	-3

31 Dec 2019					
SEK m	Gross amount of financial assets and liabilities	Amount offset in the balance sheet	RELATED AMOUNTS NOT OFFSET IN THE BALANCE SHEET		
			Net amount presented in the balance sheet	Cash collateral	Cash collateral
Assets					
Derivatives	107	-	107	-91	16
Liabilities					
Derivatives	35	-	35	-35	0
Total	73	-	73	-56	16

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, IT systems or from external events, and includes legal and compliance risk.

The operational risk that Hoist Finance is mainly exposed to is divided into the following seven categories:

- » Unauthorised activities and internal fraud
- » External fraud
- » Employment practices and workplace safety
- » Clients, products and business practices
- » Damage to physical assets
- » Business disruption and system failures
- » Execution, delivery and process management

The Group manages operational risk by continuously improving its internal procedures and day-to-day controls, and by training employees in risk management and risk management techniques. The Group also applies the dual-control principle which means that a business flow or transaction must always be managed by at least two independent units/individuals.

To identify and mitigate operational risks within the Group, the Risk control function in each country has established routines, including the following:

1. All employees are required to submit incident reports via a Groupwide risk management system, where incidents and actions taken are monitored by the Risk control function. Significant reported incidents are included in the risk report submitted to the Board and the Management in the relevant country.
2. Annual evaluation and identification of operational risks, and controls to reduce risks. This is a process to identify, quantify, analyse and thereby determine measures to reduce operational risks in Hoist Finance to an acceptable level. The analysis includes an assessment of a given risk's probability of occurrence and what its consequences (impact) would be, it lists the steps taken by Hoist Finance to manage the risks, and details additional measures that need to be taken. Assessments are not made by a single person – they are made in groups, since discussion and different perspectives are vital to the identification of relevant risks.
3. The process for approval and quality assurance of new and amended products, services, markets, processes, IT systems and major changes in Hoist Finance's operations and organisation.
4. Business Continuity Management (BCM) provides a framework for planning for and responding to events and business disruptions to ensure the continuation of business operations at an acceptable predefined level. The Group's BCM comprises disruption and crisis management:
 - » Disruptions are managed by having business continuity plans in place.
 - » Crises are managed by predefined crisis management teams.
5. Key risk indicators are reported to Management and the Board on a regular basis in order to follow up measurable operational risks and provide early warning when risks have increased.
6. Regular training in operational risks is conducted in key areas.

Market risk

Market risk is defined as the risk that FX and interest-rate fluctuations may negatively affect a company's results or equity level.

Currency/FX risk

The FX risk that has an adverse impact on the Group's income statement, balance sheet and/or cash flow arises primarily as a result of:

- » Certain income and expense items arising in different currencies, resulting in a transaction risk.
- » Any imbalance between the value of assets and liabilities in different currencies gives rise to a translation risk or balance-sheet risk.

Group Treasury has overall responsibility for continuous management of these risks.

Transaction risk

In each country, most revenue and operating expenses are in local currency. Currency fluctuations therefore have only a limited impact on the company's operating profit in local currency. Revenue and expenses in national currency are therefore hedged in a natural way, which limits the transaction risk exposure.

Translation risk

The Group's presentation currency is SEK, while its three main functional currencies are EUR, GBP and PLN. The Group's loan portfolios (assets) are mainly denominated in foreign currency, while the Group's deposits from the public (liabilities) are denominated in SEK and EUR. This imbalance between assets and liabilities in different currencies entails a translation risk (balance-sheet risk). To manage translation risk, the Group calculates its unhedged exposure to the aggregate value of net assets denominated in currencies other than SEK. The Group's translation exposure is then managed through linear derivative contracts. The Group uses hedge accounting for the net investment in foreign operations. Additional information regarding hedge accounting in the Accounting Principles section 10 "Hedge accounting" and in note 16, "Derivatives".

The tables below show the Group's exposure per currency. The Group has no significant positions in currencies other than EUR, GBP and PLN. The tables also present the translation risk expressed as sensitivity to a movement of 10 per cent in the exchange rate between SEK and each currency.

