

# Interim report

## Q2 2021

We need to focus and improve performance. I have been working intensively with management to identify opportunities to significantly improve results and profitability, both in the short and the long term. We are initiating a transformation to accelerate portfolio acquisitions, improve productivity and reduce costs. ”

Per Anders Fasth, CEO

# 90%

C/I ratio excluding items affecting comparability

**Target <65%**

# 9.70%

CET1 ratio

**Target range 9.60-11.60%**

# 4%

Return on equity excluding items affecting comparability

**Target >15%**

### Key ratios<sup>1)</sup>

SEK m	Quarter 2 2021	Quarter 2 2020	Change, %	Jan-Jun 2021	Jan-Jun 2020	Change, %	Full-year 2020
Total operating income	625	513	22	944	1,042	-9	2,368
Profit/loss before tax	52	-64	>100	-193	-125	-54	82
EBITDA, adjusted	1,171	812	44	2,342	2,116	11	4,626
C/I ratio, %	92	112	-20 pp	120	112	8 pp	97
Return on equity, %	-7	-9	2 pp	-16	-8	-8 pp	-1
Collection performance, %	102	91	11 pp	103	94	9 pp	98
Portfolio acquisitions	857	62	>100	1,609	607	165	1,761
Basic and diluted earnings per share, SEK	-0.79	-1.05	25	-3.51	-1.79	>-100	-0.50

SEK m	30 Jun 2021	31 Dec 2020	Change, %
Gross 180-month ERC	32,396	32,763	-1
Acquired loans	21,059	21,075	0
Total capital ratio, %	15.47	16.49	-1.02 pp
CET1 ratio, %	9.70	10.76	-1.06 pp
Number of employees (FTEs)	1,575	1,631	-3

1) See Definitions.

# Stable operational performance but limited growth

The underlying performance in Q2 was in line with the previous quarter. However, the quarter is affected by the additional SEK -97m for a potential tax risk which concerns a legacy setup established in 2014 for Polish assets, as was announced on July 8. Excluding one-off effects, profit before tax was SEK 64m.

Even though Covid-19 related NPL volumes are yet to come, the market for portfolio sales was active in the second quarter. Hoist Finance participated in a significant number of processes, closing the quarter at acquisitions of SEK 857m which is lower than anticipated. As most of the industry experienced a challenging 2020, many competitors were keen to buy, resulting in highly priced portfolios below our profitability targets. The portfolio book value is unchanged since the first quarter. However, over the past 12 months it has decreased, resulting in net interest income being 16 per cent lower compared to the same quarter in 2020. We still foresee increased supply in the second half of the year setting a good foundation for profitable growth.

Collection performance continues to trend in line with the active forecast at 102 per cent. As markets are slowly opening up, I expect collection performance to reach levels seen before the Covid-19 pandemic. A significant share of collections stems from legal activities which have been largely halted during the pandemic as courts have been closed. These activities are crucial in supporting solid collection levels and long-term profitability, even though the activities have a negative impact on costs.

The underlying cost level is in line with the previous quarter and lower than in the same quarter last year. The reduction is however not sufficient to reach satisfactory profitability.

The significant one-off effects during the first half of 2021, has had a negative effect on our capital position. We are taking measures to improve this through improved profitability as well as additional initiatives. One example is our securitisation programme which is an important tool to improve capital efficiency. In addition to our own efforts, the European Banking Authority, EBA recently launched a consultation to harmonise the risk-weights between buyers and sellers of non-performing loans, which would apply a 100 per cent risk-weight (compared to 150 per cent). This measure aims to reverse the effects of the regulatory changes implemented in 2018. The final outcome and timing are not clear at this point in time.

We need to focus and improve performance. I have been working intensively with management to identify opportunities to significantly improve results and profitability, both in the short and the long term. We are initiating a transformation to accelerate portfolio acquisitions, improve productivity, and reduce costs.

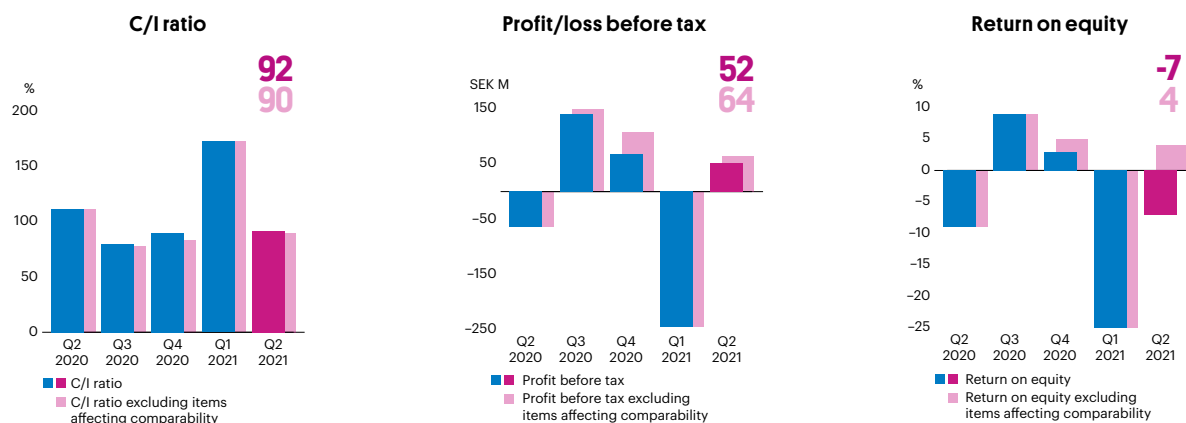
Best regards,



Per Anders Fasth  
CEO

# Developments during second quarter 2021

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



## Operating income

Operating income totalled SEK 625m (513). The increase is attributable to lower net interest income as compared with the previous year, combined with a more positive result from realised collections and portfolio revaluations. Net interest income decreased –16 per cent to SEK 599m (712). Interest income on acquired loan portfolios decreased SEK –97m during the quarter to SEK 745m (842). The decrease is attributable to the limited volume of portfolio acquisitions during 2020. As compared with the previous quarter, volume development is stable<sup>1)</sup>. Interest expense totalled SEK –145m (134). The increase, attributable to issued securities in the Parent Company and to increased costs for interest rate hedging instruments, was mitigated somewhat by lower interest expense for deposits from the public.

Impairment gains and losses totalled SEK 22m (–232) during the quarter. This comprises realised collections against forecast during the period, as well as portfolio revaluations based on expected future collections. Collections against projections totalled SEK 63m, representing a collection rate of 102 per cent. All markets but Greece achieved positive collection development. Revaluations during the quarter totalled SEK –41m. SEK –31m of this amount pertains to secured loan portfolios, for which collections achieved earlier than projected reduced expected future cash flow. Fee and commission income decreased to SEK 15m (27). The decrease is attributable to the closure of third-party collection services in the UK and to a reduction in managed volumes in Italy. Net result from financial transactions totalled SEK –16m (4), with the negative result attributable to the closure of an interest rate hedging position and to exchange rate effects.

SEK m	Quarter 2, 2021	Quarter 2, 2020
Interest income	745	842
Other interest income	–1	4
Interest expense	–145	–134
<b>Net interest income</b>	<b>599</b>	<b>712</b>
Impairment gains and losses	22	–232
of which, realised collections against active forecast	63	–78
of which, portfolio revaluations	–41	–154
Fee and commission income	15	27
Net result from financial transactions	–16	4
Other operating income	5	2
<b>Total operating income</b>	<b>625</b>	<b>513</b>

## Operating expenses

Operating expenses totalled SEK –588m (–594). Personnel expenses decreased SEK –3m during the quarter to SEK –226m (–229), mainly due to the relocation of operations to Poland and Romania. The quarter also includes restructuring costs which were driven mainly by changes in the Executive Management Team. Collection costs increased 17 per cent during the quarter to SEK –184m (–157). The increase is due to improved opportunities to pursue legal claims in court as restrictions are eased in several countries, which increases costs but also increases collections. Other administrative expenses decreased 13 per cent to SEK –148m (–170). The decrease is mainly attributable to a reduction in IT costs in accordance with the IT outsourcing strategy. The comparative quarter was impacted by an IT project write-down of SEK –6m.

