

Interim report

Q2 2022

Key events

- » Rejuvenation program is paying off in all areas – funding & capital, investments, collection operations and indirect costs
- » All-time high investments both for a second quarter and first half year, although win rate is down
- » Still intensive competition on the NPL portfolio market, but both volumes and returns higher than last year
- » Second quarter result is mainly an effect of improved quality and management of the portfolios and positive contribution from hedging
- » No material impact of the increased inflation or interest rates so far
- » Reduced risk weights from 11 July
- » Harry Vranjes appointed new CEO and Christian Wallentin appointed deputy CEO (in addition to CFO)
- » Acquisition of a SEK 1bn UK portfolio better fitting the strategy and replacing the SEK 4bn portfolio divested in the first quarter

External revenue and expenses from operations in the UK intended for sale are reported as earnings/loss from discontinued operations. Information provided in the interim report pertains to continuing operations, unless otherwise specified.

SEK 19,680m

Acquired loan portfolios³⁾

19%

Return on equity²⁾

SEK 1.66

Earnings per share continuing operations

9.60%

CET1 ratio²⁾

Key ratios¹⁾

SEK m	Quarter 2 2022	Quarter 2 2021	Change, %	Jan-Jun 2022	Jan-Jun 2021	Change, %	Full-year 2021
Total operating income	734	470	56	1,368	835	64	1,903
Profit/loss before tax from continuing operations	218	-13	N/A	371	-120	N/A	-30
Cash EBITDA ²⁾	1,683	1,171	44	3,158	2,342	35	4,767
Return on equity, % ²⁾	19	-7	26 pp	17	-16	33 pp	-5
Portfolio acquisitions ³⁾	2,508	857	>100	3,819	1,609	>100	3,558
Basic and diluted earnings per share from continuing operations, SEK	1.66	-1.57	N/A	2.66	-3.32	N/A	-2.85

SEK m	30 Jun 2022	31 Dec 2021	Change, %
Gross 180-month ERC ³⁾	29,615	32,900	-10
Acquired loan portfolios ³⁾	19,680	21,337	-11
CET1 ratio, % ²⁾	9.60	9.56	0.04 pp

1) See Definitions.

2) Including discontinued operations.

3) 2022 adjusted for discontinued operations and comparative periods including discontinued operations.

CEO Comments

Dear shareholders,

In the second quarter, profit before tax amounted to SEK 218m, compared to a loss of SEK –13m last year. Excluding net result from financial transactions and internal transactions derived from the discontinued UK operations profit before tax amounted to SEK 111m, compared to SEK 32m the same period last year.

Investments

Portfolio investments amounted to SEK 2.5bn in the second quarter (0.9) and SEK 3.8bn (1.6) during the first half of 2022, all-time high both for a second quarter and first half year. The total portfolio of acquired loans excluding the UK portfolio under divestment is now at SEK 19.7bn compared to SEK 21.7bn including the UK portfolio in the first quarter 2022.

The high acquisition volume has been achieved despite intensive competition. We have reviewed, but not pursued, many transactions where expected returns have been below our requirements. Overall, the general non-performing loan market volumes and expected returns are at higher levels during this year compared to a year ago. Our investments this year have higher forecasted returns than in 2021. This is mainly due to that we have deepened selective client relationships, and the number of bilateral acquisitions has increased. Furthermore, we are executing a rejuvenation program focussing on continuously strengthening our pricing, valuation and loan monitoring capabilities and on a more pro-active sourcing of new loan portfolios.

Our aim is to be a leading and active NPL asset manager in Europe. An example of this ambition is the ongoing divestment of the SEK 4bn asset in UK in the first quarter, replaced by acquisitions of other UK asset better fitting our strategy, in the second quarter.

Collection performance

Our collection operations have also performed well during the second quarter. Better quality of the underlying portfolios and a more efficient management is mainly behind this. Our rejuvenation program includes for example better use of data for process decisions, automation through digitalisation, optimised staffing and enhanced performance culture.

The divestment of the UK operations needs approval from the British FCA (Financial Conduct Authority) and due to delays in getting an administrator to handle the issue, we are now expecting the closing to take place during the latter part of Q3 or during Q4.

Capital & Funding

Just before the second quarter ended, the anticipated decision from the EU Commission to reduce risk weights was published. This increases our CET1 ratio by 260 basis points and releases additional capital for further portfolio acquisitions. The reduction also reverts the disadvantage we, as an FSA regulated company, have had compared to our non-FSA regulated competitors since 2018 when the increased risk weights were introduced. We also successfully issued EUR 80m Tier 2 capital at an annual coupon of 6.625 per cent during the quarter. The EUR 80m Tier 2 notes due May 2027 were redeemed in full.

Going forward

Our financial objectives include a return on equity above 15 per cent and an average earnings per share growth of 15 per cent per year at a limited risk level. These objectives were met in the second quarter, but our ambition is to reach them without profit from financial instruments by continuous improvements. The current macro-economic development will likely come with both challenges and possibilities. So far, we have not experienced any material impact of the increased inflation and interest rates. The NPL industry is also in general not counter cyclical but resilient to macroeconomic changes.

Looking forward, a challenge would be a scenario combining higher cost inflation than salary inflation with higher interest rates and increased unemployment due to recession. In this scenario our customers' ability to amortise their debt may decrease. On the other hand, that scenario would likely imply that our client banks need even more support to optimise their balance sheets, and portfolio volumes and return levels would increase. Our robust funding model, being a credit institution, may also imply a possibility to be the best NPL partner to the European banks in a challenging macro scenario.

From 1 January 2023, Harry Vranjes will take on the position as CEO of Hoist Finance. Harry, with his solid track record from the credit management industry will, together with Christian Wallentin, appointed deputy CEO in addition to CFO and a vast experience from banking, form a great leadership together with the slim and agile executive management team.

It is a cliché to talk about great clients and employees. Nevertheless, I would like to do it. We have a growing number of deepened and great client bank relationships, and the joint transaction structuring and productive problem solving are really energizing and valuable. In addition, I have amazing colleagues in 13 countries with great attitude and skills, making the journey towards our targets possible. Many thanks everyone!

Best regards,
Lars Wollung
CEO



Developments during the quarter, Group

Comparative figures for developments during second quarter 2022 pertain to second quarter 2021.

Operating income

Operating income from continuing operations increased during the second quarter to SEK 734m (470). Net interest income totalled SEK 530m (443). Interest income acquired loan portfolios increased twelve per cent to SEK 659m (589). Hoist Finance has seen a steady increase in loan portfolio acquisitions in recent quarters, which is now beginning to be reflected in interest income. Acquisitions during Q2 2022 were the second highest quarterly acquisitions in Hoist Finance's history. Interest expense decreased to SEK -132m (-145). The decrease is attributable to positive effects from interest expenses for interest rate hedging contracts and to lower interest expenses for deposits due to lower volumes at fixed interest rates.

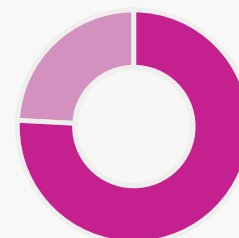
Impairment gains and losses totalled SEK 50m (23). The improvement is a positive effect of the period's realised collections against active forecast, somewhat offset by negative forward-looking portfolio revaluations. Collections against active forecast totalled SEK 161m (62), of which SEK 80m (26) pertains to timing effects, with all markets in line with or exceeding forecasts. Portfolio revaluations conducted during the quarter amounted to SEK -111m (-39), of which SEK -80 (-26) is attributable to timing effects.

Net result from financial transactions totalled SEK 131m (-13). The change is attributable to an increase in the market value of outstanding interest rate hedging contracts. Hoist Finance manages interest rate risk by continuously hedging the Group's interest rate exposure. Hoist Finance currently has several outstanding interest rate hedging contracts denominated in GBP, PLN and EUR under which Hoist pays fixed interest. There were significant upward shifts in GBP and PLN swap curves during the first and second quarters, resulting in an increase in the outstanding interest rate hedging contracts with a total temporary effect of SEK 118m (4). Also currency hedging contracts had a positive temporary effect in the period.

