

Year-end report 2021

Our business environment has improved even though Covid-19 continues to be a concern. Income in the quarter increased compared to both last year as well as the previous quarter. During the last months of 2021 we reached significant improvements in collection performance. We participated in a high number of acquisition processes and signed some attractive deals in the latter part of the year. The portfolio from Alpha Bank in Greece stands out at more than SEK 1.1bn, and will have a positive impact on our profitability for 2022 and beyond. Including these portfolios total acquired volumes totalled SEK 4.7bn, which is Hoist Finance's third highest annual acquisition level."

Per Anders Fasth, CEO

6%

Return on equity

89%

C/I ratio

9.56%

CET1 ratio

Key ratios¹⁾

SEK m	Quarter 4 2021	Quarter 4 2020	Change, %	Full-year 2021	Full-year 2020	Change, %
Total operating income	669	648	3	2,255	2,368	-5
Profit/loss before tax	73	68	7	-39	82	>-100
EBITDA, adjusted	1,296	1,471	-12	4,767	4,626	3
C/I ratio, %	89	90	-1 pp	102	97	5 pp
Return on equity, %	6	3	3 pp	-5	-1	-4 pp
Collection performance, %	101	102	-1 pp	101	98	3 pp
Portfolio acquisitions	723	890	-19	3,558	1,761	>100
Basic and diluted earnings per share, SEK	0.61	0.31	97	-2.32	-0.50	>100

SEK m	31 Dec 2021	31 Dec 2020	Change, %
Gross 180-month ERC	32,900	32,763	0
Acquired loans ²⁾	21,337	21,075	1
Total capital ratio, % ³⁾	15.16	16.49	-1.33 pp
CET1 ratio, % ³⁾	9.56	10.76	-1.20 pp
Number of employees (FTEs)	1,544	1,631	-5

1) See Definitions.

2) For more information, see section "Balance sheet".

3) For more information, see section "Capital adequacy".

Higher collections and portfolio acquisitions

The result in the fourth quarter amounted to SEK 73m, which is better than the same period last year. Although Covid-19 continues to be a concern, our business environment has improved. Income in the quarter increased compared to both last year as well as the previous quarter, due to better collections. During the last months of 2021 we reached significant improvements in collection performance. This is attributable to both our own internal efforts and enhanced market conditions. Our underlying costs have decreased and were lower than last year, but costs due to the transformation programme had a negative impact on the fourth quarter this year, whereas the comparable period last year included some positive effects.

The market activity for NPL portfolios improved in 2021 compared to the highly Covid-affected 2020. However, the anticipated high supply of portfolio-sales did not materialise. It continued to be a seller's market, which put upward pressure on price-levels. This was applicable for all European markets but with local differences. We participated in a high number of processes and signed some attractive deals in the latter part of the year. The portfolio from Alpha Bank in Greece stands out at more than SEK 1.1bn, and will have a positive impact on our profitability for 2022 and beyond. Including these portfolios total acquired volumes totalled SEK 4.7bn, which is Hoist Finance's third highest annual acquisition level.

Our collection activities were also impacted by the Covid-19 situation. A substantial share of our collections stems from legal activities, which have been largely halted during the pandemic, as court systems have been closed or experienced major delays.

In addition to the tough market conditions, our full-year results for 2021 were negatively impacted by two major factors stemming from previous years. In the first half of 2021, Hoist Finance decided to write down the value of portfolios in the UK and Spain and further provisions for tax risks related to legacy issues from 2014. In total this had a negative impact on our net result by approximately SEK -400m. Hoist Finance net loss after tax for 2021 was SEK -117m including these effects. Throughout the year, we have worked intensively to de-risk our operations and balance sheet.

Since the second half of 2021, we have redirected focus of the strategy to our core business – secured and unsecured non-performing loans from consumers and SMEs. We have a new leadership team including a new CFO, CIO, COO and have made several other adjustments within senior management. We also adjusted the governance structure to ensure accountability and transparency.

After the summer, we launched a transformation programme to accelerate portfolio acquisitions in our target markets and asset classes, improve productivity in collections, and reduce costs. The transformation programme is starting to pay off even-though it will take a few quarters before we see the full impact.

We have a strong ambition to grow by acquiring NPL-portfolios. However, Hoist Finance has a tight capital position which means that portfolio growth has to be balanced with improved profit generation to harmonize with banking regulations. In December the European Banking Authority (EBA) published its final draft report to harmonise risk-weighting of acquired NPLs. This will reverse the competitive disadvantage Hoist Finance has had abiding by stricter banking rules. When implemented, it will have a positive effect on our capital ratios and increase investment capabilities, enabling further growth. When writing this, the report is not yet approved, but all stakeholders seem confident that it will be.

When taking on the position as acting CEO in late May, the ambition was to redirect focus and set the company on a route towards healthy profitability. During this period, it has become evident to me that Hoist Finance has a good and sound base to build on. We have really good people, an inclusive culture and a solid business platform. In addition, we work in an attractive industry with long-term growth potential, high returns, and, we contribute to a sustainable economy and society. This, in addition to delivering on the transformation activities, supported by improving market conditions, ensures that we will be able to create profitable growth and shareholder value. Hoist Finance has undergone significant changes since spring and is in a much better position today than a year ago.

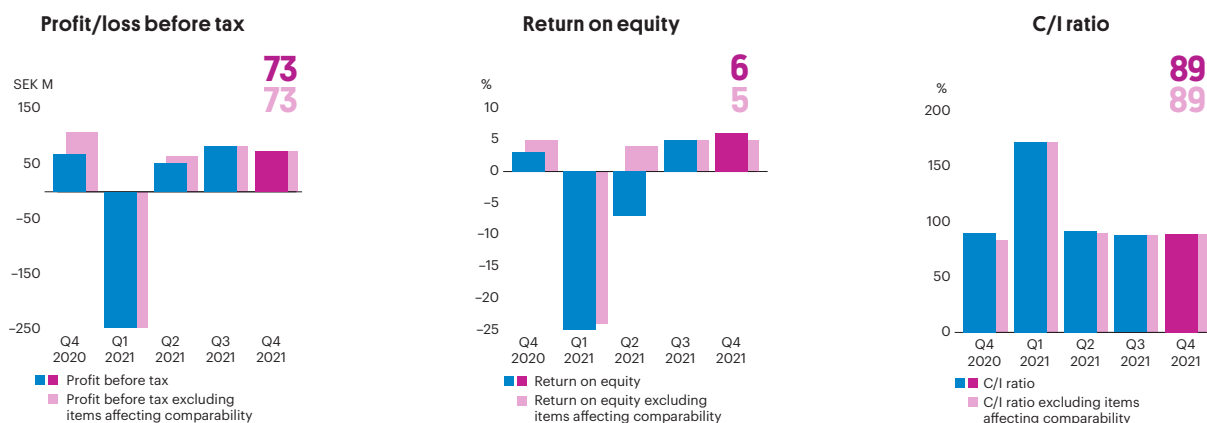
Best regards,



Per Anders Fasth
CEO

Developments during fourth quarter 2021

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



Profit before tax for the quarter

Profit before tax amounted to SEK 73m (68). Total operating income was slightly higher than last year at SEK 669m (648). The increase was a combination of lower Net Interest Income due to lower margins offset by better collection performance. Total operating expenses were SEK 608m (592). Costs increased year on year due to the acceleration in legal collection activities as markets reopened and costs due to Hoist Finance transformation programme. Costs related to the transformation programme impacted the comparison between the quarters with SEK -27m, without these costs, underlying costs were slightly lower than last year.