## Net profit for the quarter

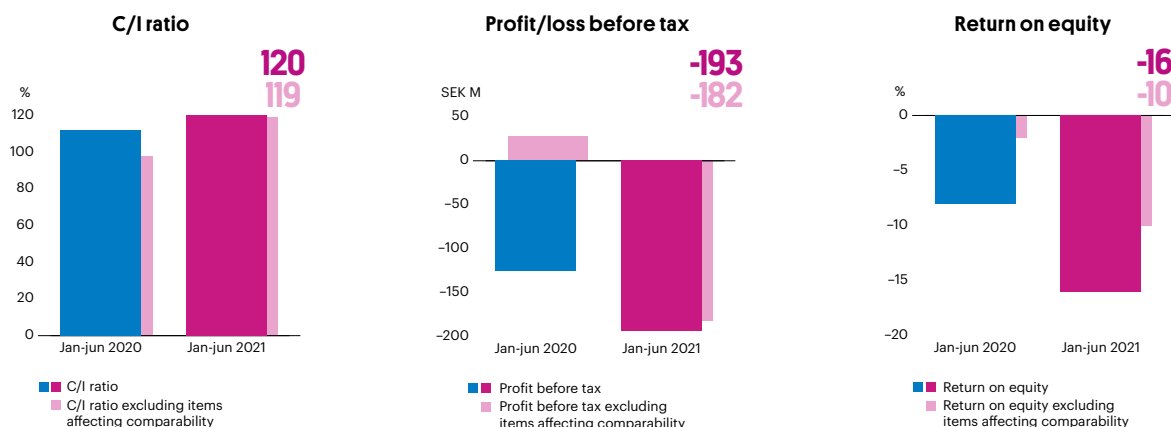
Income tax expense for the quarter totalled SEK –100m (–9). The recorded tax expense is due to the provision for an ongoing tax audit, as was announced on 8 July. As a consequence of the ongoing tax audit a review of the total provisions for tax risks has been performed which has resulted in additional provisions. The net effect during the second quarter amounted to SEK –97m. Net profit for the quarter totalled SEK –48m (–73). Adjusted for items affecting comparability, net profit for the quarter totalled SEK 58m<sup>2)</sup>.

SEK m	Quarter 2, 2021	Quarter 2, 2020
Personnel expenses	–226	–229
Collection costs	–184	–157
Other administrative expenses	–148	–170
Depreciation and amortisation	–30	–38
<b>Total operating expenses</b>	<b>–588</b>	<b>–594</b>
Profit from participations in joint ventures	15	17
Income tax expense	–100	–9
<b>Net profit for the quarter</b>	<b>–48</b>	<b>–73</b>

- 1) For comparisons with previous quarters, see the Quarterly Review on page 7.
- 2) Items affecting comparability totalled SEK –9m exclusive of tax effects pertaining to management team restructuring costs and SEK –97m pertaining to a provision for an ongoing tax audit.

# Developments during the January – June 2021 period

Comparative figures for developments during the January-June 2021 period pertain to January-June 2020.



## Operating income

Operating income totalled SEK 944m (1,042). The decrease is attributable to lower net interest income as compared with the previous year, combined with a more positive result from realised collections. Net interest income decreased –16 per cent to SEK 1,217m (1,441). Interest income on acquired loan portfolios decreased SEK –229m during the first six months of the year and amounted to SEK 1,505m (1,734). The decrease is attributable to the low volume of portfolio acquisitions as compared with last year. Interest expense totalled SEK –286m (–298). 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 desired outflows. As at 30 June 2021, deposits from the public decreased SEK –2,433 year-on-year.

Impairment gains and losses totalled SEK –300m (–410) during the first half of the year. This is attributable to realised collections against forecast during the period, combined with portfolio revaluations based on expected future collections. Collections against projections totalled SEK 164m, representing a collection rate of 103 per cent. All markets but Greece and Spain achieved positive collection development. Revaluations totalled SEK –464m. SEK –351m of this amount pertains to the forward-looking portfolio revaluations conducted during Q1. 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 30m (53). The decrease is attributable to Hoist Finance's closure of third-party collection services in the UK. Net result from financial transactions totalled SEK –11m (–50).

SEK m	Jan-Jun, 2021	Jan-Jun, 2020
Interest income	1,505	1,734
Other interest income	–2	5
Interest expense	–286	–298
<b>Net interest income</b>	<b>1,217</b>	<b>1,441</b>
Impairment gains and losses	–300	–410
<i>of which, realised collections against active forecast</i>	164	–8
<i>of which, portfolio revaluations</i>	–464	–402
Fee and commission income	30	53
Net result from financial transactions	–11	–50
Other operating income	8	8
<b>Total operating income</b>	<b>944</b>	<b>1,042</b>

## Operating expenses

Operating expenses decreased SEK –34m and totalled SEK –1,167m (–1,201). Personnel expenses for the period totalled SEK –446m (–448). Investments in the shared service centre in Poland and nearshoring in Romania continued during the first half of the year. Collection costs totalled SEK –354m (–362). Other administrative expenses decreased 4 per cent to SEK –309m (–323). Depreciation and amortisation of tangible and intangible assets totalled SEK –58m (–68). The comparative period was impacted by an IT project write-down of SEK –6m.

## Net profit for the January – June period

Income tax expense for the period totalled SEK –76m (8). The recorded tax expense is due to the provision for an ongoing tax audit, announced on 8 July. As a consequence of the ongoing tax audit a review of the total provisions for tax risks has been performed which has resulted in additional provisions. The net effect during the first quarter amounted to SEK –5m and during the second quarter to SEK –97m. Net profit for the period totalled SEK –269m (–117).

SEK m	Jan-Jun, 2021	Jan-Jun, 2020
Personnel expenses	–446	–448
Collection costs	–354	–362
Other administrative expenses	–309	–323
Depreciation and amortisation	–58	–68
<b>Total operating expenses</b>	<b>–1,167</b>	<b>–1,201</b>
Profit from participations in joint ventures	30	34
Income tax expense	–76	8
<b>Net profit for the period</b>	<b>–269</b>	<b>–117</b>

## Balance sheet

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

Total assets decreased SEK 997m as compared with 31 December 2020 and totalled SEK 30,867m (31,864). The change is primarily attributable to a decrease in cash and interest-bearing securities, which decreased SEK –705m. The carrying amount of acquired loan portfolios totalled SEK 21,059m (21,075). Other assets decreased SEK –276m.

SEK m	30 Jun 2021	31 Dec 2020	Change, %
Cash and interest-bearing securities	8,314	9,019	–8
Acquired loan portfolios	21,059	21,075	0
Other assets <sup>1)</sup>	1,494	1,770	–16
<b>Total assets</b>	<b>30,867</b>	<b>31,864</b>	<b>–3</b>
Deposits from the public	17,447	17,928	–3
Issued securities	6,476	6,355	2
Subordinated debt	813	821	–1
<b>Total interest-bearing liabilities</b>	<b>24,736</b>	<b>25,104</b>	<b>–1</b>
Other liabilities <sup>1)</sup>	1,293	1,602	–19
Equity	4,838	5,158	–6
<b>Total liabilities and equity</b>	<b>30,867</b>	<b>31,864</b>	<b>–3</b>

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 24,736m (25,104). The change is mainly attributable to deposits from the public, which decreased SEK –481m. During the first half of the year Hoist Finance elected to lower the interest rate on all term deposits in the German market to achieve desired 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 Sweden, deposits from the public under the HoistSpar brand amounted to SEK 9,312m (10,552), of which SEK 4,299m (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 30 June 2021, deposits from the public in Germany were SEK 8,135m (7,376), of which SEK 7,127m (7,115) is attributable to fixed term deposits of one- to five-year durations.