Group FX risk in EUR	31 Dec 2020	Impact on equity	31 Dec 2019	Impact on equity
Net assets on the balance sheet, EUR m	65		162	
Currency forwards, EUR m	-68		-167	
Net exposure, EUR m	-3		-5	
A 10 per cent increase in the EUR/SEK FX rate impacts Group results by (SEK m)	-3	-0.06 %	-6	-0.12 %
A 10 per cent decrease in the EUR/SEK FX rate impacts Group results by (SEK m)	3	0.06 %	6	0.12 %
Group FX risk in PLN	31 Dec 2020	Impact on equity	31 Dec 2019	Impact on equity
Net assets on the balance sheet, PLN m	1,818		1,839	
Currency forwards, PLN m	-1,814		-1,822	
Net exposure, PLN m	4		17	
A 10 per cent increase in the PLN/SEK FX rate impacts Group results by (SEK m)	1	0.02 %	4	0.09 %
A 10 per cent decrease in the PLN/SEK FX rate impacts Group results by (SEK m)	-1	-0.02 %	-4	-0.09 %
Group FX risk in GBP	31 Dec 2020	Impact on equity	31 Dec 2019	Impact on equity
Net assets on the balance sheet, GBP m	502		547	
Currency forwards, GBP m	-499		-545	
Net exposure, GBP m	3		3	
A 10 per cent increase in the GBP/SEK FX rate impacts Group results by (SEK m)	4	0.07 %	4	0.07 %
A 10 per cent decrease in the GBP/SEK FX rate impacts Group results by (SEK m)	-4	-0.07 %	-4	-0.07 %

Interest rate risk

The Group's interest-rate risk originates from changes in interest rates that may affect the company's revenues and expenses to varying degrees. Changes in interest rates could affect the company's revenues from loan portfolios as well as the liquidity reserve, while the cost of funding these assets may also change.

A sudden and permanent interest-rate increase may adversely impact the Group's profit to the extent interest rates and interest expense for loans and deposits from the public are affected more by the increase than are revenues from loan portfolios and the liquidity reserve. To ensure that the exposure is within the company's risk appetite, Group Treasury manages and reduces these interest-rate risks by continuously hedging the Group's interest-rate exposure through linear interest-rate derivatives denominated in EUR, GBP and PLN. Hoist Finance does not apply hedge accounting for the interest rate risk hedging.

Pursuant to accounting policies, however, the effects of interest-rate changes are taken up as income at different times. For instance, the Group's liquidity reserve and interest derivatives are measured at fair value, so changes in interest rates have an instantaneous impact on the book value and hence on Group results. Loan portfolios, on the other hand, are generally valued under the amortised cost principle, so changes in interest rates have an impact over time (rather than instantaneous) on asset value and Group results. The Group's liabilities are valued under the amortised cost principle, so changes in interest rates have an impact over time (rather than instantaneous) on Group results.

Hoist Finance has strict limits for maximum allowed interest-rate exposure. Limits are in place to reduce earnings risk and economic value risk.

The table below shows the effect on various assets and liabilities of a sudden and permanent parallel shift of 100 basis points in market interest rates.

Total impact on net interest income over 3 years						
	IMPACT ON PROFIT/LOSS 31 DEC 2020		IMPACT ON EQUITY	IMPACT ON PROFIT/LOSS 31 DEC 2019		IMPACT ON EQUITY
	-100 bps	+100 bps		-100 bps	+100 bps	
Impact on net interest income (over 3 years)	-29	31		168	-165	
Impact on derivatives (instantaneous impact)	-54	54		-79	79	
Total impact of change in short-term interest rate	-83	85	+/-1.61 %	89	-86	+/-1.76 %

The table below shows the instantaneous impact on profit/loss of a parallel shift of 100 basis points in market interest rates.

Total items measured at fair value including derivatives, SEK m						
	IMPACT ON PROFIT/LOSS 31 DEC 2020		IMPACT ON EQUITY	IMPACT ON PROFIT/LOSS 31 DEC 2019		IMPACT ON EQUITY
	-100 bps	+100 bps		-100 bps	+100 bps	
Liquidity portfolio	20	-20		8	-8	
Interest-rate swaps	-54	54		-79	79	
Total	-34	34	+/-0.65 %	-71	71	+/-1.44 %

Liquidity risk

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

The Group's cash flow from acquired loan portfolios is in its nature positive. The group normally receive a cash flow of ca 1.8 times the invested amount over time. Major cash outflows stem from a deliberate decision to invest in a new portfolio or from unexpected cash outflows. The latter can result from outflow of deposits or from outflow due to mark-to-market of hedging derivatives or from outflow of existing wholesale funding (refinancing risk).

The Group's overall liquidity strategy is to maintain a liquidity reserve of highly liquid assets designed to mitigate Hoist Finance's liquidity risks and, in addition, to make liquidity available for financial obligations related to loan portfolio acquisitions.

