

PRESS RELEASE

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Hoist Finance announces SEK 350 million negative impairment and provides Q1 update

Despite that total collection performance continues to be above the active forecast for the quarter (102 per cent), Hoist Finance has decided to make an impairment of approx. SEK -350m for the first quarter of 2021. In the first quarter, most jurisdictions have performed in line with or above the active forecast, which since Q2-20 takes the effects of the Covid-19 pandemic into account. This active forecast assumed reduced collections in 2020, but a gradual return to normality starting in 2021. However, due to the prolonged nature of the Covid-19 pandemic, the uncertainty around the expected recovery has increased, particularly for legal collections.

Legal collections account for approximately a quarter of Hoist Finance's total collections, but is also an important factor for amicable settlements. There are currently significant delays and backlogs in the judicial systems, for Hoist Finance particularly in the UK and Spain. Typically, there is a time lag between cases being presented in courts and actual collections. Due to the lower pace at which the court cases are handled, there is an increased risk that future collections will be reduced or significantly delayed. The nature and number of claims that are sent to litigation have not changed, but Hoist Finance is taking a prudent approach on financial effects of the delays. Hence, a negative revision on the estimated remaining collections (ERC) will be conducted in the first quarter. In addition to court delays, as previously communicated, our Spanish operation continues to experience operational challenges. Collection performance in the first quarter is estimated to be around 70 per cent of the forecast in Spain, while the estimates for all other jurisdictions are collections above the active forecast.

Hoist Finance has about 3,400 portfolios under management with a total book value of SEK 20.6bn. The total lifetime collection performance of these portfolios, compared to the assumptions made at the time of the acquisitions, correspond to a collection performance of 103 per cent, indicating that overall pricing is slightly on the conservative side. Portfolios are monitored on a continuous basis and in 2020 the revaluation process was updated with more use of analytics and sophisticated forward-looking models. The revised view on recovery from the effects of the Covid-19 pandemic has led to lower projections for portfolios in the

UK and Spain (mainly for the reasons outlined above) and also, but to a lesser extent, for portfolios in France.

In total, these adjustments have a negative effect on the ERC of approx. SEK 470m (1.4 per cent of total ERC), which translates into an impairment of approx. SEK -350m (1.7 per cent of total book value), significantly affecting Hoist Finance Q1 earnings. For 2020 and Q1-21 combined, the total negative forward looking impairments amount to approx. SEK 470m, which is 2.1 per cent of the average book value in the same period. This could be compared to an average Covid-19 impairment of approx. 3 per cent in the industry.

As for the quarterly result, portfolio acquisitions are expected to come in at around SEK 750m. Expenses are trending favourably compared to Q4-20, and we are delivering on our cost savings program according to plan. Accounting for all effects, EBT is expected at approx. SEK -250m. Despite the impairments, the capital position remains solid with a CET1 ratio for Q1 at around 10.0 per cent, which is within the target range. Below the estimated financial impact in Q1 2021:

- Portfolio acquisitions: SEK ~750m
- Forward-looking negative (non-cash) impairments: SEK ~350m
- Total expenses: SEK ~575m
- Profit before tax: SEK ~-250m
- CET1 ratio: ~10.0 per cent

“We are all going through exceptional times and the uncertainty is still high. With vaccines being rolled out globally, I hope that we are nearing the end of the Covid-19 pandemic. The operational and financial effects for Hoist Finance have been significant, but I am confident that our prudent approach will provide support going forward. As banks are starting to divest their non-performing loans, I am convinced that we will get back to growth while continuing to progress on our strategic agenda and helping people keep their commitments”, says Klaus-Anders Nysteen, CEO of Hoist Finance.

This information is information that Hoist Finance AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication by Andreas Lindblom at 22:50 CEST on 31 March 2021.

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About Hoist Finance

Hoist Finance is a trusted debt resolution partner to individuals, companies and banks in eleven European countries. With over 1600 dedicated colleagues, smart digital solutions and a deep understanding of individual financial circumstances, we help over six million customers keep their commitments. This is achieved by agreeing on sustainable repayment plans so that everyone is included within the financial ecosystem. Hoist Finance has a diverse portfolio of asset classes and our online savings platform in Sweden and Germany enables our unique funding model. Hoist Finance was founded in 1994 and is today a public company listed on Nasdaq Stockholm. For more information, please visit hoistfinance.com.