At 30 June 2021, the outstanding bond debt totalled SEK 7,289m (7,176), of which SEK 6,476m (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 –309m to SEK 1,293m (1,602). Equity totalled SEK 4,838m (5,158), with the decrease mainly attributable to the year's negative result.

## Cash flow

Comparative figures for cash flow pertain to second quarter 2020.

SEK m	Quarter 2 2021	Quarter 2 2020	Full-year 2020
Cash flow from operating activities	930	1,297	4,857
Cash flow from investing activities	–1,176	227	–3,066
Cash flow from financing activities	888	–2,143	–2,410
<b>Cash flow for the period</b>	<b>642</b>	<b>–619</b>	<b>–619</b>

Cash flow from operating activities totalled SEK 930m, as compared with SEK 1,297m during Q2 2020. Amortisation of acquired loan portfolios increased during the quarter and totalled SEK 924m (591). The comparative quarter was strongly 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 17m (437), the majority of which pertains to cash flows for derivatives linked to realised cash flows for FX hedging and collateral management.

Cash flow from investing activities totalled SEK –1,176m (227). Portfolio acquisition activity was higher than during Q2 2020, and totalled SEK –857m (–62). Hoist Finance's net investment in bonds and other securities totalled SEK –302m (296) during the quarter. Other cash flow within investing activities totalled SEK –17m (–7).

Cash flow from financing activities totalled SEK 888m (–2,143). Net inflow from deposits from the public totalled SEK 912m (–1,884) and pertain to inflows in the German market, which partially offset outflows from fixed-interest accounts in Sweden. Hoist Finance conducted two additional securitisations in Italy during the quarter, issuing bonds to third parties totalling SEK 29m. The quarter's repayment of bonds in securitisation company Marathon SPV S.r.l. totalled SEK –17m (–11). The comparative quarter also includes redemption of commercial paper in the amount of SEK –211m. Other cash flow from financing activities pertains to interest paid on Additional Tier 1 capital of SEK –27m (–27) and amortisation of lease liability of SEK –9m (–10).

Total cash flow for the quarter amounted to SEK 642m, as compared with SEK –619m for second quarter 2020.

## Capital adequacy

Comparative figures for capital adequacy pertain to 31 March 2021.

At the close of the quarter the CET1 ratio was 9.70 per cent (9.81) for the Hoist Finance consolidated situation.

CET1 capital totalled SEK 3,229m (3,976). The quarter's net profit of SEK –48m reduced the CET1 ratio by –0.13 per cent. Capitalised intangible assets and accumulated interest on Additional Tier 1 capital instruments resulted in a reduction of –0.13 per cent.

The risk-weighted exposure amount decreased somewhat during the quarter to SEK 33,278m (33,802). Collections on existing loans (0.26 per cent) and amortisation of bonds in the Marathon SPV S.r.l. securitisation structure (0.05) contributed positively to the CET1 ratio, while new loan portfolio acquisitions and new forward flow agreements (–0.29 per cent) contributed negatively. The market risk for open currency exposures was lower than during the previous quarter, which increased the CET1 ratio by 0.09 per cent.

Total capital amounted to SEK 5,148m (5,268) at the close of the quarter. The total capital ratio was 15.47 per cent (15.59).

All capital ratios are within the internal target range as well as regulatory requirements.

## 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 the duration of the current situation, there is continued risk of additional loan portfolio write-downs. In order to diversify the Company's assets in a positive way from a risk perspective, Hoist Finance continues 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. 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 Swedish Financial Supervisory Authority and, accordingly, some increase in earnings volatility is anticipated.

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

Additional securitisations of non-performing loans portfolios were conducted in Italy during the quarter. The securitisation of loan 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. During the quarter, the EBA distributed a consultation covering proposed changes to risk weights for non-performing loans sold on the secondary market. Under the proposed change, an institution that buys a portfolio of non-performing loans from another institution may include the discount in the purchase price and, accordingly, the risk weight for the acquired loans would be 100 per cent rather than 150 per cent. This would be positive for Hoist Finance from a capital adequacy perspective. 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.

### Parent Company

#### Comparative figures for the Parent Company pertain to second quarter 2020.

Net interest income for the Parent Company totalled SEK 250m (310) during the second quarter, with interest income totalling SEK 381m (428). The decrease in interest income is due to the lower loan portfolio acquisition volume during 2020. Interest expense increased SEK -13m due mainly to issued securities.

Net operating income totalled SEK 321m (373). Net result from financial transactions amounted to SEK -11m (-25). Other operating income totalled SEK 81m (87) and is mainly attributable to internal invoicing to subsidiaries.

Operating expenses totalled SEK -311m (-337). Personnel expenses increased SEK -26m due to the investment in the share service centre in Poland, the nearshoring operation in Romania and restructuring costs. Other administrative expenses decreased SEK -26m due mainly to a reduction in IT costs. Profit before credit losses totalled SEK 10m (36).

Impairment gains and losses on acquired loan portfolios of SEK -4m (-54) pertain to the difference between projected and actual collections, portfolio revaluations and credit reserves for performing loans. Impairments of financial assets of SEK -71m (-) pertain to a EUR 7m loan that was converted to capital contribution in June, whereupon shares in the subsidiary were written down by a corresponding amount. Earnings before tax totalled SEK -45m (0).

Tax expense totalled SEK -101m (-21). The recorded tax expense is due to the provision for an ongoing tax audit, announced on 8 July. The net effect of the tax risk provision totalled SEK -97m during the second quarter.

Net profit for the quarter totalled SEK -146m (-21).

### Other disclosures

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

### Subsequent events

Executive Management extended to include Clemente Reale, Country Manager Italy, and Ulf Eggefors, Chief People Officer. Julia Ehrhardt, Chief Retail Banking and Business Development Officer, will during the fall transfer her responsibilities to remaining management and thereafter leave the company.

### Review

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

## QUARTERLY REVIEW

### Condensed income statement

SEK m	Quarter 2 2021	Quarter 1 2021	Quarter 4 2020	Quarter 3 2020	Quarter 2 2020
Net interest income	599	618	640	646	712
Total operating income	625	319	648	679	513
Total operating expenses	-588	-579	-592	-549	-594
Net operating profit/loss	37	-260	56	130	-81
Profit/loss before tax	52	-246	68	140	-64
<b>Net profit/loss for the period</b>	<b>-48</b>	<b>-221</b>	<b>48</b>	<b>110</b>	<b>-73</b>

### Key ratios<sup>1)</sup>

SEK m	Quarter 2 2021	Quarter 1 2021	Quarter 4 2020	Quarter 3 2020	Quarter 2 2020
Profit/loss before tax excl. items affecting comparability <sup>2)</sup>	64	-246	108	149	-64
EBITDA, adjusted	1,171	1,171	1,471	1,039	812
C/I ratio, %	92	173	90	80	112
C/I ratio adjusted for items affecting comparability, % <sup>2)</sup>	90	173	84	78	112
Return on equity, %	-7	-25	3	9	-9
Return on equity adjusted for items affecting comparability, % <sup>2)</sup>	4	-24	5	9	-9
Collection performance, %	102	103	102	103	91
Portfolio acquisitions	857	752	890	264	62
Basic and diluted earnings per share, SEK	-0.79	-2.73	0.31	0.98	-1.05
Items affecting comparability <sup>2)</sup>	-12	-	-40	-9	-

SEK m	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Gross 180-month ERC	32,396	32,829	32,763	34,717	35,642
Acquired loans	21,059	21,266	21,075	22,245	22,572
Total capital ratio, %	15.47	15.59	16.49	16.14	15.64
CET1 ratio, %	9.70	9.81	10.76	10.44	10.05
Number of employees (FTEs)	1,575	1,602	1,631	1,630	1,649

1) See Definitions for additional details.

2) Items affecting comparability excluding the tax effect totalled SEK -9m and pertain to management restructuring costs.

3) The key ratio has been adjusted by SEK -106m for items affecting comparability, including the tax effect. SEK -97m pertains to a provision for an ongoing tax audit.