The Group's general funding strategy is to maintain a sustainable, cost-efficient and well diversified funding structure while at the same time upholding a sound structural risk level – including liquidity, interest rate and FX risk – which is appropriate, and proportionate to Hoist's business model. Diversification between different types of sources of funding in various markets, currencies and forms of funding instruments is a key component of the funding strategy. Maintaining an investment grade rating is another cornerstone to Hoist funding strategy, and potential rating implications are taken into consideration in financial and business strategic decisions.

The Group has a diversified funding base with a diversified maturity structure. Funding is mainly raised in the form of deposits from the public and through the capital markets through the issuance of senior unsecured debts, own funds instruments and equity. Hoist Finance offers retail deposits in Sweden and Germany. 30 per cent (41) of deposits from the public are payable on demand (current account), while approximately 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. More than 99 percent of deposits are backed by the deposit guarantee scheme. The retail deposits give the Group a competitive advantage, as they are stable, flexible and provide access to funding at relatively low cost.

Details of the Group's funding base are presented in the table below.

Funding, SEK m	31 Dec 2020	31 Dec 2019
Current account deposits	5,422	8,871
Fixed-term deposits	12,506	12,564
Debt securities issued	6,355	5,900
Additional Tier 1 capital	1,106	690
Subordinated debts	821	852
Equity	4,052	4,208
Other	1,602	1,302
Balance sheet total	31,864	34,387

In addition to having a diversified funding structure with respect to funding sources and maturity structure, the Group has implemented a number of measures to minimise liquidity risk:

- » Centralised liquidity management: Management of liquidity risk is centralised and handled by Group Treasury.
- » Independent analysis: The Group's Risk control function serves as a central unit for independent liquidity analysis. Internal Audit is responsible for inspecting the Group's liquidity control tools.
- » Continuous monitoring: The Group uses short and long-term liquidity forecasts to monitor the liquidity position and reduce liquidity risk. These forecasts are presented to management and the Board.
- » Stress testing: The Group conducts stress tests of the liquidity situation. These tests vary in nature to demonstrate the risk from multiple angles and to preclude negative results due to defects in stress test methodology.
- » Interest-rate adjustment: The size of deposits from the public can be managed by adjusting quoted interest rates.
- » Well-diversified deposit portfolio with no concentration risks: The highest savings deposit is limited to SEK 950,000. The risk of large outflows is further reduced through the coverage of 99 per cent of deposits by the national deposit insurance.
- » Liquidity portfolio: Liquidity investments are made in low-risk, high-liquidity interest-bearing securities, which allows for rapid cash conversion if needed.

As a credit institution, Hoist Finance is subject to laws and regulations covering liquidity requirements. Hoist Finance's short-term liquidity coverage ratio (LCR) was 1,130 per cent (755) at year-end, compared with its regulatory ratio of 100 per cent. The Net Stable Funding Ratio (NSFR) was 119 per cent (124) at year-end. Pursuant to CRR2, the regulatory requirement of 100 per cent NSFR will take effect as from 28 June 2021. Hoist Finance is well prepared to meet this requirement.

As per 31 December 2020, Hoist Finance's liquidity reserve amounted to 27 per cent (24) of total assets. The liquidity portfolio is largely made up of Swedish government and municipal bonds, German government bonds, covered bonds, and also includes short-term lending to other banks.

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

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity. Available liquidity was within target level as per 31 December 2020 and totalled SEK 8,652m (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. These events may include:

- » An outflow from savings deposits of more than 10 per cent of total deposits over a 30-day period.
- » A lowering or removal of Hoist Finance's credit rating by an official rating institute.

Internal capital and liquidity adequacy assessment processes

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are ongoing processes carried out by the Executive Management Team, which reviews, evaluates and quantifies risks to which the Group is exposed in carrying out its business operations. This risk analysis forms the basis for ensuring that the Group has sufficient capital and liquidity to cover the regulatory requirements and to ensure a comfortable financial margin vis-à-vis the regulatory requirements.

The capital and liquidity assessment process is developed and reviewed at least once per year. The annual review focuses on ensuring that the process is always relevant to the current risk profile and to the Group's operations. The Board decides on any changes to the process, and Internal Audit verifies that the process is carried out pursuant to the Board's instructions.

The processes start with the management's business plan and budget for the coming three years. These are formalised into a forecast. The ICAAP and ILAAP use these forecasts as a starting point and, as a first step, evaluate the risks inherent in the forecasts.

ICAAP

ICAAP is Hoist Finance's internal evaluation to ensure that it has sufficient capital to meet the risks in both normal and stressed scenarios.

Credit and market risks are rigorously stress-tested to determine the extent of the losses that Hoist Finance is capable of withstanding under extremely adverse circumstances. This loss figure is then compared to the statutory capital requirement calculated according to Pillar 1. If the simulated losses exceed this amount, the excess is covered by additional Pillar 2 capital.

