

Interim report

Q1 2021

The first quarter was characterised by the pandemic and further lockdowns across many of our markets. Q1 financials are heavily impacted by the negative impairments as well as limited investment volumes in 2020 affecting revenues. However, the market outlook is positive, supporting our priority to return to growth. ”

Klaus-Anders Nysteen, CEO

173%

C/I ratio excluding items affecting comparability

Target <65%

9.81%

CET1 ratio

-25%

Return on equity excluding items affecting comparability

Target >15%

-14%

Portfolio growth over the last 12-month period

Events during the quarter:

- » Forward-looking negative impairment of unsecured portfolios of SEK -351m.
- » Italian portfolio acquired in the securitisation programme.
- » Digital collection run-rate at 24 per cent.
- » Confirmed and extended financial targets at the Capital Markets Day.
- » New business lines operational as of 1 January 2021.

Subsequent events:

- » At Hoist Finance Annual General Meeting 13 April 2021 Mattias Carlsson was elected as Chairman of the Board. Fredrik Backman, Per Anders Fasth, Niklas Johansson, Helena Svancar and Peter Zonabend were elected as new members of the Board.

Key ratios¹⁾

SEK m	Quarter 1 2021	Quarter 1 2020	Change, %	Full-year 2020
Total operating income	319	529	-39	2,368
Profit/loss before tax	-246	-61	>-100	82
EBITDA, adjusted	1,171	1,304	-10	4,626
C/I ratio, %	173	111	62 pp	97
Return on equity, %	-25	-6	-19 pp	-1
Collection performance, %	103	97	6 pp	98
Portfolio acquisitions	752	545	38	1,761
Basic and diluted earnings per share, SEK	-2.73	-0.73	>-100	-0.50

SEK m	31 Mar 2021	31 Dec 2020	Change, %
Gross 180-month ERC	32,829	32,763	0
Acquired loans	21,266	21,075	1
Portfolio growth over the last 12-month period, %	-14	-13	-1 pp
Total capital ratio, %	15.59	16.49	-0.90 pp
CET1 ratio, %	9.81	10.76	-0.95 pp
Number of employees (FTEs)	1,602	1,631	-2

1) See Definitions.

Challenging Q1 but fundamentals intact

Q1 performance

The first quarter was characterised by the pandemic and further lock-downs across many of our markets. Q1 financials are heavily impacted by the negative impairments communicated on March 31, as well as limited investment volumes in 2020, significantly affecting revenues. The impairments are primarily related to portfolios in Spain and the UK, and to the progression of legal collection activity. This has been accentuated as throughput levels in courts in some jurisdictions remain affected by the enduring Covid-19 pandemic. Our accumulated impairments over the last 12 months total 2.1 per cent in relation to our average book value, which is broadly in line with the industry peers. Q1 forward-looking (non-cash) impairments total SEK -351m.

Collection performance during the last four quarters is 92 per cent of the pre-Covid-19 curves, and 103 per cent versus the active forecast (which since Q2 2020 takes the effects of the Covid-19 pandemic into account). In the quarter, collection performance comes in at 103 per cent, with all markets collecting in line or ahead of forecast, except for Spain, closing at 72 per cent.

Our efforts to improve efficiency continue according to plan, with a target to deliver below 65 per cent cost-to-income ratio by 2023. The 10 most important transformation projects are now at a completion rate of -50 per cent. The strategic Rules Engine has been successfully implemented in two markets, with two additional markets to follow in 2021. In Q1, further procurement savings have been identified, and many agreements are being renegotiated with improved terms.

We are pleased to see that digital collections are increasing not only in absolute terms, but also as a percentage of the total, currently at a 24 per cent run-rate. Our most developed market in this area is the UK, with a digital collection rate of 36 per cent, and as of Q1, more payment plans in the UK are created digitally than in our contact centre.

Investments in the quarter ended at SEK 752m. However, with the uncertainty and limited supply in 2020 as a result of the pandemic, the portfolio book value moving into 2021 was 15 per cent lower than at the end of Q1 2020. A lower portfolio book value significantly impacts revenues and will continue to do so until investments really pick up. Due to limited volumes coming to market in 2020, the competitive tension so far is on par with what we observed last year. The general market view for 2022 and beyond is positive, with banks assuming NPL stocks to grow to levels not seen since the aftermath of the 2008 financial crisis.

The right fundamentals

The most successful companies in our industry are those with the lowest funding costs and the best operations. In a reasonably effective market like ours, it is the quality of the fundamentals that determine the profitability. At our Capital Markets Day in February, we made it clear that one of our competitive advantages is access to low-cost funding, made possible through the banking license. We also made it clear that we are transforming Hoist Finance in many ways to create additional strengths that make for strong and consistent performance.



”

The successful implementation of securitisation mitigates the effects from regulatory changes and proves the validity and sustainability of our business model.

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In the quarter, we acquired our first portfolio via the partnership with Magnetar. This partnership facilitates unsecured NPL transactions of EUR 1bn over two years, which is in line with our investment targets in the coming years. The successful implementation of securitisation mitigates the effects from regulatory changes and proves the validity and sustainability of our business model.

Looking ahead

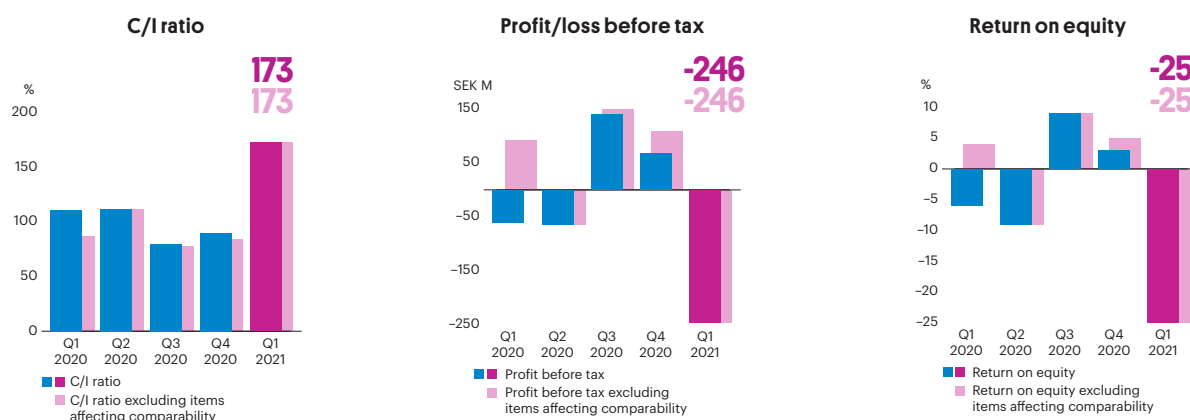
To keep our funding cost advantage, further develop our strengths in operations and to become the most effective operator in our industry remain our targets. We believe in our plan and our financial targets as we are now in a position to prioritise growth. Stay safe and healthy, and I hope to see you in person soon.

Best regards, Klaus-Anders

CEO

Developments during first quarter 2021

Comparative figures for developments during first quarter 2021 pertain to first quarter 2020.



Operating income

Operating income totalled SEK 319m (529). Net interest income decreased –15 per cent to SEK 618m (729). Interest income on acquired loan portfolios decreased SEK –132m during the quarter to SEK 760m (892). The decrease is attributable to the low volume of portfolio acquisitions during 2020. Interest expense totalled SEK –141m (–164). The decrease is mainly attributable to deposits from the public, with decreased deposit volumes in Sweden and Germany in accordance with Hoist Finance's strategy regarding deferred outflows. As at 31 March 2021 deposits from the public decreased SEK –5,684m year-on-year.

SEK m	Quarter 1, 2021	Quarter 1, 2020
Interest income	760	892
Other interest income	–1	1
Interest expense	–141	–164
Net interest income	618	729

Impairment gains and losses totalled SEK –322m (–178) during the quarter and include realised collections against forecast during the period, as well as forward-looking portfolio revaluations. Collections against forecast totalled SEK 101m, with positive collection development in all markets but Spain. The quarter's collection performance was 103 per cent. The forward-looking portfolio revaluations conducted during the second quarter 2020 assumed a decrease in collections in 2020 followed by a gradual return to normal levels during 2021. The duration of the pandemic has led to greater uncertainty regarding the recovery, particularly as regards collections requiring the pursuit of legal claims in court. Court systems in UK and Spain are experiencing major delays, which increases the risk that future collections may be reduced or postponed. Hoist Finance has therefore decided to take a cautious position regarding the financial effects that may be caused by these delays and has conducted a negative revaluation of SEK –351m on unsecured portfolios. The remaining revaluations of SEK –72m pertain to secured loan portfolios for which collections were made ahead of forecast, which reduced expected future cash flow.