Operating income

Net Interest Income decreased to SEK 606m (640) mainly due to lower margins compared to last year. Net Interest Income was on par with the previous quarter. Interest income on acquired loan portfolios was SEK 745m (778). Interest expense totalled SEK -139m (-138). Impairment gains and losses amounted to SEK -8m (-49). Realised collections against projections improved compared to third quarter and the surplus totalled SEK 107m. Adjusted for timing adjustments, collection performance amounted to 101 per cent. Revaluations totalled SEK -115m (-298). SEK -50m of this amount pertains to secured loan portfolios, for which collections achieved earlier than projected reduced expected future cash flow. Other income amounted to SEK 71m (57) and was positively affected, as during previous quarter, by and increase in market value of hedging contracts.

Operating expenses

Operating expenses totaled SEK -608m (-592). Personnel expenses was negatively affected by transformation costs this quarter and the comparative period was positively impacted by bonus provision reversal. As a part of the transformation program the employees has been reduced with approximately 35 people during the quarter. Collection costs totaled SEK -212m (-215). Legal collection costs increased as courts started to open up while other collection costs decreased due to lower collections. Other administrative expenses amounted to SEK -155m (-152) with the quarterly increase mainly pertaining to expenditures related to premises. Both quarters were negatively affected by IT-project write-downs.

Net profit/loss for the quarter

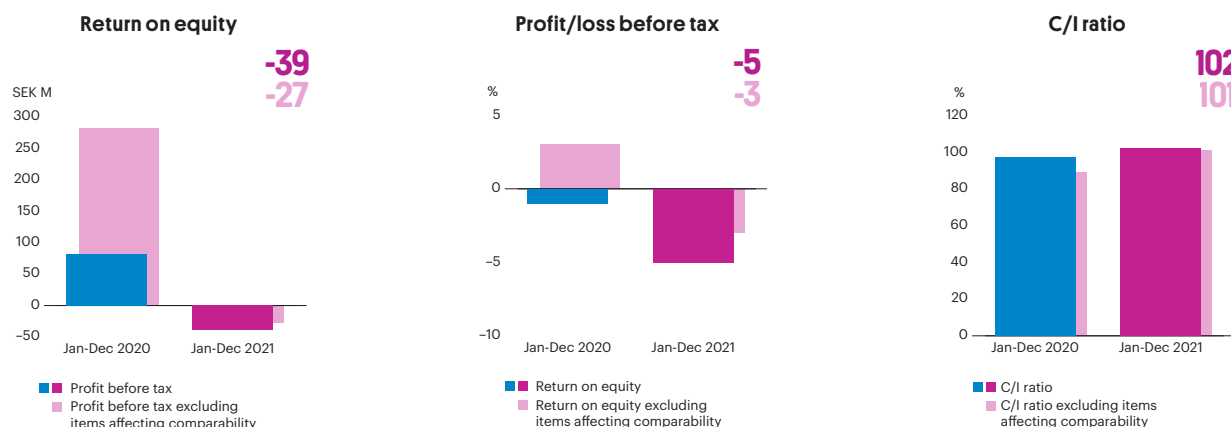
Net profit for the quarter totaled SEK 77m (48). Income tax expense was SEK 4m (-20) and the effective tax rate was -5 per cent (29).

SEK m	Quarter 4, 2021	Quarter 4, 2020
Interest income	745	778
Other interest income	0	0
Interest expense	-139	-138
Net interest income	606	640
Impairment gains and losses	-8	-49
of which, realised collections against active forecast	107	249
of which, portfolio revaluations	-115	-298
Fee and commission income	18	18
Net result from financial transactions	45	39
Other operating income	8	0
Total operating income	669	648

SEK m	Quarter 4, 2021	Quarter 4, 2020
Personnel expenses	-209	-189
Collection costs	-212	-215
Other administrative expenses	-155	-152
Depreciation and amortisation	-32	-36
Total operating expenses	-608	-592
Share of profit from joint ventures	12	12
Profit before tax	73	68
Income tax expense	4	-20
Net profit for the quarter	77	48

Developments during the full-year 2021

Comparative figures for developments during the full-year 2021 period pertain to full-year 2020.



Profit before tax for the full-year 2021

Profit before tax totalled SEK -39m (82). The decrease compared to last year is an effect of lower portfolio volumes and margins, partially offset by better collection performance and positive market valuation of hedging contracts. Expenses were in line with the previous year.

Operating income

Operating income totalled SEK 2,255m (2,368). Net interest income totalled SEK 2,430m (2,726). Interest income on acquired loan portfolios decreased SEK -296m during the year to SEK 3,006m (3,302). The decrease is attributable to lower portfolio volumes and year-on-year margins. Interest expense totalled SEK -574m (-582). Impairment gains and losses totalled SEK -338m (-458). The surplus of collections against projections totalled SEK 297m, representing a collection rate of 101 per cent. All markets but the UK had a positive collection development. Revaluations totalled SEK -635m (-805) of which SEK -351m pertains to the forward-looking portfolio writedown conducted during Q1 2021. Other revaluations pertain mainly to secured loan portfolios, for which collections achieved earlier than projected reduced expected future cash flow. Fee and commission income decreased to SEK 63m (93) due to the closure of third-party collection services in the UK. Net result from financial transactions totalled SEK 82m (-7). Both periods were affected by unrealised profit/loss from market valuation of interest rate hedging instruments.

Operating expenses

Operating expenses was SEK -2,355m (-2,343). Personnel expenses for the period totalled SEK -867m (-862). During the year number of employees was reduced by 5 per cent to 1,544 FTEs. Legal collection costs increased to SEK -753m (-734) as courts reopened during the year. Other administrative expenses decreased to SEK -606m (-613). Depreciation and amortisation of tangible and intangible assets totalled SEK -129m (-134). Both periods were affected by IT project write-downs.

Net profit/loss for the year

The net profit/loss for the period totalled SEK -117m (41). Income tax expense for the year totalled SEK -78m (-41) and the effective tax rate was 204 per cent (50). The recognised tax expenses was impacted primarily by the provision related to the ongoing tax audit, communicated in Q2. The net effect of the tax provision totalled SEK -102m during year, offset somewhat by tax revenue resulting from capitalisation of loss carry-forwards in subsidiaries.

SEK m	Full-year, 2021	Full-year, 2020
Interest income	3,006	3,302
Other interest income	-2	6
Interest expense	-574	-582
Net interest income	2,430	2,726
Impairment gains and losses	-338	-458
of which, realised collections against active forecast	297	348
of which, portfolio revaluations	-635	-805
Fee and commission income	63	93
Net result from financial transactions	82	-7
Other operating income	18	14
Total operating income	2,255	2,368

SEK m	Full-year, 2021	Full-year, 2020
Personnel expenses	-867	-862
Collection costs	-753	-734
Other administrative expenses	-606	-613
Depreciation and amortisation	-129	-134
Total operating expenses	-2,355	-2,343
Share of profit from joint ventures	61	57
Profit/loss before tax	-39	82
Income tax expense	-78	-41
Net profit/loss for the year	-117	41

Balance sheet

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

Total assets decreased SEK -1,492m as compared with 31 December 2020 and totalled SEK 30,372m (31,864). The change is primarily attributable to a SEK -1,461m decrease in cash and interest-bearing securities. The carrying amount of acquired loan portfolios increased to SEK 21,337m (21,075). Including the recently signed portfolio in Greece, portfolio volumes totalled to SEK 22,442m. Signed but not settled portfolios are not included in the balance sheet. Other assets decreased SEK -293m.

