

Interim report

Q3 2021

During Q3 we completed the performance review started during the summer. We have identified actions needed to strengthen our core business and improve results. We have initiated a transformation program to lower absolute costs, improve productivity and increase growth. Execution has started on several fronts.”

Per Anders Fasth, CEO

5%

Return on equity

88%

C/I ratio

9.78%

CET1 ratio

Key ratios¹⁾

SEK m	Quarter 3 2021	Quarter 3 2020	Change, %	Jan–Sep 2021	Jan–Sep 2020	Change, %	Full-year 2020
Total operating income	642	679	–5	1,585	1,720	–8	2,368
Profit/loss before tax	82	140	–41	–112	14	>–100	82
EBITDA, adjusted	1,132	1,039	9	3,472	3,156	10	4,626
C/I ratio, %	88	80	8 pp	107	99	8 pp	97
Return on equity, %	5	9	–4 pp	–9	–2	–7 pp	–1
Collection performance, %	99	103	–4 pp	101	97	4 pp	98
Portfolio acquisitions	1,226	264	>100	2,835	871	>100	1,761
Basic and diluted earnings per share, SEK	0.58	0.98	–41	–2.93	–0.81	>100	–0.50

SEK m	30 Sep 2021	31 Dec 2020	Change, %
Gross 180-month ERC	32,643	32,763	0
Acquired loans	21,423	21,075	2
Total capital ratio, %	15.57	16.49	–0.92 pp
CET1 ratio, %	9.78	10.76	–0.98 pp
Number of employees (FTEs)	1,579	1,631	–3

1) See Definitions.

Redirecting focus on core business

After several quarters of negative financial development for Hoist Finance, we experienced stabilisation in Q3 with some positive development from a low level.

The performance review started in the summer is finished and provides clear guidance. Together with the management team, I have spent time analysing the fundamental issues underlying the unsatisfying performance over past quarters. Short-term underperformance in portfolio revenues, due in part to slower deployments over the pandemic period, combined with a broad operational approach and inflated cost level, have reduced margins and profitability. However, the Company's platform is sound, and the market is and will continue to show attractive long-term potential. We need to redirect Hoist Finance to focus on its core business – secured and unsecured non-performing loans from consumers and SMEs – and operate with a more competitive cost base and profitability level.

We have therefore initiated a transformation program where we have already started to act. For example, the Retail banking efforts have been put on hold, the IRB investments have been halted awaiting the European Banking Authority (EBA) decisions, IT and digital focus and spend have been adjusted to optimize and accelerate benefits and the governance structure has been simplified to increase accountability and transparency.

Q3 profit before tax was SEK 82m. Net interest income was slightly higher than the previous quarter and cost were slightly lower. Net financial transactions and stable collection performance contributed to the improvement compared to previous quarters.

We have started right sizing the Company to adjust to the current situation after several quarters of shrinking portfolio volumes and revenues. We have seen a bottoming-out of the volume decline and our Q3 portfolio volumes are slightly higher than in Q2. Portfolio acquisitions totalled SEK 1.2bn. Competition remains strong making it crucial to be selective and invest in portfolios where Hoist Finance has a competitive advantage and expected returns are attractive. We expect continued and stable NPL generation in our core markets, where Hoist Finance is ideally positioned to acquire attractive portfolios and benefit from potential incremental supply post-pandemic.

Collection performance in the quarter is in line with expectations. Taking a longer-term perspective, one can see the Covid-impact on collection performance. As markets stabilise, we should expect an improvement in collections augmented by our own efforts in the transformation program. We also see that courts continue to open up and that our legal collection activity is gaining momentum. Our collection performance is dependent on these legal proceedings to achieve solid collection levels. However, as our recovery activities increase through legal proceedings, we expect our legal collection costs to return to pre-pandemic levels.

Hoist Finance capital situation has slightly improved to a CET1-level of 9.8 per cent but remains at the lower end of our target range. We expect positive impact from regulatory changes on our CET1 ratio. The consultation launched by the EBA, aimed at harmonising the risk weights between NPL buyers and sellers, ended on September 24. This would strengthen our capital situation by approximately 250 bps. However, there may arrive other regulatory changes as we move out of the pandemic. On balance, we expect a positive impact from regulatory change. On the rating side, I am pleased to report that Moody's confirmed our investment grade rating on 5 October and changed our rating outlook to stable from negative.

We are dedicated to improving performance and deliver shareholder value. After several tough quarters we see stabilisation and some positive signs in the market.

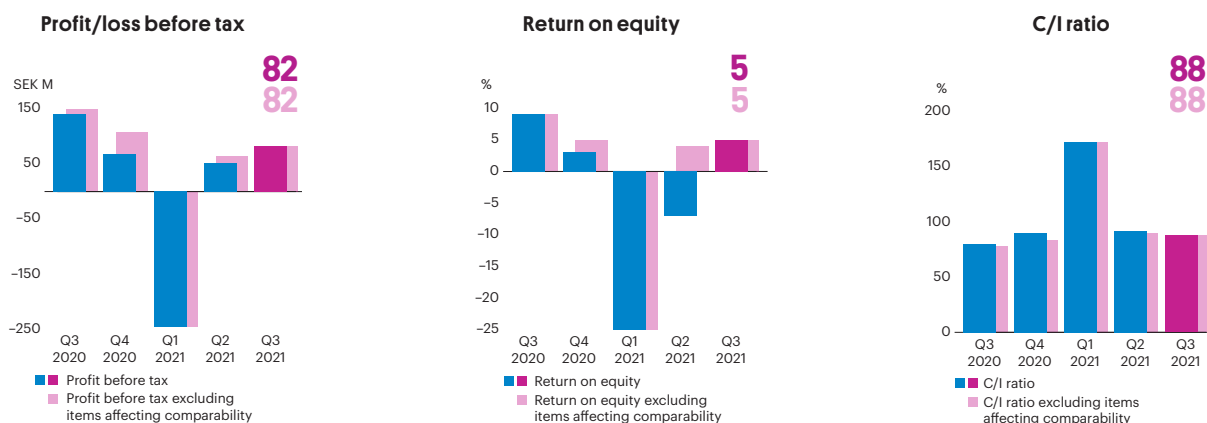
Best regards,



Per Anders Fasth
CEO

Developments during third quarter 2021

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



Profit before tax for the quarter

Profit before tax totalled SEK 82m (140) for the quarter. Net interest income decreased due to lower portfolio volumes and somewhat lower margins, while other operating income was in line with Q3 2020. Costs were positively impacted by lower personnel expenses. Collection costs increased as markets reopened. The quarter was also negatively impacted by the write-down of an IT project.

The quarter's profit before tax increased compared with Q2 2021, due in part to somewhat improved net interest income and to lower costs.

Operating income

Interest income on acquired loan portfolios decreased SEK –36m during the quarter and amounted to SEK 756m (791). The decrease is attributable to lower year-on-year portfolio volumes. Interest expense totalled SEK –150m (–146). The increase, attributable to issued securities and to increased costs for interest rate hedging instruments, was mitigated somewhat by lower interest expense for deposits from the public. Net interest income totalled SEK 607m (646). Impairment gains and losses totalled SEK –30m (1) during the quarter. This is attributable to realised collections against projections during the period, as well as portfolio revaluations based on expected future collections. Collections against projections totalled SEK 27m. Adjusted for timing adjustments, collection performance amounted to 99 per cent. Revaluations during the quarter totalled SEK –57m (SEK –46m of this amount pertains to secured

loan portfolios, for which collections achieved earlier than projected reduced expected future cash flow.) As Hoist Finance no longer provides third-party collection services in the UK, fee and commission income decreased to SEK 16m (23). Net result from financial transactions totalled SEK 47m (4). Hoist Finance has several outstanding interest rate hedging contracts, which resulted in a market value increase of SEK 41m during the quarter.