SEK m	Quarter 2 2022	Quarter 2 2021
Interest income acquired loan portfolios	659	589
Other interest income	3	-1
Interest expense	-132	-145
Net interest income	530	443
Impairment gains and losses	50	23
<i>of which, realised collections against active forecast</i>	161	62
<i>of which, portfolio revaluations</i>	-111	-39
Fee and commission income	17	14
Net result from financial transactions	131	-13
Other operating income	6	3
Total operating income	734	470

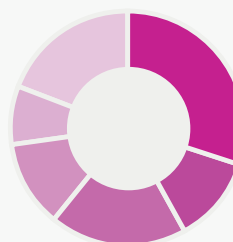
SEK m	Quarter 2 2022	Quarter 2 2021
Personnel expenses	-171	-192
Collection costs	-187	-152
Other administrative expenses	-143	-127
Depreciation and amortisation	-26	-27
Total operating expenses	-527	-498
Share of profit from joint ventures	11	15
Profit/loss before tax	218	-13
Income tax expense	-41	-100
Net profit for the quarter from discontinued operations	40	66
Net profit/loss for the quarter	217	-47

Breakdown, Secured/Unsecured acquired loan portfolios, continuing operations



■ Secured continuing operations
■ Unsecured continuing operations

Breakdown, total carrying amount of acquired loan portfolios, continuing operations



■ Italy ■ Germany ■ Poland
■ France ■ Greece ■ Other Countries¹⁾

¹⁾ Other countries is United Kingdom, Netherlands, Belgium, Spain and Cyprus

Operating expenses

Operating expenses from continuing operations totalled SEK –527m (–498). The comparative quarter includes expenses for the CEO, which are posted under administrative expenses this year. Collection costs increased during the quarter to SEK –187m (–152), of which legal collection costs increased to SEK –85m (–62). The increase is due to the fact that courts have reopened and legal collection activities can proceed. Other collection costs also increased, driven by the large increase in portfolio volumes. Administrative expenses increased to SEK –143m (–127). The change is mainly attributable to increased costs for consulting services and securitisation development.

Net profit/loss for the quarter

Net profit/loss from continuing operations totalled SEK 177m (–113) for the quarter. Income tax expense for the quarter amounted to SEK –41m (–100). An increased tax provision was reported during the quarter for an ongoing tax audit in Germany. A corresponding amount has been reversed for previously communicated tax audits regarding Polish assets, based on reduced risk pursuant to a new proposal from the Swedish Tax Agency. The comparative quarter was negatively impacted by a large tax provision. The effective tax rate was 18.8 per cent (–789.1). This differs from the nominal tax rate due mainly to the way in which companies within the Group are structured in various jurisdictions.

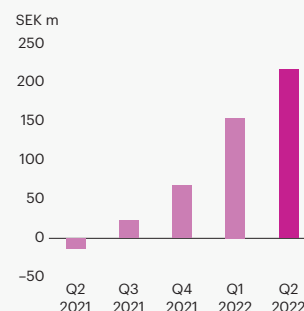
Discontinued operations

Profit/loss from discontinued operations totalled SEK 40m (66). Profit/loss for discontinued operations is comprised of revenue and expenses from operations to be discontinued in the UK. Net interest income decreased during the quarter to SEK 137m (156). Operating income totalled SEK 128m (156) and operating expenses totalled SEK –95m (–91).

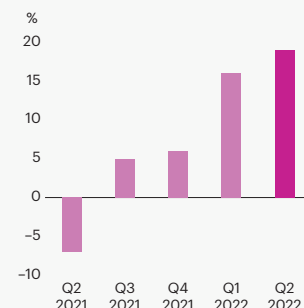
Profit/loss does not include internal balances, which need to be included to reflect the discontinued operations' actual impact on earnings for the Group. The inclusion of internal transactions would decrease profit/loss by SEK –44m (–58), producing profit/loss from discontinued operations including internal transactions of SEK –4m (8). The largest internal transactions are internal interest expenses, SEK –44m (–50), and remaining staff, SEK 20m (18). Additional details on discontinued operations are presented in Note 9.

SEK m	Quarter 2 2022	Quarter 2 2021
Net interest income	137	156
Total operating income	128	156
Total operating expenses	–95	–91
Profit before tax	33	65
Income tax	7	1
Net profit for the quarter from discontinued operations	40	66
Income from internal transactions	4	2
Expenses from internal transactions	–48	–60
Net profit/loss for the period attributable to discontinued operations incl internal transactions	–4	8

Profit/loss before tax from continuing operations



Return on equity



Developments during January – June, Group

Comparative figures for developments during Jan – Jun 2022 pertain to Jan – Jun 2021.

Operating income

Operating income totalled SEK 1,368m (835) during the period. Net interest income totalled SEK 1,020m (895). The increase is mainly attributable to higher interest income due to increased portfolio volumes and to improved collections. Interest expense decreased to SEK –266m (–286). The decrease is attributable to positive effects from interest expenses for interest rate hedging contracts and to lower interest expenses for deposits due to lower volumes at fixed interest rates.

Impairment gains and losses totalled SEK 76m (–86). Collections against active forecast totalled SEK 305m (154), of which SEK 177m (82) is attributable to timing effects. Adjusted for timing effects, all markets but Belgium and France exceeded active forecast. Portfolio revaluations conducted during the period amounted to SEK –229m (–240), of which SEK –177m (–82) is attributable to timing effects. Other effects are primarily attributable to revaluations of Italian and Spanish portfolios.

Net result from financial transactions totalled SEK 229m (–10). The change is attributable to an increase in the market value of outstanding interest rate hedging contracts. Hoist Finance manages interest rate risk by continuously hedging the Group's interest rate exposure. Hoist Finance currently has several outstanding interest rate hedging contracts denominated in GBP, PLN and EUR under which Hoist pays fixed interest. There were significant upward shifts in GBP and PLN swap curves during the period quarters, resulting in an increase in the outstanding interest rate hedging contracts with a total temporary effect of SEK 222m (14).

SEK m	Jan–Jun 2022	Jan–Jun 2021
Interest income acquired loan portfolios	1,282	1,183
Other interest income	3	–2
Interest expense	–266	–286
Net interest income	1,020	895
Impairment gains and losses	76	–86
<i>of which, realised collections against active forecast</i>	305	154
<i>of which, portfolio revaluations</i>	–229	–240
Fee and commission income	34	29
Net result from financial transactions	229	–10
Other operating income	9	6
Total operating income	1,368	835

SEK m	Jan–Jun 2022	Jan–Jun 2021
Personnel expenses	–354	–369
Collection costs	–358	–298
Other administrative expenses	–252	–265
Depreciation and amortisation	–52	–52
Total operating expenses	–1,016	–984
Share of profit from joint ventures	19	29
Profit/loss before tax	371	–120
Income tax expense	–73	–118
Net profit/loss for the period from discontinued operations	96	–30
Net profit/loss for the period	395	–268

Operating expenses

Operating expenses from continuing operations totalled SEK –1,016m (–984). The increase is attributable to higher collections, which totalled SEK –358m (–298), of which legal collection costs totalled SEK –162m (–119). Covid-19-related restrictions were lifted in several markets during the period, resulting in increased legal collection costs. Collections related to these activities are expected to contribute positively to earnings in coming quarters. Administrative expenses decreased to SEK –252m (–265). The change is mainly attributable to a reduction in IT costs.

Net profit/loss for the period

Net profit/loss from continuing operations totalled SEK 298m (–238) for the period. Income tax expense for the period amounted to SEK –73m (–118) and the effective tax rate was 19.6 per cent (–98.5). An increased tax provision was reported during the period for an ongoing tax audit in Germany. A corresponding amount has been reversed for previously communicated tax audits regarding Polish assets, based on reduced risk pursuant to a new proposal from the Swedish Tax Agency. The comparative quarter was negatively impacted by a large tax provision. The difference between the effective and nominal tax rates is due mainly to the way in which companies within the Group are structured in various jurisdictions.

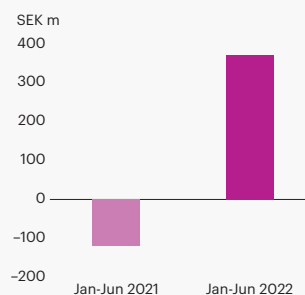
Discontinued operations

Profit/loss from discontinued operations totalled SEK 96m (–30) for the period. Profit/loss for discontinued operations is comprised of revenue and expenses from operations to be discontinued in the UK. Net interest income decreased during the period to SEK 282m (322), due mainly to exchange rate fluctuations. Operating income totalled SEK 276m (110). The increase is attributable to a major write-down of unsecured portfolios in the UK during the comparative period. Operating expenses totalled SEK –188m (–182).