SEK m	31 Dec 2021	31 Dec 2020	Change, %
Cash and interest-bearing securities	7,558	9,019	-16
Acquired loan portfolios	21,337	21,075	1
Other assets ¹⁾	1,477	1,770	-17
Total assets	30,372	31,864	
Deposits from the public	18,169	17,928	1
Debt securities issued	5,059	6,355	-20
Subordinated debt	837	821	2
Total interest-bearing liabilities	24,065	25,104	
Other liabilities ¹⁾	1,366	1,602	-15
Equity	4,941	5,158	-5
Total liabilities and equity	30,372	31,864	

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 24,065m (25,104). The change is mainly attributable to an SEK -1,296m reduction in senior unsecured debts offset by deposits from the public, which increased SEK 241m. Hoist Finance funds its operations through deposits in Sweden and Germany as well as through the international bond market and the Swedish money market. In 2021 Hoist Finance also launched deposits from the public in the UK under the HoistSavings brand. In Sweden, deposits from the public under the HoistSpar brand amounted to SEK 8,541m (10,552), of which SEK 3,775m (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 HoistSparen name. At 31 December 2021, deposits from the public in Germany were SEK 9,564m (7,376), of which SEK 7,201m (7,115) is attributable to fixed term deposits of one- to five-year duration.

At 31 December 2021, the outstanding bond debt totalled SEK 5,896m (7,176), of which SEK 5,059m (6,355) was comprised of senior unsecured liabilities. The change is mainly attributable to the redemption of senior debts totalling SEK -1,445m that matured in October and, to some extent, to bonds issued and repurchased in the Italian securitisation structure during the year.

Other liabilities decreased SEK -236m to SEK 1,366m (1,602). Equity totalled SEK 4,941m (5,158), with the decrease mainly attributable to the year's negative result and to payment of interest on Additional Tier 1 capital contributions.

Cash flow

Comparative figures for cash flow pertain to fourth quarter 2020.

SEK m	Quarter 4 2021	Quarter 4 2020	Full-year 2021	Full-year 2020
Cash flow from operating activities	887	1,578	3,481	4,857
Cash flow from investing activities	-847	-1,313	-2,996	-3,066
Cash flow from financing activities	-474	396	-1,448	-2,410
Cash flow for the period	-434	661	-963	-619

Cash flow from operating activities totalled SEK 887m, as compared with SEK 1,578m during Q4 2020. Amortisation of acquired loan portfolios was in line with the comparative quarter and totalled SEK 1,018m (1,005).

Cash flow from investing activities totalled SEK -847m (-1,313). Portfolio acquisition activity was somewhat lower than during Q4 2020, totalling SEK -723m (-844), but more than doubled over the full year.

Cash flow from financing activities totalled SEK -474m (396). Net inflow from deposits from the public totalled SEK 986m (-563) and pertains primarily to inflows to flex accounts in the German market. The quarter's repurchase and repayment of bonds totalled SEK -1,466m (-1,047). SEK -1,445m of this amount pertains to repayment of unsecured debt that matured during the quarter.

Total cash flow for the quarter amounted to SEK -434m, as compared with SEK 661m for fourth quarter 2020.

Capital adequacy

Comparative figures for capital adequacy pertain to 30 September 2021.

At the close of the quarter the CET1 ratio was 9.56 per cent (9.78) for the Hoist Finance consolidated situation.

CET1 capital totalled SEK 3,317m (3,265). The quarter's net profit of SEK 80m increased the CET1 ratio by 0.24 per cent. Capitalised intangible assets and accumulated interest on Tier 1 capital instruments resulted in a reduction of -0.07 per cent.

The risk-weighted exposure amount increased somewhat during the quarter to SEK 34,710m (33,390). Collections on existing loans (0.32 per cent) and amortisation of bonds in the securitisation structure (0.04) contributed positively to the CET1 ratio, while new loan portfolio acquisitions and new forward flow agreements (-0.69 per cent) contributed negatively. The quarter-on-quarter market risk for open currency exposures increased the CET1 ratio by 0.08 per cent.

Total capital amounted to SEK 5,260m (5,199) at the close of the quarter. The total capital ratio was 15.16 per cent (15.57).

All capital ratios meet regulatory requirements. The signed but not yet settled portfolio in Greece is included in the risk-weighted exposure amount and contributed with -0.44 per cent at the close of quarter. The portfolio will be included in the Balance sheet the day of the settlement.

The parent company capital ratio amounted to 11.71 per cent (12.34).

Parent Company

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

Net interest income for the Parent Company totalled SEK 235m (301) during the fourth quarter, with interest income totalling SEK 358m (424). The decrease in interest income is due to lower loan portfolio volumes, somewhat lower margins and lower interest income from Group companies. Interest expense is in line with the comparative quarter and totalled SEK -123m (-123).

Net operating income totalled SEK 301m (617). The comparative quarter was positively affected by dividends from subsidiaries of SEK 302m. Net result from financial transactions totalled SEK 36m (-19). The increase is due primarily to a positive increase in the market value of interest rate hedging contracts. Other operating income is in line with the comparative quarter.

Operating expenses amounted to SEK -331m (-275). Personnel expenses increased SEK -32m during the quarter, due mainly to personnel changes in management. The comparative quarter was positively affected by higher reversals for bonus provisions. Other administrative expenses increased SEK -24m, due mainly to higher IT costs associated with platform upgrades. Depreciation and amortisation of tangible and intangible remained unchanged from the comparative quarter.

Profit before credit losses totalled SEK -30m (342).

Impairment gains and losses totalled SEK 41m (30), most of which pertains to the difference between projected and actual collections, portfolio revaluations and credit reserves for performing loans. No impairments of financial assets was needed during the quarter compared to SEK -116m for the comparative period. Shares in participating interests totalled SEK 14m (21).

Earnings before tax totalled SEK 25m (277).

Appropriations totalled SEK -8m (-9) and pertain to changes in the tax allocation reserve. Tax expense totalled SEK -2m (-35) during the fourth quarter, with SEK 5m of this amount attributable to deferred tax.

Net profit for the quarter totalled SEK 15m (233).

Other disclosures

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

Significant risks and uncertainties

Hoist Finance broad geographic footprint delivers diversification to credit exposures and reduces overall risk, however it also brings complexity to the regulatory landscape. 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. In order to diversify the Company's assets in a positive way from a risk perspective, Hoist Finance continues to assess new opportunities to acquire portfolios of non-performing secured loans.

Credit risk in the liquidity portfolio remains low, as investments are made in government, municipal and covered bonds of high credit quality.

Hoist Finance has an internal framework for follow-up and oversight of the Group's operational risks. The Group is committed to continuously improving the quality of its internal procedures to minimise operational risks. Remote working recommendations differ between markets. Hoist Finance updates these recommendations on an ongoing basis, based on the rate of infection and local restrictions. Flexible working methods, a combination of office and at-home work, are expected to continue even after Covid restrictions are lifted. This is not deemed to affect operational risks to any significant degree. The level of operational risks is therefore deemed to be unchanged from previous quarters.

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

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

down when calculating risk weight. If the discount exceeds 20 per cent, the risk weight for the loan would be 100 per cent rather than 150 per cent. This would be positive for Hoist Finance from a capital adequacy perspective. During the quarter, the EBA published its recommendation regarding changes to risk weight calculation for acquired credit portfolios. The recommendation is fully in line with the European Commission's proposal. The EBA's recommendation is expected to be adopted by the European Commission and approved by the European Parliament. The timing of the final decision has not been fully determined and Hoist Finance is closely monitoring developments.