Operating expenses

Operating expenses totalled SEK –580m (–549). Personnel expenses decreased SEK –13m to SEK –212m (–225). Collection costs increased 19 per cent during the quarter to SEK –187m (–157) due to improved opportunities to pursue legal claims in court following eased restrictions in several countries. Collection costs increased along with the increased collection activity. Other administrative expenses increased somewhat to SEK –142m (–138). Depreciation and amortisation of tangible and intangible assets totalled SEK –39m (–29). The increase is due to an IT project write-down of SEK –9m.

Net profit/loss for the quarter

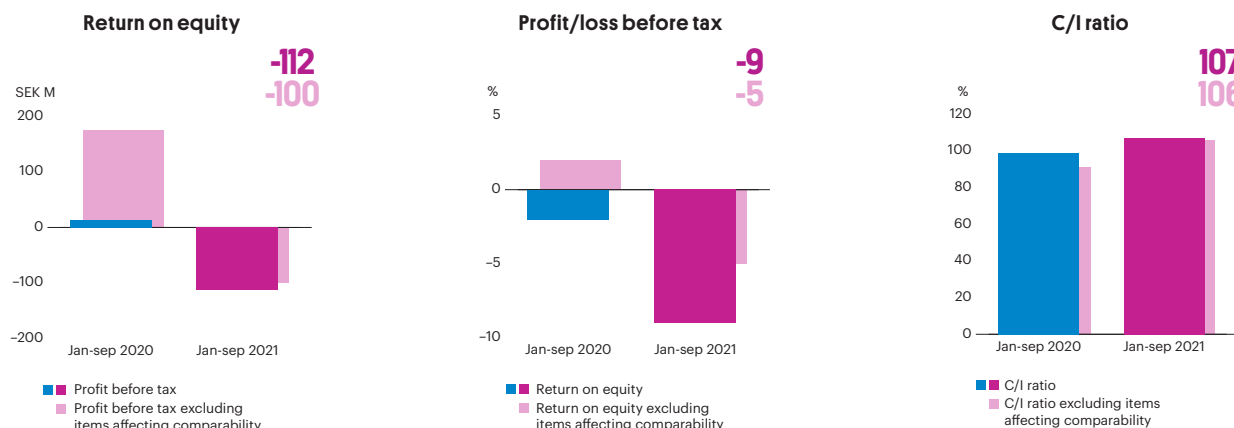
Income tax expense for the quarter totalled SEK –7m (–30) and the effective tax rate was 8 per cent (21). Net profit for the quarter totalled SEK 75m (110).

SEK m	Quarter 3, 2021	Quarter 3, 2020
Interest income	756	791
Other interest income	1	1
Interest expense	–150	–146
Net interest income	607	646
Impairment gains and losses	–30	1
of which, realised collections against active forecast	27	106
of which, portfolio revaluations	–57	–105
Fee and commission income	16	23
Net result from financial transactions	47	4
Other operating income	2	5
Total operating income	642	679

SEK m	Quarter 3, 2021	Quarter 3, 2020
Personnel expenses	–212	–225
Collection costs	–187	–157
Other administrative expenses	–142	–138
Depreciation and amortisation	–39	–29
Total operating expenses	–580	–549
Profit from participations in joint ventures	20	10
Profit before tax	82	140
Income tax expense	–7	–30
Net profit for the quarter	75	110

Developments during the January – September 2021 period

Comparative figures for developments during the January–September 2021 period pertain to January–September 2020.



Profit before tax for the January – September period

Profit before tax totalled SEK –112m (14). The decrease is an effect of lower net interest income due to lower portfolio volumes and somewhat lower margins, which is partially offset by an improved collection rate and the positive market value of interest rate hedging instruments within operating income. Expenses are in line with the comparative period.

Operating income

Operating income totalled SEK 1,585m (1,720). Net interest income decreased –13 per cent to SEK 1,824m (2,087). Interest income on acquired loan portfolios decreased SEK –264m during the year and amounted to SEK 2,261m (2,525). The decrease is attributable to lower year-on-year portfolio volumes. Interest expense totalled SEK –436m (–444). The decrease is mainly attributable to deposits from the public, with lower deposit volumes in Sweden and Germany in accordance with Hoist Finance's strategy regarding deferred outflows. Impairment gains and losses totalled SEK –331m (–409) during the first nine months of the year and include realised collections against projections during the period, as well as portfolio revaluations based on expected future collections. Collections against projections totalled SEK 191m, representing a collection rate of 101 per cent. All markets but Greece and Belgium had a positive collection development. Revaluations totalled SEK –520m. SEK –351m of this amount pertains to the forward-looking portfolio revaluations conducted during Q1 2021. Other revaluations pertain mainly to secured loan portfolios, for which collections achieved earlier than projected reduced expected future cash flow. Fee and commission income decreased to SEK 45m (75). The decrease is attributable to the closure of third-party collection services in the UK. Net result from financial transactions totalled SEK 38m (–46). Both periods were affected by unrealised profit/loss from market valuation of interest rate hedging instruments.

deducted during Q1 2021. Other revaluations pertain mainly to secured loan portfolios, for which collections achieved earlier than projected reduced expected future cash flow. Fee and commission income decreased to SEK 45m (75). The decrease is attributable to the closure of third-party collection services in the UK. Net result from financial transactions totalled SEK 38m (–46). Both periods were affected by unrealised profit/loss from market valuation of interest rate hedging instruments.

Operating expenses

Operating expenses decreased somewhat and totalled SEK –1,747m (–1,750). Personnel expenses for the period totalled SEK –657m (–673). Investments in the shared service centre in Poland and nearshoring in Romania continued during the year. Collection costs totalled SEK –541m (–519). Other administrative expenses decreased 2 per cent to SEK –451m (–461). Depreciation and amortisation of tangible and intangible assets totalled SEK –98m (–98).

Net profit/loss for the period

Income tax expense for the period totalled SEK –82m (–22). The recognised tax expense was impacted primarily by the provision for an ongoing tax audit. The net effect of the tax provision totalled SEK –102m during the period. The effective tax rate was –73 per cent (158). Net profit/loss for the period totalled SEK –194m (–8).

SEK m	Jan–Sep, 2021	Jan–Sep, 2020
Interest income	2,261	2,525
Other interest income	–1	6
Interest expense	–436	–444
Net interest income	1,824	2,087
Impairment gains and losses	–331	–409
of which, realised collections against active forecast	191	99
of which, portfolio revaluations	–520	–508
Fee and commission income	45	75
Net result from financial transactions	38	–46
Other operating income	9	13
Total operating income	1,585	1,720

SEK m	Jan–Sep, 2021	Jan–Sep, 2020
Personnel expenses	–657	–673
Collection costs	–541	–519
Other administrative expenses	–451	–460
Depreciation and amortisation	–98	–98
Total operating expenses	–1,747	–1,750
Profit from participations in joint ventures	50	44
Profit before tax	–112	14
Income tax expense	–82	–22
Net profit for the quarter	–194	–8

Balance sheet

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

Total assets decreased SEK 1,101m as compared with 31 December 2020 and totalled SEK 30,763m (31,864). The change is primarily attributable to a decrease in cash and interest-bearing securities, which decreased SEK -1,122m. The carrying amount of acquired loan portfolios increased to SEK 21,423m (21,075). Other assets decreased SEK -327m.