Fee and commission income decreased to SEK 15m (26). The decrease is attributable to the closure of third-party collection services in the UK announced during second quarter 2020. Net result from financial transactions totalled SEK 5m (–36).

SEK m	Quarter 1, 2021	Quarter 1, 2020
Net interest income	618	729
Impairment gains and losses	–322	–178
of which, realised collections against active forecast	101	71
of which, portfolio revaluations	–423	–249
Fee and commission income	15	26
Net result from financial transactions	5	–54
Other operating income	3	6
Total operating income	319	529

Operating expenses

Operating expenses decreased 5 per cent to SEK –579m (–607). Personnel expenses for the quarter totalled SEK –220m (–219). Investments in the shared service centre in Poland and nearshoring in Romania continued during the quarter. Collection costs decreased 17 per cent to SEK –170m (–205), due partly to efficiency measures and the impact Covid-19 has had on opportunities to pursue legal claims in court, as well as the reduced number of loan portfolios. Other administrative expenses increased to SEK –160m (–154). The increase was mainly driven by the first securitisation of unsecured loan portfolios in Italy with Magnetar Capital under the partnership agreement signed in February. Expenses taken in the income statement totalled approximately SEK –6m for the transaction. Depreciation and amortisation of tangible and intangible assets totalled SEK –29m (–31).

SEK m	Quarter 1, 2021	Quarter 1, 2020
Personnel expenses	–220	–219
Collection costs	–170	–205
Other administrative expenses	–160	–153
Depreciation and amortisation	–29	–30
Total operating expenses	–579	–607

Net profit for the quarter

Profit from participations in joint ventures totalled SEK 14m (17). Income tax expense for the quarter totalled SEK 25m (17). The recorded tax income is due to capitalisation of loss carry-forwards in subsidiaries, offset by current tax expenses, primarily in the Parent Company. Net profit for the quarter totalled SEK –221m (–44).

SEK m	Quarter 1, 2021	Quarter 1, 2020
Profit from participations in joint ventures	14	17
Income tax expense	25	17
Net profit for the quarter	–221	–44

Balance sheet

Comparative figures for the balance sheet pertain to 31 December 2020.

Total assets decreased SEK –1,753m as compared with 31 December 2020 and totalled SEK 30,111m (31,864). The change is primarily attributable to a decrease in cash and interest-bearing securities, which decreased SEK –1,683m. The carrying amount of acquired loan portfolios increased SEK 191m to SEK 21,266m (21,075). Other assets decreased SEK –261m.

SEK m	31 Mar 2021	31 Dec 2020	Change, %
Cash and interest-bearing securities	7,336	9,019	-19
Acquired loan portfolios	21,266	21,075	1
Other assets ¹⁾	1,509	1,770	-15
Total assets	30,111	31,864	-6
Deposits from the public	16,605	17,928	-7
Issued securities	6,545	6,355	3
Subordinated debt	845	821	3
Total interest-bearing liabilities	23,995	25,104	-4
Other liabilities ¹⁾	1,211	1,602	-24
Equity	4,905	5,158	-5
Total liabilities and equity	30,111	31,864	-6

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 23,995m (25,104). The change is mainly attributable to deposits from the public, which decreased SEK –1,323m. There is less need for funding due to Covid-19, and Hoist Finance elected to lower the interest rate on certain term deposits in the German market during the quarter. This resulted in deferred outflows. 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 9,771m (10,552), of which SEK 4,754m (5,391) 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 March 2021, deposits from the public in Germany were SEK 6,834m (7,376), of which SEK 6,646m (7,115) is attributable to fixed term deposits of one- to five-year durations.

At 31 March 2021, the outstanding bond debt totalled SEK 7,390m (7,176), of which SEK 6,545m (6,355) was comprised of issued securities. The change in issued securities is mainly attributable to exchange rate effects and the bonds issued in conjunction with the securitisation in Italy conducted on 29 March.

Other liabilities decreased SEK –391m to SEK 1,211m (1,602). Equity totalled SEK 4,905m (5,158), with the decrease mainly attributable to the quarter's negative result.

Cash flow

Comparative figures for cash flow pertain to first quarter 2020.

SEK m	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Cash flow from operating activities	571	1 350	4 857
Cash flow from investing activities	-493	-1 958	-3 066
Cash flow from financing activities	-1 494	456	-2 410
Cash flow for the period	-1 416	-152	-619

Cash flow from operating activities totalled SEK 571m, as compared with SEK 1,350m during Q1 2020. Amortisation of acquired loan portfolios decreased somewhat during the quarter and totalled SEK 857m (916), with the decrease mainly attributable to reduced collections as compared

with Q1 2020. Cash flow from other assets and liabilities amounted to SEK –413m (330), the majority of which pertains to derivatives related to realised cash flows for FX hedging and collaterals.

Cash flow from investing activities totalled SEK –493m (–1,958). Portfolio acquisition activity was somewhat higher than during Q1 2020, and totalled SEK –752m (–545). Hoist Finance's net divestment of bonds and other securities totalled SEK 265m (–1,400) during the quarter. Other cash flow within investing activities totalled SEK –6m (–13).

Cash flow from financing activities totalled –1,494m (456). Net outflow from deposits from the public continued during the quarter, in accordance with Hoist Finance's strategy, and totalled SEK –1,464m (218). Hoist Finance conducted additional securitisation in Italy during the quarter, issuing bonds to third parties totalling SEK 30m. The quarter's repayment of bonds in securitisation company Marathon SPV S.r.l. totalled SEK –17m (–47). Other cash flow from financing activities pertains to interest paid on capital contribution of SEK –31m (–) and amortisation of lease liability of SEK –12m (–10).

Total cash flow for the quarter amounted to SEK –1,416m, as compared with SEK –152m for first quarter 2020.

Capital adequacy

Comparative figures for capital adequacy pertain to 31 December 2020.

At the close of the quarter the CET1 ratio was 9.81 per cent (10.76) for the Hoist Finance consolidated situation.

CET1 capital totalled SEK 3,317m (3,617), where net profit/loss for the quarter of SEK –221m reduced the CET1 ratio by –0.66 per cent. Capitalised loss carry-forwards resulted in a reduction of –0.14 per cent.

The risk weighted exposure amount increased somewhat during the quarter to SEK 33,802m (33,625). The change in REA is primarily attributable to changes in acquired loan portfolios. Collections and adjustments to risk weights for existing loans had a positive impact of +0.67 per cent on the CET1 ratio, while acquisition of new loan portfolios and newly signed forward flow contracts (–0.28 per cent), new securitisation in Italy (–0.08 per cent), and exchange rate fluctuations (–0.21 per cent) had a negative impact. At the close of the quarter the market risk for open FX exposures reduced the CET1 ratio by –0.09 per cent.

Total capital amounted to SEK 5,268m (5,544) at the close of the quarter. The total capital ratio was 15.59 per cent (16.49).

Risks and uncertainties

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

The impact of Covid-19 on Hoist Finance's operations is outlined in the Development of risks section below. For additional details on the Company's management of significant risks and uncertainties, please refer to the 2020 Annual Report.

Development of risks

Due to the Covid-19 pandemic, credit risk is increased and is closely monitored. The value of several loan portfolios, primarily in Spain and the UK, was written down during the quarter due to lower than estimated collections. The decline in collections is attributable in part to the delayed recovery of legal collection activities due to the pandemic's continued impact on court systems. Due to the uncertainty regarding the duration of the current situation, there is continued risk of additional loan portfolio revaluations. 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.

Hoist Finance has an internal framework for follow-up and oversight of the Group's operational risks. The Group is committed to continuously improving the quality of its internal procedures to minimise operational risks. During the quarter Hoist Finance employees continued to work remotely to a great extent. This is not deemed to affect operational risks to any significant degree. The level of operational risks is therefore deemed to be unchanged from the previous quarter.

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

During the year the Swedish Financial Supervisory Authority announced new application of Pillar 2 guidelines for banks as well as modified rules for market risks in non-trading activities. Hoist Finance will not know the effect of the new application of Pillar 2 guidelines until updated requirements have been communicated by the SFSA within the framework of the Supervisory Review and Evaluation Process. As regards capital requirements for market risks in non-trading activities, Hoist Finance does not anticipate any major impact on its capital requirement; exact changes will be implemented in the 2021 ICAAP.