Related-party transactions

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

Group structure

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

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

Hoist Finance established five new companies during the year: three in Cyprus, one in Sweden and one in Poland. These companies have no, or very limited, business activity and, accordingly, as at 31 December 2021 they had no material effect on the Group. Three companies were liquidated during the year: one in Germany and one in Romania, which had no material effect on the Group, and one in Sweden, which gave rise to an SEK 31m result from liquidation in Parent Company Hoist Finance AB (publ) but which had no material effect on the Group.

Proposed dividend

As the annual net profit is negative for the financial year 2021, the Board of Directors will recommend that the Annual General Meeting resolve not to pay a dividend for 2021.

Annual General Meeting

The AGM will be held on Wednesday, 13 April 2022, in Stockholm.

Subsequent events

Notice of Extra General Meeting to be held on Thursday, 17 February 2022, in Stockholm.

No other significant events occurred after the balance sheet date.

Review

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

QUARTERLY REVIEW

Condensed income statement

SEK m	Quarter 4 2021	Quarter 3 2021	Quarter 2 2021	Quarter 1 2021	Quarter 4 2020
Net interest income	606	607	599	618	640
Total operating income	669	642	625	319	648
Total operating expenses	-608	-580	-588	-579	-592
Net operating profit/loss	61	62	37	-260	56
Profit/loss before tax	73	82	52	-246	68
Net profit/loss for the period	77	75	-48	-221	48

Key ratios¹⁾

SEK m	Quarter 4 2021	Quarter 3 2021	Quarter 2 2021	Quarter 1 2021	Quarter 4 2020
Profit/loss before tax excl. items affecting comparability	73	82	64	-246	108
EBITDA, adjusted	1,296	1,132	1,171	1,171	1,471
C/I ratio, %	89	88	92	173	90
C/I ratio adjusted for items affecting comparability, %	89	88	90	173	84
Return on equity, %	6	5	-7	-25	3
Return on equity adjusted for items affecting comparability, % ²⁾	5	5	4	-24	5
Collection performance, %	101	99	102	103	102
Portfolio acquisitions	723	1,226	857	752	890
Basic and diluted earnings per share, SEK	0.61	0.58	-0.79	-2.73	0.31
Items affecting comparability	-	-	-12	-	-40

SEK m	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Gross 180-month ERC	32,900	32,643	32,396	32,829	32,763
Acquired loans	21,337	21,423	21,059	21,266	21,075
Total capital ratio, %	15.16	15.57	15.47	15.59	16.49
CET1 ratio, %	9.56	9.78	9.70	9.81	10.76
Number of employees (FTEs)	1,544	1,579	1,575	1,602	1,631

1) See Definitions for additional details.

2) Return on equity adjusted for items affecting comparability is impacted by IAC in Q2 2021.

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 4 2021	Quarter 4 2020	Full-year 2021	Full-year 2020
Interest income acquired loan portfolios calculated using the effective interest rate method		745	778	3,006	3,302
Other interest income ¹⁾		0	0	-2	6
Interest expense		-139	-138	-574	-582
Net interest income		606	640	2,430	2,726
Impairment gains and losses		-8	-49	-338	-458
Fee and commission income		18	18	63	93
Net result from financial transactions		45	39	82	-7
Other operating income		8	0	18	14
Total operating income	3	669	648	2,255	2,368
Personnel expenses		-209	-189	-867	-862
Collection costs		-212	-215	-753	-734
Other administrative expenses		-155	-152	-606	-613
Depreciation and amortisation of tangible and intangible assets		-32	-36	-129	-134
Total operating expenses	3	-608	-592	-2,355	-2,343
Net operating profit/loss		61	56	-100	25
Share of profit from joint ventures	3	12	12	61	57
Profit/loss before tax	3	73	68	-39	82
Income tax expense		4	-20	-78	-41
Net profit/loss		77	48	-117	41
Profit/loss attributable to:					
Owners of Hoist Finance AB (publ)		54	27	-207	-45
Additional Tier 1 capital holders		23	21	90	86
Basic and diluted earnings per share SEK		0.61	0.31	-2.32	-0.50

1) Of which interest income calculated using the effective interest method amounted SEK 0.5m (0.1) during quarter 4, SEK -0.1m (1.7) during full-year.

Consolidated statement of comprehensive income

SEK m	Quarter 4 2021	Quarter 4 2020	Full-year 2021	Full-year 2020
Net profit/loss for the period	77	48	-117	41
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Revaluation of defined benefit pension plan	3	-5	3	-5
Revaluation of remuneration after terminated	0	-1	0	0
Tax attributable to items that will not be reclassified to profit or loss	-	-	-	-
Total items that will not be reclassified to profit or loss	3	-6	3	-5
Items that may be reclassified subsequently to profit or loss				
Translation difference, foreign operations	10	-48	14	-99
Translation difference, joint ventures	2	-9	3	-20
Hedging of currency risk in foreign operations	-27	-22	-41	-18
Hedging of currency risk in joint ventures	-2	6	-1	11
Transferred to the income statement during the year	1	1	3	6
Tax attributable to items that may be reclassified to profit or loss	6	-2	9	-3
Total items that may be reclassified subsequently to profit or loss	-10	-74	-13	-123
Other comprehensive income for the period	-7	-80	-10	-128
Total comprehensive income for the period	70	-32	-127	-87
Profit/loss attributable to:				
Owners of Hoist Finance AB (publ)	47	-53	-217	-173
Additional Tier 1 capital holders	23	21	90	86

Consolidated balance sheet

SEK m	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	5	1,576	2,411
Lending to credit institutions	5	2,480	2,526
Lending to the public	5	3	6
Acquired loan portfolios	3,4	21,337	21,075
Bonds and other securities	5	3,502	4,082
Shares and participations in joint ventures		155	160
Intangible assets		360	358
Tangible assets		205	262
Other assets		490	763
Deferred tax assets		160	97
Prepayments and accrued income		104	124
Total assets		30,372	31,864
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	5	18,169	17,928
Debt securities issued	5	5,059	6,355
Tax liabilities		189	132
Other liabilities		797	1,025
Deferred tax liabilities		127	141
Accrued expenses and deferred income		194	239
Provisions		59	65
Subordinated debts		837	821
Total liabilities		25,431	26,706
Equity			
Additional Tier 1 capital holders		1,106	1,106
Share capital		30	30
Other contributed equity		2,275	2,275
Reserves		-394	-381
Retained earnings including profit/loss for the period		1,924	2,128
Total equity		4,941	5,158
Total liabilities and equity		30,372	31,864

Consolidated statement of changes in equity

SEK m	Additional Tier 1 capital holders	Share capital	Other contributed equity	Reserves		Retained earnings including profit/loss for the period	Total equity
				Hedge reserve	Translation reserve		
Opening balance 1 Jan 2021	1,106	30	2,275	-443	62	2,128	5,158
Comprehensive income for the period							
Profit/loss for the period						-117	-117
Other comprehensive income				-30	17	3	-10
Total comprehensive income for the period				-30	17	-114	-127
Transactions reported directly in equity							
Interest paid on Additional Tier 1 capital						-90	-90
Share-based payments						0 ¹⁾	0
Total transactions reported directly in equity						-90	-90
Closing balance 31 Dec 2021	1,106	30	2,275	-473	79	1,924	4,941