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 2 2021	Quarter 2 2020	Jan-Jun 2021	Jan-Jun 2020	Full-year 2020
Interest income acquired loan portfolios calculated using the effective interest rate method		745	842	1,505	1,734	3,302
Other interest income <sup>1)</sup>		-1	4	-2	5	6
Interest expense		-145	-134	-286	-298	-582
<b>Net interest income</b>		<b>599</b>	<b>712</b>	<b>1,217</b>	<b>1,441</b>	<b>2,726</b>
Impairment gains and losses		22	-232	-300	-410	-458
Fee and commission income		15	27	30	53	93
Net result from financial transactions		-16	4	-11	-50	-7
Other operating income		5	2	8	8	14
<b>Total operating income</b>	3	<b>625</b>	<b>513</b>	<b>944</b>	<b>1,042</b>	<b>2,368</b>
Personnel expenses		-226	-229	-446	-448	-862
Collection costs		-184	-157	-354	-362	-734
Other administrative expenses		-148	-170	-309	-323	-613
Depreciation and amortisation of tangible and intangible assets		-30	-38	-58	-68	-134
<b>Total operating expenses</b>	3	<b>-588</b>	<b>-594</b>	<b>-1,167</b>	<b>-1,201</b>	<b>-2,343</b>
<b>Net operating profit/loss</b>		<b>37</b>	<b>-81</b>	<b>-223</b>	<b>-159</b>	<b>25</b>
Share of profit from joint ventures	3	15	17	30	34	57
<b>Profit/loss before tax</b>	3	<b>52</b>	<b>-64</b>	<b>-193</b>	<b>-125</b>	<b>82</b>
Income tax expense		-100	-9	-76	8	-41
<b>Net profit/loss</b>		<b>-48</b>	<b>-73</b>	<b>-269</b>	<b>-117</b>	<b>41</b>
Profit/loss attributable to:						
Owners of Hoist Finance AB (publ)		-70	-94	-314	-159	-45
Additional Tier 1 capital holders		22	21	45	42	86
Basic and diluted earnings per share SEK		-0,79	-1,05	-3,51	-1,79	-0,50

1) Of which interest income calculated using the effective interest method amounted SEK 0.1m (0.5) during quarter 2, SEK -0.6m (1.6) during Jan-Jun and SEK 1.7m during full-year.

## Consolidated statement of comprehensive income

SEK m	Quarter 2 2021	Quarter 2 2020	Jan-Jun 2021	Jan-Jun 2020	Full-year 2020
<b>Net profit/loss for the period</b>	-48	-73	-269	-117	41
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Revaluation of defined benefit pension plan	-	-	-	-	-5
Revaluation of remuneration after terminated	-	0	-	1	0
Tax attributable to items that will not be reclassified to profit or loss	-	-	-	-	-
<b>Total items that will not be reclassified to profit or loss</b>	-	0	-	1	-5
<b>Items that may be reclassified subsequently to profit or loss</b>					
Translation difference, foreign operations	17	-54	17	-47	-99
Translation difference, joint ventures	4	-7	3	-9	-20
Hedging of currency risk in foreign operations	-14	14	-19	2	-18
Hedging of currency risk in joint ventures	-4	5	-2	4	11
Transferred to the income statement during the year	1	2	2	3	6
Tax attributable to items that may be reclassified to profit or loss	3	-4	4	-1	-3
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>7</b>	<b>-44</b>	<b>5</b>	<b>-48</b>	<b>-123</b>
<b>Other comprehensive income for the period</b>	<b>7</b>	<b>-44</b>	<b>5</b>	<b>-47</b>	<b>-128</b>
<b>Total comprehensive income for the period</b>	<b>-41</b>	<b>-117</b>	<b>-264</b>	<b>-164</b>	<b>-87</b>
<b>Profit/loss attributable to:</b>					
Owners of Hoist Finance AB (publ)	-63	-138	-309	-206	-173
Additional Tier 1 capital holders	22	21	45	42	86

## Consolidated balance sheet

SEK m	Note	30 Jun 2021	31 Dec 2020	30 Jun 2020
<b>ASSETS</b>				
Cash		0	0	0
Treasury bills and Treasury bonds	5	2,466	2,411	2,420
Lending to credit institutions	5	1,730	2,526	2,485
Lending to the public	5	5	6	8
Acquired loan portfolios	3,4	21,059	21,075	22,572
Bonds and other securities	5	4,118	4,082	3,868
Shares and participations in joint ventures		156	160	185
Intangible assets		375	358	372
Tangible assets		232	262	291
Other assets		408	763	321
Deferred tax assets		142	97	97
Prepayments and accrued income		176	124	155
<b>Total assets</b>		<b>30,867</b>	<b>31,864</b>	<b>32,774</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Deposits from the public	5	17,447	17,928	19,880
Debt securities issued	5	6,476	6,355	5,579
Tax liabilities		207	132	136
Other liabilities		634	1,025	793
Deferred tax liabilities		129	141	144
Accrued expenses and deferred income		259	239	214
Provisions		64	65	72
Subordinated debts		813	821	840
<b>Total liabilities</b>		<b>26,029</b>	<b>26,706</b>	<b>27,658</b>
<b>Equity</b>				
Additional Tier 1 capital holders		1,106	1,106	1,106
Share capital		30	30	30
Reserves		2,275	2,275	2,275
Retained earnings including profit/loss for the period		-376	-381	-306
Non-controlling interest		1,803	2,128	2,011
<b>Total equity</b>		<b>4,838</b>	<b>5,158</b>	<b>5,116</b>
<b>Total liabilities and equity</b>		<b>30,867</b>	<b>31,864</b>	<b>32,774</b>

## 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		
<b>Opening balance 1 Jan 2021</b>	1,106	30	2,275	-443	62	2,128	5,158
<b>Comprehensive income for the period</b>							
Profit/loss for the period						-269	-269
Other comprehensive income				-15	20		5
<b>Total comprehensive income for the period</b>				<b>-15</b>	<b>20</b>	<b>-269</b>	<b>-264</b>
<b>Transactions reported directly in equity</b>							
Interest paid on Additional Tier 1 capital						-58	-58
Share-based payments						2 <sup>1)</sup>	2
<b>Total transactions reported directly in equity</b>						<b>-56</b>	<b>-56</b>
<b>Closing balance 30 Jun 2021</b>	<b>1,106</b>	<b>30</b>	<b>2,275</b>	<b>-458</b>	<b>82</b>	<b>1,803</b>	<b>4,838</b>

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		
<b>Opening balance 1 Jan 2020</b>	690	30	2,275	-439	181	2,161	4,898
<b>Comprehensive income for the period</b>							
Profit/loss for the period						41	41
Other comprehensive income				-4	-119	-5	-128
<b>Total comprehensive income for the period</b>				<b>-4</b>	<b>-119</b>	<b>36</b>	<b>-87</b>
<b>Transactions reported directly in equity</b>							
Additional Tier 1 capital instrument	414 <sup>1)</sup>						414
Interest paid on Additional Tier 1 capital						-60	-60
Share-based payments						-1 <sup>2)</sup>	-1
Acquisition agreement for treasury shares						-8 <sup>3)</sup>	-8
Tax effect on items reported directly in equity	2						2
<b>Total transactions reported directly in equity</b>	<b>416</b>					<b>-69</b>	<b>347</b>
<b>Closing balance 31 Dec 2020</b>	<b>1,106</b>	<b>30</b>	<b>2,275</b>	<b>-443</b>	<b>62</b>	<b>2,128</b>	<b>5,158</b>