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

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

Related-party transactions

The nature and scope of related-party transactions remain unchanged from 31 December 2020 and are described in the Annual Report.

Group structure

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

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

Parent Company

Comparative figures for the Parent Company pertain to first quarter 2020.

Net interest income for the Parent Company totalled SEK 296m (304) during the first quarter, of which interest income totalled SEK 424m (451). The decrease in interest income is due to lower loan portfolio acquisition volume last year. Interest expense decreased SEK -19m due mainly to lower deposits from the public volumes.

Total operating income amounted to SEK 368m (304). Net result from financial transactions totalled to SEK 3m (-71). Other operating income totalled SEK 68m (71) and is mainly attributable to management fees invoiced to subsidiaries. Management fees decreased year-on-year as a result of suppliers invoicing expenses to subsidiaries directly, rather than via the Parent Company.

Total operating expenses amounted SEK -320m (-303). The increase is attributable to an increase of SEK -9m in personnel expenses and SEK -7m in other administrative expenses. Other administrative expenses were affected primarily by increased consultant costs. Profit before credit losses totalled SEK 48m (1).

Impairment gains and losses of SEK -11m (-18) pertain to the difference between estimated and actual collections, portfolio revaluations and loss allowances for performing loans. Net operating profit/loss totalled SEK 52m (1).

Taxes totalled SEK -16m (-8). Income tax expense for the quarter totalled SEK -20m, while SEK 2m pertains to tax attributable to previous years and SEK 3m to deferred tax.

Net profit/loss for the quarter totalled SEK 36m (-7).

Other disclosures

For a more detailed description of the Group's legal structure, please refer to the 2020 Annual Report.

Subsequent events

At Hoist Finance Annual General Meeting 13 April 2021 Mattias Carlsson was elected as Chairman of the Board. Fredrik Backman, Per Anders Fasth, Niklas Johansson, Helena Svancar and Peter Zonabend were elected as new members of the Board.

Review

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

QUARTERLY REVIEW

Condensed income statement

SEK m	Quarter 1 2021	Quarter 4 2020	Quarter 3 2020	Quarter 2 2020	Quarter 1 2020
Net interest income	618	640	646	712	729
Net operating income	319	648	679	513	529
Net interest expense	-579	-592	-549	-594	-607
Net operating profit/loss	-260	56	130	-81	-78
Profit/loss before tax	-246	68	140	-64	-61
Net profit/loss for the period	-221	48	110	-73	-44

Key ratios¹⁾

SEK m	Quarter 1 2021	Quarter 4 2020	Quarter 3 2020	Quarter 2 2020	Quarter 1 2020
Profit/loss before tax excl. items affecting comparability	-246	108	149	-64	92
C/I ratio, %	173	90	80	112	111
C/I ratio adjusted for items affecting comparability, %	173	84	78	112	87
Return on equity, %	-25	3	9	-9	-6
Return on equity adjusted for items affecting comparability, %	-25	5	9	-9	4
Collection performance, %	103	102	103	91	97
Portfolio acquisitions	752	890	264	62	545
EBITDA, adjusted	1,171	1,471	1,039	812	1,304
Items affecting comparability	-	40	9	-	153

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Gross 180-month ERC	32,829	32,763	34,717	35,642	39,305
Acquired loans	21,266	21,075	22,245	22,572	24,702
Portfolio growth over the last 12-month period, %	-14	-13	-1	2	17
Total capital ratio, %	15.59	16.49	16.14	15.64	14.83
CET1 ratio, %	9.81	10.76	10.44	10.05	9.52
Liquidity reserve	7,019	8,652	7,652	8,385	9,437
Number of employees (FTEs)	1,602	1,631	1,630	1,649	1,655

¹⁾ See Definitions for additional details.

For details on items affecting comparability for previous quarters, please refer to the Financial Fact Book: <https://www.hoistfinance.com/investors/financial-information>.

Financial statements

Consolidated income statement

SEK m	Note	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Interest income acquired loan portfolios calculated using the effective interest rate method		760	892	3,302
Other interest income ¹⁾		-1	1	6
Interest expense		-141	-164	-582
Net interest income		618	729	2,726
Impairment gains and losses		-322	-178	-458
Fee and commission income		15	26	93
Net result from financial transactions		5	-54	-7
Other operating income		3	6	14
Total operating income	3	319	529	2,368
Personnel expenses		-220	-219	-862
Collection costs		-170	-205	-734
Other administrative expenses		-160	-153	-613
Depreciation and amortisation of tangible and intangible assets		-29	-30	-134
Total operating expenses	3	-579	-607	-2,343
Net operating profit/loss		-260	-78	25
Share of profit from joint ventures	3	14	17	57
Profit/loss before tax	3	-246	-61	82
Income tax expense		25	17	-41
Net profit/loss		-221	-44	41
Profit/loss attributable to:				
Owners of Hoist Finance AB (publ)		-244	-65	-45
Additional Tier 1 capital holders		23	21	86
Basic and diluted earnings per share SEK		-2,73	-0,73	-0,50

1) Of which interest income calculated using the effective interest method amounted SEK 0.7m (1) during quarter 1 and SEK 0.7m (1.7) during full-year.

Consolidated statement of comprehensive income

SEK m	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Net profit/loss for the period	-221	-44	41
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Revaluation of defined benefit pension plan	-	0	-5
Revaluation of remuneration after terminated	-	1	0
Tax attributable to items that will not be reclassified to profit or loss	-	0	-
Total items that will not be reclassified to profit or loss	-	1	-5
Items that may be reclassified subsequently to profit or loss			
Translation difference, foreign operations	0	8	-99
Translation difference, joint ventures	-1	-3	-20
Hedging of currency risk in foreign operations	-5	-13	-18
Hedging of currency risk in joint ventures	1	-1	11
Transferred to the income statement during the year	1	2	6
Tax attributable to items that may be reclassified to profit or loss	1	3	-3
Total items that may be reclassified subsequently to profit or loss	-3	-4	-123
Other comprehensive income for the period	-3	-3	-128
Total comprehensive income for the period	-224	-47	-87
Profit/loss attributable to:			
Owners of Hoist Finance AB (publ)	-247	-68	-173
Additional Tier 1 capital holders	23	21	86

Consolidated balance sheet

SEK m	Note	31 Mar 2021	31 Dec 2020	31 Mar 2020
ASSETS				
Cash		0	0	0
Treasury bills and Treasury bonds	5	1,427	2,411	3,090
Lending to credit institutions	5	2,094	2,526	2,611
Lending to the public	5	6	6	10
Acquired loan portfolios	3,4	21,266	21,075	24,702
Bonds and other securities	5	3,815	4,082	4,154
Shares and participations in joint ventures		158	160	194
Intangible assets		362	358	393
Tangible assets		231	262	288
Other assets		384	763	404
Deferred tax assets		140	97	88
Prepayments and accrued income		228	124	158
Total assets		30,111	31,864	36,092
LIABILITIES AND EQUITY				
Liabilities				
Deposits from the public	5	16,605	17,928	22,289
Tax liabilities	5	6,545	6,355	6,156
Other liabilities		126	132	66
Deferred tax liabilities		613	1,025	981
Accrued expenses and deferred income		135	141	155
Provisions		271	239	187
Debt securities issued		66	65	85
Subordinated debts		845	821	914
Total liabilities		25,206	26,706	30,833
Equity				
Additional Tier 1 capital holders		1,106	1,106	1,107
Share capital		30	30	30
Reserves		2,275	2,275	2,274
Retained earnings including profit/loss for the period		-384	-381	-262
Non-controlling interest		1,878	2,128	2,110
Total equity		4,905	5,158	5,259
Total liabilities and equity		30,111	31,864	36,092

Consolidated statement of changes in equity

SEK m	Additional Tier 1 capital holders	Share capital	Other contributed equity	Reserves		Retained earnings including profit/loss for the period	Total equity
				Hedge reserve	Translation reserve		
Opening balance 1 Jan 2021	1,106	30	2,275	-443	62	2,128	5,158
Comprehensive income for the period							
Profit for the period						-221	-221
Other comprehensive income				-2	-1	0	-3
Total comprehensive income for the period				-2	-1	-221	-224
Transactions reported directly in equity							
Interest paid on capital contribution						-31	-31
Share-based payments						2 ¹⁾	2
Total transactions reported directly in equity						-29	-29
Closing balance 31 Mar 2021	1,106	30	2,275	-445	61	1,878	4,905

1) For more information on Share-based payment, see Hoist Finance Annual report 2020.