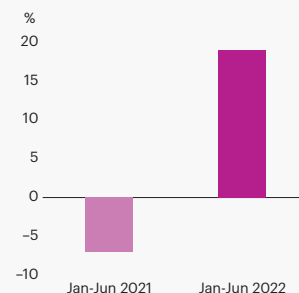
Profit/loss does not include internal balances, which need to be included to reflect the discontinued operations' actual impact on earnings for the Group. The inclusion of internal transactions would decrease profit/loss by SEK –93m (–111), producing profit/loss from discontinued operations including internal transactions of SEK 3m (–141). The largest internal transactions are internal interest expenses, SEK –90m (–99). Additional details on discontinued operations are presented in Note 9.

SEK m	Jan-Jun 2022	Jan-Jun 2021
Net interest income	282	322
Total operating income	276	110
Total operating expenses	–188	–182
Profit before tax	88	–72
Income tax	8	42
Net profit/loss for the period from discontinued operations	96	–30
Income from internal transactions	6	3
Expenses from internal transactions	–99	–114
Net profit/loss for the period attributable to discontinued operations incl internal transactions	3	–141

Profit/loss before tax from continuing operations



Return on equity



Other information

Balance sheet

Comparative figures for the balance sheet pertain to 31 December 2021.

SEK m	30 Jun 2022	31 Dec 2021	Change, %
Cash and interest-bearing securities	5,824	7,558	-23
Acquired loan portfolios	19,680	21,337	-8
Other assets ¹⁾	1,351	1,477	-9
Assets held for sale	4,328	-	N/A
Total assets	31,183	30,372	-12
Deposits from the public	18,255	18,169	0
Debt securities issued	5,319	5,059	5
Subordinated debt	852	837	2
Total interest-bearing liabilities	24,426	24,065	2
Other liabilities ¹⁾	1,301	1,366	-5
Liabilities held for sale	250	-	N/A
Equity	5,206	4,941	5
Total liabilities and equity	31,183	30,372	3

¹⁾ This item does not correspond to an item of the same designation in the balance sheet, but to several corresponding items.

At the close of the period, assets and liabilities held for sale in the UK are reported as separate items in the balance sheet.

The carrying amount of acquired loan portfolios totalled SEK 19,680m (21,337). Adjusted for portfolios held for sale, the carrying amount increased SEK 2,506m. Other assets decreased SEK -126m, as a result of reporting assets held for sale separately in the balance sheet. Assets held for sale totalled SEK 4,328m. For additional information, see Note 9.

Total interest-bearing debt amounted to SEK 24,426m (24,065). In Sweden, deposits from the public amounted to SEK 7,672m (8,541), of which SEK 2,896m (3,775) is attributable to fixed term deposits of one-, two- and three-year duration. Deposits from the public in Germany totalled SEK 10,477m (9,564), of which SEK 7,202m (7,201) is attributable to fixed term deposits of one- to five-year duration.

At 30 June 2022, the outstanding bond debt totalled SEK 6,171m (5,896), of which SEK 5,319m (5,059) was comprised of senior unsecured liabilities. The change is mainly attributable to exchange rate effects and accrued interest, as well as to bonds issued in the securitisation structure. During the period Hoist Finance redeemed in full the EUR 80m Tier 2 notes due in May 2027 and issued new Tier 2 notes amounting to EUR 80m at an annual coupon of 6.625 per cent and a maturity of 10.25 years.

Other liabilities totalled SEK 1,301m (1,366). Liabilities attributable to assets held for sale during the period are reported separately, which reduces other liabilities. This is offset by an increase in collateral received for currency derivatives. Liabilities attributable to assets held for sale totalled SEK 250m. Equity totalled SEK 5,206m (4,941), attributable to net profit for the quarter and to payment of interest on Additional Tier 1 capital contributions.

Cash flow

Comparative figures for cash flow pertain to the period Jan – Jun 2021 and include discontinued operation.

SEK m	Jan–Jun 2022	Jan–Jun 2021	Change, %
Cash flow from operating activities	2,774	1,502	85
Cash flow from investing activities	-3,049	-1,669	-83
Cash flow from financing activities	-440	-606	27
Cash flow for the period	-715	-773	8

Cash flow from operating activities totalled SEK 2,774m, as compared with SEK 1,502m during Jan–Jun 2021. Amortisation of acquired loan portfolios increased over the comparative period and totalled SEK 2,466m (1,781).

Cash flow from investing activities totalled SEK -3,049m (-1,669). Portfolio acquisition activity was high during the period, totalling SEK -3,819m (-1,609).

Cash flow from financing activities totalled SEK -440m (-606). Net outflow from deposits from the public totalled SEK -341m (-552).

Total cash flow for the quarter amounted to SEK -715m, as compared with SEK -773m for Jan-Jun 2021.

Information on cash flow for assets and liabilities held for sale is presented in Note 9.

Capital adequacy

Comparative figures for capital adequacy pertain to 31 December 2021.

At the close of the period the CET1 ratio was 9.60 per cent (9.56) for the Hoist Finance consolidated situation.

CET1 capital totalled SEK 3,480m (3,317). The risk-weighted exposure amount has increased to SEK 36,234m (34,710) since year-end.

The CET1 ratio has increased marginally since 31 December 2021. The inclusion of net profit in own funds is the largest contributing factor for this increase. Net profit contributed to an increase of 0.83 per cent. Portfolio amortisations lowered the credit risk and contributed to a 0.56 per cent increase in the ratio. The change in other comprehensive income had a negative impact of -0.20 per cent. Currency risk in the portfolios further reduced the CET1 ratio by -0.16 per cent. Acquisition of new portfolios increased the credit risk and lowered the CET1 ratio by -0.83 per cent.

Total capital amounted to SEK 5,439m (5,260) at the close of period and the total capital ratio was 15.01 per cent (15.16).

All capital ratios meet both internal and regulatory requirements.

The exposure in the UK remains included in the balance sheet to meet capital requirements and is covered through the transaction date, which is expected to take place during third or fourth quarter 2022.

For Parent Company the CET1 ratio was 10.95 per cent (11.71).

Parent Company

Comparative figures for the Parent Company pertain to second quarter 2021.

Net interest income for the Parent Company totalled SEK 303m (249) during the second quarter, due primarily to a higher volume of portfolio acquisitions, including a major acquisition in the UK market during the second quarter.

Net result from financial transactions totalled SEK 58m (–11). The increase is mainly attributable to a positive increase in the market value of interest rate hedging contracts.

Operating expenses were somewhat higher and amounted to SEK –321m (–309). Lower personnel expenses were mitigated by increased collection costs due to that courts have reopened, and increased other administrative expenses mainly due to CEO costs previously posted in personnel expenses and higher costs for securitisation development. An increasing portion of the Group's purchases is now being handled by Hoist Finance Procurement AB, which continues to have an impact via reduced costs in the Parent Company. Profit before credit losses totalled SEK 87m (11).

Impairment gains and losses totalled SEK 19m (–4), with the major part pertaining to the difference between projected and actual collections, portfolio revaluations and credit reserves for performing loans. During the quarter there was no write-down requirement for shares in subsidiaries (SEK –71m).

Profit/loss before tax totalled SEK 126m (–45). Tax expense totalled SEK –23m (–101) during the second quarter, with the comparative quarter negatively impacted by a large tax provision. An increased tax provision was reported during the quarter for an ongoing tax audit in Germany. A corresponding amount has been reversed for previously communicated tax audits regarding Polish assets, based on reduced risk pursuant to a new proposal from the Swedish Tax Agency. The effective tax rate was 18.3 per cent (–222.6). The difference between the effective and nominal tax rates is due mainly to non-taxable revenues from hedge accounting. Comprehensive income for the quarter amounted to SEK 103m (–146).

Risks and uncertainties

Hoist Finance's broad geographic presence diversifies credit exposure and reduces overall risk, but also involves a complex regulatory landscape. New and amended bank and credit market company regulations may affect Hoist Finance 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.

Development of risks

As previously communicated, the European Commission's action plan for non-performing loans will serve to improve Hoist Finance's capital adequacy, as the Company will be able to 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 will be 100 per cent rather than the previous 150 per cent. The change, which comes into effect as from 11 July 2022, will increase the CET1 capital ratio by approximately 260 bps.

Collection performance for credit portfolios was in line with or exceeded forecasts during the quarter. In order to further 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.

Hoist Finance has entered into an agreement to sell its operation in the UK. The transaction, which has not yet been finalised and is pending regulatory approval, is proceeding according to plan. Our assessment is that the transaction will be concluded, after which Hoist Finance's capital position will be improved as the operation is being sold above carrying amount and the risk-weighted exposure amount will be reduced. Credit risk and regulatory risk will also be reduced. Regulatory risk will be reduced due to the fact that the UK is a tightly regulated market with country-specific requirements, and the uncertainties caused by Brexit will be removed.