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		
<b>Opening balance 1 Jan 2020</b>	690	30	2,275	-439	181	2,161	4,898
<b>Comprehensive income for the period</b>							
Profit/loss for the period						-117	-117
Other comprehensive income				8	-56	1	-47
<b>Total comprehensive income for the period</b>				<b>8</b>	<b>-56</b>	<b>-116</b>	<b>-164</b>
<b>Transactions reported directly in equity</b>							
Additional Tier 1 capital instrument	414 <sup>1)</sup>						414
Interest paid on Additional Tier 1 capital						-27	-27
Share-based payments						1 <sup>2)</sup>	1
Acquisition agreement for treasury shares						-8 <sup>3)</sup>	-8
Tax effect on items reported directly in equity	2						2
<b>Total transactions reported directly in equity</b>	<b>416</b>					<b>-34</b>	<b>382</b>
<b>Closing balance 30 Jun 2020</b>	<b>1,106</b>	<b>30</b>	<b>2,275</b>	<b>-431</b>	<b>125</b>	<b>2,011</b>	<b>5,116</b>

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 2 2021	Quarter 2 2020	Jan-Jun 2021	Jan-Jun 2020	Full-year 2020
<b>Profit/loss before tax</b>	52	-64	-193	-125	82
– of which, paid-in interest	742	848	1,501	1,741	3,321
– of which, interest paid	-172	-165	-253	-246	-449
Adjustment for other items not included in cash flow	-21	282	397	533	710
Realised result from divestment of shares and participations in joint ventures	-20	-16	-35	-30	-58
Income tax paid/received	-22	67	-52	-5	-62
Amortisations on acquired loan portfolios	924	591	1,781	1,507	3,164
Increase/decrease in other assets and liabilities	17	437	-396	767	1,021
<b>Cash flow from operating activities</b>	<b>930</b>	<b>1,297</b>	<b>1,502</b>	<b>2,647</b>	<b>4,857</b>
Acquired loan portfolios	-857	-62	-1,609	-607	-1,715
Investments in bonds and other securities	-711	-	-827	-1,501	-2,069
Divestments of bonds and other securities	409	296	790	397	751
Other cash flows from investing activities	-17	-7	-23	-20	-33
<b>Cash flow from investing activities</b>	<b>-1,176</b>	<b>227</b>	<b>-1,669</b>	<b>-1,731</b>	<b>-3,066</b>
Deposits from the public	912	-1,884	-552	-1,666	-3,272
Debt securities issued	29	-	59	-	2,018
Repurchase and repayment of Debt securities issued	-17	-222	-34	-380	-1,454
Additional Tier 1 capital	-	-	-	414	414
Interest paid on Additional Tier 1 capital	-27	-27	-58	-27	-60
Acquisition agreement for Treasury shares	-	-	-	-8	-8
Amortisation of lease liabilities	-9	-10	-21	-20	-48
<b>Cash flow from financing activities</b>	<b>888</b>	<b>-2,143</b>	<b>-606</b>	<b>-1,687</b>	<b>-2,410</b>
<b>Cash flow for the period</b>	<b>642</b>	<b>-619</b>	<b>-773</b>	<b>-771</b>	<b>-619</b>
Cash at beginning of the period <sup>1)</sup>	3,205	5,286	4,576	5,261	5,261
Translation difference	-8	-149	36	28	-66
<b>Cash at end of the period<sup>2)</sup></b>	<b>3,839</b>	<b>4,518</b>	<b>3,839</b>	<b>4,518</b>	<b>4,576</b>

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 Jun 2021	30 Jun 2020	31 Dec 2020
Cash	0	0	0
Treasury bills and Treasury bonds	2,466	2,420	2,411
Lending to credit institutions	1,730	2,485	2,526
excl. lending to credit institutions in securitisation vehicles	-271	-265	-254
excl. pledged bank balances	-86	-122	-107
<b>Total cash and cash equivalents in cash flow statement</b>	<b>3,839</b>	<b>4,518</b>	<b>4,576</b>

## Parent Company income statement

SEK m	Quarter 2 2021	Quarter 2 2020	Jan-Jun 2021	Jan-Jun 2020	Full-year 2020
Interest income	381	428	805	879	1,705
Interest expense	-131	-118	-259	-265	-521
<b>Net interest income</b>	<b>250</b>	<b>310</b>	<b>546</b>	<b>614</b>	<b>1,184</b>
Dividends received	-	-	-	-	302
Fee and commission income	1	1	2	2	4
Net result from financial transactions	-11	-25	-8	-97	-113
Other operating income	81	87	149	158	256
<b>Total operating income</b>	<b>321</b>	<b>373</b>	<b>689</b>	<b>677</b>	<b>1,633</b>
Personnel expenses	-128	-102	-231	-196	-376
Other administrative expenses	-170	-216	-374	-413	-768
Depreciation and amortisation of tangible and intangible assets	-13	-19	-26	-31	-62
<b>Total operating expenses</b>	<b>-311</b>	<b>-337</b>	<b>-631</b>	<b>-640</b>	<b>-1,206</b>
<b>Profit before credit losses</b>	<b>10</b>	<b>36</b>	<b>58</b>	<b>37</b>	<b>427</b>
Impairment gains and losses on acquired loan portfolios	-4	-54	-15	-72	-41
Amortisation of other financial fixed assets	-71	-	-71	-	-116
Share of profit from joint ventures	20	18	34	36	71
<b>Net operating profit/loss</b>	<b>-45</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>341</b>
Appropriations	-	-	-	-	-9
Taxes	-101	-21	-116	-29	-77
<b>Net profit/loss</b>	<b>-146</b>	<b>-21</b>	<b>-110</b>	<b>-28</b>	<b>255</b>

## Parent company statement of comprehensive income

SEK m	Quarter 2 2021	Quarter 2 2020	Jan-Jun 2021	Jan-Jun 2020	Full-year 2020
<b>Net profit/loss</b>	<b>-146</b>	<b>-21</b>	<b>-110</b>	<b>-28</b>	<b>255</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Translation difference, foreign operations	0	0	0	0	0
Tax attributable to items that may be reclassified to profit or loss	0	-	0	-	-1
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
<b>Other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
<b>Total comprehensive income for the period</b>	<b>-146</b>	<b>-21</b>	<b>-110</b>	<b>-28</b>	<b>254</b>

## Parent Company balance sheet

SEK m	30 Jun 2021	31 Dec 2020	30 Jun 2020
<b>ASSETS</b>			
Cash	0	0	0
Treasury bills and Treasury bonds	2,466	2,411	2,420
Lending to credit institutions	894	1,611	1,685
Lending to the public	5	6	8
Acquired loan portfolios	6,483	6,755	6,948
Receivables, Group companies	15,010	14,402	15,666
Bonds and other securities	4,118	4,082	3,868
Shares and participations in subsidiaries	832	816	760
Shares and participations in joint ventures	9	11	14
Intangible assets	207	187	186
Tangible assets	36	35	29
Other assets	402	462	204
Deferred tax assets	2	1	2
Prepayments and accrued income	85	55	58
<b>Total assets</b>	<b>30,549</b>	<b>30,834</b>	<b>31,848</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from the public	17,447	17,928	19,880
Debt securities issued	6,044	5,959	5,149
Tax liabilities	167	96	77
Other liabilities	1,085	890	1,040
Deferred tax liabilities	0	3	2
Accrued expenses and deferred income	116	94	66
Provisions	36	37	43
Subordinated debts	813	821	840
<b>Total liabilities and provisions</b>	<b>25,708</b>	<b>25,828</b>	<b>27,097</b>
<b>Untaxed reserves</b>	<b>277</b>	<b>277</b>	<b>268</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	30	30	30
Statutory reserve	13	13	13
Revaluation reserve	71	72	74
Development expenditure fund	1	2	4
<b>Total restricted equity</b>	<b>115</b>	<b>117</b>	<b>121</b>
<b>Non-restricted equity</b>			
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	1,567	1,366	1,398
Profit/loss for the period	-110	255	-28
<b>Total unrestricted equity</b>	<b>4,449</b>	<b>4,612</b>	<b>4,362</b>
<b>Total equity</b>	<b>4,564</b>	<b>4,729</b>	<b>4,483</b>
<b>Total liabilities and equity</b>	<b>30,549</b>	<b>30,834</b>	<b>31,848</b>

# 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. 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 estimates of future cash flows may change to reflect this.