SEK m	Additional Tier 1 capital holders	Share capital	Other contributed equity	Reserves		Retained earnings including profit/loss for the period	Total equity
				Hedge reserve	Translation reserve		
Opening balance 1 Jan 2020	690	30	2,275	-439	181	2,161	4,898
Comprehensive income for the period							
Profit for the period						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 31 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) For more information on Share-based payment, see Hoist Finance Annual report 2020.

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

SEK m	Additional Tier 1 capital holders	Share capital	Other contributed equity	Reserves		Retained earnings including profit/loss for the period	Total equity
				Hedge reserve	Translation reserve		
Opening balance 1 Jan 2020	690	30	2,275	-439	181	2,161	4,898
Comprehensive income for the period							
Profit for the period						-44	-44
Other comprehensive income				-9	5	1	-3
Total comprehensive income for the period				-9	5	-43	-47
Transactions reported directly in equity							
Additional Tier 1 capital instrument	414 ¹⁾						414
Interest paid on capital contribution						0 ²⁾	0
Share-based payments						-8 ³⁾	-8
Tax effect on items reported directly in equity	2						2
Total transactions reported directly in equity	416					-8	408
Closing balance 31 Mar 2020	1,106	30	2,275	-448	186	2,110	5,259

1) Nominal amount of SEK 423m was reduced by transaction costs of SEK 9m. 2) For more information on Share-based payment, see Hoist Finance Annual report 2020.

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

Consolidated cash flow statement summary

SEK m	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Profit/loss before tax	-246	-61	82
– of which, paid-in interest	759	893	3,321
– of which, interest paid	-81	-81	-449
Adjustment for other items not included in cash flow	418	251	710
Realised result from divestment of shares and participations in joint ventures	-15	-14	-58
Income tax paid/received	-30	-72	-62
Amortisations on acquired loan portfolios	857	916	3,164
Increase/decrease in other assets and liabilities	-413	330	1,021
Cash flow from operating activities	571	1,350	4,857
Acquired loan portfolios	-752	-545	-1,715
Investments in bonds and other securities	-116	-1,501	-2,069
Divestments of bonds and other securities	381	101	751
Other cash flows from investing activities	-6	-13	-33
Cash flow from investing activities	-493	-1,958	-3,066
Deposits from the public	-1,464	218	-3,272
Debt securities issued	30	-	2,018
Repurchase and repayment of Debt securities issued	-17	-158	-1,454
Additional Tier 1 capital	-	414	414
Interest paid on Additional Tier 1 capital	-31	-	-60
Acquisition agreement for Treasury shares	-	-8	-8
Amortisation of lease liabilities	-12	-10	-48
Cash flow from financing activities	-1,494	456	-2,410
Cash flow for the period	-1,416	-152	-619
Cash at beginning of the period ¹⁾	4,576	5,261	5,261
Translation difference	45	177	-66
Cash at end of the period²⁾	3,205	5,286	4,576

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.

2) Cash and cash equivalents in cash flow statement

SEK m	31 Mar 2021	31 Mar 2020	31 Dec 2020
Cash	0	0	0
Treasury bills and Treasury bonds	1,427	3,090	2,411
Lending to credit institutions	2,094	2,611	2,526
excl. lending to credit institutions in securitisation vehicles	-253	-293	-254
excl. pledged bank balances	-63	-122	-107
Total cash and cash equivalents in cash flow statement	3,205	5,286	4,576

Parent Company income statement

SEK m	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Interest income	424	451	1,705
Interest expense	-128	-147	-521
Net interest income	296	304	1,184
Dividends received	-	-	302
Fee and commission income	1	1	4
Net result from financial transactions	3	-71	-112
Derecognition gains and losses	0	-1	-1
Other operating income	68	71	256
Total operating income	368	304	1,633
Personnel expenses	-103	-94	-376
Other administrative expenses	-204	-197	-768
Depreciation and amortisation of tangible and intangible assets	-13	-12	-62
Total operating expenses	-320	-303	-1,206
Profit before credit losses	48	1	427
Impairment gains and losses on acquired loan portfolios	-11	-18	-41
Amortisation of other financial fixed assets	-	-	-116
Share of profit from joint ventures	15	18	71
Net operating profit/loss	52	1	341
Appropriations	-	-	-9
Taxes	-16	-8	-77
Net profit/loss	36	-7	255

Parent company statement of comprehensive income

SEK m	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Net profit/loss	36	-7	255
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Translation difference, foreign operations	0	0	0
Tax attributable to items that may be reclassified to profit or loss	0	-	-1
Total items that may be reclassified subsequently to profit or loss	0	0	-1
Other comprehensive income for the period	0	0	-1
Total comprehensive income for the period	36	-7	254

Parent Company balance sheet

SEK m	31 Mar 2021	31 Dec 2020	31 Mar 2020
ASSETS			
Cash	0	0	0
Treasury bills and Treasury bonds	1,427	2,411	3,090
Lending to credit institutions	1,236	1,611	1,584
Lending to the public	6	6	10
Acquired loan portfolios	6,791	6,755	7,578
Receivables, Group companies	14,887	14,402	17,101
Bonds and other securities	3,815	4,082	4,154
Shares and participations in subsidiaries	817	816	815
Shares and participations in joint ventures	10	11	15
Intangible assets	193	187	195
Tangible assets	33	35	29
Other assets	376	462	211
Deferred tax assets	1	1	2
Prepayments and accrued income	131	55	66
Total assets	29,723	30,834	34,850
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	16,605	17,928	22,289
Tax liabilities	6,129	5,959	5,700
Other liabilities	85	96	6
Deferred tax liabilities	888	890	1,022
Accrued expenses and deferred income	0	3	2
Provisions	121	94	68
Debt securities issued	37	37	51
Subordinated debts	845	821	914
Total liabilities and provisions	24,710	25,828	30,052
Untaxed reserves	277	277	268
Equity			
Restricted equity			
Share capital	30	30	30
Statutory reserve	13	13	13
Revaluation reserve	72	72	73
Development expenditure fund	1	2	4
Total restricted equity	116	117	120
Non-restricted equity			
Additional Tier 1 capital holders	1,106	1,106	1,107
Share premium	1,883	1,883	1,883
Reserves	2	2	3
Retained earnings	1,593	1,366	1,425
Profit/loss for the period	36	255	-7
Total unrestricted equity	4,620	4,612	4,410
Total equity	4,736	4,729	4,530
Total liabilities and equity	29,723	30,834	34,850

Notes to the financial statements

Notes 1 Accounting principles

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

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

Change in accounting principles 2021

No IFRS or IFRIC Interpretations that came into effect in 2021 had any significant impact on the Group's financial reports or capital adequacy.

In all material respects, the Group's and Parent Company's accounting principles, bases for calculation and presentation remain unchanged from those applied in the 2020 annual report.

Critical estimates and assumptions

Hoist Finance continuously monitors the development of the Group's loan portfolios and markets and the ways in which these are impacted by Covid-19. The methodology for assessing future collections has proven to be accurate, but with the continuing uncertainty about how the effects of Covid-19 will affect the matters outside of our control such as the wider economic situation or judicial process, our estimated cash flows has changed to reflect this.

See Developments during the first quarter 2021 for more information.

There have been no other changes to the previous estimates, assumptions and assessments presented in the 2020 Annual Report.

New segments as of 2021

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

In 2021, Hoist Finance will gradually move to the new segments and therefore Hoist Finance has chosen to continue to report the old segments that were based on geographic region in the interim reports.

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

Notes 2 Exchange rates

	Quarter 1 2021	Quarter 1 2020	Full-year 2020
1 EUR = SEK			
Income statement (average)	10.1147	10.6585	10.4844
Balance sheet (at end of the period)	10.2376	11.0832	10.0375
1 GBP = SEK			
Income statement (average)	11.5676	12.3774	11.7996
Balance sheet (at end of the period)	11.9968	12.3879	11.0873
1 PLN = SEK			
Income statement (average)	2.2269	2.4675	2.3615
Balance sheet (at end of the period)	2.1940	2.4306	2.2166
1 RON=SEK			
Income statement (average)	2.0732	2.2220	2.1672
Balance sheet (at end of the period)	2.0798	2.2955	2.0618

Note 3 Segment reporting

Operating segments

Segment reporting has been prepared based on the manner in which executive management monitors operations. From 1 January 2021, Hoist Finance has established a new operating model with four business lines. Comparative figures for 2020 have been restated to reflect the new business lines.