Operational risks are evaluated based on the company's reported incidents statistics. Once the operational risks have been quantified, the next step is calculation of the amount of capital required to cover all potential unexpected losses related to the operational risks. The company must be able to withstand even extremely serious operational incidents. Here as well, the calculated capital requirement is compared to the statutory Pillar 1 capital requirement and any excess loss risk is covered by additional Pillar 2 provisions.

Hoist Finance conducts stress tests and sensitivity analyses of the business plan, under ICAAP and on an ongoing basis in the operations, to ensure that the Group maintains a strong financial position in relation to regulatory capital requirements under extremely adverse internal and external market conditions.

The capital requirement produced by ICAAP is used by management as a decision-making tool when making future plans for the Group. ICAAP thus adds a further dimension to the Group's decision-making above and beyond strategic and daily planning. Before being implemented, strategic plans, forecasts and immediate management decisions are always reviewed against the background of capital requirements.

The conclusions from this year's ICAAP are that Hoist Finance has sufficient capacity to withstand unexpected events without risking its solvency.

ILAAP

ILAAP is Hoist Finance's internal evaluation to ensure that the Group maintains sufficient levels of liquidity buffers and sufficient funding in light of the liquidity risks that exist. The process identifies, verifies, plans and stress-tests Hoist Finance's future funding and liquidity requirements.

Hoist Finance uses ILAAP to define the size of the liquidity buffer that the Group needs to maintain, to prevent identified liquidity risks from affecting the Group's capacity to achieve its business plan and to meet regulatory requirements (LCR/NSFR) and the limits set by the Board of Directors.

Results from this year's ILAAP show that Hoist Finance has sufficient capacity to meet unexpected liquidity risks without risking refinancing problems, and that Hoist Finance maintains a liquidity reserve sufficient to maintain continued growth.

Note 34 - 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). These laws are aimed at ensuring that the regulated entity and its consolidated situation manages its risks and protects its customers.

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.

There are no existing or anticipated actual or legal obstacles to the immediate transfer of own resources or debt repayment between companies and their subsidiaries.

Additional information on capital adequacy is available in the company's Pillar 3 report available on www.hoistfinance.com.

Transitional rules, IFRS 9

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

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
<i>Common Equity Tier 1 (CET1) capital: instruments and reserves</i>				
Capital instruments and related share premium accounts	1,913	1,913	1,913	1,913
Retained earnings	2,044	1,534	924	819
Accumulated other 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
<i>CET1 capital: regulatory adjustments</i>				
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
<i>Additional Tier 1 (AT1) capital: instruments</i>				
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
<i>Tier 2 (T2) capital: instruments and provisions</i>				
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 propose to the annual general meeting not to pay any dividend for financial year 2020. Therefore no dividend deduction has been included.

As presented in the above table, issued Tier 1 capital instruments and Tier 2 capital instruments are both used in calculating own funds. These instruments are described briefly below.

Additional Tier 1 capital

Additional Tier 1 capital is comprised of three issues of write-down instruments with a nominal amount of EUR 30m, EUR 40m and EUR 40m, respectively, and with coupon rates of 8.625 per cent, 8 per cent and 7.75 per cent, respectively. The convertibles were issued to improve Hoist Finance's capital structure. The instruments have no scheduled maturity date, although the issuer may redeem the instruments in full at specified dates. The first possible redemption dates are 21 June 2023, 1 September 2023 and 26 February 2025, respectively.

Tier 2 capital instruments

In May 2017 Hoist Finance issued a subordinated loan of EUR 80m, which is included as Tier 2 capital in Hoist Finance's own funds. The subordinated loan matures on 19 May 2027 with possibility for early redemption after five years and carries a fixed coupon rate of 3.875 per cent. The instrument is listed on the Dublin Stock Exchange.

Revaluation reserve

Hoist Finance's own funds include a revaluation reserve of SEK 72m in other reserves, of which SEK 64m pertains to a revaluation of shares in subsidiary Hoist Finance UK Ltd during 2013 and SEK 8m pertains to revaluation of acquired loan portfolios.

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		HOIST FINANCE AB (PUBL)	
	31 Dec 2020	31 Dec 2019	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
<i>of which, counterparty credit risk</i>	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

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
Capital requirements, SEK m	31 Dec 2020	31 Dec 2019	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
<i>of which, counterparty credit risk</i>	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
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
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 capital 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 consolidated situation and for the regulated entity Hoist Finance AB (publ). 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.

