Hoist Finance

Annual Report 2021

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Financial Review

Reference to statutory annual report and sustainability report

The statutory annual report comprises pages 71–207. The statutory sustainability report in accordance with the Swedish Annual Accounts Act (ÅRL) comprises pages 46–70.

Hoist Finance AB (publ) is a regulated credit market company and parent company of the Group, and prepares its financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL). The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS).

The year in brief

Key quarterly events

First quarter

- Italian portfolio acquired in the securitisation programme
- Forward-looking negative impairment of unsecured portfolios of SEK –351m

Second quarter

- Review of total tax provision resulted in additional provisions of SEK –97m in net effect
- Per Anders Fasth appointed acting CEO
- Lars Wollung leaves the board to become advisor to management
- Christian Wallentin appointed CFO

Third quarter

- Performance review completed
- Transformation programme initiated to right size company, improve productivity and increase growth
- NPL portfolio volumes bottoming out
- Investment grade rating and stable outlook from Moody's

Fourth quarter

- Several attractive portfolio acquisitions late in the year
- Transformation programme starting to pay-off
- Strengthened leadership by appointing new CIO and COO

Key figures of 2021

3,558
PORTFOLIO ACQUISITIONS (MSEK)

102%
C/I RATIO

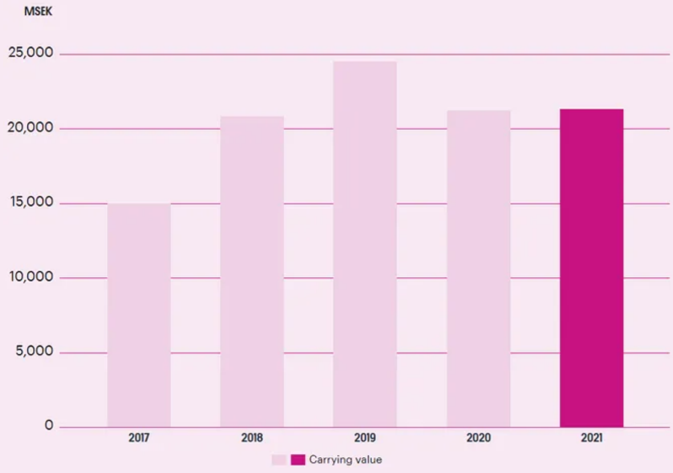
-39
PROFIT BEFORE TAX (MSEK)

-5%
RETURN ON EQUITY

Key figures 2021

C/I Ratio

Carrying value



Profit before tax

Total operating income

SEK million	Full-year 2021	Full-year 2020
Total operating income	2,255	2,368
Profit/loss before tax	-39	82
EBITDA, adjusted	4,767	4,626
C/I ratio, %	102	97
Return on equity, %	-5	-1
Collection performance	101	98
Portfolio acquisitions	3,558	1,761
Basic and diluted earnings per share, SEK	-2.32	-0.50

Significant change and re-focus on core business

For Hoist Finance, 2021 was a year of refocusing on core business and transformation. Covid-19 effects and lock-downs continued to considerably impact our markets and operations.

Hoist Finance's third highest annual acquisition level

The market activity for NPL portfolios improved in 2021 compared to the highly Covid-affected year 2020, however, the anticipated high supply of portfolio-sales did not materialise. It continued to be a seller's market, which put upward pressure on price-levels. As most of the industry experienced a challenging 2020, many competitors were keen to buy, often resulting in highly priced portfolios below our return targets. This was applicable for all European markets but with local differences. We participated in a high number of processes and signed some attractive deals in the latter part of the year. The portfolio from Alpha Bank in Greece stands out at more than SEK 1.1bn. Including these portfolios total acquired volumes totalled SEK 4.7bn, which is Hoist Finance's third highest annual acquisition level. Our collection activities were also impacted by the Covid-19 situation. A substantial share of our collections stems from legal activities, which have been largely halted during the pandemic, as court systems have been closed or experienced major delays.