- » **The Digital business line** is end-to-end responsible for the unsecured NPL business. The Digital business line drives the transformation from analogue to digital debt resolution and works with countries, other business lines and the functions to make and maintain Hoist Finance as the digital leader in our industry.
- » **Contact centre operations** can be seen as the internal provider of contact centre services to the business line Digital. The current Centre of Excellence for Unsecured becomes an integrated part of the Contact Centre Operations business line.
- » **The Secured business line** is end-to-end responsible for the Secured NPL business. The current Centre of Excellence for Secured becomes an integrated part of the Secured Assets business line.
- » **The Retail Banking business line** is responsible for all performing loan portfolios and for all banking products that we offer our customers.

The business lines' income statements follow the statutory account preparation for the Group's income statement for Total operating income, with the exception of interest expense and internal commission on collections. Interest expense is included in Net interest income in Total operating income and is allocated to the business lines based on acquired loan portfolio assets in relation to a fixed internal monthly interest rate for each portfolio. The difference between the external interest expense and internal funding cost is reported in Group items. Internal commission on collections is included in Total operating income for Contact Centre Operations and pertains to internal commissions on collections on non-performing unsecured loans.

Total operating expenses also follow the statutory account preparation for the Group's income statement, but are distributed between direct and indirect expenses. Direct expenses are expenses directly attributable to the business lines, while indirect expenses are expenses from central and support functions that are related to the business lines.

Group items pertains to revenue and expenses for the Group's corporate financial transactions, expenses for deposits from the public, and other operating expenses.

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

Income statement, Quarter 1, 2021

SEK m	Unsecured				Group items	Eliminations	Group
	Digital	Contact center operations	Secured	Retail banking			
Total operating income	203	360	74	8	19	-345	319
of which, interest expense	-134	-	-15	-5	13	-	-141
of which, internal commission on collections	-	345	-	-	-	-345	0
Operating expenses							
Direct expenses ¹⁾	-365	-260	-23	-7	-3	345	-313
of which, internal collection cost	-345	-	-	-	-	345	0
Indirect expenses ¹⁾	-141	-87	-30	-8	-	-	-266
Total operating expenses	-506	-347	-53	-15	-3	345	-579
Share of profit from joint ventures	14	-	-	-	-	-	14
Profit/loss before tax	-289	13	21	-7	16	0	-246

Key ratios²⁾

Direct contribution	-162	100	51	1	16	-	6
Acquired loan portfolios	16,902	-	3,609	755	-	-	21,266
C/I -ratio %	233	96	72	199	18	-	173
Collection performance %	103	-	104	-	-	-	103

1) Direct expenses are expenses directly attributable to the Business line. Indirect expenses are expenses related to support functions.

2) See Definitions.

Note 3 Segment reporting, cont.

Income statement, Quarter 1, 2020

SEK m	Unsecured						Group
	Digital	Contact center operations	Secured	Retail banking	Group items	Eliminations	
Total operating income	445	375	75	10	-27	-349	529
of which, interest expense	-158	-	-17	-8	19	-	-164
of which, internal commission on collections	-	349	-	-	-	-349	0
Operating expenses							
Direct expenses ¹⁾	-365	-300	-32	-7	-2	349	-357
of which, internal collection cost	-349	-	-	-	-	349	0
Indirect expenses ¹⁾	-149	-74	-24	-3	-	-	-250
Total operating expenses	-514	-374	-56	-10	-2	349	-607
Share of profit from joint ventures	17	-	-	-	-	-	17
Profit/loss before tax	-52	1	19	0	-29	0	-61

Key ratios²⁾

Direct contribution	80	75	43	3	-29	-	172
Acquired loan portfolios	19,618	-	4,197	887	-	-	24,702
C/I -ratio %	111	100	73	108	-7	-	111
Collection performance %	96	-	106	-	-	-	97

1) Direct expenses are expenses directly attributable to the Business line. Indirect expenses are expenses related to support functions.

2) See Definitions.

Income statement, full-year, 2020

SEK m	Unsecured						Group
	Digital	Contact center operations	Secured	Retail banking	Group items	Eliminations	
Total operating income	1,865	1,420	266	37	106	-1,326	2,368
of which, interest expense	-587	-	-64	-25	94	-	-582
of which, internal commission on collections	-	1,326	-	-	-	-1,326	0
Operating expenses							
Direct expenses ¹⁾	-1,394	-1,089	-96	-21	-8	1,326	-1,282
of which, internal collection cost	-1,326	-	-	-	-	1,326	0
Indirect expenses ¹⁾	-615	-331	-99	-16	-	-	-1,061
Total operating expenses	-2,009	-1,420	-195	-37	-8	1,326	-2,343
Share of profit from joint ventures	57	-	-	-	-	-	57
Profit/loss before tax	-87	0	71	0	98	0	82

Key ratios²⁾

Direct contribution	471	331	170	16	98	-	1,086
Acquired loan portfolios	16,864	-	3,458	753	-	-	21,075
C/I -ratio %	105	100	73	100	8	-	97
Collection performance %	97	-	106	-	-	-	98

1) Direct expenses are expenses directly attributable to the Business line. Indirect expenses are expenses related to support functions.

2) See Definitions.

Note 3 Segment reporting, cont.

Geographical information

Geographical information is prepared based on the manner in which executive management monitored operations prior to implementation of the new business lines. This information is included to provide a comparison with previous years' reporting. This follows statutory account preparation, with the exception of internal funding. The internal funding cost is included in net interest income and allocated to the segments based on acquired loan portfolio assets in relation to a fixed internal monthly interest

rate for each portfolio. The difference between the external financing cost and the internal funding cost is reported in Central Function. This Central Functions item pertains to the net income for intra-group financial transactions. Group costs for central and supporting functions are not allocated to the operating segments but are reported as Central Functions. With respect to the balance sheet, only acquired loan portfolios are monitored. Other assets and liabilities are not monitored on a segment-by-segment basis.

Income statement, Quarter 1, 2021

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	-86	171	97	95	24	0	18	0	319
<i>of which, internal funding</i>	-47	-33	-15	-35	-10	-14	154	0	0
Total operating expenses	-68	-109	-51	-48	-44	-67	-192	0	-579
Share of profit from joint ventures	-	-	-	14	-	0	-	-	14
Profit before tax	-154	62	46	61	-20	-67	-174	0	-246

Key ratios

Acquired loan portfolios ¹⁾	5,075	5,594	2,406	3,465	2,397	2,329	-	-	21,266
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Income statement, Quarter 1, 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	148	205	90	94	64	-40	-30	-2	529
<i>of which, internal funding</i>	-58	-39	-15	-43	-11	-17	183	0	0
Total operating expenses	-93	-125	-55	-50	-46	-81	-159	2	-607
Share of profit from joint ventures	-	-	-	-	-	4	13	-	17
Profit before tax	55	80	35	44	18	-117	-176	0	-61

Key ratios

Acquired loan portfolios ¹⁾	6,151	6,630	2,303	3,851	2,894	2,873	-	-	24,702
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Income statement, full-year 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	460	698	327	339	274	171	399	-300	2 368
<i>of which, internal funding</i>	-210	-145	-59	-157	-43	-61	675	0	0
Total operating expenses	-333	-468	-213	-181	-168	-281	-698	-1	-2 343
Share of profit from joint ventures	-	-	-	-	-	13	44	-	57
Amortisation of other financial fixed assets	-	-	-	-	-	-	-116	116	0
Profit before tax	127	230	114	158	106	-97	-371	-185	82

Key ratios

Acquired loan portfolios ¹⁾	5,061	5,428	2,440	3,366	2,320	2,460	-	-	21,075
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1) In previous years Hoist Finance monitored "Acquired loans". In addition to loan portfolios, this amount included the value of shares and participations in joint ventures and the value of consumer loans. The latter two items are insignificant and, accordingly, as from 2021 we present "Acquired loan portfolios" as the balance sheet item monitored by chief executive management. Comparative figures have been adjusted.