See Developments during the second 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 2 2021	Quarter 2 2020	Full-year 2020
<b>1 EUR = SEK</b>			
Income statement (average)	10.1269	10.6563	10.4844
Balance sheet (at end of the period)	10.1249	10.4804	10.0375
<b>1 GBP = SEK</b>			
Income statement (average)	11.6634	12.1978	11.7996
Balance sheet (at end of the period)	11.7663	11.4693	11.0873
<b>1 PLN = SEK</b>			
Income statement (average)	2.2328	2.4163	2.3615
Balance sheet (at end of the period)	2.2443	2.3493	2.2166
<b>1 RON = SEK</b>			
Income statement (average)	2.0662	2.2121	2.1672
Balance sheet (at end of the period)	2.0546	2.1655	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 2, 2021

SEK m	Unsecured						Group
	Digital	Contact center operations	Secured	Retail banking	Group items	Eliminations	
<b>Total operating income</b>	<b>521</b>	<b>381</b>	<b>86</b>	<b>8</b>	<b>-5</b>	<b>-366</b>	<b>625</b>
of which, interest expense	-132	-	-14	-5	6	-	-145
of which, internal commission on collections	-	366	-	-	-	-366	0
<b>Operating expenses</b>							
Direct expenses <sup>1)</sup>	-385	-268	-28	-6	-3	366	-324
of which, internal collection cost	-366	-	-	-	-	366	0
Indirect expenses <sup>1)</sup>	-144	-83	-29	-8	-	-	-264
<b>Total operating expenses</b>	<b>-529</b>	<b>-351</b>	<b>-57</b>	<b>-14</b>	<b>-3</b>	<b>366</b>	<b>-588</b>
Share of profit from joint ventures	15	-	-	-	-	-	15
<b>Profit/loss before tax</b>	<b>7</b>	<b>30</b>	<b>29</b>	<b>-6</b>	<b>-8</b>	<b>0</b>	<b>52</b>

### Key ratios<sup>2)</sup>

Direct contribution	136	113	58	2	-8	-	301
Acquired loan portfolios	16,923	-	3,404	732	-	-	21,059
C/I -ratio %	99%	92%	67%	177%	-77%	-	92%
Collection performance %	102%	-	107%	-	-	-	102%

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 2, 2020

SEK m	Unsecured		Secured	Retail banking	Group items	Eliminations	Group
	Digital	Contact center operations					
<b>Total operating income</b>	<b>334</b>	<b>346</b>	<b>93</b>	<b>9</b>	<b>50</b>	<b>-319</b>	<b>513</b>
of which, interest expense	-150	-	-16	-7	39	-	-134
of which, internal commission on collections	-	319	-	-	-	-319	0
<b>Operating expenses</b>							
Direct expenses <sup>1)</sup>	-336	-244	-26	-5	-2	319	-293
of which, internal collection cost	-319	-	-	-	-	319	0
Indirect expenses <sup>1)</sup>	-167	-102	-27	-4	-	-	-301
<b>Total operating expenses</b>	<b>-503</b>	<b>-346</b>	<b>-53</b>	<b>-9</b>	<b>-2</b>	<b>319</b>	<b>-594</b>
Share of profit from joint ventures	17	-	-	-	-	-	17
<b>Profit/loss before tax</b>	<b>-152</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>48</b>	<b>0</b>	<b>-64</b>

#### Key ratios<sup>2)</sup>

Direct contribution	-2	102	67	4	48	-	220
Acquired loan portfolios	17,844	-	3,901	827	-	-	22,572
C/I -ratio %	143%	100%	57%	102%	3%	-	112%
Collection performance %	89%	-	120%	-	-	-	91%

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-Jun, 2021

SEK m	Unsecured		Secured	Retail banking	Group items	Eliminations	Group
	Digital	Contact center operations					
<b>Total operating income</b>	<b>724</b>	<b>741</b>	<b>160</b>	<b>15</b>	<b>15</b>	<b>-711</b>	<b>944</b>
of which, interest expense	-266	-	-30	-9	19	-	-286
of which, internal commission on collections	-	711	-	-	-	-711	0
<b>Operating expenses</b>							
Direct expenses <sup>1)</sup>	-750	-528	-51	-12	-7	711	-637
of which, internal collection cost	-711	-	-	-	-	711	0
Indirect expenses <sup>1)</sup>	-284	-170	-60	-16	-	-	-530
<b>Total operating expenses</b>	<b>-1 034</b>	<b>-698</b>	<b>-111</b>	<b>-28</b>	<b>-7</b>	<b>711</b>	<b>-1 167</b>
Share of profit from joint ventures	30	-	-	-	-	-	30
<b>Profit/loss before tax</b>	<b>-280</b>	<b>43</b>	<b>49</b>	<b>-13</b>	<b>8</b>	<b>0</b>	<b>-193</b>

#### Key ratios<sup>2)</sup>

Direct contribution	-26	213	109	3	8	-	307
Acquired loan portfolios	16,923	-	3,404	732	-	-	21,059
C/I -ratio %	137%	94%	69%	187%	47%	-	120%
Collection performance %	102%	-	105%	-	-	-	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, Jan-Jun, 2020

SEK m	Unsecured		Secured	Retail banking	Group items	Eliminations	Group
	Digital	Contact center operations					
<b>Total operating income</b>	<b>779</b>	<b>721</b>	<b>168</b>	<b>19</b>	<b>23</b>	<b>-668</b>	<b>1,042</b>
of which, interest expense	-308	-	-33	-15	58	-	-298
of which, internal commission on collections	-	668	-	-	-	-668	0
<b>Operating expenses</b>							
Direct expenses <sup>1)</sup>	-701	-544	-58	-11	-4	668	-650
of which, internal collection cost	-668	-	-	-	-	668	0
Indirect expenses <sup>1)</sup>	-316	-176	-51	-8	-	-	-551
<b>Total operating expenses</b>	<b>-1 017</b>	<b>-720</b>	<b>-109</b>	<b>-19</b>	<b>-4</b>	<b>668</b>	<b>-1,201</b>
Share of profit from joint ventures	34	-	-	-	-	-	34
<b>Profit/loss before tax</b>	<b>-204</b>	<b>1</b>	<b>59</b>	<b>0</b>	<b>19</b>	<b>0</b>	<b>-125</b>

#### Key ratios<sup>2)</sup>

Direct contribution	78	177	110	8	19	-	392
Acquired loan portfolios	17,844	-	3,901	827	-	-	22,572
C/I -ratio %	125%	100%	65%	105%	16%	-	112%
Collection performance %	92%	-	111%	-	-	-	94%

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

#### Key ratios<sup>2)</sup>

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 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 2, 2021

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
<b>Total operating income</b>	<b>121</b>	<b>164</b>	<b>84</b>	<b>122</b>	<b>38</b>	<b>105</b>	<b>-8</b>	<b>0</b>	<b>625</b>
<i>of which, internal funding</i>	-44	-32	-15	-37	-9	-14	151	0	0
<b>Total operating expenses</b>	<b>-73</b>	<b>-115</b>	<b>-55</b>	<b>-48</b>	<b>-42</b>	<b>-73</b>	<b>-182</b>	<b>0</b>	<b>-588</b>
Impairment of shares in subsidiaries	-	-	-	-	-	-	-71	71	0
Share of profit from joint ventures	-	-	-	14	-	1	-	-	15
<b>Profit before tax</b>	<b>48</b>	<b>49</b>	<b>29</b>	<b>88</b>	<b>-4</b>	<b>32</b>	<b>-261</b>	<b>71</b>	<b>52</b>

### Key ratios

Acquired loan portfolios <sup>1)</sup>	4,780	5,508	2,321	3,646	2,222	2,582	-	-	21,059
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### Income statement, Quarter 2, 2020

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

### Key ratios

Acquired loan portfolios <sup>1)</sup>	5,489	6,056	2,124	3,618	2,659	2,626	-	-	22,572
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### Income statement, Jan-Jun, 2021