Capital ratios and capital buffers, %	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
CET1 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 requirements	7.00	7.34	7.00	7.30
<i>of which, capital conservation buffer requirement</i>	2.50	2.50	2.50	2.50
<i>of which, countercyclical buffer requirement</i>	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.

Leverage ratio	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
	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 35 – Related-party transactions

The Group conducted transactions during the year with joint venture companies Best III and PQH Single Special Liquidation S.A. As at the balance sheet date, Parent Company Hoist Finance AB (publ) had receivables from these companies totalling SEK 6m (6). Revenues from joint ventures totalled SEK 71m (71) for the Parent Company and SEK 57m (62) for the Group. No costs were recognised for joint ventures during the year, and no liabilities to joint ventures were recognised as at the balance sheet date.

For additional information on these companies, please refer to Note 11, "Shares and participations in Joint Ventures".

No transactions with senior executives or board members were conducted during the year, apart from salaries and other remuneration. Information on remuneration and benefits for these persons is presented in Note 9, "Personnel Expenses".

No transactions have otherwise taken place between the Group and related parties that have affected the Group's position and results.

Parent Company

Parent Company Hoist Finance AB (publ) has controlling influence over its subsidiaries; see Note 19, "Shares and participations in subsidiaries". The following related-party transactions were conducted during the year between the Parent Company and other Group companies.

SEK m	2020	2019
Receivables on balance sheet date	14,402	17,432
Liabilitites on balance sheet date	493	647
Interest income	660	848
Interest expenses	-9	-7
Dividend received	302	10
Other operating income	250	222
Other operating expenses	-154	-114

Note 36 - Reconciliation of alternative performance measures

EBITDA, adjusted

SEK m	2020	2019
Profit for the year	41	605
+ Income tax expense	41	143
+/- Net result from financial transactions	6	79
+ Interest expense	582	494
+/- Interest income (excl. interest from run-off performing portfolio)	-5	6
+/- Portfolio revaluations	805	145
+ Depreciation and amortisation of tangible and intangible assets	134	122
EBITDA	1,604	1,594
+ Gross cash collections on acquired loan portfolios	6,324	6,179
- Interest income on acquired loan portfolios	-3,302	-3,359
EBITDA, adjusted	4,626	4,414

Return on equity

SEK m	2020	2019
Equity	5,158	4,898
Additional Tier 1 capital	-1,106	-690
Reversal of interest expense paid for AT1 capital	60	62
Total equity	4,112	4,270
Total equity (quarterly average)	4,144	4,042
Profit for the year	41	605
Adjustment of interest on AT1 capital	-85	-60
Adjusted annual profit	-44	545
Return on equity, %	-1	13

Return on equity, adjusted for items affecting comparability

SEK m	2020	2019
Equity	5,158	4,898
Additional Tier 1 capital	-1,106	-690
Reversal of interest expense paid for AT1 capital	60	62
Reversal of items affecting comparability ^{1) 2)}	155	72
Total equity	4,267	4,342
Total equity (quarterly average)	4,260	4,063
Profit for the year	41	605
Reversal of items affecting comparability ^{1) 2)}	155	72
Estimated annual profit	196	677
Adjustment of interest on AT1 capital	-85	-60
Adjusted annual profit	111	617
Return on equity, adjusted for items affecting comparability, %	3	15

1) Items affecting comparability for 2020 pertain to costs related to portfolio revaluations in Spain, changes in the market value of bonds in the liquidity portfolio, and unrealised changes in value of interest rate hedging instruments during the first quarter. Items affecting comparability for the third quarter pertain to restructuring costs in Italy and the UK, and for the fourth quarter to bond buy-back costs, expensed securitisation projects, and provisions for legal processes in Spain. Tax effects are included in all items affecting comparability.

2) Items affecting comparability 2019 refer to restructuring costs for the French operations, to the IT organisation and to interest rate swaps in the third quarter, and to securitisation expenses and to start-up expenses related to IT outsourcing during the fourth quarter, including tax.

Note 37 – Critical estimates and assumptions

The Management and the Board of Directors have discussed the developments, choices and disclosures regarding the Group's critical accounting policies and estimates as well as the application of these policies and estimates. They have also discussed and assessed future assumptions and other important sources of uncertainty in the assumptions as per the balance sheet date that may represent a substantial risk for material restatements of the carrying amounts in the financial statements in the coming financial years. Certain critical estimates have been made through the application of the Group's accounting policies described below.