SEK m	30 Sep 2021	31 Dec 2020	Change, %
Cash and interest-bearing securities	7,897	9,019	-12%
Acquired loan portfolios	21,423	21,075	2%
Other assets ¹⁾	1,443	1,770	-18%
Total assets	30,763	31,864	-3%
Deposits from the public	17,165	17,928	-4%
Debt securities issued	6,586	6,355	4%
Subordinated debt	827	821	1%
Total interest-bearing liabilities	24,578	25,104	-2%
Other liabilities ¹⁾	1,312	1,602	-18%
Equity	4,873	5,158	-6%
Total liabilities and equity	30,763	31,864	-3%

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 24,578m (25,104). The change is mainly attributable to deposits from the public, which decreased SEK -763m. During the year Hoist Finance elected to lower the interest rate on all term deposits in the German market to achieve deferred outflows in accordance with the financing strategy. 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 2021 Hoist Finance also launched deposits from the public in the UK under the HoistSavings brand. In Sweden, deposits from the public under the HoistSpar brand amounted to SEK 8,887m (11,050), of which SEK 3,896m (5,629) is attributable to fixed term deposits of one-, two- and three-year durations. In Germany, deposits to retail customers are offered under the HoistSparen name. At 30 September 2021, deposits from the public in Germany were SEK 8,271m (7,820), of which SEK 7,071m (7,395) is attributable to fixed term deposits of one- to five-year duration.

At 30 September 2021, the outstanding bond debt totalled SEK 7,413m (7,176), of which SEK 6,586m (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 last year.

Other liabilities decreased SEK -290m to SEK 1,312m (1,602). Equity totalled SEK 4,873m (5,158), with the decrease mainly attributable to the year's negative result.

Cash flow

Comparative figures for cash flow pertain to third quarter 2020.

SEK m	Quarter 3 2021	Quarter 3 2020	Full-year 2020
Cash flow from operating activities	1,093	633	4,857
Cash flow from investing activities	-480	-23	-3,066
Cash flow from financing activities	-368	-1,120	-2,410
Cash flow for the period	245	-510	-619

Cash flow from operating activities totalled SEK 1,093m, as compared with SEK 633m during Q3 2020. Amortisation of acquired loan portfolios increased during the quarter and totalled SEK 886m (652). The comparative quarter was affected by lower-than-expected collections and interest income, as well as low portfolio growth during 2020, due to Covid-19.

Cash flow from other assets and liabilities amounted to SEK 65m (-172), the majority of which pertains to cash flows for derivatives linked to real-ised cash flows for FX hedging and collateral management.

Cash flow from investing activities totalled SEK -480m (-23). Portfolio acquisition activity was higher than during Q3 2020, and totalled SEK -1,226m (-264). Hoist Finance divested bonds and other securities totalled SEK 747m (252) during the quarter. Other cash flow within investing activities totalled SEK -1m (-11).

Cash flow from financing activities totalled SEK -368m (-1,120). Net outflow from deposits from the public totalled SEK -317m (-1,043) and pertains primarily to fixed term deposits in the Swedish market, which is partially offset by inflows in Germany. Hoist Finance conducted an additional securitisation in Italy during the quarter, issuing bonds to third parties totalling SEK 16m. The quarter's repayment of bonds in the securitisation structure totalled SEK -17m (-29). Other cash flow from financing activities pertains to interest paid on Additional Tier 1 capital of SEK -32m (-33) and amortisation of lease liability of SEK -18m (-16).

Total cash flow for the quarter amounted to SEK 245m, as compared with SEK -510m for third quarter 2020.

Capital adequacy

Comparative figures for capital adequacy pertain to 30 June 2021.

At the close of the quarter the CET1 ratio was 9.78 per cent (9.70) for the Hoist Finance consolidated situation.

CET1 capital totalled SEK 3,265m (3,229). The quarter's net profit of SEK 75m increased the CET1 ratio by 0.22 per cent. Capitalised intangible assets and accumulated interest on Tier 1 capital instruments resulted in a reduction of -0.10 per cent.

The risk-weighted exposure amount decreased somewhat during the quarter to SEK 33,390m (33,278). Collections on existing loans (0.30 per cent) and amortisation of bonds in the securitisation structure (0.12) contributed positively to the CET1 ratio, while new loan portfolio acquisitions and new forward flow agreements (-0.31 per cent) contributed negatively. The quarter-on-quarter market risk for open currency exposures increased the CET1 ratio by 0.05 per cent.

Total capital amounted to SEK 5,199m (5,148) at the close of the quarter. The total capital ratio was 15.57 per cent (15.47).

All capital ratios meet regulatory and the Company's own requirements (9.71-11.71). The parent company capital ratio amounted to 12.34 per cent (12.16).

Parent Company

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

Net interest income for the Parent Company totalled SEK 229m (271) during the third quarter, with interest income totalling SEK 365m (341). The decrease in interest income is due to lower loan portfolio acquisition volumes and to amortisation of intra-group loans. Interest expense increased SEK -5m due mainly to issued securities.

Net operating income for the Parent Company totalled SEK 364m (341), of which Net result from financial transactions totalled SEK 40m (3). The increase is due primarily to upward swap curves for GBP and PLN. The increase of SEK 30m in Other operating income pertains to a capital gain on the liquidation of subsidiary Hoist Finance Services AB.

Operating expenses totalled SEK -311m (-292). Personnel expenses increased SEK -16m during the quarter, due mainly to the investment in the share service centre in Poland. Collection costs increased SEK -13m due to an ease in Covid-related restrictions, which has improved opportunities to pursue legal claims in court. Depreciation and amortisation of tangible and intangible assets increased SEK -11m, with most of this amount attributable to the write-down of an IT project. These effects were mitigated by an SEK -8m reduction in administrative expenses, due primarily to lower IT costs.

Profit before credit losses totalled SEK 53m (49). Impairment gains and losses on acquired loan portfolios of SEK -19m (0) pertain to the difference between projected and actual collections, portfolio revaluations and credit reserves for performing loans. Impairments of financial assets of SEK -1m (-) pertain to the liquidation of Hoist Finance Services AB, which was concluded during the third quarter.

Earnings before tax totalled SEK 50m (62). Tax expense totalled SEK -8m (-14) during the third quarter, with SEK -1m of this amount attributable to deferred tax. Net profit for the quarter totalled SEK 42m (48).

Other disclosures

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

Significant risks and uncertainties

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

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

Development of risks

Due to the Covid-19 pandemic, credit risk is increased and is closely monitored. Due to the uncertainty regarding future developments, 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 continues to assess new opportunities to acquire portfolios of non-performing secured 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 returned to their offices to a significant extent. Flexible working methods, a combination of office and at-home work, are expected to continue even after Covid restrictions are lifted. 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 quarters.

Market risks remain low, as Hoist Finance continuously hedges interest rate and FX risks in the short and medium term. Hoist Finance has elected to increase the volume of interest rate hedges to meet the new Pillar 2 requirements for market risks in non-trading activities previously announced by the Financial Supervisory Authority. Additional information on developments during the quarter is provided in the Net Profit section. Liquidity risk was low during the quarter. Hoist Finance's liquidity reserve exceeds Group targets by a healthy margin. Additional securitisations of non-performing loan portfolios were conducted in Italy during the quarter. The securitisation of asset portfolios is an effective method of managing the regulatory changes introduced in December 2018 (the NPL prudential backstop regulation).