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

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

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

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

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

Consolidated cash flow statement summary

SEK m	Quarter 4 2021	Quarter 4 2020	Full-Year 2021	Full-year 2020
Profit/loss before tax	73	68	-39	82
– of which, paid-in interest	749	782	3,002	3,321
– of which, interest paid	-174	-119	-530	-449
Adjustment for other items not included in cash flow	-240	93	262	710
Realised result from divestment of loan portfolios	-1	-	-1	-
Realised result from divestment of shares and participations in joint ventures	-14	-15	-66	-58
Income tax paid/received	-20	0	-100	-62
Amortisations on acquired loan portfolios	1,018	1,005	3,685	3,164
Increase/decrease in other assets and liabilities	71	427	-260	1,021
Cash flow from operating activities	887	1,578	3,481	4,857
Acquired loan portfolios	-723	-844	-3,558	-1,715
Investments in bonds and other securities	-282	-568	-1,109	-2,069
Divestments of bonds and other securities	154	102	1,691	751
Other cash flows from investing activities	4	-3	-20	-33
Cash flow from investing activities	-847	-1,313	-2,996	-3,066
Deposits from the public	986	-563	117	-3,272
Debt securities issued	19	2,018	94	2,018
Repurchase and repayment of Debt securities issued	-1,466	-1,047	-1,517	-1,454
Additional Tier 1 capital	-	-	-	414
Interest paid on Additional Tier 1 capital	-	-	-90	-60
Acquisition agreement for Treasury shares	-	-	-	-8
Amortisation of lease liabilities	-13	-12	-52	-48
Cash flow from financing activities	-474	396	-1,448	-2,410
Cash flow for the period	-434	661	-963	-619
Cash at beginning of the period ¹⁾	4,092	4,035	4,576	5,261
Translation difference	-33	-120	12	-66
Cash at end of the period²⁾	3,625	4,576	3,625	4,576

1) As from 2020 the definition of 'cash and cash equivalents' in the cash flow statement has been changed to exclude lending to credit institutions in securitisation vehicles and pledged bank balances.

2) Cash and cash equivalents in cash flow statement

SEK m	31 Dec 2021	31 Dec 2020
Cash	0	0
Treasury bills and Treasury bonds	1,576	2,411
Lending to credit institutions	2,480	2,526
excl. lending to credit institutions in securitisation vehicles	-301	-254
excl. pledged bank balances	-130	-107
Total cash and cash equivalents in cash flow statement	3,625	4,576

Parent Company income statement

SEK m	Quarter 4 2021	Quarter 4 2020	Full-year 2021	Full-year 2020
Interest income	358	424	1,528	1,705
Interest expense	-123	-123	-518	-521
Net interest income	235	301	1,010	1,184
Dividends received	0	302	0	302
Fee and commission income	1	1	2	4
Net result from financial transactions	36	-19	68	-113
Other operating income	29	32	274	256
Total operating income	301	617	1,354	1,633
Personnel expenses	-118	-86	-460	-376
Other administrative expenses	-194	-170	-745	-768
Depreciation and amortisation of tangible and intangible assets	-19	-19	-68	-62
Total operating expenses	-331	-275	-1,273	-1,206
Profit before credit losses	-30	342	81	427
Impairment gains and losses on acquired loan portfolios	41	30	7	-41
Amortisation of other financial fixed assets	0	-116	-72	-116
Share of profit from joint ventures	14	21	66	71
Net operating profit/loss	25	277	82	341
Appropriations	-8	-9	-8	-9
Taxes	-2	-35	-127	-77
Net profit/loss	15	233	-53	255

Parent company statement of comprehensive income

SEK m	Quarter 4 2021	Quarter 4 2020	Full-year 2021	Full-year 2020
Net profit/loss	15	233	-53	255
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss				
Translation difference, foreign operations	0	0	1	0
Tax attributable to items that may be reclassified to profit or loss	0	-1	0	-1
Total items that may be reclassified subsequently to profit or loss	0	-1	1	-1
Other comprehensive income for the period	0	-1	1	-1
Total comprehensive income for the period	15	232	-52	254

Parent Company balance sheet

SEK m	31 Dec 2021	31 Dec 2020
ASSETS		
Cash	0	0
Treasury bills and Treasury bonds	1,576	2,411
Lending to credit institutions	1,467	1,611
Lending to the public	3	6
Acquired loan portfolios	6,360	6,755
Receivables, Group companies	15,168	14,402
Bonds and other securities	3,502	4,082
Shares and participations in subsidiaries	863	816
Shares and participations in joint ventures	7	11
Intangible assets	194	187
Tangible assets	30	35
Other assets	320	462
Deferred tax assets	7	1
Prepayments and accrued income	50	55
Total assets	29,547	30,834
LIABILITIES AND EQUITY		
Liabilities		
Deposits from the public	18,169	17,928
Debt securities issued	4,605	5,959
Tax liabilities	145	96
Other liabilities	818	890
Deferred tax liabilities	0	3
Accrued expenses and deferred income	66	94
Provisions	35	37
Subordinated debts	837	821
Total liabilities and provisions	24,675	25,828
Untaxed reserves	285	277
Equity		
Restricted equity		
Share capital	30	30
Statutory reserve	13	13
Revaluation reserve	71	72
Development expenditure fund	0	2
Total restricted equity	114	117
Non-restricted equity		
Additional Tier 1 capital holders	1,106	1,106
Share premium	1,883	1,883
Reserves	3	2
Retained earnings	1,534	1,366
Profit/loss for the period	-53	255
Total unrestricted equity	4,473	4,612
Total equity	4,587	4,729
Total liabilities and equity	29,547	30,834

Notes to the financial statements

Note 1 Accounting principles

This year-end 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 judgements

Hoist Finance continuously monitors the development of the Group's loan portfolios and markets and the ways in which these are impacted by Covid-19. Over time, this has become more certain as the markets start to exhibit normal economic behaviour and judicial processes.

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

New segments as of 2021

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

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

In 2021 Hoist Finance has chosen to continue to report the old segments that were based on geographic region in the interim reports.

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

Notes 2 Exchange rates

	Full-year 2021	Full-year 2020
1 EUR = SEK		
Income statement (average)	10.1435	10.4844
Balance sheet (at end of the period)	10.2269	10.0375
1 GBP = SEK		
Income statement (average)	11.7944	11.7996
Balance sheet (at end of the period)	12.1790	11.0873
1 PLN = SEK		
Income statement (average)	2.2231	2.3615
Balance sheet (at end of the period)	2.2279	2.2166
1 RON = SEK		
Income statement (average)	2.0614	2.1672
Balance sheet (at end of the period)	2.0676	2.0618

Note 3 Segment reporting

Operating segments

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

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

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

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

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

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

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

Income statement, Quarter 4, 2021

SEK m	Unsecured	Secured	Performing	Group items	Group
Total operating income	530	67	6	66	669
of which, interest expense	-130	-17	-5	13	-139
Operating expenses					
Direct expenses ¹⁾	-320	-30	-6	-10	-366
Indirect expenses ¹⁾	-206	-28	-8	-	-242
Total operating expenses	-526	-58	-14	-10	-608
Share of profit from joint ventures	12	-	-	-	12
Profit/loss before tax	16	9	-8	56	73

Key ratios²⁾

Direct contribution	210	37	0	56	303
Acquired loan portfolios	16,802	3,838	697	-	21,337
C/I ratio %	97	87	214	15	89
Collection performance %	101	101	-	-	101

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

2) See Definitions.

Note 3 Segment reporting, cont.