In terms of the impact of the current geopolitical situation on the credit risk in Hoist Finance's NPL portfolios, the war in Ukraine has not had any significant impact to date on the credit risk in Hoist Finance's revenues from NPL portfolios. We do not operate in Russia or Ukraine. While any negative impact on the economy over the long term may affect Hoist Finance along with society at large, we have to date not seen any such impact as regards revenues from NPL portfolios. Neither has the increasing rate of inflation along with higher interest rates had an impact on revenues from NPL portfolios during the quarter. We are closely monitoring developments to analyse how a weakened economy over a long period may affect risk in the NPL credit portfolios.

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. Hoist Finance employees are gradually returning to office work. Flexible working methods, a combination of office and at-home work, are expected to continue in future. 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. Additional information on developments during the quarter is provided in the Net Profit section. Liquidity risk was lower during the quarter, in line with our goal to adjust the reserve somewhat, and is deemed to continue to be low. The securitisation of asset portfolios is an effective method of managing the regulatory changes introduced in December 2018 (the NPL prudential backstop regulation).

Related-party transactions

The nature and scope of related-party transactions remain unchanged from 31 December 2021 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 and services within the Hoist Finance Group.

Other disclosures

For a more detailed description of the Group's legal structure, please refer to the 2021 Annual Report.

Subsequent events

No significant events occurred after the balance sheet date.

Review

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

Quarterly Review

Condensed income statement

SEK m	Quarter 2 2022	Quarter 1 2022	Quarter 4 2021	Quarter 3 2021	Quarter 2 2021
Net interest income	530	490	461	455	443
Total operating income	734	635	580	489	469
Total operating expenses	-527	-489	-524	-486	-497
Net operating profit/loss	207	146	56	3	-28
Profit/loss before tax from continuing operations	218	155	68	23	-13
Net profit/loss from discontinued operations	40	56	16	60	66
Net profit/loss	217	179	77	75	-48

Key ratios¹⁾

SEK m	Quarter 2 2022	Quarter 1 2022	Quarter 4 2021	Quarter 3 2021	Quarter 2 2021
Cash EBITDA ²⁾	1,683	1,475	1,296	1,132	1,171
C/I ratio, %	71	76	89	95	103
Return on equity, % ²⁾	19	16	6	5	-7
Portfolio acquisitions ³⁾	2,508	1,311	723	1,226	857
Basic and diluted earnings per share from continuing operations, SEK	1.66	1.00	0.68	-0.20	-1.57
Items affecting comparability	-	-	-	-	-12

SEK m	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
Gross 180-month ERC ³⁾	29,615	26,904	32,900	32,643	32,396
Acquired loan portfolios ³⁾	19,680	17,724	21,337	21,423	21,059
Total capital ratio, % ²⁾	15.01	15.63	15.16	15.57	15.47
CET1 ratio, % ²⁾	9.60	9.90	9.56	9.78	9.70
Number of employees (FTEs) ²⁾	1,478	1,496	1,544	1,579	1,575

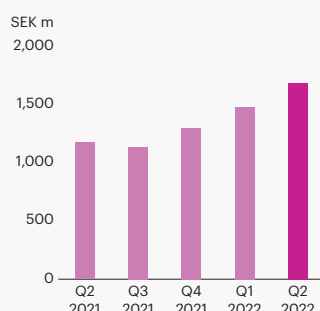
1) See Definitions and Note 9 for additional details.

2) Including discontinued operations.

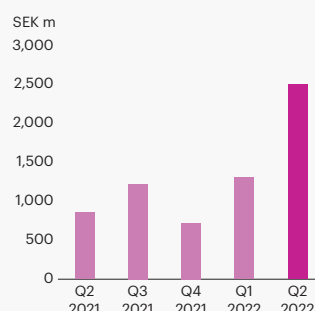
3) 2022 adjusted for discontinued operations and comparative figures including discontinued operations.

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

Cash EBITDA



Portfolio acquisitions



Financial statements

Consolidated income statement

SEK m	Note	Quarter 2 2022	Quarter 2 2021	Jan-Jun 2022	Jan-Jun 2021	Full-year 2021
Interest income acquired loan portfolios calculated using the effective interest rate method		659	589	1,282	1,183	2,387
Other interest income ¹⁾		3	-1	3	-2	-2
Interest expense		-132	-145	-266	-286	-573
Net interest income		530	443	1,020	895	1,812
Impairment gains and losses	4	50	23	76	-86	-69
Fee and commission income		17	14	34	30	62
Net result from financial transactions		131	-13	229	-10	83
Other operating income		6	3	9	6	15
Total operating income	3	734	470	1,368	835	1,903
Personnel expenses		-171	-192	-354	-369	-717
Collection costs		-187	-152	-358	-298	-640
Other administrative expenses		-143	-127	-252	-265	-519
Depreciation and amortisation of tangible and intangible assets		-26	-27	-52	-52	-118
Total operating expenses	3	-527	-498	-1,016	-984	-1,994
Net operating profit/loss		207	-28	351	-149	-91
Share of profit from joint ventures	3	11	15	19	29	61
Profit/loss before tax from continuing operations	3	218	-13	371	-120	-30
Income tax expense		-41	-100	-73	-118	-134
Net profit from discontinued operations	9	40	66	96	-30	47
Net profit/loss		217	-47	395	-268	-117
<i>Profit/loss attributable to:</i>						
Owners of Hoist Finance AB (publ)		189	-74	334	-326	-207
Additional Tier 1 capital holders		28	26	61	58	90
Basic and diluted earnings per share continuing operations, SEK		1.66	-1.57	2.66	-3.32	-2.85
Basic and diluted earnings per share discontinued operations, SEK		0.45	0.74	1.08	-0.34	0.53
Basic and diluted earnings per share total, SEK		2.11	-0.84	3.74	-3.66	-2.32

1) Of which interest income calculated using the effective interest method amount to SEK 2.5m (0.1) during quarter 2, SEK 3.4m (-0.6) during Jan-Jun and SEK -0.1m during full-year 2021.

Condensed consolidated statement of comprehensive income

SEK m	Quarter 2 2022	Quarter 2 2021	Jan-Jun 2022	Jan-Jun 2021	Full-year 2021
NET PROFIT/LOSS FOR THE PERIOD	217	-47	395	-268	-117
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation of defined benefit pension plan	-	-	-	-	3
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
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation difference, foreign operations	32	21	30	20	17
Hedging of currency risk in foreign operations	-100	-18	-130	-21	-42
Transferred to the income statement during the year	1	1	2	2	3
Tax attributable to items that may be reclassified to profit or loss	21	3	27	4	9
Total items that may be reclassified subsequently to profit or loss	-46	7	-71	5	-13
Other comprehensive income for the period	-46	7	-71	5	-10
Total comprehensive income for the period	171	-40	324	-264	-127
Profit/loss attributable to:					
Owners of Hoist Finance AB (publ)	143	-66	263	-322	-217
Additional Tier 1 capital holders	28	26	61	58	90

Consolidated balance sheet

SEK m		30 Jun 2022	30 Jun 2021	31 Dec 2021
ASSETS				
Cash		0	0	0
Treasury bills and Treasury bonds		1,045	2,466	1,576
Lending to credit institutions		2,065	1,730	2,480
Lending to the public		2	5	3
Acquired loan portfolios	4	19,680	21,059	21,337
Bonds and other securities		2,714	4,118	3,502
Shares and participations in joint ventures		138	156	155
Intangible assets		342	375	360
Tangible assets		166	232	205
Other assets		486	408	490
Deferred tax assets		86	142	160
Prepayments and accrued income		131	176	104
Assets held for sale	9	4,328	–	–
Total assets		31,183	30,867	30,372
LIABILITIES AND EQUITY				
Liabilities				
Deposits from the public		18,255	17,447	18,169
Debt securities issued		5,319	6,476	5,059
Tax liabilities		143	207	189
Other liabilities		820	634	797
Deferred tax liabilities		89	129	127
Accrued expenses and deferred income		191	259	194
Provisions		58	64	59
Subordinated debts		852	813	845
Liabilities held for sale	9	250	–	–
Total liabilities		25,978	26,029	25,431
Equity				
Additional Tier 1 capital holders		1,106	1,106	1,106
Share capital		30	30	30
Other contributed equity		2,275	2,275	2,275
Reserves		–465	–376	–394
Retained earnings including profit/loss for the period		2,259	1,803	1,924
Total equity		5,205	4,838	4,941
Total liabilities and equity		31,183	30,867	30,372

Consolidated statement of changes in equity

	Equity attributable to shareholders of Hoist Finance AB (publ)							
	Share capital	Other contributed equity	Reserves		Retained earnings including profit/loss for the period	Total	Additional Tier 1 capital holders	Total equity
SEK m			Hedge reserve	Translation reserve				
Opening balance 1 Jan 2022	30	2,275	-473	79	1,924	3,835	1,106	4,941
Comprehensive income for the period								
Profit/loss for the period					334	334	61	395
Other comprehensive income			-101	30	0	-71		-71
Total comprehensive income for the period			-101	30	334	263	61	324
Transactions reported directly in equity								
Interest paid on Additional Tier 1 capital							-61	-61
Share-based payments ¹⁾					1	1		
Total transactions reported directly in equity					1	1	-61	-60
Closing balance 30 Jun 2022	30	2,275	-574	109	2,259	4,099	1106	5,205

1) For more information on share-based payments, see Hoist Finance Annual report 2021.