The European Commission is working on an action plan for non-performing loans in order to be better able to manage an increased volume of these loans in the wake of the pandemic. Under the proposed change, an institution that buys a portfolio of non-performing loans from another

institution may equalise the discount in the purchase price with a write-down when calculating risk weight. If the discount exceeds 20 per cent, the risk weight for the loan would be 100 per cent rather than 150 per cent. This would be positive for Hoist Finance from a capital adequacy perspective. During Q2, the EBA distributed a questionnaire regarding the proposed changes to risk weights for non-performing loans sold on the secondary market, with responses due 24 September. The European Commission has not yet made a decision on this matter and Hoist Finance is closely monitoring developments.

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.

Hoist Finance started three new companies in Cyprus during the year. None of these companies were active as of 30 September 2021 and none has a significant impact on the Group. Two companies were liquidated during the year: one in Germany, which had no significant impact on the Group, and one in Sweden, which gave rise to a gain from liquidation of SEK 31m in Parent Company Hoist Finance AB (publ) but which had no significant effect on the Group.

Nomination Committee

In accordance with established instructions, the Nomination Committee is composed of representatives of the three largest shareholders along with the Chairman of the Board. The Nomination Committee is currently composed of the Chairman of the Board Mattias Carlsson and members Per Arwidsson, chairman and appointed by Arwidsro, Erik Selin, appointed by Erik Selin Fastigheter AB and Joachim Spetz, appointed by Swedbank Robur Fonder. The Committee term continues until a new committee has been appointed. Prior to the 2022 Annual General Meeting, the composition of the Nomination Committee has been based on ownership statistics as at 31 August 2021.

Subsequent events

No significant events occurred after the balance sheet date.

Review

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

QUARTERLY REVIEW

Condensed income statement

SEK m	Quarter 3 2021	Quarter 2 2021	Quarter 1 2021	Quarter 4 2020	Quarter 3 2020
Net interest income	607	599	618	640	646
Total operating income	642	625	319	648	679
Total operating expenses	-580	-588	-579	-592	-549
Net operating profit/loss	62	37	-260	56	130
Profit/loss before tax	82	52	-246	68	140
Net profit/loss for the period	75	-48	-221	48	110

Key ratios¹⁾

SEK m	Quarter 3 2021	Quarter 2 2021	Quarter 1 2021	Quarter 4 2020	Quarter 3 2020
Profit/loss before tax excl. items affecting comparability	82	64	-246	108	149
EBITDA, adjusted	1,132	1,171	1,171	1,471	1,039
C/I ratio, %	88	92	173	90	80
C/I ratio adjusted for items affecting comparability, %	88	90	173	84	78
Return on equity, %	5	-7	-25	3	9
Return on equity adjusted for items affecting comparability, %	5	4	-24	5	9
Collection performance, %	99	102	103	102	103
Portfolio acquisitions	1,226	857	752	890	264
Basic and diluted earnings per share, SEK	0.58	-0.79	-2.73	0.31	0.98
Items affecting comparability	-	-12	-	-40	-9

SEK m	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
Gross 180-month ERC	32,643	32,396	32,829	32,763	34,717
Acquired loans	21,423	21,059	21,266	21,075	22,245
Total capital ratio, %	15.57	15.47	15.59	16.49	16.14
CET1 ratio, %	9.78	9.70	9.81	10.76	10.44
Number of employees (FTEs)	1,579	1,575	1,602	1,631	1,630

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 3 2021	Quarter 3 2020	Jan–Sep 2021	Jan–Sep 2020	Full-year 2020
Interest income acquired loan portfolios calculated using the effective interest rate method		756	791	2,261	2,525	3,302
Other interest income ¹⁾		1	1	–1	6	6
Interest expense		–150	–146	–436	–444	–582
Net interest income		607	646	1,824	2,087	2,726
Impairment gains and losses		–30	1	–331	–409	–458
Fee and commission income		16	23	45	75	93
Net result from financial transactions		47	4	38	–45	–7
Other operating income		2	5	9	13	14
Total operating income	3	642	679	1,585	1,720	2,368
Personnel expenses		–212	–225	–657	–673	–862
Collection costs		–187	–157	–541	–519	–734
Other administrative expenses		–142	–138	–451	–460	–613
Depreciation and amortisation of tangible and intangible assets		–39	–29	–98	–98	–134
Total operating expenses	3	–580	–549	–1,747	–1,750	–2,343
Net operating profit/loss		62	130	–162	–30	25
Share of profit from joint ventures	3	20	10	50	44	57
Profit/loss before tax	3	82	140	–112	14	82
Income tax expense		–7	–30	–82	–22	–41
Net profit/loss		75	110	–194	–8	41
Profit/loss attributable to:						
Owners of Hoist Finance AB (publ)		53	87	–262	–73	–45
Additional Tier 1 capital holders		22	23	68	65	86
Basic and diluted earnings per share SEK		0.58	0.98	–2.93	–0.81	–0.50

1) Of which interest income calculated using the effective interest method amounted SEK 0.1m (0.1) during quarter 3, SEK –0.5m (1.7) during Jan–Sep and SEK 1.7m during full-year.

Consolidated statement of comprehensive income

SEK m	Quarter 3 2021	Quarter 3 2020	Jan–Sep 2021	Jan–Sep 2020	Full-year 2020
Net profit/loss for the period	75	110	–194	–8	41
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss					
Revaluation of defined benefit pension plan	–	–	–	–	–5
Revaluation of remuneration after terminated	–	–	–	1	0
Tax attributable to items that will not be reclassified to profit or loss	–	–	–	–	–
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	–13	–4	5	–51	–99
Translation difference, joint ventures	–3	–2	0	–11	–20
Hedging of currency risk in foreign operations	4	3	–15	4	–18
Hedging of currency risk in joint ventures	2	2	1	6	11
Transferred to the income statement during the year	1	1	3	5	6
Tax attributable to items that may be reclassified to profit or loss	–2	–1	3	–2	–3
Total items that may be reclassified subsequently to profit or loss	–10	–1	–3	–49	–123
Other comprehensive income for the period	–10	–1	–3	–48	–128
Total comprehensive income for the period	65	109	–197	–56	–87
Profit/loss attributable to:					
Owners of Hoist Finance AB (publ)	43	86	–265	–121	–173
Additional Tier 1 capital holders	22	23	68	65	86

Consolidated balance sheet

SEK m	Note	30 Sep 2021	31 Dec 2020	30 Sep 2020
ASSETS				
Cash		0	0	0
Treasury bills and Treasury bonds	5	1,124	2,411	2,077
Lending to credit institutions	5	3,397	2,526	2,358
Lending to the public	5	4	6	8
Acquired loan portfolios	3,4	21,423	21,075	22,245
Bonds and other securities	5	3,376	4,082	3,620
Shares and participations in joint ventures		156	160	179
Intangible assets		369	358	370
Tangible assets		219	262	289
Other assets		406	763	376
Deferred tax assets		145	97	89
Prepayments and accrued income		144	124	100
Total assets		30,763	31,864	31,711
LIABILITIES AND EQUITY				
Liabilities				
Deposits from the public	5	17,165	17,928	18,870
Debt securities issued	5	6,586	6,355	5 645
Tax liabilities		203	132	122
Other liabilities		683	1,025	609
Deferred tax liabilities		127	141	140
Accrued expenses and deferred income		236	239	208
Provisions		63	65	70
Subordinated debts		827	821	854
Total liabilities		25,890	26,706	26,518
Equity				
Additional Tier 1 capital holders		1,106	1,106	1,106
Share capital		30	30	30
Other contributed equity		2,275	2,275	1,883
Reserves		-384	-381	-307
Retained earnings including profit/loss for the period		1,846	2,128	2,481
Total equity		4,873	5,158	5,193
Total liabilities and equity		30,763	31,864	31,711

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/loss for the period						-194	-194
Other comprehensive income				-8	5	0	-3
Total comprehensive income for the period				-8	5	-194	-197
Transactions reported directly in equity							
Interest paid on Additional Tier 1 capital						-90	-90
Share-based payments						2 ¹⁾	2
Total transactions reported directly in equity						-88	-88
Closing balance 30 Sep 2021	1,106	30	2,275	-451	67	1,846	4,873

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/loss 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 Additional Tier 1 capital						-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.