Note 4 Acquired loan portfolios

SEK m	GROUP			PARENT COMPANY		
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Gross carrying amount	21,726	21,188	24,535	6,715	6,670	7,462
Loss allowance	-460	-113	167	76	85	115
Net carrying amount	21,266	21,075	24,702	6,791	6,755	7,578

Acquired credit-impaired loan portfolios, 31 Mar 2021

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 2021	20 430	-108	20 322	6 389	88	6 477
Acquisitions	752	-	752	314	-	314
Interest income	748	-	748	244	-	244
Gross collections	-1 588	-	-1 588	-659	-	-659
Impairment gains and losses	-	-322	-322	-	-10	-10
<i>of which, realised collections against active forecast</i>	-	101	101	-	92	92
<i>of which, portfolio revaluations</i>	-	-423	-423	-	-102	-102
Translation differences	624	-25	599	132	1	133
Closing balance 31 mar 2021	20 966	-455	20 511	6 420	79	6 499

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 gains and losses	-	-455	-455	-	-40	-40
<i>of which, realised collections against active forecast</i>	-	350	350	-	346	346
<i>of which, portfolio revaluations</i>	-	-805	-805	-	-386	-386
Disposals	40	-40	0	-	-	-
Translation differences	-1,296	0	-1,296	-248	-2	-250
Closing balance 31 Dec 2020	20,430	-108	20,322	6,389	88	6,477

Acquired credit-impaired loan portfolios, 31 Mar 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	545	-	545	95	-	95
Interest income	873	-	873	271	-	271
Gross collections	-1,761	-	-1,761	-587	-	-587
Impairment gains and losses	-	-178	-178	-	-18	-18
<i>of which, realised collections against active forecast</i>	-	71	71	-	68	68
<i>of which, portfolio revaluations</i>	-	-249	-249	-	-86	-86
Disposals	40	-40	0	-	-	-
Translation differences	936	4	940	425	6	431
Closing balance 31 Mar 2020	23,642	173	23,815	7,126	118	7,244

Note 4 Acquired loan portfolios, cont.

**Acquired performing loan portfolios,
31 Mar 2021**

GROUP

SEK m	Gross carrying amount	Stage1 12MECL	Stage2 LECL	Stage3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2021	758	-1	0	-4	-5	753
Interest income	12	-	-	-	-	12
Amortisations and interest payments	-29	-	-	-	-	-29
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	0	-	-	-	-	0
Translation differences	19	0	0	0	0	19
Closing balance 31 Mar 2021	760	-1	0	-4	-5	755

**Acquired performing loan portfolios,
31 Dec 2020**

GROUP

SEK m	Gross carrying amount	Stage1 12MECL	Stage2 LECL	Stage3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2020	912	-1	0	-4	-5	907
Interest income	62	-	-	-	-	62
Amortisations and interest payments	-143	-	-	-	-	-143
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	-72	0	0	0	0	-72
Closing balance 31 Dec 2020	758	-1	0	-4	-5	753

**Acquired performing loan portfolios,
31 Mar 2020**

GROUP

SEK m	Gross carrying amount	Stage1 12MECL	Stage2 LECL	Stage3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2020	912	-1	0	-4	-5	907
Interest income	18	-	-	-	-	18
Amortisations and interest payments	-46	-	-	-	-	-46
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	10	0	0	0	0	10
Closing balance 31 mar 2020	893	-1	0	-4	-5	888

**Acquired performing loan portfolios,
31 Mar 2021**

PARENT COMPANY

SEK m	Gross carrying amount	Stage1 12MECL	Stage2 LECL	Stage3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2021	281	0	0	-3	-3	278
Interest income	4	-	-	-	-	4
Amortisations and interest payments	-13	-	-	-	-	-13
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	0	-	-	-	-	0
Translation differences	23	0	0	0	0	23
Closing balance 31 mar 2021	295	0	0	-3	-3	292

Note 4 Acquired loan portfolios, cont.

Acquired performing loan portfolios, 31 Dec 2020

PARENT COMPANY

SEK m	Gross carrying amount	Stage 1 12M ECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2020	345	0	0	-3	-3	342
Interest income	20	-	-	-	-	20
Amortisations and interest payments	-53	-	-	-	-	-53
Changes in risk parameters	-	0	0	-	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	-30	0	0	0	0	-30
Closing balance 31 dec 2020	281	0	0	-3	-3	278

Acquired performing loan portfolios, 31 Mar 2020

PARENT COMPANY

SEK m	Gross carrying amount	Stage 1 12M ECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2020	345	0	0	-3	-3	342
Interest income	6	-	-	-	-	6
Amortisations and interest payments	-18	-	-	-	-	-18
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	5	0	0	0	0	5
Closing balance 31 mar 2020	337	0	0	-3	-3	334

Note 5 Financial instruments

Carrying amount and fair value of financial instruments

GROUP, 31 MAR 2021

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	1,427	–	–	1,427	1,427
Lending to credit institutions	–	–	–	2,094	2,094	2,094
Lending to the public	–	–	–	6	6	6
Acquired loan portfolios	–	–	–	21,266	21,266	22,885
Bonds and other securities	–	3,815	–	–	3,815	3,815
Derivatives	0	–	21 ¹⁾	–	21	21
Other financial assets	–	–	–	331	331	331
Total	0	5,242	21	23,697	28,960	30,579
Deposits from the public	–	–	–	16,605	16,605	16,605
Derivatives	29	–	–	–	29	29
Debt securities issued	–	–	–	6,545	6,545	6,672
Subordinated debt	–	–	–	845	845	813
Other financial debts	–	–	–	842	842	842
Total	29	–	–	24,837	24,866	24,961

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

Carrying amount and fair value of financial instruments

GROUP, 31 DEC 2020

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	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 debts	–	–	–	1,185	1,185	1,185
Total	43	–	–	26,289	26,332	26,379

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

Note 5 Financial instruments

Carrying amount and fair value of financial instruments

GROUP, 31 MAR 2020

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	3,090	–	–	3,090	3,090
Lending to credit institutions	–	–	–	2,611	2,611	2,611
Lending to the public	–	–	–	10	10	10
Acquired loan portfolios	–	–	–	24,702	24,702	26,167
Bonds and other securities	–	4,154	–	–	4,154	4,154
Derivatives	2	–	–	–	2	2
Other financial assets	–	–	–	328	328	328
Total	2	7,244	–	27,651	34,897	36,342
Deposits from the public	–	–	–	22,289	22,289	22,289
Derivatives	38	–	130 ¹⁾	–	168	168
Debt securities issued	–	–	–	6,156	6,156	6,186
Subordinated debt	–	–	–	914	914	819
Other financial debts	–	–	–	988	988	988
Total	38	–	130	30,347	30,515	30,450

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

Carrying amount and fair value of financial instruments

PARENT COMPANY, 31 MAR 2021

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	1,427	–	–	1,427	1,427
Lending to credit institutions	–	–	–	1,236	1,236	1,236
Lending to the public	–	–	–	6	6	6
Acquired loan portfolios	–	–	–	6,791	6,791	7,493
Receivables, Group companies	–	11	–	14,876	14,887	14,890
Bonds and other securities	–	3,815	–	–	3,815	3,815
Derivatives	21	–	–	–	21	21
Other financial assets	–	–	–	359	359	359
Total	21	5,253	–	23,268	28,542	29,247
Deposits from the public	–	–	–	16,605	16,605	16,605
Derivatives	29	–	–	–	29	29
Debt securities issued	–	–	–	6,129	6,129	6,253
Subordinated debt	–	–	–	845	845	813
Other financial debts	–	–	–	972	972	972
Total	29	–	–	24,551	24,580	24,672

Note 5 Finansiella instrument, forts

Carrying amount and fair value of financial instruments

PARENT COMPANY, 31 DEC 2020

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	2 411	–	–	2 411	2 411
Lending to credit institutions	–	–	–	1 611	1 611	1 611
Lending to the public	–	–	–	6	6	6
Acquired loan portfolios	–	–	–	6 755	6 755	7 149
Receivables, Group companies	–	10	–	14 392	14 402	14 418
Bonds and other securities	–	4 082	–	–	4 082	4 082
Derivatives	241	–	–	–	241	241
Other financial assets	–	–	–	205	205	205
Total	241	6 503	–	22 969	29 713	30 123
Deposits from the public	–	–	–	17 928	17 928	17 928
Derivatives	43	–	–	–	43	43
Debt securities issued	–	–	–	5 959	5 959	6 054
Subordinated debt	–	–	–	821	821	744
Other financial debts	–	–	–	909	909	909
Total	43	–	–	25 617	25 660	25 678

Carrying amount and fair value of financial instruments

PARENT COMPANY, 31 MAR 2020

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	3 090	–	–	3 090	3 090
Lending to credit institutions	–	–	–	1 584	1 584	1 584
Lending to the public	–	–	–	10	10	10
Acquired loan portfolios	–	–	–	7 578	7 578	8 103
Receivables, Group companies	–	10	–	17 091	17 101	17 126
Bonds and other securities	–	4 154	–	–	4 154	4 154
Derivatives	2	–	–	–	2	2
Other financial assets	–	–	–	160	160	160
Total	2	7 254	–	26 423	33 679	34 229
Deposits from the public	–	–	–	22 289	22 289	22 289
Derivatives	168	–	–	–	168	168
Debt securities issued	–	–	–	5 700	5 700	5 684
Subordinated debt	–	–	–	914	914	819
Other financial debts	–	–	–	912	912	912
Total	168	–	–	29 815	29 983	29 872

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

Note 5 Financial instruments, cont.