Measurement of acquired credit-impaired loan portfolios

As described in Note 18 "Acquired Loan Portfolios" the recognition of acquired non-performing loans is based on the Group's own forecast of future cash flows from acquired portfolios. Although the Group's cash flow forecasts have historically been reasonably accurate, future deviations cannot be ruled out. The Group applies internal rules and a formalised decision-making process for the adjustment of previously adopted cash flow forecasts. The internal rules are based on a 15-year period. The effective interest rate for acquired credit-impaired loan portfolios is based on the initial cash flow forecast specified at acquisition date.

As regards credit-impaired loans, new assumptions made during the year indicate lower expected returns for the next few quarters due to Covid-19. This reduction is expected to be partially recovered through increased collections in later quarters, although some permanent loss is anticipated. While the method used to assess future collection performance has proven to be correct, our estimates will be modified to reflect the continued uncertainty regarding Covid-19's effects on the economic situation.

Measurement of acquired performing loans

The Company also acquires performing loans, for which both effective interest rate and cash flow are subject to the contractual obligations defined at acquisition. The effective interest rate here is also based on initial expected future cash flows as per the customer contract, discounted by the purchase price. Cash flows are regularly adjusted as receivables are paid or customer terms and conditions are renegotiated.

The measurement of the expected credit loss (ECL) for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses). A number of assessments are required in applying the accounting requirements for measuring ECL, such as:

- » Determining criteria for significant increase in credit risk
- » Choosing appropriate models and assumptions for ECL measurement
- » Establishing the number and relative weightings of forward-looking scenarios for each market

For performing loans, Hoist Finance has found no reason to adjust model assumptions due to Covid-19 beyond the scope of the directives issued by the EBA. Payment holidays have been granted to virtually all who have applied and have proven to be a good tool for customers in Hoist Finance's portfolios.

Detailed information on these estimates and assumptions is included in Note 33 "Risk Management".

Measurement of deferred tax assets

Deferred tax assets pertaining to loss carry-forwards or other future tax deductions are reported to the extent it is deemed probable that they may be offset against future tax surplus. Carrying values for deferred tax assets at each balance sheet date are presented in Note 13 "Tax".

Measurement and impairment testing of goodwill

Assessments are required to identify the cash-generating units. In the annual impairment test, the value in use of the cash-generating units is calculated by discounting estimated future cash flows. Cash flow forecasts are based on an assessment of future collections, portfolio acquisitions, and cost accounting and revenue recognition. Additional details on impairment testing for goodwill are presented in Note 20 "Intangible Assets".

Provisions

Assessments are required to determine whether existing legal or informal obligations exist and to calculate the probability, timing and amount of outflows. Claims arising from civil proceedings and official matters require a higher degree of assessment than other types of provisions.

Additional Tier 1 capital

Hoist Finance's Additional Tier 1 capital (AT1 capital) comprises depreciable perpetual debt instruments. Hoist Finance has no obligation to pay cash or other financial assets to the holders of the instruments. In other words, Hoist Finance has a unilateral and unconditional right to choose not to make payments. Therefore, AT1 capital does not comprise a financial liability, and is instead recognised as equity.

Note 38 – Subsequent events

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

No other significant events affecting operations took place.

Note 39 – Appropriation of profits

According to the Parent Company's balance sheet, the following unappropriated earnings are at the disposal of the Annual General Meeting:

SEK	
Share premium	1,882,891,946
Reserves	2,389,541
Retained earnings	1,366,480,047
Net profit for the year	255,032,807
Total ¹⁾	3,506,794,341

1) Unrealised changes in assets and liabilities at fair value have had a net impact on equity of SEK 209m in accordance with Chapter 4, section 14 of the Swedish Annual Accounts Act.

The Board of Directors proposes that unappropriated earnings be distributed as follows:

SEK	
To be carried forward	3,506,794,341

The Board of Directors propose the Annual Shareholders meeting 2021 that no dividend will be paid to the shareholders for the financial year 1 January - 31 December 2020. The Board of Directors considers that this deviation from the established dividend policy will contribute to strengthen the company's CET1 ratio and support further growth in 2021.