SEK m	Equity attributable to shareholders of Hoist Finance AB (publ)						Total	Additional Tier 1 capital holders	Total equity
	Share capital	Other contributed equity	Reserves		Retained earnings including profit/loss for the period				
			Hedge reserve	Translation reserve					
Opening balance 1 Jan 2021	30	2,275	-443	62	2,128	4,052	1,106	5,158	
Comprehensive income for the period									
Profit/loss for the period					-327	-327	58	-269	
Other comprehensive income			-15	20		5		5	
Total comprehensive income for the period			-15	20	-327	-322	58	-264	
Transactions reported directly in equity									
Interest paid on Additional Tier 1 capital							-58	-58	
Share-based payments					2	2		2	
Total transactions reported directly in equity					2	2	-58	-56	
Closing balance 30 Jun 2021	30	2,275	-458	82	1,803	3,732	1,106	4,838	

	Equity attributable to shareholders of Hoist Finance AB (publ)							
			Reserves					
SEK m	Share capital	Other contributed equity	Hedge reserve	Translation reserve	Retained earnings including profit/loss for the period	Total	Additional Tier 1 capital holders	Total equity
Opening balance 1 Jan 2021	30	2,275	-443	62	2,128	4,052	1,106	5,158
Comprehensive income for the period								
Profit/loss for the period					-207	-207	90	-117
Other comprehensive income			-30	17	3	-10		-10
Total comprehensive income for the period			-30	17	-204	-217	90	-127
Transactions reported directly in equity								
Interest paid on Additional Tier 1 capital							-90	-90
Share-based payments					0	0		0
Total transactions reported directly in equity					0	0	-90	-90
Closing balance 31 Dec 2021	30	2,275	-473	79	1,924	3,835	1,106	4,941

Condensed consolidated cash flow statement ¹⁾

SEK m	Quarter 2 2022	Quarter 2 2021	Jan–Jun 2022	Jan–Jun 2021	Full-year 2021
Profit/loss before tax	250	52	459	–193	–39
– of which, paid-in interest	789	742	1,562	1,501	3,002
– of which, interest paid	–156	–172	–220	–253	–530
Adjustment for other items not included in cash flow	–361	–21	–206	397	262
Realised result from divestment of loan portfolios	–	–	–	–	–1
Realised result from divestment of shares and participations in joint ventures	–20	–20	–38	–35	–66
Income tax paid/received	–16	–22	–36	–52	–100
Amortisations on acquired loan portfolios	1,341	924	2,466	1,781	3,685
Increase/decrease in other assets and liabilities	–162	17	129	–396	–260
Cash flow from operating activities	1,032	930	2,774	1,502	3,481
Acquired loan portfolios	–2,508	–857	–3,819	–1,609	–3,558
Investments in bonds and other securities	0	–711	–402	–827	–1,109
Divestments of bonds and other securities	1,025	409	1,153	790	1,691
Other cash flows from investing activities	12	–17	19	–23	–20
Cash flow from investing activities	–1,471	–1,176	–3,049	–1,669	–2,996
Deposits from the public	–493	912	–341	–552	117
Debt securities issued	857	29	864	59	94
Repurchase and repayment of Debt securities issued	–857	–17	–877	–34	–1,517
Interest paid on Additional Tier 1 capital	–28	–27	–61	–58	–90
Amortisation of lease liabilities	–12	–9	–25	–21	–52
Cash flow from financing activities	–533	888	–440	–606	–1,448
Cash flow for the period	–972	642	–715	–773	–963
Cash at beginning of the period	3,904	3,205	3,625	4,576	4,576
Translation difference	60	–8	82	36	12
Cash at end of the period²⁾	2,992	3,839	2,992	3,839	3,625

1) Include discontinued operations

2) Cash and cash equivalents in cash flow statement

SEK m	30 Jun 2022	30 Jun 2021	31 Dec 2021
Cash	0	0	0
Treasury bills and Treasury bonds	1,045	2,466	1,576
Lending to credit institutions	2,283	1,730	2,480
excl. lending to credit institutions in securitisation vehicles	–336	–271	–301
excl. pledged bank balances	–	–86	–130
Total cash and cash equivalents in cash flow statement	2,992	3,839	3,625

Parent Company

Parent Company condensed income statement

SEK m	Quarter 2 2022	Quarter 2 2021	Jan–Jun 2022	Jan–Jun 2021	Full-year 2021
Interest income	425	381	800	805	1,528
Interest expense	–121	–131	–243	–259	–518
Net interest income	304	250	557	546	1,010
Dividends received	–	–	–	–	–
Net result from financial transactions	58	–11	125	–8	68
Other operating income	47	82	97	151	276
Total operating income	409	321	779	689	1,354
General administrative expenses	–320	–298	–576	–605	–1,206
Depreciation and amortisation of tangible and intangible assets	–3	–13	–28	–26	–68
Total operating expenses	–323	–311	–604	–631	–1,273
Profit before credit losses	86	10	175	58	81
Impairment gains and losses on acquired loan portfolios	19	–4	43	–15	7
Amortisation of other financial fixed assets	–	–71	–35	–71	–72
Share of profit from joint ventures	21	20	39	34	66
Profit/loss before tax	126	–45	222	6	82
Appropriations	–	–	–	–	–8
Taxes	–23	–101	–49	–116	–127
Net profit/loss	103	–146	173	–110	–53

Parent company condensed statement of comprehensive income

SEK m	Quarter 2 2022	Quarter 2 2021	Jan–Jun 2022	Jan–Jun 2021	Full-year 2021
Net profit/loss	103	–146	173	–110	–53
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation difference, foreign operations	0	0	0	0	1
Tax attributable to items that may be reclassified to profit or loss	–	0	–	0	0
Total items that may be reclassified subsequently to profit or loss	0	0	0	0	1
Other comprehensive income for the period	0	0	0	0	1
Total comprehensive income for the period	103	–146	173	–110	–52

Parent Company condensed balance sheet

SEK m	30 Jun 2022	30 Jun 2021	31 Dec 2021
ASSETS			
Cash	2,374	3,360	3,043
Acquired loan portfolios	8,981	6,483	6,360
Receivables, Group companies	14,867	15,168	15,168
Bonds and other securities	2,714	4,118	3,502
Shares in subsidiaries and joint ventures	908	842	870
Tangible and intangible fixed assets	200	243	224
Other assets	512	335	380
Total assets	30,556	30,549	29,547
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	18,255	17,447	18,169
Debt securities issued	4,827	6,044	4,605
Other liabilities	1,605	1,368	1,028
Provisions	35	36	35
Subordinated debts	852	813	837
Total liabilities and provisions	25,574	25,708	24,675
Untaxed reserves	285	277	285
Equity			
Restricted equity	115	115	114
Total restricted equity	115	115	114
Non-restricted equity			
Additional Tier 1 capital holders	1,106	1,106	1,106
Non-restricted equity attributable to shareholders	3,476	3,343	3,367
Total unrestricted equity	4,582	4,449	4,473
Total equity	4,697	4,564	4,587
TOTAL LIABILITIES AND EQUITY	30,556	30,549	29,547

Notes

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 2022

No IFRS or IFRIC Interpretations that came into effect in 2022 had any significant impact on the Group's financial reports or capital adequacy.