Fair value measurement

Group

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

- Level 1)** Quoted prices (unadjusted) on active markets for identical instruments.
- Level 2)** Based on directly or indirectly observable market inputs not included in Level 1. This category includes instruments valued based on quoted prices on active markets for similar instru-

Level 3)

ments, 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.

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

Fair value measurements

SEK m	GROUP, 31 MAR 2021				PARENT COMPANY, 31 MAR 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	1,427	–	–	1,427	1,427	–	–	1,427
Bonds and other securities	3,815	–	–	3,815	3,815	–	–	3,815
Receivables, Group companies ¹⁾	–	–	–	–	–	–	11	11
Derivatives	–	21	–	21	–	21	–	21
Total assets	5,242	21	–	5,263	5,242	21	10	5,274
Derivatives	–	29	–	29	–	29	–	29
Total liabilities	–	29	–	29	–	29	–	29

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 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	4,082	–	–	4,082	4,082	–	–	4,082
Receivables, Group companies ¹⁾	–	–	–	–	–	–	10	10
Derivatives	–	241	–	241	–	241	–	241
Total assets	6,493	241	–	6,734	6,493	241	10	6,744
Derivatives	–	43	–	43	–	43	–	43
Total liabilities	–	43	–	43	–	43	–	43

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

SEK m	GROUP, 31 MAR 2020				PARENT COMPANY, 31 MAR 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	3,090	–	–	3,090	3,090	–	–	3,090
Bonds and other securities	4,154	–	–	4,154	4,154	–	–	4,154
Receivables, Group companies ¹⁾	–	–	–	–	–	–	10	10
Derivatives	–	2	–	2	–	2	–	2
Total assets	7,244	2	–	7,246	7,244	2	10	7,256
Derivatives	–	168	–	168	–	168	–	168
Total liabilities	–	168	–	168	–	168	–	168

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

Note 6 Capital adequacy

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

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

The difference between the consolidated accounts and the consolidated situation for capital adequacy purposes is as follows. Joint ventures

are consolidated with the equity method in the consolidated accounts, whereas the proportional method is used for the consolidated situation. Securitised assets are recognised in the consolidated accounts but are removed from the accounting records for the consolidated situation. Hoist Finance's participating interest in the securitised assets is always covered.

Transitional rules, IFRS 9

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

Own funds

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

SEK m	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
<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	1,913	1,913
Retained earnings	2,067	2,044	2,110	1,159	924	987
Accumulated comprehensive income and other reserves	-4	-1	129	699	698	693
Independently reviewed interim profits net of any foreseeable charge or dividend ¹⁾	-	50	-	36	255	-
CET1 capital before regulatory adjustments	3,976	4,006	4,152	3,807	3,790	3,593
<i>CET1 capital: regulatory adjustments</i>						
Additional value adjustments	-5	-7	-	-5	-7	-
Intangible assets (net of related tax liability)	-286	-284	-393	-116	-113	-195
Deferred tax assets that rely on future profitability	-140	-93	-84	-1	-1	-2
Exposure amount of securitisation positions which qualify for a RW of 1.250%, where the institution opts for the deduction alternative	-9	-8	-9	-9	-8	-9
Losses for the current financial year (negative amount)	-221	-	-44	-	-	-7
Transitional rules regarding IFRS9	2	3	4	1	2	2
Total regulatory adjustments to CET1	-659	-389	-526	-130	-127	-211
CET1 capital	3,317	3,617	3,626	3,677	3,663	3,382
<i>Additional Tier 1 (AT1) capital: instruments</i>						
Capital instruments and the related share premium accounts	1,106	1,106	1,106	1,106	1,106	1,106
AT1 capital	1,106	1,106	1,106	1,106	1,106	1,106
Tier 1 (T1) capital	4,423	4,723	4,732	4,783	4,769	4,488
<i>Tier 2 (T2) capital: instruments and provisions</i>						
Capital instruments and the related share premium accounts	845	821	914	845	821	914
T2 capital	845	821	914	845	821	914
Total capital (TC = T1 + T2)	5,268	5,544	5,646	5,628	5,590	5,402

1) Hoist Finance dividend will in the long-term correspond to 25–30 per cent of annual net profit. For the financial year 2020 the Annual General Meeting decided to make an exception to the prevailing dividend policy and not distribute a dividend for 2020. Therefore no dividend deduction has been included.

Note 6 Capital adequacy, cont.

Capital requirement

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

Risk-weighted exposure amounts	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
SEK m						
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	529	670	603	304	411	347
<i>of which, counterparty credit risk</i>	26	72	26	26	72	26
Exposures to corporates	207	462	311	13,055	12,594	14,505
Retail exposures	27	27	35	23	23	30
Exposures secured by mortgages on immovable property	349	352	360	88	83	100
Exposures in default	25,085	25,012	29,073	9,596	9,258	10,208
Exposures in the form of covered bonds	381	408	415	381	408	415
Equity exposures	–	–	–	817	816	815
Other items	554	470	465	241	164	96
Credit risk (standardised approach)	27,132	27,401	31,262	24,505	23,757	26,516
Securitisation positions in the banking book (external ratings-based approach)	2,120	1,954	2,726	2,120	1,954	2,726
Market risk (foreign exchange risk – standardised approach)	318	0	123	318	0	123
Operational risk (standardised approach)	4,209	4,208	3,935	2,213	2,213	1,916
Credit valuation adjustment (standardised approach)	23	62	27	23	62	27
Total risk-weighted exposure amount	33,802	33,625	38,073	29,179	27,986	31,308

Capital requirements	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
SEK m						
Pillar 1						
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	42	54	48	24	33	28
<i>of which, counterparty credit risk</i>	2	6	2	2	6	2
Exposures to corporates	17	37	25	1,044	1,007	1,160
Retail exposures	2	2	3	2	2	2
Exposures secured by mortgages on immovable property	28	28	29	7	7	8
Exposures in default	2,007	2,001	2,326	768	741	817
Exposures in the form of covered bonds	31	33	33	31	33	33
Equity exposures	–	–	–	65	65	65
Other items	44	38	37	19	13	8
Credit risk (standardised approach)	2,171	2,193	2,501	1,960	1,901	2,121
Securitisation positions in the banking book (external ratings-based approach)	170	156	218	170	156	218
Market risk (foreign exchange risk – standardised approach)	25	0	10	25	0	10
Operational risk (standardised approach)	337	337	315	177	177	153
Credit valuation adjustment (standardised approach)	2	5	2	2	5	2
Total own funds requirement – Pillar 1	2,705	2,691	3,046	2,334	2,239	2,504

Note 6 Capital adequacy, cont.

SEK m	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Pillar 2						
Concentration risk	225	234	241	290	267	349
Interest rate risk in the banking book	99	96	126	55	41	126
Pension risk	0	0	3	0	0	3
Other Pillar 2 risks	280	27	26	280	27	26
Total own funds requirement – Pillar 2	604	357	396	625	335	504
SEK m	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Capital buffers						
Capital conservation buffer	845	841	952	729	700	783
Countercyclical buffer	0	0	0	0	0	0
Total own funds requirement – Capital buffers	845	841	952	729	700	783
Total own funds requirements	4,154	3,889	4,394	3,688	3,274	3,791

Capital ratios and capital buffers

Regulation (EU) No 575/2013 of the European Parliament and the Council requires credit institutions to maintain Common Equity Tier 1 capital of at least 4.5 per cent, Tier 1 capital of at least 6 per cent and a total capital ratio (capital in relation to risk-weighted exposure amount) of 8 per cent. Credit institutions are also required to maintain specific capital buffers. Hoist Finance is currently required to maintain a capital conservation buffer of 2.5 per cent of the total risk-weighted exposure amount and

an institutional specific countercyclical buffer of 0 per cent of the total risk-weighted exposure amount.