Income statement, full-year, 2021

SEK m	Unsecured	Secured	Performing	Group items	Group
Total operating income	1,763	330	29	133	2,255
of which, interest expense	-527	-63	-19	34	-575
Operating expenses					
Direct expenses ¹⁾	-1,175	-108	-24	-21	-1,328
Indirect expenses ¹⁾	-877	-118	-32	-	-1,027
Total operating expenses	-2,052	-226	-56	-21	-2,355
Share of profit from joint ventures	61	-	-	-	61
Profit/loss before tax	-228	104	-27	112	-39

Key ratios²⁾

Direct contribution	588	222	5	112	927
Acquired loan portfolios	16,802	3,838	697	-	21,337
C/I ratio %	113	69	193	16	102
Collection performance %	101	105	-	-	101

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

2) See Definitions.

Income statement, Quarter 4, 2020

SEK m	Unsecured	Secured	Performing	Group items	Group
Total operating income	548	32	8	60	648
of which, interest expense	-138	-15	-5	20	-138
Operating expenses					
Direct expenses ¹⁾	-310	-19	-5	-4	-339
Indirect expenses ¹⁾	-226	-25	-4	-	-254
Total operating expenses	-536	-44	-9	-4	-592
Share of profit from joint ventures	12	-	-	-	12
Profit/loss before tax	24	-12	-1	56	68

Key ratios²⁾

Direct contribution	238	13	3	56	309
Acquired loan portfolios	16,864	3,458	753	-	21,075
C/I ratio %	96	138	108	6	90
Collection performance %	103	99	-	-	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, full-year, 2020

SEK m	Unsecured	Secured	Performing	Group items	Group
Total operating income	1,959	266	37	106	2,368
<i>of which, interest expense</i>	<i>-587</i>	<i>-64</i>	<i>-25</i>	<i>94</i>	<i>-582</i>
Operating expenses					
Direct expenses ¹⁾	-1,157	-96	-21	-8	-1,282
Indirect expenses ¹⁾	-945	-99	-16	-	-1,061
Total operating expenses	-2,103	-195	-37	-8	-2,343
Share of profit from joint ventures	57	-	-	-	57
Profit/loss before tax	-87	71	0	98	82

Key ratios²⁾

Direct contribution	802	170	16	98	1,086
Acquired loan portfolios	16,864	3,458	753	-	21,075
C/I ratio %	104	73	100	8	97
Collection performance %	97	106	-	-	98

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

2) See Definitions.

Note 3 Segment reporting, cont.

Geographical information

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

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

Income statement, Quarter 4, 2021

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	54	157	88	111	58	140	59	1	669
<i>of which, internal funding</i>	-41	-35	-15	-38	-8	-15	152	-	0
Total operating expenses	-69	-117	-53	-57	-42	-80	-190	0	-608
Impairment of shares in subsidiaries	-	-	-	-	-	-	-	-	-
Share of profit from joint ventures	-	-	-	11	-	1	-	-	12
Profit before tax	-15	40	35	65	16	61	-131	1	73

Key ratios

Acquired loan portfolios ¹⁾	4,504	5,982	2,468	3,677	2,051	2,655	-	-	21,337
--	-------	-------	-------	-------	-------	-------	---	---	--------

Income statement, Quarter 4, 2020

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	111	172	107	75	64	59	57	3	648
<i>of which, internal funding</i>	-49	-34	-15	-36	-10	-14	158	-	0
Total operating expenses	-87	-117	-52	-45	-38	-75	-178	0	-592
Impairment of shares in subsidiaries	-	-	-	-	-	-	-116	116	0
Share of profit from joint ventures	-	-	-	-	-	6	6	-	12
Profit before tax	24	55	55	30	26	-10	-231	119	68

Key ratios

Acquired loan portfolios ¹⁾	5,061	5,428	2,440	3,366	2,320	2,460	-	-	21,075
--	-------	-------	-------	-------	-------	-------	---	---	--------

Income statement, full-year, 2021

SEK m	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminations	Group
Total operating income	205	644	331	424	144	385	121	1	2,255
<i>of which, internal funding</i>	-175	-134	-59	-146	-37	-57	608	-	0
Total operating expenses	-286	-458	-211	-204	-167	-293	-736	0	-2,355
Impairment of shares in subsidiaries	-	-	-	-	-	-	-72	72	0
Share of profit from joint ventures	-	-	-	59	-	2	-	-	61
Profit before tax	-81	186	120	279	-23	94	-687	73	-39

Key ratios

Acquired loan portfolios ¹⁾	4,504	5,982	2,468	3,677	2,051	2,655	-	-	21,337
--	-------	-------	-------	-------	-------	-------	---	---	--------

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 3 Segment reporting, cont.

Income statement, full-year 2020

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

Key ratios

Acquired loan portfolios ¹⁾	5,061	5,428	2,440	3,366	2,320	2,460	-	-	21,075
--	-------	-------	-------	-------	-------	-------	---	---	--------

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

Note 4 Acquired loan portfolios

SEK m	GROUP		PARENT COMPANY	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Gross carrying amount	21,813	21,188	6,263	6,670
Loss allowance	-476	-113	97	85
Net carrying amount	21,337	21,075	6,360	6,755

Acquired credit-impaired loan portfolios, 31 Dec 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	3,558	-	3,558	933	-	933
Interest income	2,956	-	2,956	931	-	931
Gross collections	-6,557	-	-6,557	-2,392	-	-2,392
Impairment gains and losses	-	-337	-337	-	11	11
of which, realised collections against active forecast	-	298	298	-	242	242
of which, portfolio revaluations	-	-635	-635	-	-231	-231
Disposals	-2	-	-2	-2	-	-2
Translation differences	726	-25	701	130	1	131
Closing balance 31 Dec 2021	21,111	-470	20,641	5,989	100	6,089

Acquired credit-impaired loan portfolios, 31 Dec 2020

SEK m	GROUP			PARENT COMPANY		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Opening balance 1 Jan 2020	23,009	387	23,396	6,922	130	7,052
Acquisitions	1,761	-	1,761	916	-	916
Interest income	3,240	-	3,240	1,020	-	1,020
Gross collections	-6,324	-	-6,324	-2,221	-	-2,221
Impairment gains and losses	-	-455	-455	-	-40	-40
of which, realised collections against active forecast	-	350	350	-	346	346
of which, portfolio revaluations	-	-805	-805	-	-386	-386
Disposals	40	-40	0	-	-	-
Translation differences	-1,296	0	-1,296	-248	-2	-250
Closing balance 31 Dec 2020	20,430	-108	20,322	6,389	88	6,477

Acquired performing loan portfolios, 31 Dec 2021

SEK m	GROUP					
	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	51	-	-	-	-	51
Amortisations and interest payments	-134	-	-	-	-	-134
Changes in risk parameters	-	0	-1	0	-1	-1
Derecognitions	-1	-	-	-	-	-1
Translation differences	28	0	0	0	0	28
Closing balance 31 Dec 2021	702	-1	-1	-4	-6	696

Note 4 Acquired loan portfolios, cont.