Consolidated statement of changes in equity, cont.

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/loss for the period						-8	-8
Other comprehensive income				12	-61	1	-48
Total comprehensive income for the period				12	-61	-7	-56
Transactions reported directly in equity							
Additional Tier 1 capital instrument	414 ¹⁾						414
Interest paid on Additional Tier 1 capital						-60	-60
Share-based payments						-3 ²⁾	3
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					-65	351
Closing balance 30 Sep 2020	1,106	30	2,275	-427	120	2,089	5,193

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 3 2021	Quarter 3 2020	Jan–Sep 2021	Jan–Sep 2020	Full-year 2020
Profit/loss before tax	82	140	–112	14	82
– of which, paid-in interest	752	798	2,253	2,539	3,321
– of which, interest paid	–103	–84	–356	–330	–449
Adjustment for other items not included in cash flow	105	84	502	617	710
Realised result from divestment of shares and participations in joint ventures	–17	–13	–52	–43	–58
Income tax paid/received	–28	–58	–80	–62	–62
Amortisations on acquired loan portfolios	886	652	2,667	2,159	3,164
Increase/decrease in other assets and liabilities	65	–172	–331	595	1,021
Cash flow from operating activities	1,093	633	2,594	3,280	4,857
Acquired loan portfolios	–1,226	–264	–2,835	–871	–1,715
Investments in bonds and other securities	–	–	–827	–1,501	–2,069
Divestments of bonds and other securities	747	252	1,537	649	751
Other cash flows from investing activities	–1	–11	–24	–31	–33
Cash flow from investing activities	–480	–23	–2,149	–1,754	–3,066
Deposits from the public	–317	–1,043	–869	–2,709	–3,272
Debt securities issued	16	–	75	–	2,018
Repurchase and repayment of Debt securities issued	–17	–28	–51	–408	–1,454
Additional Tier 1 capital	–	–	–	414	414
Interest paid on Additional Tier 1 capital	–32	–33	–90	–60	–60
Acquisition agreement for Treasury shares	–	–	–	–8	–8
Amortisation of lease liabilities	–18	–16	–39	–36	–48
Cash flow from financing activities	–368	–1,120	–974	–2,807	–2,410
Cash flow for the period	245	–510	–529	–1,281	–619
Cash at beginning of the period ¹⁾	3,839	4,518	4,576	5,261	5,261
Translation difference	8	27	45	55	–66
Cash at end of the period²⁾	4,092	4,035	4,092	4,035	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	30 Sep 2021	30 Sep 2020	31 Dec 2020
Cash	0	0	0
Treasury bills and Treasury bonds	1,124	2,077	2,411
Lending to credit institutions	3,397	2,358	2,526
excl. lending to credit institutions in securitisation vehicles	–270	–268	–254
excl. pledged bank balances	–159	–132	–107
Total cash and cash equivalents in cash flow statement	4,092	4,035	4,576

Parent Company income statement

SEK m	Quarter 3 2021	Quarter 3 2020	Jan–Sep 2021	Jan–Sep 2020	Full-year 2020
Interest income	365	402	1,170	1 281	1,705
Interest expense	–136	–131	–394	–397	–521
Net interest income	229	271	776	884	1,184
Dividends received	–	–	–	–	302
Fee and commission income	–1	1	1	3	4
Net result from financial transactions	40	3	32	–93	–113
Other operating income	96	66	245	224	256
Total operating income	364	341	1,053	1,017	1,633
Personnel expenses	–111	–95	–342	–291	–376
Other administrative expenses	–177	–185	–550	–598	–768
Depreciation and amortisation of tangible and intangible assets	–23	–12	–49	–43	–62
Total operating expenses	–311	–292	–941	–932	–1,206
Profit before credit losses	53	49	112	85	427
Impairment gains and losses on acquired loan portfolios	–19	0	–34	–71	–41
Amortisation of other financial fixed assets	–1	–	–72	–	–116
Share of profit from joint ventures	17	13	51	49	71
Net operating profit/loss	50	62	57	63	341
Appropriations	–	–	–	–	–9
Taxes	–8	–14	–125	–42	–77
Net profit/loss	42	48	–68	21	255

Parent company statement of comprehensive income

SEK m	Quarter 3 2021	Quarter 3 2020	Jan–Sep 2021	Jan–Sep 2020	Full-year 2020
Net profit/loss	42	48	–68	21	255
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss					
Translation difference, foreign operations	0	0	0	0	0
Tax attributable to items that may be reclassified to profit or loss	–	0	–	0	–1
Total items that may be reclassified subsequently to profit or loss	0	0	0	0	–1
Other comprehensive income for the period	0	0	0	0	–1
Total comprehensive income for the period	42	48	–68	21	254

Parent Company balance sheet

SEK m	30 Sep 2021	31 Dec 2020	30 Sep 2020
ASSETS			
Cash	0	0	0
Treasury bills and Treasury bonds	1,124	2,411	2,077
Lending to credit institutions	2,393	1,611	1,382
Lending to the public	4	6	8
Acquired loan portfolios	6,379	6,755	6,856
Receivables, Group companies	15,299	14,402	15,449
Bonds and other securities	3,376	4,082	3,620
Shares and participations in subsidiaries	817	816	900
Shares and participations in joint ventures	8	11	13
Intangible assets	206	187	186
Tangible assets	33	35	40
Other assets	275	462	267
Deferred tax assets	1	1	2
Prepayments and accrued income	54	55	40
Total assets	29,969	30,834	30,840
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	17,165	17,928	18,870
Debt securities issued	6,142	5,959	89
Tax liabilities	156	96	917
Other liabilities	704	890	2
Deferred tax liabilities	0	3	81
Accrued expenses and deferred income	88	94	41
Provisions	35	37	5,219
Subordinated debts	827	821	854
Total liabilities and provisions	25,117	25,828	26,073
Untaxed reserves	277	277	268
Equity			
Restricted equity			
Share capital	30	30	30
Statutory reserve	13	13	13
Revaluation reserve	71	72	72
Development expenditure fund	1	2	3
Total restricted equity	115	117	118
Non-restricted equity			
Additional Tier 1 capital holders	1,106	1,106	1,106
Share premium	1,883	1,883	1,883
Reserves	3	2	3
Retained earnings	1,536	1,366	1,368
Profit/loss for the period	-68	255	21
Total unrestricted equity	4,460	4,612	4,381
Total equity	4,575	4,729	4,499
Total liabilities and equity	29,969	30,834	30,840

Notes to the financial statements

Note 1 Accounting principles

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

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

Change in accounting principles 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. Over time, this has become more certain as the markets start to exhibit normal economic behavior and judicial processes.

There have been no 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 (secured non-performing loans) and Retail Banking (performing loans).