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

Results negatively impacted by factors stemming from previous years

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

Need to redirect focus to core business

The unsatisfying performance in recent years led to changes already in the spring of 2021. Six new board members, including myself, were appointed in April. On May 31, I took on the role as CEO (interim) since there was a need for change. Hoist Finance had lost focus on its core business and had not quickly enough adapted operations to changed market conditions. Short-term underperformance in portfolio revenues, due in part to the pandemic combined with a broad operational approach and a high-cost level, had reduced profitability. There was a need of redirecting focus of the strategy to our core business – secured and unsecured non-performing loans from consumers and SMEs. We need to operate with a more competitive cost base and profitability level. We also adjusted the governance structure to ensure accountability and transparency. Since the fall, we have a new leadership team including a new CFO, CIO, COO and have made several other adjustments within senior management.

Launched transformation programme

After the summer, we launched a transformation programme to accelerate portfolio acquisitions in our target markets and asset classes, improve productivity in collections, and reduce costs. Already in the summer we decided to refocus and reprioritise among various ongoing initiatives. For example, the broad Retail banking effort was put on hold, the investments to develop IRB (internal rating based) models were halted awaiting the European Banking Authority (EBA) decisions, IT and digital focus and spend were adjusted to optimise and accelerate benefits.

Efforts within sustainability continued

Our efforts within sustainability continued in 2021. All three ESG areas are important, but it is in the S – Social field - where we as a business really can make a difference and a contribution. We support banks and help our customers to get back on track and be a part of the financial ecosystem again. Thereby, we are contributing to upholding fair and stable credit markets and economic growth in the markets where we are active.

Hoist Finance has been a member of the United Nations Global Compact since 2019 and we continued to reaffirm our support to its Ten Principles for human rights, labour, environment and anti-corruption in 2021. We continually work to improve the integration of Global Compact and its principles into our business, culture, and daily operations. We are also a certified NASDAG ESG Transparency Partner for the fourth consecutive year. In addition, 2021 marks our first reported disclosures related to the EU Taxonomy.

A good and sound base to build on

When taking on the position as interim CEO of Hoist Finance in May 2021, my ambition was to redirect focus and set the company on a route towards healthy profitability. During this period, it has become evident to me that Hoist Finance has a good and sound base to build on. We have really good people, an inclusive culture and a solid business platform. In addition, we work in an attractive industry with long-term growth potential, high returns, and, importantly, we contribute to a sustainable economy and society.

Improved business environment

Although Covid-19 continues to cast its shadow over our business environment, it has improved. During the latter part of 2021 courts opened up and our legal collection activity started to gain momentum, augmented by our own efforts. During the last months of 2021 we reached significant improvements in collection performance. Our transformation programme is starting to pay off even-though it will take a few quarters before we see the full impact. We have also signed some attractive deals in the latter part of the year, in particular the portfolio from Alpha Bank in Greece stands out at more than SEK 1.1 billion which will have a positive impact on our profitability for 2022 and beyond.

Growth balanced with improved profit generation

Hoist Finance has a tight capital position which means that portfolio growth has to be balanced with improved profit generation to harmonize with banking regulations. However, in December the European Banking Authority (EBA) published its final draft report to harmonise risk-weighting of acquired NPLs. This will reverse the competitive disadvantage Hoist Finance has had abiding by stricter banking rules. It will have a positive effect on capital ratios and increase investment capabilities, enabling further growth. When writing this CEO comment, the report is not yet approved, but the general view is that it will be.

To sum up, we enter 2022 in a better position than 12 months ago. Our view is that market conditions are improving. We will continue to strengthen the sound platform we have, using it to maximize upcoming opportunities. We will deliver on all transformation activities that we have commenced and further develop the business to create profitable growth and shareholder value.

Per Anders Fasth, CEO
February 2022

Hoist in Brief

Hoist Finance was founded in 1994. With over 25 years of experience, we have become one of the leading debt management companies in Europe. We purchase both performing and non-performing loans from our partners, international banks and financial institutions, so that they can free up resources for their respective core business. Apart from helping people getting back on track financially, this also contributes to upholding a sustainable, fair and stable credit market since we help banks to offload their balance sheet so that they can meet their regulatory requirements.