Acquired performing loan portfolios, 31 Dec 2020

SEK m	GROUP					Net carrying amount
	Gross carrying amount	Stage 1 12MECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	
Opening balance 1 Jan 2020	912	-1	0	-4	-5	907
Interest income	62	-	-	-	-	62
Amortisations and interest payments	-143	-	-	-	-	-143
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	-72	0	0	0	0	-72
Closing balance 31 Dec 2020	758	-1	0	-4	-5	753

Acquired performing loan portfolios, 31 Dec 2021

SEK m	PARENT COMPANY					Net carrying amount
	Gross carrying amount	Stage 1 12MECL	Stage 2 LECL	Stage 3 LECL	Loss allowance	
Opening balance 1 Jan 2021	281	0	0	-3	-3	278
Interest income	17	-	-	-	-	17
Amortisations and interest payments	-49	-	-	-	-	-49
Changes in risk parameters	-	0	0	0	0	0
Derecognitions	-1	-	-	-	-	-1
Translation differences	26	0	0	0	0	26
Closing balance 31 Dec 2021	274	0	0	-3	-3	271

Acquired performing loan portfolios, 31 Dec 2020

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

Note 5 Financial instruments

Carrying amount and fair value of financial instruments

GROUP, 31 DEC 2021

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	1,576	–	–	1,576	1,576
Lending to credit institutions	–	–	–	2,480	2,480	2,480
Lending to the public	–	–	–	3	3	3
Acquired loan portfolios	–	–	–	21,337	21,337	21,769
Bonds and other securities	–	3,502	–	–	3,502	3,502
Derivatives	75	–	1 ¹⁾	–	76	76
Other financial assets	–	–	–	380	380	380
Total	75	5,078	1	24,200	29,354	29,786
Deposits from the public	–	–	–	18,169	18,169	18,169
Derivatives	22	–	122 ¹⁾	–	144	144
Debt securities issued	–	–	–	5,059	5,059	5,289
Subordinated debt	–	–	–	837	837	813
Other financial debts	–	–	–	808	808	808
Total	22	–	122	24,873	25,017	25,223

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

Carrying amount and fair value of financial instruments

GROUP, 31 DEC 2020

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	2,411	–	–	2,411	2,411
Lending to credit institutions	–	–	–	2,526	2,526	2,526
Lending to the public	–	–	–	6	6	6
Acquired loan portfolios	–	–	–	21,075	21,075	21,945
Bonds and other securities	–	4,082	–	–	4,082	4,082
Derivatives	27	–	214 ¹⁾	–	241	241
Other financial assets	–	–	–	492	492	492
Total	27	6,493	214	24,099	30,833	31,703
Deposits from the public	–	–	–	17,928	17,928	17,928
Derivatives	43	–	–	–	43	43
Debt securities issued	–	–	–	6,355	6,355	6,479
Subordinated debt	–	–	–	821	821	744
Other financial debts	–	–	–	1,185	1,185	1,185
Total	43	–	–	26,289	26,332	26,379

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

Note 5 Financial instruments

Carrying amount and fair value of financial instruments

PARENT COMPANY, 31 DEC 2021

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	1,576	–	–	1,576	1,576
Lending to credit institutions	–	–	–	1,467	1,467	1,467
Lending to the public	–	–	–	3	3	3
Acquired loan portfolios	–	–	–	6,360	6,360	6,549
Receivables, Group companies	–	15	–	15,040	15,055	15,084
Bonds and other securities	–	3,502	–	–	3,502	3,502
Derivatives	75	–	1 ¹⁾	–	76	76
Other financial assets	–	–	–	233	233	233
Total	75	5,093	1	23,103	28,272	28,490
Deposits from the public	–	–	–	18,169	18,169	18,169
Derivatives	22	–	122 ¹⁾	–	144	144
Debt securities issued	–	–	–	4,605	4,605	4,815
Subordinated debt	–	–	–	837	837	813
Other financial debts	–	–	–	828	828	828
Total	22	–	122	24,439	24,583	24,769

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

Carrying amount and fair value of financial instruments

PARENT COMPANY, 31 DEC 2020

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instrument	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	2,411	–	–	2,411	2,411
Lending to credit institutions	–	–	–	1,611	1,611	1,611
Lending to the public	–	–	–	6	6	6
Acquired loan portfolios	–	–	–	6,755	6,755	7,149
Receivables, Group companies	–	10	–	14,392	14,402	14,418
Bonds and other securities	–	4,082	–	–	4,082	4,082
Derivatives	27	–	214 ¹⁾	–	241	241
Other financial assets	–	–	–	205	205	205
Total	27	6,503	214	22,969	29,713	30,123
Deposits from the public	–	–	–	17,928	17,928	17,928
Derivatives	43	–	–	–	43	43
Debt securities issued	–	–	–	5,959	5,959	6,054
Subordinated debt	–	–	–	821	821	744
Other financial debts	–	–	–	909	909	909
Total	43	–	–	25,617	25,660	25,678

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

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

Level 3)

based on quoted prices on active markets for similar instruments, quoted prices for identical or similar instruments traded on markets that are not active, or other valuation techniques in which all important input data is directly or indirectly observable in the market.

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

Fair value measurements

SEK m	GROUP, 31 DEC 2021				PARENT COMPANY, 31 DEC 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	1,576	–	–	1,576	1,576	–	–	1,576
Bonds and other securities	3,502	–	–	3,502	3,502	–	–	3,502
Receivables, Group companies ¹⁾	–	–	–	–	–	–	15	15
Derivatives	–	76	–	76	–	76	–	76
Total assets	5,078	76	–	5,154	5,078	76	15	5,169
Derivatives	–	144	–	144	–	144	–	144
Total liabilities	–	144	–	144	–	–	–	144

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

SEK m	GROUP, 31 DEC 2020				PARENT COMPANY, 31 DEC 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	2,411	–	–	2,411	2,411	–	–	2,411
Bonds and other securities	4,082	–	–	4,082	4,082	–	–	4,082
Receivables, Group companies ¹⁾	–	–	–	–	–	–	10	10
Derivatives	–	241	–	241	–	241	–	241
Total assets	6,493	241	–	6,734	6,493	241	10	6,744
Derivatives	–	43	–	43	–	43	–	43
Total liabilities	–	43	–	43	–	43	–	43

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

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 31 December 2021 the internally assessed capital requirement was SEK 3,340m (SEK 3,242m as per 30 September 2021), of which SEK 563m (570) was attributable to Pillar 2.

Note 6 Capital adequacy, cont.

SEKm		Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	3,317	3,265	3,229	3,976	4,006
2	Tier 1 capital	4,423	4,372	4,336	4,423	4,723
3	Total capital	5,260	5,199	5,148	5,268	5,544
Risk-weighted exposure amounts						
4	Total risk exposure amount	34,710	33,390	33,278	33,802	33,625
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	9.56%	9.78%	9.70%	9.81%	10.76%
6	Tier 1 ratio (%)	12.74%	13.09%	13.03%	13.09%	14.05%
7	Total capital ratio (%)	15.16%	15.57%	15.47%	15.59%	16.49%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.00 pp	0.00 pp	0.00 pp	0.00 pp	0.00 pp
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.00 pp	0.00 pp	0.00 pp	0.00 pp	0.00 pp
EU 7d	Total SREP own funds requirements (%)	8.00%	8.00%	8.00%	8.00%	8.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	10.50%	10.50%	10.50%	10.50%	10.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	1.56%	1.78%	1.70%	1.81%	2.76%
Leverage ratio						
13	Total exposure measure	31,003	30,397	30,714	29,507	31,177
14	Leverage ratio (%)	14.27%	14.38%	14.12%	14.99%	15.15%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%		
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00 pp	0.00 pp	0.00 pp		
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%		
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%		
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%		
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	4,758	5,153	5,274	5,193	5,385
EU 16a	Cash outflows – Total weighted value	2,130	2,188	2,014	2,065	2,220
EU 16b	Cash inflows – Total weighted value	2,106	2,132	1,984	2,063	2,266
16	Total net cash outflows (adjusted value)	541	556	512	516	555
17	Liquidity coverage ratio (%)	911%	971%	1,041%	1,015%	982%
Net Stable Funding Ratio						
18	Total available stable funding	28,261	27,323	27,635	27,423	28,798
19	Total required stable funding	24,463	23,630	23,638	24,202	24,100
20	NSFR ratio (%)	116%	116%	117%	113%	119%

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. 40 per cent (36) of deposits from the public are payable on demand (current account – "flex"), while 60 per cent (64) of the Group's deposits from the public are locked into longer maturities (fixed-term deposits) ranging from one to five years. About 99 per cent of deposits are fully covered by the Swedish state deposit guarantee.