After its initial work with the new segments, Hoist Finance determined that the model required some slight adjustments to better reflect operations. Digital and Contact Centre Operations have been merged into Unsecured, and Retail Banking has been renamed Performing.

In 2021 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 3 2021	Quarter 3 2020	Full-year 2020
1 EUR = SEK			
Income statement (average)	10.1495	10.5569	10.4844
Balance sheet (at end of the period)	10.2010	10.5410	10.0375
1 GBP = SEK			
Income statement (average)	11.7480	11.9450	11.7996
Balance sheet (at end of the period)	11.8099	11.5204	11.0873
1 PLN = SEK			
Income statement (average)	2.2329	2.3886	2.3615
Balance sheet (at end of the period)	2.2024	2.3297	2.2166
1 RON = SEK			
Income statement (average)	2.0665	2.1872	2.1672
Balance sheet (at end of the period)	2.0618	2.1634	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 established a new operating model with four business lines.

Following further reorganisation during 2021, Hoist Finance decided to adjust the four business lines into three in order to reflect the Company's business model. Digital and Contact Centre Operations have been merged into Unsecured, and Retail Banking has been renamed Performing. Comparative figures for 2020 have been restated to reflect the new business lines.

- » **The Unsecured business line** is end-to-end responsible for the unsecured NPL business. Unsecured drives the transformation from analogue to digital debt resolution and works with national markets and other business lines to maintain Hoist Finance's position as the digital leader in our industry. Unsecured also includes the contact centre services provided for unsecured NPLs.
- » **The Secured business line** is end-to-end responsible for the Secured NPL business. This includes collections, customer contact centre and collateral management.
- » **The Performing business line** is responsible for all of Hoist Finance's performing loan portfolios.

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. 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.

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 3, 2021

SEK m	Unsecured	Secured	Performing	Group items	Group
Total operating income	479	103	8	52	642
of which, interest expense	-131	-16	-5	2	-150
Operating expenses					
Direct expenses ¹⁾	-288	-27	-6	-4	-325
Indirect expenses ¹⁾	-217	-30	-8	-	-255
Total operating expenses	-505	-57	-14	-4	-580
Share of profit from joint ventures	20	-	-	-	20
Profit/loss before tax	-6	46	-6	48	82

Key ratios²⁾

Direct contribution	191	76	2	48	317
Acquired loan portfolios	16,734	3,984	705	-	21,423
C/I -ratio %	101	55	179	8	88
Collection performance %	97	110	-	-	99

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 3, 2020

SEK m	Unsecured	Secured	Performing	Group items	Group
Total operating income	578	66	10	24	679
of which, interest expense	-141	-16	-5	15	146
Operating expenses					
Direct expenses ¹⁾	-269	-20	-4	-1	-295
Indirect expenses ¹⁾	-227	-23	-4	-	-254
Total operating expenses	-496	-43	-8	-1	-549
Share of profit from joint ventures	10	-	-	-	10
Profit/loss before tax	92	23	2	23	140

Key ratios²⁾

Direct contribution	309	46	6	23	384
Acquired loan portfolios	17,630	3,805	810	-	22,245
C/I -ratio %	84	65	84	6	80
Collection performance %	103	106	-	-	103

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

2) See Definitions.

Income statement, Jan–Sep, 2021

SEK m	Unsecured	Secured	Performing	Group items	Group
Total operating income	1,232	263	23	67	1,585
of which, interest expense	-397	-46	-14	21	-436
Operating expenses					
Direct expenses ¹⁾	-855	-78	-18	-11	-962
Indirect expenses ¹⁾	-671	-90	-24	-	-785
Total operating expenses	-1,526	-168	-42	-11	-1,747
Share of profit from joint ventures	50	-	-	-	50
Profit/loss before tax	-244	95	-19	56	-112

Key ratios²⁾

Direct contribution	377	185	5	56	623
Acquired loan portfolios	16,734	3,984	705	-	21,423
C/I -ratio %	119	64	184	17	107
Collection performance %	101	107	-	-	101

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, Jan–Sep, 2020

SEK m	Unsecured	Secured	Performing	Group items	Group
Total operating income	1,411	234	28	47	1,720
of which, interest expense	–449	–49	–20	73	–444
Operating expenses					
Direct expenses ¹⁾	–847	–78	–16	–5	–945
Indirect expenses ¹⁾	–719	–74	–11	–	–805
Total operating expenses	–1,566	–152	–27	–5	–1,750
Share of profit from joint ventures	44	–	–	–	44
Profit/loss before tax	–111	82	1	42	14

Key ratios²⁾

Direct contribution	564	156	12	42	775
Acquired loan portfolios	17,630	3,805	810	–	22,245
C/I -ratio %	108	65	98	11	99
Collection performance %	95	110	–	–	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	Secured	Performing	Group items	Group
Total operating income	1,959	266	37	106	2,368
of which, interest expense	–587	–64	–25	94	–582
Operating expenses					
Direct expenses ¹⁾	–1,157	–96	–21	–8	–1,282
Indirect expenses ¹⁾	–945	–99	–16	–	–1,061
Total operating expenses	–2,103	–195	–37	–8	–2,343
Share of profit from joint ventures	57	–	–	–	57
Profit/loss before tax	–87	71	0	98	82

Key ratios²⁾

Direct contribution	802	170	16	98	1,086
Acquired loan portfolios	16,864	3,458	753	–	21,075
C/I -ratio %	104	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 inter-

est 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 3, 2021

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	116	151	63	97	23	140	52	0	642
<i>of which, internal funding</i>	-43	-34	-15	-36	-9	-15	152	-	0
Total operating expenses	-76	-117	-53	-50	-40	-72	-172	0	-580
Impairment of shares in subsidiaries	-	-	-	-	-	-	-1	1	0
Share of profit from joint ventures	-	-	-	19	-	1	-	-	20
Profit before tax	40	34	10	66	-17	69	-121	1	82

Key ratios

Acquired loan portfolios ¹⁾	4,599	6,127	2,315	3,467	2,133	2,782	-	-	21,423
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Income statement, Quarter 3, 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	134	178	63	95	87	102	19	1	679
<i>of which, internal funding</i>	-50	-34	-14	-37	-11	-15	161	-	0
Total operating expenses	-78	-114	-52	-42	-44	-57	-162	0	-549
Share of profit from joint ventures	-	-	-	-	-	-2	12	-	10
Profit before tax	56	64	11	53	43	43	-131	1	140

Key ratios

Acquired loan portfolios ¹⁾	5,500	5,908	2,094	3,509	2,653	2,581	-	-	22,245
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Income statement, Jan–Sep, 2021

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	151	486	243	313	86	244	62	0	1,585
<i>of which, internal funding</i>	-134	-99	-44	-108	-29	-42	456	-	0
Total operating expenses	-217	-341	-158	-147	-125	-213	-546	0	-1,747
Impairment of shares in subsidiaries	-	-	-	-	-	-	-72	72	0
Share of profit from joint ventures	-	-	-	48	-	2	-	-	50
Profit before tax	-66	145	85	214	-39	33	-556	72	-112

Key ratios

Acquired loan portfolios ¹⁾	4,599	6,127	2,315	3,467	2,133	2,782	-	-	21,423
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Note 3 Segment reporting, cont.