Hoist Finance is currently operating in thirteen European countries with more than 1,500 employees and is listed on Nasdaq Stockholm since 2015.

Hoist Finance mission, purpose and personality

Helping People Keep Their Commitments

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

By Your Side

is how we see ourselves fulfilling our mission, to always be by our customers' and banking partners' side, we contribute to inclusion in the financial ecosystem and society as a whole.

Uncomplicated, Helpful and Humane

is our personality.

Milestones 2021

Reached 28 per cent digital collection

End of 2021, nearly one customer of three is now managing and paying its debt through the self-service channels.

Portfolio acquisitions

The market activity for NPL portfolio acquisitions improved from the highly Covid-affected 2020 and including the Greek portfolio signed late in the year carried out portfolio acquisitions of SEK 4.7bn.

Transformation programme

A transformation programme to improve profitability and returns was launched after the summer, including:

Investments strategy rejuvenation – growth by focusing investments in debt portfolios with attractive risk adjusted returns and mainly on markets where we have experience and reliable data and statistics

Increased collection effectivity – strengthen collection performance e.g. by using data driven analytics and digital solutions

Cost reduction – efficiency activities to lowering the absolute non-operational costs.

Great Place to Work certifications in eight markets

This year we achieved a Great Place to Work certification in eight countries. The certification is based on the employees' evaluation of the workplace and demonstrates a high level of trust, pride and commitment. A key ingredient for this success is our support for employees' well-being and mental health during Covid-19. In fact, internal survey results show that our management of the pandemic increased employee loyalty, productivity and engagement.

Securitisation programme

An agreement regarding securitisation was signed with Magnetar Capital, an alternative investment manager. It becomes a part our funding model mitigating the impact of the stricter regulatory changes including increased risk-weights and the NPL Prudential Backstop regulation and strengthens our purchase capabilities.

Rebalanced strategy

After conducting a performance review, analysing the fundamental issues underlying the recent years' unsatisfying performance, we redirected the strategy towards focus on core business – secured and unsecured non-performing loans from consumers and SMEs acquired from our banking partners.

Expansion of the digital offering

Our customers in Belgium, the Netherlands and the UK can now manage their debt online through the self-service portal. Germany and France customers now have access to a 24/7 support service thanks to the chatbot deployment.

Furthermore digital wallets represent 25 per cent of the general online payment market and we extended our digital payment solutions to Blik, Paypal, Apple Pay and Google Pay.

New leadership and governance

A majority of new board members were elected on the annual general meeting in April. Since then a new CEO, CFO, CIO and COO were appointed and several other organisational changes took place in the senior management with the aim to simplify the organisational structure.

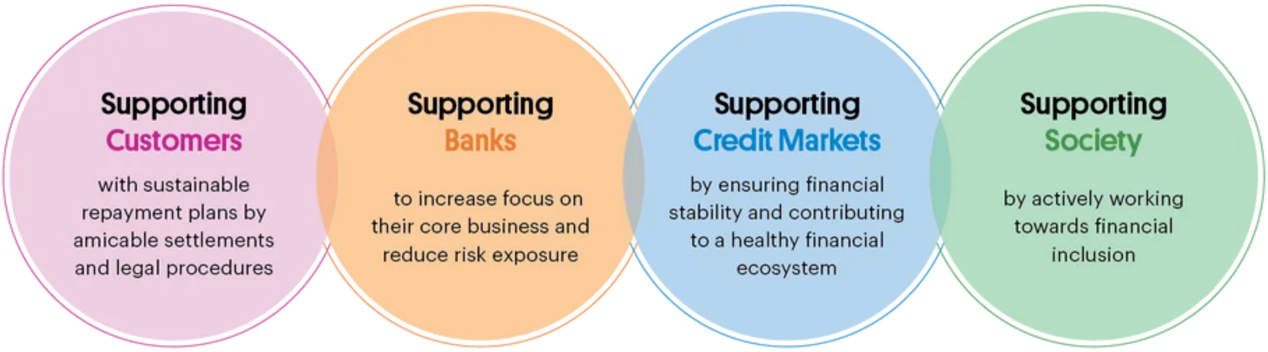
Bank deposits in the UK

In 2021 we started to offer deposit services also to customers in the UK, in addition to Sweden and Germany. Funding by offering bank deposits on the same markets as we have large portfolios lowers our currency risks.