Funding

SEK m	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Current account deposits	7,137	5,422	7,362	5,422
Fixed-term deposits	11,031	12,506	10,807	12,506
Debt securities issued	5,059	6,355	4,605	5,959
Convertible debt instruments	1,106	1,106	1,106	1,106
Subordinated debts	837	821	837	821
Equity	3,835	4,052	3,483	3,623
Other	1,367	1,602	1,348	1,397
Balance sheet total	30,373	31,864	29,547	30,834

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 7,119m (7,463) as per 31 December 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	31 Dec 2021	31 Dec 2020
Cash and holdings in central banks	38	0
Deposits in other banks available overnight	2,041	2,160
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,063	1,354
Securities issued or guaranteed by municipalities or other public sector entities	513	1,056
Covered bonds	3,501	4,082
Securities issued by non-financial corporates	–	–
Securities issued by financial corporates	–	–
Other	–	–
Total	7,119	8,652

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

Note 8 Pledged assets

SEK m	GROUP		PARENT COMPANY	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	956	757	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	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Commitments	1,368	339	1,368	337

The Group's commitments consist of forward flow contracts and portfolio acquisitions that are signed but not yet settled. In forward flow contracts, a pre-determined volume (fixed or range) of NPLs is acquired at a pre-defined price during a certain time period.

Assurance

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

Stockholm, 7 February 2022

Mattias Carlsson
Chairman of the Board

Fredrik Backman
Board member

Malin Eriksson
Board member

Niklas Johansson
Board member

Henrik Käll
Board member

Helena Svancar
Board member

Peter Zonabend
Board member

Per Anders Fasth
CEO

Definitions – including Alternative Performance Measures

Alternative performance measures

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

As from 2021 Hoist Finance no longer monitors "Acquired loans" and only monitors "Acquired loan portfolios". This reflects Hoist Finance internal monitoring process, as items that are not included in "Acquired loan portfolios" are immaterial. Finally, Hoist Finance removed Net interest income margin as a performance measure to monitor profitability and instead began monitoring the measures "Collection performance" and "Direct contribution" at transition to the new segment reporting. As from Q2 2021 Hoist Finance has removed the measure Portfolio growth due to that it is not monitored internally.

Performance measures according to IFRS and other legislation

Average number of employees

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

Basic earnings per share

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

Diluted earnings per share

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

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

Net result for the year as a percentage of total assets at the end of the year.

Weighted average number of shares outstanding

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

Alternative Performance Measures

Acquired loan portfolios

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

Adjusted EBITDA

EBIT (operating earnings), less depreciation and amortization ("EBITDA") adjusted for net of collections and interest income from acquired loan portfolios.

C/I ratio

Total operating expenses in relation to Total operating income and Share of profit from joint ventures.

Collection performance

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

Direct contribution

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

Fee and commission income

Fees for providing debt management services to third parties.

Gross 180-months ERC

"Estimated Remaining Collections" – the company's estimate of the gross amount that can be collected on the loan portfolios currently owned by the company. The assessment is based on estimates for each loan portfolio and extends from the following month through the coming 180 months. The estimate for each loan portfolio is based on the company's extensive experience in processing and collecting over the portfolio's entire economic life.

Internal funding

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

Items affecting comparability

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

Legal collection

Legal collections relate to the cash received following the initiation of Hoist Finance's litigation process. This process assesses customers' solvency and follows regulatory and legal requirements.

Portfolio acquisitions

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

Portfolio revaluation

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

Return on equity

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

Definitions – According to the EU Capital Requirements Regulation no 575/2013 (CRR)

Additional Tier 1 capital

Capital instruments and associated share premium reserves that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council and that may accordingly be included in the Tier 1 capital.

Capital requirements – Pillar 1

Minimum capital requirements for credit risk, market risk and operational risk.

Capital requirements – Pillar 2

Capital requirements beyond those stipulated in Pillar 1.

Common Equity Tier 1

Capital instruments and associated share premium reserves that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council, and other equity items that may be included in CET1 capital, less regulatory dividend deduction and deductions for items such as goodwill and deferred tax assets.

Common Equity Tier 1 ratio

Common Equity Tier 1 in relation to total risk exposure amount.

Leverage ratio

An institution's total exposure measure in relation to Tier 1 capital.

Liquidity coverage ratio (LCR)

A mandatory requirement for banks within the EU, whereby an institution must hold a sufficiently large buffer of liquid assets to be able to withstand actual and simulated cash outflows for a period of 30 days while experiencing heavy liquidity stress.

Liquidity reserve

Hoist Finance's liquidity reserve is a reserve of high-quality liquid assets which is used to carry out planned acquisitions of loan portfolios and to secure the Company's short term capacity to meet payment obligations in the event of lost or impaired access to regularly available funding sources.

Net stable funding ratio (NSFR)

Measures an institution's amount of available stable funding to cover its required stable funding under normal and stressed conditions in a one-year perspective.

Own funds

Sum of Tier 1 capital and Tier 2 capital.

Risk-weighted exposure amount

The risk weight of each exposure multiplied by the exposure amount.

Tier 1 capital

The sum of CET1 capital and AT1 capital.

Tier 1 capital ratio

Tier 1 capital as a percentage of the total risk exposure amount.

Tier 2 capital

Capital instruments and associated share premium reserves that the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council and that may accordingly be included in the funds.

Total capital ratio

Own funds as a percentage of the total risk exposure amount.

Non-Financial Definitions

Non-performing loans (NPLs)

A loan that is deemed to cause probable credit losses including individually assessed impaired loans, portfolio assessed loans past due more than 60 days and restructured portfolio assessed loans. Hoist Finance primarily purchases loans that are credit-impaired on initial recognition.

Number of employees (FTEs)

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

SME

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

Vision and Strategy

Helping People Keep Their Commitments

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



Return driven investments

Active capital and resource allocation to reach attractive risk-adjusted returns.

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.



Effective & Efficient

Focus on core business and delivering on performance enhancement.



Digital and data driven

Operations based on data insights and digital solutions.



FSA regulated platform

Exploiting funding cost advantage and understanding of banking clients' challenges.

Financial targets

Profitability

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

Capital structure

Sound capital positions. 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

Extra General Meeting	17 February, 2022
Annual report 2021	16 March, 2022
Annual General Meeting 2022	13 April, 2022
Interim report Q1, 2022	28 April, 2022
Interim report Q2, 2022	21 July, 2022
Interim report Q3, 2022	26 October, 2022
Year-end report, 2022	8 February, 2023

Contact

Head of Communications and IR

Ingrid Östhols

Email: info@hoistfinance.com
Ph: +46 (0)721 810 867

Hoist Finance AB (publ)

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

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

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

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

The information in this interim report has been published by Hoist Finance AB (publ) pursuant to the EU Market Abuse Regulation. This information was submitted by Ingrid Östhols for publication on 8 February 2022 at 7:30 AM CET.