Certification of the Board of Directors

The Board of Directors and the CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden, and the consolidated accounts in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Annual Report and consolidated accounts provide a true and fair presentation of the Parent Company’s and the Group’s financial position and performance. The Parent Company’s and the Group’s Administration Reports provide a true and fair account of the development of the respective entities’ business, financial position and performance, and accurately describe the significant risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 22 March 2021

Ingrid Bonde

Chair of the Board

Cecilia Daun Wennborg

Board Member

Malin Eriksson

Board Member

Liselotte Hjorth

Board Member

Daniel Eriksson

Authorised Public Accountant
Auditor in charge

Robert Kraal

Board Member

Henrik Käll

Board Member

Lars Wollung

Board Member

Klaus-Anders Nysteen

CEO

Our audit report was submitted on 22 March 2021.
Ernst & Young AB

Auditor's report

To the general meeting of the shareholders of Hoist Finance AB (publ), corporate identity number 556012-8489.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Hoist Finance AB (publ) for the year 2020 except for the corporate governance statement on pages 86-106. The annual accounts and consolidated accounts of the company are included on pages 75-212 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other matters

The audit of the annual accounts for 2019 was performed by another auditor who submitted an auditor's report dated 27 March 2020, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of acquired credit-impaired loan portfolios

Detailed information and description of the area is presented in the annual accounts and consolidated accounts. The Group's and parent's acquired loan portfolios are specified in note 18 with additional information regarding risks in note 33. Regarding the area relevant accounting policies for the group, these can be found in note 1, section 9 on page 123 and critical estimates and assumptions in note 37. Note 1 section 22 shows that the accounting principles of the parent company concerning acquired loan portfolios corresponds with the accounting principles of the group.

Description

As of December 31, 2020, acquired loan portfolios amounts to SEK 21,075m (6,755) on Group (Parent) level where as SEK 20,322m (6,477) are credit-impaired loan portfolios and SEK 753m (278) non-impaired loan portfolios. Acquired loan portfolios makes up 66 (22) per cent of total assets.

Credit-impaired loan portfolios are valued at amortised cost where the expected future cashflows are discounted using an effective interest rate to the gross carrying amount. When the estimates of future cash flows on acquired credit-impaired loans are revised, the carrying amount of the financial asset is adjusted to reflect the new estimate discounted using the effective interest rate determined at initial recognition. Any changes are recognised in profit or loss on the line item Derecognition gains and losses. The Group applies internal rules and a formalised decision-making process for the adjustment of previously adopted cash flow forecasts.

Due to the size of the balance sheet item in relation to total assets and that it requires the company to make estimates and assumptions to estimate future cashflows valuation of acquired credit-impaired loan portfolios is considered a key audit matter.

How our audit addressed this key audit matter

We have reviewed the revaluation process and design of key controls including decision mandate on forecast adjustments and identification and decision on portfolios for which the cashflows are to be reviewed.

We have tested that data from the supporting IT-systems used in the forecast assessment is complete and accurate. Furthermore, we have on a sample basis assessed the reasonableness in updates in cash flow forecasts and reviewed Management's assumptions and conclusion, including how expectations on future cash flows are impacted by Covid-19.

We have assessed whether the applied accounting principles using credit-adjusted effective interest rate are in accordance with IFRS 9.

We have also reviewed disclosures in the financial statements regarding acquired loan portfolios and estimates are appropriate.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3-74 and 220-226. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- » Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- » Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- » Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- » Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Hoist Finance AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- » has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- » in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 86-106 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Hoist Finance AB (publ) by the general meeting of the shareholders on the 14 May 2020 and has been the company's auditor since the 14 May 2020.

Stockholm 22 March 2021

Ernst & Young AB

Daniel Eriksson

Authorized Public Accountant

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Hoist Finance AB (publ), corporate identity number 556012-8489

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2020 pages 27–47 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 22 March 2021

Ernst & Young AB

Daniel Eriksson

Authorized Public Accountant

Definitions – including 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" (ERC) 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 www.hoistfinance.com/investors/financial-information, provides details on the calculation of key figures.

IFRS measures

Basic earnings per share

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

Diluted earnings per share

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

Alternative Performance Measures

Acquired loans

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

Acquired loan portfolios

An acquired loan portfolio consists of a number of defaulted consumer loans or debts that arise from the same originator.

Active forecast

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

Adjusted EBITDA

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

C/I ratio

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

Fee and commission income

Fees for providing debt management services to third parties.

Gross 180-months ERC

“Estimated Remaining Collections” – the company’s estimate of the gross amount that can be collected on the 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: $(1 + \text{annual interest})^{(1/12)} - 1$.

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 the cash received following the initiation of Hoist Finance’s litigation process. This process assesses customers’ solvency and follows regulatory and legal requirements.

Net interest income margin

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

Non-performing loans (NPLs)

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

Portfolio growth

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

Portfolio revaluation

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

Return on assets

Net result for the year as a percentage of total assets at the end of the year.

Return on equity

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

Weighted average number of diluted shares

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

Definitions – According to the EU Capital Requirements Regulation no 575/2013 (CRR)

Additional Tier 1 capital

Capital instruments and associated share premium reserves 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.

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.

Common Equity Tier 1

Capital instruments and associated share premium reserves 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.