The table below shows CET1 capital, Tier 1 capital and the total capital ratio in relation to the total risk-weighted exposure amount for Hoist Finance and for the regulated entity Hoist Finance. It also shows the total regulatory requirements under each pillar and the institution-specific CET1 capital requirements. All capital ratios exceed the minimum requirements and capital buffer requirements.

	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
Capital ratios and capital buffers, %	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Common Equity Tier 1 capital ratio	9.81	10.76	9.52	12.60	13.09	10.80
Tier 1 capital ratio	13.09	14.05	12.42	16.40	17.04	14.34
Total capital ratio	15.59	16.49	14.83	19.29	19.97	17.26
Institution specific CET1 buffer requirement	7.00	7.00	7.00	7.00	7.00	7.00
of which, capital conservation buffer requirement	2.50	2.50	2.50	2.50	2.50	2.50
of which, countercyclical capital buffer requirement	0.00	0.00	0.00	0.00	0.00	0.00
CET1 capital available to meet buffers (as a percentage of risk exposure amount) ¹⁾	5.31	6.26	5.02	8.10	8.59	6.30

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 March 2021 the internally assessed capital requirement for Hoist Finance was SEK 3,309m (3,048), of which SEK 604m (357) was attributable to Pillar 2.

	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
Leverage ratio	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Exposure measure for leverage ratio calculation	29,507	31,177	35,448	30,282	31,167	35,098
Tier 1 capital	4,423	4,723	4,732	4,783	4,768	4,488
Leverage ratio, %	14.99	15.15	13.34	15.80	15.30	12.79

Note 7 Liquidity risk

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

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

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

The overall objective of the Group's liquidity management is to ensure that the Group maintains control over its liquidity risk situation,

with sufficient funds in liquid assets or immediately saleable assets to ensure timely discharge of its payment obligations without incurring high additional costs.

Funding is mainly raised in the form of deposits from the public and through the capital markets through the issuance of senior unsecured debts, own funds instruments and equity. 31 per cent (30) of deposits from the public are payable on demand (current account – "flex"), while 69 per cent (70) of the Group's deposits from the public are locked into longer maturities (fixed-term deposits) ranging from one to five years. About 99 per cent of deposits are fully covered by the Swedish state deposit guarantee.

Funding

SEK m	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Current account deposits	5,205	5,422	8,260	5,205	5,422	8,260
Fixed-term deposits	11,400	12,506	14,029	11,400	12,506	14,029
Debt securities issued	6,545	6,355	6,156	6,129	5,959	5,700
Convertible debt instruments	1,106	1,106	1,106	1,106	1,106	1,106
Subordinated debts	845	821	914	845	821	914
Equity	3,799	4,052	4,152	3,630	3,623	3,423
Other	1,211	1,602	1,475	1,408	1,397	1,418
Balance sheet total	30,111	31,864	36,092	29,723	30,834	34,850

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity and its nature. Available liquidity totalled SEK 7,019m (8,652) as per 31 March 2021, exceeding the limit and the target level by a significant margin.

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

Additional disclosures	HOIST FINANCE CONSOLIDATED SITUATION			HOIST FINANCE AB (PUBL)		
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Liquidity Coverage Ratio, LCR	1,043	1,130	919	509	1,117	585
Net Stable Funding Ratio, NSFR	113	119	121	120	118	118

Liquidity reserve, Hoist Finance consolidated situation

SEK m	31 Mar 2021	31 Dec 2020	31 Mar 2020
Cash and holdings in central banks	0	0	0
Deposits in other banks available overnight	1,777	2,160	2,193
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	912	1,354	1,848
Securities issued or guaranteed by municipalities or other public sector entities	515	1,056	1,242
Covered bonds	3,815	4,082	4,154
Securities issued by non-financial corporates	–	–	–
Securities issued by financial corporates	–	–	–
Other	–	–	–
Total	7,019	8,652	9,437

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

Note 8 Pledged assets

SEK m	GROUP			PARENT COMPANY		
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	799	757	901	0	0	0

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

Note 9 Contingent liabilities

SEK m	GROUP			PARENT COMPANY		
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Mar 2021	31 Dec 2020	31 Mar 2020
Commitments	581	339	350	581	337	326

The Group's commitments consist of forward flow contracts. In forward flow contracts, a pre-determined volume (fixed or range) of NPLs is acquired at a pre-defined price during a certain time period.

Assurance

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

Stockholm, 28 April 2021

Mattias Carlsson
Chairman of the Board

Fredrik Backman
Board member

Malin Eriksson
Board member

Per Anders Fasth
Board member

Niklas Johansson
Board member

Henrik Käll
Board member

Helena Svancar
Board member

Lars Wollung
Board member

Peter Zonabend
Board member

Klaus-Anders Nysteen
CEO

Definitions – including Alternative Performance Measures

Alternative performance measures

Alternative performance measures (APMs) are financial measures of past or future earnings trends, financial position or cash flow that are not defined in the applicable accounting regulatory framework (IFRS), in the Capital Requirements Directive (CRD IV), or in the EU's Capital Requirement Regulation number 575/2013 (CRR). APMs are used by Hoist Finance, along with other financial measures, when relevant for monitoring and describing the financial situation and for providing additional useful information to users of the financial statements. These measures are not directly comparable with similar performance measures that are presented by other companies. C&I ratio, Return on equity, Net interest income margin and Adjusted EBITDA are alternative performance measures that provide information on Hoist Finance's profitability. "Estimated Remaining Collections" is Hoist Finance's estimate of the gross amount that can be collected on acquired loan portfolios. Definitions of alternative performance measures and other key figures are presented below. The financial fact book, available on hoistfinance.com/investors/financial-information, provides details on the calculation of key figures.

As from 2021 Hoist Finance no longer monitors "Acquired loans" and only monitors "Acquired loan portfolios". This reflects Hoist Finance internal monitoring process, as items that are not included in "Acquired loan portfolios" are immaterial. Finally, Hoist Finance removed Net interest income margin as a performance measure to monitor profitability and instead began monitoring the measures "Collection performance" and "Direct contribution" at transition to the new segment reporting.

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 loan portfolios

An acquired loan portfolio consists of a number of defaulted consumer loans or debts that arise from the same originator.

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.

Collection performance

Actual collections for the period adjusted for contractual and timing adjustments, divided by estimated collections.

Direct contribution

Direct contribution is the sum of total operating income minus direct costs directly attributable to each business line.

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

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

Items affecting comparability

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

Legal collection

Legal collections relate to 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.

Portfolio acquisitions

Acquired loan portfolios during the period that consists of defaulted and non-defaulted consumer loans and SME loans.

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 (only presented yearly in accordance with FFFS 2008:25)

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.

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 short term 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.

Non-performing loans (NPLs)

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

Number of employees (FTEs)

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

SME

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

Weighted average number of shares outstanding

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

Vision and Strategy

Helping People Keep Their Commitments

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

By Your Side

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

Uncomplicated, Helpful and Human

is our personality.



Market leadership

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



Effective & Efficient

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



Digital Leader

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



Banking Platform

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

Financial targets

Profitability

By leveraging on operational efficiency efforts to become more cost-effective, we aim to reduce the cost-to-income ratio to below 65 per cent by 2023. By ensuring the right balance between growth, profitability and capital efficiency we aim to achieve a return on equity exceeding 15 per cent.

Capital structure

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

Growth

EPS (adjusted for AT1 costs) should by 2023 have grown by an average annual growth rate of 15 per cent compared to 2019, excluding IAC.

Dividend policy and dividend

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

Financial calendar

Interim report, Q2 2021	21 July, 2021
Interim report, Q3 2021	27 October, 2021

Contact

Investor Relations

Andreas Lindblom
Head of Hoist Finance IR
Ph: +46 (0) 72 506 14 22
E-post: info@hoistfinance.com

Hoist Finance AB (publ)

Corp. ID no. 556012-8489
Box 7848,
103 99 Stockholm
Ph: +46 (0) 8-555 177 90
www.hoistfinance.com

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

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

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

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