For Q1 2022 Hoist Finance has classified the UK subsidiary as a disposal group available for sale, the accounting principles for which are detailed below.

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 2021 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 macroeconomic factors.

As regards developments in Ukraine, Hoist Finance's assessment is that this does not currently affect our business, as no operations are conducted in Ukraine or Russia.

While other macroeconomic factors such as inflation and higher interest rates have not had any impact on Hoist Finance's estimates and assessments to date, developments are being closely monitored to evaluate whether such factors may result in a decrease of our customers' ability to amortise their debt in the future. This might then affect the valuation of our credit portfolios.

There have been no changes to the previous estimates, assumptions and assessments presented in the 2021 Annual Report.

Disposal group available for sale and discontinued operations

Disposal group available for sale

The carrying amount of disposal group classified as held for sale will be recovered primarily through sale, not through use. A disposal group is classified as held for sale if it is available for immediate sale in its present condition and at normal terms, and when it is highly probable that such a sale will take place.

Assets of a disposal group available for sale are reported separately from other assets in the balance sheet. Liabilities of a disposal group available for sale are reported separately from other liabilities in the balance sheet.

The disposal group is reported at book value or fair value, whichever is lower, less sales costs. This may result in a write-down of the disposal group.

Discontinued operations

A discontinued operation is part of a company's operations that represents an independent business segment or a significant operation within a specific geographic area. An operation is classified as a discontinued operation when it is sold, or at an earlier point of time when the operation meets the criteria to be classified as held for sale.

Net profit/loss from discontinued operations is reported as a separate item in the consolidated statement of comprehensive income. When an operation is classified as discontinued, comparative figures for the previous year are adjusted to reflect discontinuation of the operation as from the beginning of the comparative year.

Pursuant to RFR 2, the discontinued operation is not accounted for separately in the Parent Company's financial statements; this information is presented in a note.

Adjusted segment classification as of 2022

From 2022, Hoist Finance has merged the Secured and Performing segments to provide additional details on its operations based on the segments that Hoist Finance monitors internally. Operations are accordingly presented in two segments, Unsecured and Secured, as of the first quarter 2022. Comparative figures have been adjusted to facilitate understanding of the new classification. See Note 3 "Segment reporting" for additional information on the operating segments.

Note 2 Exchange rates

	Quarter 2 2022	Quarter 2 2021	Full-year 2021
1 EUR = SEK			
Income statement (average)	10.4750	10.1269	10.1435
Balance sheet (at end of the period)	10.6801	10.1249	10.2269
1 GBP = SEK			
Income statement (average)	12.4127	11.6634	11.7944
Balance sheet (at end of the period)	12.3500	11.7663	12.1790

	Quarter 2 2022	Quarter 2 2021	Full-year 2021
1 PLN = SEK			
Income statement (average)	2.2615	2.2328	2.2231
Balance sheet (at end of the period)	2.2910	2.2443	2.2279
1 RON = SEK			
Income statement (average)	2.1179	2.0662	2.0614
Balance sheet (at end of the period)	2.1592	2.0546	2.0676

Note 3 Segment reporting

Operating segments

Segment reporting has been prepared based on the manner in which executive management monitors operations. From 1 January 2022, Hoist Finance has merged the Secured and Performing segments to more clearly present its operations based on the segments that Hoist Finance monitors internally. Comparative figures for 2021 have been restated for the adjusted business areas.

» **Unsecured** has full responsibility for unsecured non-performing loans. Unsecured leads the transition from analogue to digital debt management and works with national markets and other business areas to ensure Hoist Finance's digital industry leadership. Unsecured is also responsible for customer relations services provided for unsecured NPLs.

» **Secured** has full responsibility for secured non-performing loans, including recovery activities, call centre and collateral management. Non-credit impaired loan portfolios are included in this segment, as these also have collateral attached to the receivable.

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, 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, 2022

SEK m	Unsecured	Of which discontinued operations Unsecured ³⁾	Secured ⁴⁾	Group items	Total continuing operations
Total operating income	594	128	95	173	734
of which, interest expense	-139	-	-27	34	-132
Operating expenses					
Direct expenses ¹⁾	-309	-45	-42	0	-306
Indirect expenses ¹⁾	-230	-50	-38	-3	-221
Total operating expenses	-539	-95	-80	-3	-527
Share of profit from joint ventures	11				11
Profit/loss before tax	66	33	15	170	218
Key ratios²⁾					
Direct contribution	285	83	53	173	428
Acquired loan portfolios	18,853	3,885	4,712	-	19,680

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

2) See Definitions.

3) Discontinued operation excludes internal transactions, internal interest expense for discontinued operation is SEK -5m. See Note 9.

4) Discontinued operation includes an amount of SEK -0.05 attributable to Secured pertaining to direct costs that are not broken down in the segment, but are reported in "of which, discontinued operation".

Note 3 Segment reporting

Income statement, Jan–Jun, 2022

SEK m	Unsecured	Of which discontinued operations Unsecured ³⁾	Secured ⁴⁾	Group items	Total continuing operations
Total operating income	1,155	276	189	300	1,368
of which, interest expense	-274	-	-51	59	-266
Operating expenses					
Direct expenses ¹⁾	-602	-89	-76	0	-589
Indirect expenses ¹⁾	-445	-99	-75	-6	-427
Total operating expenses	-1,047	-188	-151	-6	-1 016
Share of profit from joint ventures	19				19
Profit/loss before tax	127	88	38	294	371
Key ratios²⁾					
Direct contribution	553	187	113	300	779
Acquired loan portfolios	18,853	3,885	4,712	-	19,680

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

2) See Definitions.

3) Discontinued operation excludes internal transactions, internal interest expense for discontinued operation is SEK 3m. See Note 9.

4) Discontinued operation includes an amount of SEK -0.15m attributable to Secured pertaining to direct costs that are not broken down in the segment, but are reported in "of which, discontinued operation Unsecured".

Income statement, Quarter 2, 2021

SEK m	Unsecured	Of which discontinued operations Unsecured ³⁾	Secured ⁴⁾	Group items	Total continuing operations
Total operating income	536	156	94	-4	470
of which, interest expense	-132		-19	6	-145
Operating expenses					
Direct expenses ¹⁾	-274	-44	-33	0	-263
Indirect expenses ¹⁾	-239	-47	-39	-4	-235
Total operating expenses	-513	-91	-72	-4	-498
Share of profit from joint ventures	15				15
Profit/loss before tax	38	65	22	-8	-13
Key ratios²⁾					
Direct contribution	262	112	61	-4	207
Acquired loan portfolios ⁵⁾	16,923	-	4,136	-	21,059

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

2) See Definitions.

3) Discontinued operation excludes internal transactions, internal interest expense for discontinued operation is SEK 8m. See Note 9.

4) Discontinued operation includes an amount of SEK 0.4m attributable to Secured pertaining to direct costs that are not broken down in the segment, but are reported in "of which, discontinued operation Unsecured".

5) Acquired loan portfolios Unsecured includes portfolios attributable to assets held for sale.

Note 3 Segment reporting

Income statement, Jan–Jun, 2021

SEK m	Unsecured	Of which discontinued operations Unsecured ³⁾	Secured ⁴⁾	Group items	Total continuing operations
Total operating income	753	110	176	16	835
of which, interest expense	-266	-	-39	19	-286
Operating expenses					
Direct expenses ¹⁾	-537	-89	-63	0	-511
Indirect expenses ¹⁾	-479	-93	-80	-7	-473
Total operating expenses	-1,016	-182	-143	-7	-984
Share of profit from joint ventures	29		0	0	29
Profit/loss before tax	-234	-72	33	9	-120
Key ratios²⁾					
Direct contribution	216	21	113	16	324
Acquired loan portfolios ⁵⁾	16,923	-	4,136	-	21,059

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

2) See Definitions.

3) Discontinued operation excludes internal transactions, internal interest expense for discontinued operation is SEK -141m. See Note 9.

4) Discontinued operation includes an amount of SEK -0.8m attributable to Secured pertaining to direct costs that are not broken down in the segment, but are reported in "of which, discontinued operation Unsecured".

5) Acquired loan portfolios Unsecured includes portfolios attributable to assets held for sale.