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
<b>Total operating income</b>	<b>35</b>	<b>335</b>	<b>180</b>	<b>216</b>	<b>63</b>	<b>105</b>	<b>10</b>	<b>0</b>	<b>944</b>
<i>of which, internal funding</i>	-91	-65	-30	-72	-19	-28	305	-	0
<b>Total operating expenses</b>	<b>-141</b>	<b>-224</b>	<b>-105</b>	<b>-97</b>	<b>-86</b>	<b>-140</b>	<b>-374</b>	<b>0</b>	<b>-1,167</b>
Impairment of shares in subsidiaries	-	-	-	-	-	-	-71	71	0
Share of profit from joint ventures	-	-	-	29	-	1	-	-	30
<b>Profit before tax</b>	<b>-106</b>	<b>111</b>	<b>75</b>	<b>148</b>	<b>-23</b>	<b>-34</b>	<b>-435</b>	<b>71</b>	<b>-193</b>

### Key ratios

Acquired loan portfolios <sup>1)</sup>	4,780	5,508	2,321	3,646	2,222	2,582	-	-	21,059
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# Note 3 Segment reporting, cont.

## Income statement, Jan-Jun, 2020

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

### Key ratios

Acquired loan portfolios <sup>1)</sup>	5,489	6,056	2,124	3,618	2,659	2,626	-	-	22,572
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## Income statement, full-year 2020

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

### Key ratios

Acquired loan portfolios <sup>1)</sup>	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 Jun 2021	31 Dec 2020	30 Jun 2020	30 Jun 2021	31 Dec 2020	30 Jun 2020
Gross carrying amount	21,480	21,188	22,633	6,412	6,670	6,892
Loss allowance	-421	-113	-61	71	85	56
<b>Net carrying amount</b>	<b>21,059</b>	<b>21,075</b>	<b>22,572</b>	<b>6,483</b>	<b>6,755</b>	<b>6,948</b>

### Acquired credit-impaired loan portfolios, 30 Jun 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	1,609	-	1,609	416	-	416
Interest income	1,480	-	1,480	478	-	478
Gross collections	-3,220	-	-3,220	-1,213	-	-1,213
Impairment gains and losses	-	-300	-300	-	-15	-15
of which, realised collections against active forecast	-	164	164	-	121	121
of which, portfolio revaluations	-	-464	-464	-	-136	-136
Translation differences	445	-9	436	61	1	62
<b>Closing balance 30 Jun 2021</b>	<b>20,744</b>	<b>-417</b>	<b>20,327</b>	<b>6,131</b>	<b>74</b>	<b>6,205</b>

### 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
<b>Closing balance 31 Dec 2020</b>	<b>20,430</b>	<b>-108</b>	<b>20,322</b>	<b>6,389</b>	<b>88</b>	<b>6,477</b>

### Acquired credit-impaired loan portfolios, 30 Jun 2020

SEK m	GROUP			PARENT COMPANY		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Opening balance 1 Jan 2020	23,009	387	23,396	6,922	130	7,052
Acquisitions	607	-	607	157	-	157
Interest income	1,698	-	1,698	529	-	529
Gross collections	-3,162	-	-3,162	-1,056	-	-1,056
Impairment gains and losses	-	-409	-409	-	-72	-72
of which, realised collections against active forecast	-	-7	-7	-	106	106
of which, portfolio revaluations	-	-402	-402	-	-178	-178
Disposals	41	-41	0	-	-	-
Translation differences	-392	8	-384	35	1	36
<b>Closing balance 30 Jun 2020</b>	<b>21,801</b>	<b>-55</b>	<b>21,746</b>	<b>6,587</b>	<b>59</b>	<b>6,646</b>

# Note 4 Acquired loan portfolios, cont.

## Acquired performing loan portfolios, 30 Jun 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	25	-	-	-	-	25
Amortisations and interest payments	-66	-	-	-	-	-66
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	21	-	-	-	-	21
<b>Closing balance 30 Jun 2021</b>	<b>737</b>	<b>-1</b>	<b>0</b>	<b>-4</b>	<b>-5</b>	<b>732</b>

## 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
<b>Closing balance 31 Dec 2020</b>	<b>758</b>	<b>-1</b>	<b>0</b>	<b>-4</b>	<b>-5</b>	<b>753</b>

## Acquired performing loan portfolios, 30 Jun 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	35	-	-	-	-	35
Amortisations and interest payments	-78	-	-	-	-	-78
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	-36	0	0	0	0	-36
<b>Closing balance 30 Jun 2020</b>	<b>832</b>	<b>-1</b>	<b>0</b>	<b>-4</b>	<b>-5</b>	<b>827</b>

## Acquired performing loan portfolios, 30 Jun 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	9	-	-	-	-	9
Amortisations and interest payments	-25	-	-	-	-	-25
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	0	-	-	-	-	0
Translation differences	16	0	0	0	0	16
<b>Closing balance 30 Jun 2021</b>	<b>281</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>-3</b>	<b>278</b>

# 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
<b>Closing balance 31 Dec 2020</b>	<b>281</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>-3</b>	<b>278</b>

## Acquired performing loan portfolios, 30 Jun 2020

### PARENT COMPANY

SEK m	Gross carrying amount	Stage 1 12M ECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	Net carrying amount
Opening balance 1 Jan 2020	345	0	0	-3	-3	342
Interest income	11	-	-	-	-	11
Amortisations and interest payments	-30	-	-	-	-	-30
Changes in risk parameters	-	0	0	-	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	-20	0	0	-	0	-20
<b>Closing balance 30 Jun 2020</b>	<b>305</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>-3</b>	<b>302</b>

## Note 5 Financial instruments

### Carrying amount and fair value of financial instruments

GROUP, 30 JUN 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	–	2,466	–	–	2,466	2,466
Lending to credit institutions	–	–	–	1,730	1,730	1,730
Lending to the public	–	–	–	5	5	5
Acquired loan portfolios	–	–	–	21,059	21,059	21,882
Bonds and other securities	–	4,118	–	–	4,118	4,118
Derivatives	2	–	20 <sup>1)</sup>	–	22	22
Other financial assets	–	–	–	355	355	355
<b>Total</b>	<b>2</b>	<b>6,584</b>	<b>20</b>	<b>23,149</b>	<b>29,755</b>	<b>30,578</b>
Deposits from the public	–	–	–	17,447	17,447	17,447
Derivatives	25	–	–	–	25	25
Debt securities issued	–	–	–	6,476	6,476	6,736
Subordinated debt	–	–	–	813	813	786
Other financial debts	–	–	–	845	845	845
<b>Total</b>	<b>25</b>	<b>–</b>	<b>–</b>	<b>25,581</b>	<b>25,606</b>	<b>25,839</b>

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 <sup>1)</sup>	–	241	241
Other financial assets	–	–	–	492	492	492
<b>Total</b>	<b>27</b>	<b>6,493</b>	<b>214</b>	<b>24,099</b>	<b>30,833</b>	<b>31,703</b>
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
<b>Total</b>	<b>43</b>	<b>–</b>	<b>–</b>	<b>26,289</b>	<b>26,332</b>	<b>26,379</b>

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 JUN 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	–	2,420	–	–	2,420	2,420
Lending to credit institutions	–	–	–	2,485	2,485	2,485
Lending to the public	–	–	–	8	8	8
Acquired loan portfolios	–	–	–	22,572	22,572	23,628
Bonds and other securities	–	3,868	–	–	3,868	3,868
Derivatives	2	–	60 <sup>1)</sup>	–	62	62
Other financial assets	–	–	–	235	235	235
<b>Total</b>	<b>2</b>	<b>6,288</b>	<b>60</b>	<b>25,300</b>	<b>31,650</b>	<b>32,706</b>
Deposits from the public	–	–	–	19,880	19,880	19,880
Derivatives	45	–	7 <sup>1)</sup>	–	52	52
Debt securities issued	–	–	–	5,579	5,579	5,639
Subordinated debt	–	–	–	840	840	703
Other financial debts	–	–	–	929	929	929
<b>Total</b>	<b>45</b>	<b>–</b>	<b>7</b>	<b>27,228</b>	<b>27,280</b>	<b>27,203</b>