Income statement, Jan–Sep, 2020

SEKm	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	349	526	221	264	210	112	39	-1	1,720
<i>of which, internal funding</i>	-162	-112	-44	-120	-33	-47	518	-	0
Total operating expenses	-247	-352	-161	-136	-130	-205	-519	0	-1,750
Share of profit from joint ventures	-	-	-	-	-	6	38	-	44
Profit before tax	102	174	60	128	80	-87	-442	-1	14

Key ratios

Acquired loan portfolios ¹⁾	5,500	5,908	2,094	3,509	2,653	2,581	-	-	22,245
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Income statement, full-year 2020

SEKm	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
Impairment of shares in subsidiaries	-	-	-	-	-	-	-116	116	0
Share of profit from joint ventures	-	-	-	-	-	13	44	-	57
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		
	30 Sep 2021	31 Dec 2020	30 Sep 2020	30 Sep 2021	31 Dec 2020	30 Sep 2020
Gross carrying amount	21,881	21,188	22,312	6,327	6,670	6,799
Loss allowance	-458	-113	-67	52	85	57
Net carrying amount	21,423	21,075	22,245	6,379	6,755	6,856

Acquired credit-impaired loan portfolios, 30 Sep 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	2,835	-	2,835	606	-	606
Interest income	2,222	-	2,222	708	-	708
Gross collections	-4,828	-	-4,828	-1,757	-	-1,757
Impairment gains and losses	-	-330	-330	-	-34	-34
of which, realised collections against active forecast	-	191	191	-	138	138
of which, portfolio revaluations	-	-521	-521	-	-172	-172
Translation differences	511	-14	497	106	1	107
Closing balance 30 Sep 2021	21,170	-452	20,718	6,052	55	6,107

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
of which, realised collections against active forecast	-	350	350	-	346	346
of which, portfolio revaluations	-	-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, 30 Sep 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	871	-	871	277	-	277
Interest income	2,476	-	2,476	773	-	773
Gross collections	-4,577	-	-4,577	-1,546	-	-1,546
Impairment gains and losses	-	-408	-408	-	-71	-71
of which, realised collections against active forecast	-	100	100	-	195	195
of which, portfolio revaluations	-	-508	-508	-	-266	-266
Disposals	40	-40	0	-	-	-
Translation differences	-322	-1	-323	71	1	72
Closing balance 30 Sep 2020	21,497	-62	21,435	6,497	60	6,557

Note 4 Acquired loan portfolios, cont.

Acquired performing loan portfolios, 30 Sep 2021

GROUP

SEK m	Gross carrying amount	Stage 1 12MECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2021	758	-1	0	-4	-5	753
Interest income	39	-	-	-	-	39
Amortisations and interest payments	-100	-	-	-	-	-100
Changes in risk parameters	-	0	-1	0	-1	-1
Derecognitions	-1	-	-	-	-	-1
Translation differences	15	0	0	0	0	15
Closing balance 30 Sep 2021	711	-1	-1	-4	-6	705

Acquired performing loan portfolios, 31 Dec 2020

GROUP

SEK m	Gross carrying amount	Stage 1 12MECL	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, 30 Sep 2020

GROUP

SEK m	Gross carrying amount	Stage 1 12MECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2020	912	-1	0	-4	-5	907
Interest income	49	-	-	-	-	49
Amortisations and interest payments	-106	-	-	-	-	-106
Changes in risk parameters	-	0	0	-1	-1	-1
Derecognitions	-1	-	-	-	-	-1
Translation differences	-38	0	0	0	0	-38
Closing balance 30 Sep 2020	816	-1	0	-5	-6	810

Acquired performing loan portfolios, 30 Sep 2021

PARENT COMPANY

SEK m	Gross carrying amount	Stage 1 12MECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2021	281	0	0	-3	-3	278
Interest income	13	-	-	-	-	13
Amortisations and interest payments	-36	-	-	-	-	-36
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	18	0	0	0	0	18
Closing balance 30 Sep 2021	275	0	0	-3	-3	272

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, 30 Sep 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	15	-	-	-	-	15
Amortisations and interest payments	-40	-	-	-	-	-40
Changes in risk parameters	-	0	0	-	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	-18	0	0	0	0	-18
Closing balance 30 Sep 2020	301	0	0	-3	-3	298

Note 5 Financial instruments

Carrying amount and fair value of financial instruments

GROUP, 30 SEP 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	–	1,124	–	–	1,124	1,124
Lending to credit institutions	–	–	–	3,397	3,397	3,397
Lending to the public	–	–	–	4	4	4
Acquired loan portfolios	–	–	–	21,423	21,423	22,274
Bonds and other securities	–	3,376	–	–	3,376	3,376
Derivatives	27	–	69 ¹⁾	–	96	96
Other financial assets	–	–	–	282	282	282
Total	27	4,500	69	25,106	29,702	30,553
Deposits from the public	–	–	–	17,165	17,165	17,165
Derivatives	10	–	–	–	10	10
Debt securities issued	–	–	–	6,586	6,586	6,867
Subordinated debt	–	–	–	827	827	807
Other financial debts	–	–	–	882	882	882
Total	10	–	–	25,460	25,470	25,731

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, 30 SEP 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	–	2,077	–	–	2,077	2,077
Lending to credit institutions	–	–	–	2,358	2,358	2,358
Lending to the public	–	–	–	8	8	8
Acquired loan portfolios	–	–	–	22,245	22,245	23,135
Bonds and other securities	–	3,620	–	–	3,620	3,620
Derivatives	–	–	98 ¹⁾	–	98	98
Other financial assets	–	–	–	253	253	253
Total	–	5,697	98	24,864	30,659	31,549
Deposits from the public	–	–	–	18,870	18,870	18,870
Derivatives	42	–	8 ¹⁾	–	50	50
Debt securities issued	–	–	–	5,645	5,645	5,668
Subordinated debt	–	–	–	854	854	721
Other financial debts	–	–	–	741	741	741
Total	42	–	8	26,110	26,610	26,050

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

Carrying amount and fair value of financial instruments

PARENT COMPANY, 30 SEP 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	–	1,124	–	–	1,124	1,124
Lending to credit institutions	–	–	–	2,393	2,393	2,393
Lending to the public	–	–	–	4	4	4
Acquired loan portfolios	–	–	–	6,379	6,379	6,761
Receivables, Group companies	–	14	–	15,117	15,131	16,959
Bonds and other securities	–	3,376	–	–	3,376	3,376
Derivatives	27	–	69 ¹⁾	–	96	96
Other financial assets	–	–	–	233	233	233
Total	27	4,514	69	24,126	28,736	30,946
Deposits from the public	–	–	–	17,165	17,165	17,165
Derivatives	10	–	–	–	10	10
Debt securities issued	–	–	–	6,142	6,142	6,389
Subordinated debt	–	–	–	827	827	807
Other financial debts	–	–	–	762	762	762
Total	10	–	–	24,896	24,906	25,133

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

Note 5 Financial instruments, cont.