Income statement, full-year, 2021

SEK m	Unsecured	Of which discontinued operations Unsecured ³⁾	Secured ⁴⁾	Group items	Total continuing operations
Total operating income	1,762	352	359	134	1,903
of which, interest expense	-527	-	-82	34	-575
Operating expenses					
Direct expenses ¹⁾	-1,099	-164	-130	0	-1,065
Indirect expenses ¹⁾	-944	-196	-159	-22	-929
Total operating expenses	-2,043	-360	-289	-22	-1,994
Share of profit from joint ventures	61				61
Profit/loss before tax	-220	-8	70	112	-30
Key ratios²⁾					
Direct contribution	663	188	229	134	838
Acquired loan portfolios ⁵⁾	16,802	-	4,535	-	21,337

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

2) See Definitions.

3) Discontinued operation excludes internal transactions, internal interest expense for discontinued operation is SEK -169m. See Note 9.

4) Discontinued operation includes an amount of SEK -1.7m attributable to Secured pertaining to direct costs that are not broken down in the segment, but are reported in "of which, discontinued operation Unsecured".

5) Acquired loan portfolios Unsecured includes portfolios attributable to assets held for sale.

Note 4 Acquired loan portfolios

Acquired loan portfolios, 30 June 2022

Acquired credit-impaired loan portfolios

MSEK	Gross carrying amount	Acquired loan portfolios related to the disposal group, Gross carrying amount	Loss allowance					Acquired loan portfolios related to the disposal group, POCI	Loss Allowance	Net carrying amount, continuing operations
			Stage 1 12MECL	Stage 2 LECL	Stage 3 LECL	POCI				
Opening balance 1 Jan 2022	21,111	-4,587				-470		423	-47	16,477
Acquisitions	3,819	0								3,819
Interest income	1,533	-282								1,251
Gross collections	-3,948	644								-3,304
Impairment gains and losses						71	6	77		77
<i>of which, realised collections against active forecast</i>						296	9	305		305
<i>of which, portfolio revaluations</i>						-225	-3	-228		-228
Translation differences	800	-98				-12	9	-3		699
Closing balance 30 Jun 2022	23,315	-4,323				-411	438	27		19,019

Acquired performing loan portfolios

Opening balance 1 Jan 2022	702		-1	-1	-4			-6	696
Interest income	31		-	-	-			-	31
Amortisations and interest payments	-83		-	-	-			-	-83
Changes in loss allowance	0		0	0	-1			-1	-1
Translation differences	18		0	0	0			0	18
Closing balance 30 Jun 2022	668		-1	-1	-5			-7	661

Total closing balance 30 Jun 2022	23,983	-4,323	-1	-1	-5	-411	438	20	19,680
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The performing loan portfolios follow the ECL model in accordance with IFRS 9 for write-downs based on changes in credit risk following first recognition under the 3-step model.

The non-performing loan portfolios are acquired at a price significantly below the nominal receivable and are classified from day one

as an acquired credit-impaired receivable. Accordingly, on day one the receivables are recognised at acquisition price with no additional ECL. Expected cash flow is continuously monitored pursuant to our revaluation policy and any new adjustments to cash flow that affect the value are booked against the accumulated reserve.

Note 4 Acquired loan portfolios, cont.

Acquired loan portfolios, 30 June 2021

Acquired credit-impaired loan portfolios

SEK m	Gross carrying amount	Loss allowance					Net carrying amount
		Stage 1 12MECL	Stage 2 LECL	Stage 3 LECL	POCI	Loss Allowance	
Opening balance 1 Jan 2021	20,430				-108	-108	20,322
Acquisitions	1,609						1,609
Interest income	1,480						1,480
Gross collections	-3,220						-3,220
Impairment gains and losses					-300	-300	-300
<i>of which, realised collections against active forecast</i>					164	164	164
<i>of which, portfolio revaluations</i>					-464	-464	-464
Translation differences	445				-9	-9	-9
Closing balance 30 Jun 2021	20,744				-417	-417	20,327

Acquired performing loan portfolios

Opening balance 1 Jan 2021	758	-1	0	-4		-5	753
Interest income	25	-	-	-		-	25
Amortisations and interest payments	-66	-	-	-		-	-66
Changes in loss allowance	-	0	0	0		0	0
Derecognitions	-1	-	-	-		-	-1
Translation differences	21	-	-	-		-	21
Closing balance 30 Jun 2021	737	-1	0	-4		-5	732
Total closing balance 30 Jun 2021	21,481	-1	0	-4	-417	-422	21,059

Acquired loan portfolios, 31 Dec 2021

Acquired credit-impaired loan portfolios

SEK m	Gross carrying amount	Loss allowance					Net carrying amount
		Stage 1 12MECL	Stage 2 LECL	Stage 3 LECL	POCI	Loss Allowance	
Opening balance 1 Jan 2021	20,430				-108	-108	20,322
Acquisitions	3,558						3,558
Interest income	2,956						2,956
Gross collections	-6,557						-6,557
Impairment gains and losses					-337	-337	-337
<i>of which, realised collections against active forecast</i>					298	298	298
<i>of which, portfolio revaluations</i>					-635	-635	-635
Disposals	-2				0	0	-2
Translation differences	726				-25	-25	701
Closing balance 31 Dec 2021	21,111				-470	-470	20,641

Acquired performing loan portfolios

Opening balance 1 Jan 2021	758	-1	0	-4		-5	753
Interest income	51	-	-	-		-	51
Amortisations and interest payments	-134	-	-	-		-	-134
Changes in loss allowance	-	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
Total closing balance 31 Dec 2021	21,813	-1	-1	-4	-470	-476	21,337

Note 5 Financial instruments

Carrying amount and fair value of financial instruments, 30 Jun 2022¹⁾

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instruments ²⁾	Amortised cost	Total carrying amount	Fair value
	Fair value option	Mandatorily				
Cash	–	–	–	0	0	0
Treasury bills and treasury bonds	–	1,045	–	–	1,045	1,045
Lending to credit institutions	–	–	–	2,065	2,065	2,065
Lending to the public	–	–	–	2	2	2
Acquired loan portfolios	–	–	–	19,680	19,680	20,447
Bonds and other securities	–	2,714	–	–	2,714	2,714
Derivatives	–	301	0	–	301	301
Other financial assets	–	–	–	168	168	168
Total	–	4,060	0	21,915	25,975	26,742
Deposits from the public	–	–	–	18,255	18,255	18,255
Derivatives	–	5	55	–	60	60
Debt securities issued	–	–	–	5,319	5,319	5,333
Subordinated debt	–	–	–	852	852	809
Other financial debts	–	–	–	929	929	929
Total	–	5	55	25,365	25,415	25,386

1) Financial instruments are presented excluding discontinued operations. Carrying amount of Acquired loan portfolios from discontinued operations amount to SEK 3,885m and fair value amount to SEK 3,934m.

Carrying amount and fair value of financial instruments, 30 Jun 2021

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instruments ²⁾	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	–	22	22
Other financial assets	–	–	–	355	355	355
Total	–	6,586	20	23,149	29,755	30,578
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
Total	–	25	–	25,581	25,606	25,839

Carrying amount and fair value of financial instruments, 31 Dec 2021

SEK m	Assets/liabilities recognised at fair value through profit or loss		Hedging instruments ²⁾	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	–	76	76
Other financial assets	–	–	–	380	380	380
Total	–	5,153	1	24,200	29,354	29,786
Deposits from the public	–	–	–	18,169	18,169	18,169
Derivatives	–	22	122	–	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

2) 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 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.

Level 3) 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, 30 June 2022

SEK m	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	1,045	–	–	1,045
Bonds and other securities	2,714	–	–	2,714
Receivables, Group companies ¹⁾	–	–	–	–
Derivatives	–	301	–	301
Total assets	3,759	301	–	4,060
Derivatives	–	60	–	60
Total liabilities	–	60	–	60

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.

Fair value measurements, 30 June 2021

SEK m	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	2,466	–	–	2,466
Bonds and other securities	4,118	–	–	4,118
Receivables, Group companies ¹⁾	–	–	–	–
Derivatives	–	22	–	22
Total assets	6,584	22	–	6,606
Derivatives	–	25	–	25
Total liabilities	–	25	–	25

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.

Fair value measurements, 31 Dec 2021

SEK m	Level 1	Level 2	Level 3	Total
Treasury bills and Treasury bonds	1,576	–	–	1,576
Bonds and other securities	3,502	–	–	3,502
Receivables, Group companies ¹⁾	–	–	–	–
Derivatives	–	76	–	76
Total assets	5,078	76	–	5,154
Derivatives	–	144	–	144
Total liabilities	–	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.

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 2022 the internally assessed capital requirement was SEK 3,234m (SEK 3,340m as per 31 December 2021), of which SEK 335m (SEK 563m) was attributable to Pillar 2.