Common Equity Tier 1 ratio

Common Equity Tier 1 in relation to total risk exposure amount.

Leverage ratio

An institution's total exposure measure in relation to Tier 1 capital.

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 shortterm capacity to meet payment obligations in the event of lost or impaired access to regularly available funding sources.

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.

Own funds

Sum of Tier 1 capital and Tier 2 capital.

Risk-weighted exposure amount

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

Tier 1 capital

The sum of CET1 capital and AT1 capital.

Tier 1 capital ratio

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

Tier 2 capital

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

Total capital ratio

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

Non-Financial Definitions

Average number of employees

Average number of employees during the year converted to full-time posts (FTEs). The calculation is based on the total average number of FTEs per month divided by the year's twelve months.

Number of employees (FTEs)

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

SME

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

Shareholder information

Hoist Finance's Investor Relations department is responsible for providing relevant information to – and being available for talks and meetings with – shareholders, investors, analysts and the media.

During the year Hoist Finance conducted a number of international road shows and participated in numerous capital market activities. The company also held regular analyst meetings. Compared to previous years, the majority of these meetings have been conducted through digital channels.

Analysts who continuously monitor Hoist Finance

Citibank	Borja Ramirez
Arctic Securities	Joakim Svingen
Pareto Securities	Vegard Toverud
SEB	Ramil Koria
Carnegie	Ermin Keric

Annual General Meeting

The Annual General Meeting 2021 will be held on Tuesday 13 April 2021. Due to the Covid-19 pandemic, the board has decided that the Annual General Meeting will be held without the physical presence of shareholders, representatives and third parties. Shareholders shall be able to exercise their voting rights only by postal voting in advance.

Right to attend

Shareholders who wish to attend the Annual General Meeting by postal voting must be registered in the shareholders' register maintained by Euroclear Sweden AB no later than on Thursday 1 April 2021, and notify the company of their attendance by postal voting no later than on Monday 12 April 2021.

The postal vote shall be sent to:

Hoist Finance AB (publ)
Annual General Meeting
 Box 7848
 SE-103 99 Stockholm, Sweden or
arsstamma@hoistfinance.com

Shareholders whose shares have been registered in the name of a bank or securities institute must have their shares temporarily registered in their own name with Euroclear Sweden AB in order to vote at the Annual General Meeting. Such registration must be made well in advance of Thursday 1 April 2021.

Annual report

Hoist Finance's annual reports and other financial information are available at www.hoistfinance.com

Every case has been taken in the translation of this annual report to English. However, in the event of discrepancies, the Swedish original will supersede the English translation.

Financial Calendar 2021

Interim Reports:

January - March	29 April 2021
January - June	21 July 2021
January - September	27 October 2021

IR contact

Andreas Lindblom

Head of Investor Relations

+46 (0) 72 506 14 22

andreas.lindblom@hoistfinance.com

Hoist Finance AB (publ)

Box 7848

103 99 Stockholm

Addresses

Hoist Finance AB (publ)

www.hoistfinance.com

Sweden

Bryggargatan 4

111 21 Stockholm

Sweden

Tel +46 8 55 51 77 90

info@hoistfinance.com

info@hoistspar.se

Spain

Avda Manoteras 44. 1ª
planta.

28050 Madrid

Spain

Tel +34 910 52 92 69

info@hoistfinance.com

Italy

Via Gino Nais, 16

00136 Roma

Italy

Tel +39 06 39 95 01

informazioni@hoistfinance.com

Germany

Philosophenweg 51

47051 Duisburg

Germany

Tel +49 2 03 75 69 10

info@hoistfinance.de

Poland

ul. Gen. Józefa Bema 2

50-265 Wrocław

Poland

Tel +48 71 735 98 00

office@hoistfinance.pl

Greece

Hoist Hellas S.D.L.S.A

Zalokosta 44 & Kifissias avenue

152 33 Chalandri Athens

Greece

Tel +30 210 6842776

info@hoistfinance.com

UK

4th Floor Standbrook House

2-5 Old Bond Street

London W1S 4PD

UK

Tel +44 207 292 3300

info@hoistfinance.com

The Netherlands

Amstelveenseweg 760

1081 JK Amsterdam

The Netherlands

Tel +31 88 14 14 000

info@hoistfinance.nl

France

165 Avenue de la Marne

59700 Marcq en Baroeul

France

Tel +33 3 20 91 51 00

info@hoistfinance.fr

UK

Robinson Way Ltd.

Quays Reach, Salford

Manchester M50 2ZY

UK

Tel +44 345 601 3495

sales.enquiries@

robinson-way.com