Carrying amount and fair value of financial instruments

PARENT COMPANY, 31 DEC 2020

SEK m	Assets/liabilities recognised at fair value through profit or loss		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	27	–	214 ¹⁾	–	241	241
Other financial assets	–	–	–	205	205	205
Total	27	6,503	214	22,969	29,713	30,123
Deposits from the public	–	–	–	17,928	17,928	17,928
Derivatives	43	–	–	–	43	43
Debt securities issued	–	–	–	5,959	5,959	6,054
Subordinated debt	–	–	–	821	821	744
Other financial debts	–	–	–	909	909	909
Total	43	–	–	25,617	25,660	25,678

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

Carrying amount and fair value of financial instruments

PARENT COMPANY, 30 SEP 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	–	2,077	–	–	2,077	2,077
Lending to credit institutions	–	–	–	1,382	1,382	1,382
Lending to the public	–	–	–	8	8	8
Acquired loan portfolios	–	–	–	6,856	6,856	7,230
Receivables, Group companies	–	11	–	15,438	15,449	15,468
Bonds and other securities	–	3,620	–	–	3,620	3,620
Derivatives	–	–	98 ¹⁾	–	98	98
Other financial assets	–	–	–	155	155	155
Total	–	5,708	98	23,839	29,645	30,038
Deposits from the public	–	–	–	18,870	18,870	18,870
Derivatives	42	–	8 ¹⁾	–	50	50
Debt securities issued	–	–	–	5,219	5,219	5,209
Subordinated debt	–	–	–	854	854	721
Other financial debts	–	–	–	929	929	929
Total	42	–	8	25,872	25,922	25,779

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, 30 SEP 2021				PARENT COMPANY, 30 SEP 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	1,124	–	–	1,124	1,124	–	–	1,124
Bonds and other securities	3,376	–	–	3,376	3,376	–	–	3,376
Receivables, Group companies ¹⁾	–	–	–	–	–	–	14	14
Derivatives	–	96	–	96	–	96	–	96
Total assets	4,500	96	–	4,596	4,500	96	14	4,610
Derivatives	–	10	–	10	–	10	–	10
Total liabilities	–	10	–	10	–	10	–	10

1) Receivables from Group companies pertain junior notes issued by the subsidiaries Marathon SPV S.r.l and Giove 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, 30 SEP 2020				PARENT COMPANY, 30 SEP 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	2,077	–	–	2,077	2,077	–	–	2,077
Bonds and other securities	3,620	–	–	3,620	3,620	–	–	3,620
Receivables, Group companies ¹⁾	–	–	–	–	–	–	11	11
Derivatives	–	98	–	98	–	98	–	98
Total assets	5,697	98	–	5,795	5,697	98	11	5,806
Derivatives	–	50	–	50	–	50	–	50
Total liabilities	–	50	–	50	–	50	–	50

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.

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.

The impact on capital ratios and leverage ratio is insignificant.

Internally assessed capital requirement

As per 30 September 2021 the internally assessed capital requirement was SEK 3,242m (SEK 3,164m as per 30 June 2021), of which SEK 570m (501) was attributable to Pillar 2.

Note **6** Capital adequacy, cont.

SEKm		Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	3,265	3,229	3,976	4,006	3,598
2	Tier 1 capital	4,372	4,336	4,423	4,723	4,704
3	Total capital	5,199	5,148	5,268	5,544	5,558
Risk-weighted exposure amounts						
4	Total risk exposure amount	33,390	33,278	33,802	33,625	34,438
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	9.78%	9.70%	9.81%	10.76%	10.44%
6	Tier 1 ratio (%)	13.09%	13.03%	13.09%	14.05%	13.66%
7	Total capital ratio (%)	15.57%	15.47%	15.59%	16.49%	16.14%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.00 pp	0.00 pp	0.00 pp	0.00 pp	0.00 pp
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.00 pp	0.00 pp	0.00 pp	0.00 pp	0.00 pp
EU 7d	Total SREP own funds requirements (%)	8.00%	8.00%	8.00%	8.00%	8.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	10.50%	10.50%	10.50%	10.50%	10.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	1.78%	1.70%	1.81%	2.76%	2.44%
Leverage ratio						
13	Total exposure measure	30,397	30,714	29,507	31,177	30,898
14	Leverage ratio (%)	14.38%	14.12%	14.99%	15.15%	15.22%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%			
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00 pp	0.00 pp			
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%			
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%			
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%			
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	5,153	5,274	5,193	5,385	5,879
EU 16a	Cash outflows - Total weighted value	2,188	2,014	2,065	2,220	2,551
EU 16b	Cash inflows - Total weighted value	2,132	1,984	2,063	2,266	2,325
16	Total net cash outflows (adjusted value)	556	512	516	555	760
17	Liquidity coverage ratio (%)	971%	1,041%	1,015%	982%	949%
Net Stable Funding Ratio						
18	Total available stable funding	27,323	27,635	27,423	28,798	29,761
19	Total required stable funding	23,630	23,638	24,202	24,100	24,829
20	NSFR ratio (%)	116%	117%	113%	119%	120%

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. 36 per cent (35) of deposits from the public are payable on demand (current account – "flex"), while 64 per cent (65) 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)		
	30 Sep 2021	31 Dec 2020	30 Sep 2020	30 Sep 2021	31 Dec 2020	30 Sep 2020
Current account deposits	6,194	5,422	5,846	6,194	5,422	5,846
Fixed-term deposits	10,971	12,506	13,024	10,971	12,506	13,024
Debt securities issued	6,586	6,355	5,645	6,142	5,959	5,219
Convertible debt instruments	1,106	1,106	1,106	1,106	1,106	1,106
Subordinated debts	827	821	854	827	821	854
Equity	3,767	4,052	4,087	3,469	3,623	3,393
Other	1,313	1,602	1,149	1,260	1,397	1,398
Balance sheet total	30,763	31,864	31,711	29,969	30,834	30,840

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 7,463m (8,652) as per 30 September 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.

Liquidity reserve, Hoist Finance consolidated situation

SEK m	30 Sep 2021	31 Dec 2020	30 Sep 2020
Cash and holdings in central banks	0	0	0
Deposits in other banks available overnight	2,963	2,160	1,955
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	610	1,354	1,296
Securities issued or guaranteed by municipalities or other public sector entities	514	1,056	781
Covered bonds	3,376	4,082	3,620
Securities issued by non-financial corporates	–	–	–
Securities issued by financial corporates	–	–	–
Other	–	–	–
Total	7,463	8,652	7,652

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

Note 8 Pledged assets

SEK m	GROUP			PARENT COMPANY		
	30 Sep 2021	31 Dec 2020	30 Sep 2020	30 Sep 2021	31 Dec 2020	30 Sep 2020
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	959	757	132	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. and Giove SPV S.r.l. securitisation structures 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		
	30 Sep 2021	31 Dec 2020	30 Sep 2020	30 Sep 2021	31 Dec 2020	30 Sep 2020
Commitments	335	339	263	212	337	259

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

Assurance

The Board of Directors and the CEO hereby give their assurance that the interim 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, 26 October 2021

Mattias Carlsson
Chairman of the Board

Fredrik Backman
Board member

Malin Eriksson
Board member

Niklas Johansson
Board member

Henrik Käll
Board member

Helena Svancar
Board member

Peter Zonabend
Board member

Per Anders Fasth
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. As from Q2 2021 Hoist Finance has removed the measure Portfolio growth due to that it is not monitored internally.

Performance measures according to IFRS and other legislation

Average number of employees

Average number of employees during the year converted to full-time posts (FTEs). The calculation is based on the total average number of FTEs per month divided by the year's twelve months.

Basic earnings per share

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

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.

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.

Weighted average number of shares outstanding

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

Alternative Performance Measures

Acquired loan portfolios

An acquired loan portfolio consists of a number of defaulted consumer loans or debts and SME loans 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 Share of profit from 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.

Portfolio acquisitions

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

Portfolio revaluation

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

Return on equity

Net profit for the period adjusted for accrued unpaid interest on AT1 capital calculated on 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 required stable funding 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

Non-performing loans (NPLs)

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.

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.

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

Year-end report 2021

8 February, 2022

Contact

Chief Financial Officer
Christian Wallentin

Email: info@hoistfinance.com
Ph: +46 (0)72 254 47 77

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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