SEK m	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Available own funds (amounts)					
1 Common Equity Tier 1 (CET1) capital	3,480	3,391	3,317	3,265	3,229
2 Tier 1 capital	4,586	4,497	4,423	4,372	4,336
3 Total capital	5,439	5,352	5,260	5,199	5,148
Risk-weighted exposure amounts					
4 Total risk exposure amount	36,234	34,236	34,710	33,390	33,278
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common Equity Tier 1 ratio (%)	9.6	9.90	9.56	9.78	9.70
6 Tier 1 ratio (%)	12.66	13.14	12.74	13.09	13.03
7 Total capital ratio (%)	15.01	15.63	15.16	15.57	15.47
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 (%)	1.60	1.90	1.56	1.78	1.70
Leverage ratio					
13 Total exposure measure	30,694	30,903	31,003	30,397	30,714
14 Leverage ratio (%)	14.94	14.55	14.27	14.38	14.12
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	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	0.00 pp	0.00 pp
EU 14c Total SREP leverage ratio requirements (%)	3.00	3.00	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	0.00	0.00
EU 14e Overall leverage ratio requirement (%)	3.00	3.00	3.00	3.00	3.00
Liquidity Coverage Ratio					
15 Total high-quality liquid assets (HQLA) (Weighted value -average)	4,328	4,735	4,758	5,153	5,274
EU 16a Cash outflows – Total weighted value	2,355	2,190	2,130	2,188	2,014
EU 16b Cash inflows – Total weighted value	2,341	2,280	2,106	2,132	1,984
16 Total net cash outflows (adjusted value)	630	556	541	556	512
17 Liquidity coverage ratio (%)	740	879	911	971	1,041
Net Stable Funding Ratio					
18 Total available stable funding	27,463	28,706	28,261	27,323	27,635
19 Total required stable funding	25,427	23,706	24,463	23,630	23,638
20 NSFR ratio (%)	108	121	116	116	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. 45 per cent (40) of deposits from the public are payable on demand (current account – "flex"), while 55 per cent (60) 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.

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 5,583m (7,119) as per 30 June 2022, 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 2022	31 Dec 2021
Cash and holdings in central banks	0	0
Deposits in other banks available overnight	1,823	2,041
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	680	1,063
Securities issued or guaranteed by municipalities or other public sector entities	365	513
Covered bonds	2,714	3,502
Securities issued by non-financial corporates	–	–
Securities issued by financial corporates	–	–
Other	–	–
Total	5,583	7,119

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.

Funding

SEK m	Hoist Finance consolidated situation		Hoist Finance AB (publ)	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Current account deposits	8,081	7,137	8,081	7,137
Fixed-term deposits	10,174	11,031	10,174	11,031
Debt securities issued	5,319	5,059	4,827	4,605
Convertible debt instruments	1,106	1,106	1,106	1,106
Subordinated debts	852	837	852	837
Equity	4,099	3,835	3,594	3,483
Other	1,209	1,367	1,924	1,348
Liabilities held for sale	342	–	–	–
Balance sheet total	31,183	30,373	30,557	29,547

Note 8 Pledges, contingent liabilities and commitments

SEK m	Group		Parent Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Restricted bank balances	108	130	0	0
Acquired portfolios in the securitisation structures	866	737	–	0
Pledged assets	974	799	0	0
Forward flow contracts	197	1,368	197	1,368
Commitments	197	1,368	197	1,368

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 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.

Note 9 Disposal group held for sale and Discontinued operations

Assets and liabilities in Hoist Finance's operations in the UK are comprised of assets and liabilities held for sale, and are a disposal group pursuant to IFRS 5 "Assets held for sale". The disposal group of operations in the UK is comprised of the following units:

» Hoist Finance UK Limited

» Hoist Finance UK Holding 1 Limited

» Hoist Finance UK Holding 2 Limited

» Hoist Finance UK Holding 3 Limited

» Robinson Way Ltd.

» C L Finance Ltd.

» MKDP LLP

Assets and liabilities held for sale

SEK m	30 Jun 2022
Assets	
Lending to credit institutions	218
Acquired loan portfolios	3,885
Intangible fixed assets	3
Tangible fixed assets	12
Other assets	108
Deferred tax assets	71
Prepaid expenses and accrued income	31
Total assets	4,328
Liabilities	
Tax liabilities	17
Other liabilities	139
Deferred tax liabilities	29
Accrued expenses and prepaid income	63
Provisions	2
Total liabilities	250
Significant internal transactions with continuing operations, which are eliminated and excluded from the above balance sheet items*:	
Total assets	855
Total liabilities	4,954

Valuation of each disposal group at the lower of fair value, less sales costs, or carrying value has not prompted a write-down.

Cashflow discontinued operations

SEK m	30 Jun 2022
Cashflow from operating activities	-33
Cashflow from investing activities	0
Cashflow from financing activities	-
Cashflow for the period	-33

Income, expenses and profit/loss for discontinued operations

SEK m	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
Interest income acquired loan portfolios	137	156	282	322	619
Other interest income	0	0	0	0	0
Interest expense*	0	0	0	0	-1
Net interest income	137	156	282	322	619
Impairment gains and losses	-9	-2	-6	-214	-269
Fee and commission income	0	0	0	0	1
Net result from financial transactions	0	0	0	0	0
Other operating income	0	2	0	2	2
Total operating income	128	156	276	110	352
Personnel expenses	-41	-34	-80	-77	-149
Collection expenses	-28	-32	-55	-55	-112
Administrative expenses	-23	-22	-47	-44	-88
Depreciation and amortisation of tangible and intangible assets	-3	-3	-6	-6	-11
Total operating expenses	-95	-91	-188	-182	-360
Net operating profit	33	65	88	-72	-8
Profit/loss before income tax attributable to discontinued operations	33	65	88	-72	-8
Income tax expense	7	1	8	42	55
Net profit/loss attributable to discontinued operations	40	66	96	-30	47
Significant internal transactions with continuing operations, which are eliminated and excluded from the above income statement items*:					
Total income;	4	2	6	3	6
Total expenses;	-48	-60	-99	-114	-222
Net profit/loss for the period attributable to discontinued operations incl internal transactions	-4	8	3	-141	-169

*Only external income and expenses are included in profit/loss for continuing and discontinued operations. The discontinued operation has significant internal transactions with continuing operations, which are accordingly eliminated in the accounts. The operation in the UK is financed through internal borrowing from Group Treasury. Interest expense attributable to internal borrowing is eliminated in the accounts and is therefore not included above in net interest income.

As regards the operation in the UK, the hedging reserves and historical exchange rate effects included in the Group's equity will be realised in profit/loss upon the sale of the disposal group. As at December 2021, the amount to be realised in profit/loss from the Group's equity is SEK -232m net before tax.

In the Parent Company, shares in subsidiaries pertaining to the disposal of operations in the UK totalled SEK 335m.

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 2022

Bengt Edholm
Chairman of the Board

Camilla Philipson Watz
Board member

Christopher Rees
Board member

Rickard Westlund
Board member

Peter Zonabend
Board member

Lars Wollung
Interim CEO and Board member

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 of June 30, 2022 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. 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 regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 20 July 2022

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, and Cash 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 2022, based on a review conducted in conjunction with work to clarify the Company's operations, Hoist Finance has chosen to adjust the financial measures that are presented. Accordingly, "Collection performance" is no longer monitored and greater focus is placed on "Cash EBITDA" (formerly "EBITDA, adjusted") and Return on equity to describe the financial situation.

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.

Cash 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.

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 fulfil 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.



About Hoist Finance

Hoist Finance is a trusted debt resolution partner to individuals, companies and banks in eleven European countries. With more than 1,500 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, Germany and the UK 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.

Second quarter 2022 presentation

A combined presentation and teleconference will be held on 21 July at 10:30 AM (CEST). The presentation will be held in English and broadcast live at: <https://tv.streamfabriken.com/hoist-finance-q2-2022>.

Dial-in numbers for the conference call:

SE: +46850516386
UK: +442031984884
US: + 14123176300
Pin code: 3448790#

Additional financial information and pillar 3 disclosures are available in Hoist Finance Fact Book which is published quarterly on <https://www.hoistfinance.com/investors/>

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.

Financial calendar

Interim report Q3 2022	26 October 2022
Year-end report 2022	8 February 2023

Contact

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

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 and the Securities Market Act. This information was submitted by Ingrid Östhols for publication on 21 July 2022, kl 07.30 CET.