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

### Carrying amount and fair value of financial instruments

PARENT COMPANY, 30 JUN 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	–	2,466	–	–	2,466	2,466
Lending to credit institutions	–	–	–	894	894	894
Lending to the public	–	–	–	5	5	5
Acquired loan portfolios	–	–	–	6,483	6,483	6,814
Receivables, Group companies	–	13	–	14,998	15,010	16,878
Bonds and other securities	–	4,118	–	–	4,118	4,118
Derivatives	2	–	20 <sup>1)</sup>	–	22	22
Other financial assets	–	–	–	228	228	228
<b>Total</b>	<b>2</b>	<b>6,597</b>	<b>20</b>	<b>22,608</b>	<b>29,226</b>	<b>31,425</b>
Deposits from the public	–	–	–	17,447	17,447	17,447
Derivatives	25	–	–	–	25	25
Debt securities issued	–	–	–	6,044	6,044	6,268
Subordinated debt	–	–	–	813	813	786
Other financial debts	–	–	–	1,162	1,162	1,162
<b>Total</b>	<b>25</b>	<b>–</b>	<b>–</b>	<b>25,466</b>	<b>25,491</b>	<b>25,688</b>

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 <sup>1)</sup>	–	241	241
Other financial assets	–	–	–	205	205	205
<b>Total</b>	<b>27</b>	<b>6,503</b>	<b>214</b>	<b>22,969</b>	<b>29,713</b>	<b>30,123</b>
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
<b>Total</b>	<b>43</b>	<b>–</b>	<b>–</b>	<b>25,617</b>	<b>25,660</b>	<b>25,678</b>

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

### Carrying amount and fair value of financial instruments

PARENT COMPANY, 30 JUN 2020

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

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 JUN 2021				PARENT COMPANY, 30 JUN 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	2,466	–	–	2,466	2,466	–	–	2,466
Bonds and other securities	4,118	–	–	4,118	4,118	–	–	4,118
Receivables, Group companies <sup>1)</sup>	–	–	–	–	–	–	13	13
Derivatives	–	22	–	22	–	22	–	22
<b>Total assets</b>	<b>6,584</b>	<b>22</b>	<b>–</b>	<b>6,606</b>	<b>6,584</b>	<b>22</b>	<b>13</b>	<b>6,619</b>
Derivatives	–	25	–	25	–	25	–	25
<b>Total liabilities</b>	<b>–</b>	<b>25</b>	<b>–</b>	<b>25</b>	<b>–</b>	<b>25</b>	<b>–</b>	<b>25</b>

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 <sup>1)</sup>	–	–	–	–	–	–	10	10
Derivatives	–	241	–	241	–	241	–	241
<b>Total assets</b>	<b>6,493</b>	<b>241</b>	<b>–</b>	<b>6,734</b>	<b>6,493</b>	<b>241</b>	<b>10</b>	<b>6,744</b>
Derivatives	–	43	–	43	–	43	–	43
<b>Total liabilities</b>	<b>–</b>	<b>43</b>	<b>–</b>	<b>43</b>	<b>–</b>	<b>43</b>	<b>–</b>	<b>43</b>

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

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

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 June 2021 the internally assessed capital requirement was SEK 3,164m (SEK 3,309m as per 31 March 2021), of which SEK 501m

(604) was attributable to Pillar 2.

## Note 6 Capital adequacy, cont.

SEKm		Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
<b>Available own funds (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	3,229	3,976	4,006	3,598	3,499
2	Tier 1 capital	4,336	4,423	4,723	4,704	4,605
3	Total capital	5,148	5,268	5,544	5,558	5,445
<b>Risk-weighted exposure amounts</b>						
4	Total risk exposure amount	33,278	33,802	33,625	34,438	34,814
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common Equity Tier 1 ratio (%)	9.70%	9.81%	10.76%	10.44%	10.05%
6	Tier 1 ratio (%)	13.03%	13.09%	14.05%	13.66%	13.23%
7	Total capital ratio (%)	15.47%	15.59%	16.49%	16.14%	15.64%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>						
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%	0.00%	0.00%	0.00%	0.00%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 7d	Total SREP own funds requirements (%)	8.00%	8.00%	8.00%	8.00%	8.00%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>						
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 (%)	1.70%	1.81%	2.76%	2.44%	2.05%
<b>Leverage ratio</b>						
13	Total exposure measure	30,714	29,507	31,177	30,898	31,942
14	Leverage ratio (%)	14.12%	14.99%	15.15%	15.22%	14.42%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%				
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%				
EU 14c	Total SREP leverage ratio requirements (%)	3.00%				
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>						
EU 14d	Leverage ratio buffer requirement (%)	0.00%				
EU 14e	Overall leverage ratio requirement (%)	3.00%				
<b>Liquidity Coverage Ratio</b>						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	5,274	5,193	5,385	5,879	6,613
EU 16a	Cash outflows - Total weighted value	2,014	2,065	2,220	2,551	2,687
EU 16b	Cash inflows - Total weighted value	1,984	2,063	2,266	2,325	2,540
16	Total net cash outflows (adjusted value)	512	516	555	760	794
17	Liquidity coverage ratio (%)	1,041%	1,015%	982%	949%	1,014%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	27,635	27,423	28,798	29,761	30,486
19	Total required stable funding	23,638	24,202	24,100	24,829	25,979
20	NSFR ratio (%)	117%	113%	119%	120%	117%

## 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. 35 per cent (30) of deposits from the public are payable on demand (current account – "flex"), while 65 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)		
	30 Jun 2021	31 Dec 2020	30 Jun 2020	30 Jun 2021	31 Dec 2020	30 Jun 2020
Current account deposits	6,021	5,422	6,592	6,021	5,422	6,592
Fixed-term deposits	11,426	12,506	13,288	11,426	12,506	13,288
Debt securities issued	6,476	6,355	5,579	6,044	5,959	5,149
Convertible debt instruments	1,106	1,106	1,106	1,106	1,106	1,106
Subordinated debts	813	821	840	813	821	840
Equity	3,732	4,052	4,010	3,458	3,623	3,377
Other	1,293	1,602	1,359	1,681	1,397	1,496
<b>Balance sheet total</b>	<b>30,867</b>	<b>31,864</b>	<b>32,774</b>	<b>30,549</b>	<b>30,834</b>	<b>31,848</b>

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 7,952m (8,652) as per 30 June 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 Jun 2021	31 Dec 2020	30 Jun 2020
Cash and holdings in central banks	0	0	0
Deposits in other banks available overnight	1,368	2,160	2,097
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,007	1,354	1,298
Securities issued or guaranteed by municipalities or other public sector entities	1,459	1,056	1,131
Covered bonds	4,118	4,082	3,868
Securities issued by non-financial corporates	–	–	–
Securities issued by financial corporates	–	–	–
Other	–	–	–
<b>Total</b>	<b>7,952</b>	<b>8,652</b>	<b>8,385</b>

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

## Note 8 Pledged assets

SEK m	GROUP			PARENT COMPANY		
	30 Jun 2021	31 Dec 2020	30 Jun 2020	30 Jun 2021	31 Dec 2020	30 Jun 2020
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	856	757	827	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 jun 2021	31 Dec 2020	30 Jun 2020	30 jun 2021	31 Dec 2020	30 Jun 2020
Commitments	537	339	173	537	337	166

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, 20 July 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

# Review report

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

## Introduction

We have reviewed the condensed interim report for Hoist Finance AB (publ) as at June 30, 2021 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

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

Stockholm, 20 July, 2021

Ernst & Young AB

**Daniel Eriksson**

Authorized Public Accountant

# 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](https://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)

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.

# 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, Q3 2021

27 October, 2021

## Contact

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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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