Our business

Hoist Finance is a leading debt restructuring partner to international banks and financial institutions, with loan acquisition and management operations in thirteen countries across Europe. Our core business has since the start been the acquisition of non-performing loans (NPLs) originated by large international banks and other financial institutions with whom Hoist Finance has strong and long-term relationships. After purchasing an NPL portfolio, our primary method of collecting from our customers is through sustainable payment plan agreements. The major share of acquired portfolios are serviced by our own debt collection entities, supplemented in some cases by carefully selected external debt collection partners.

We also operate a traditional internet-based retail deposit series in Sweden, Germany and the UK. This gives us a cost-effective, flexible and reliable source of funding, which is primarily used for the acquisition of NPLs.



Hoist Finance buys NPLs from reputable banks and financial institutions with a sound credit policy. A bank's customers must be handled smoothly and with great care following the transfer of a portfolio to Hoist Finance. With strict procedures and processes regulated by the Swedish Financial Supervisory Authority (FSA), we can ensure fair and ethical treatment of customers in compliance with the selling bank's compliance criteria.

Some of the key components of Hoist Finance's offering are:

- More than 25 years of experience in debt restructuring solutions.
- Good understanding of the regulated banking environment.
- Flexible and customised service offering on the ground in major European markets.
- In-house customer relations, which safeguards superior understanding of the customers' situation as well as good operational control, including risk management and compliance.

Our Strategy and goals

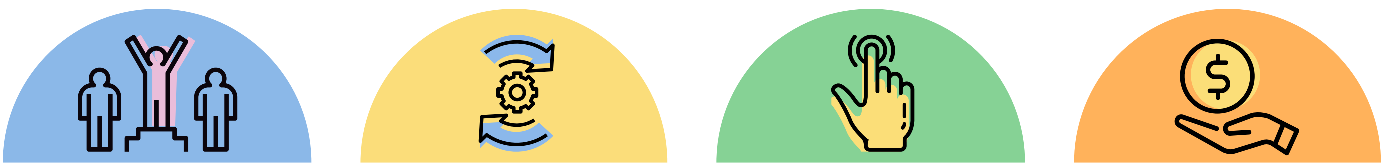
The credit management sector is an important part in the financial system. Solid experience, knowledge of the regulatory environment and presence in thirteen European markets enable us to offer banks and financial institutions extensive support with debt restructuring solutions.

Hoist Finance acquires unsecured and secured NPL portfolios from financial institutions, where the underlying customers are either consumers or small-ticket SMEs. We also acquire performing loan portfolios with the same customer segments in conjunction with acquisitions of NPLs or at times on an opportunistic basis. The major share of acquired portfolios are serviced by our own debt collection entities. Third party servicing can be considered occasionally when it is beneficial.

Our operating model consists of two main areas:

- Professional proactive portfolio acquisition and investment processes where risk adjusted ROE is the key factor for determining what to acquire and how to service acquired portfolios
- Data and analytics driven debt collections, using the most appropriate customer channel and method in order to reach optimal collection performance per customer and overall

The strategy is based on four strategic pillars:



Return driven investments

Effective & Efficient

Digital & data driven

FSA regulated platform

Return driven investments

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

We acquire portfolios that can generate attractive risk-adjusted return on equity and focus our acquisitions on markets where we have experience and reliable data and statistics. We may also acquire portfolios in other markets where we do not operate customer centers, if attractive third-party servicing agreements can be reached. Portfolio investments are based on thorough analyses including market attractiveness, our own capabilities as well as collection performance, relationships with banks and the competitive situation.

Effective & Efficient

- Focus on core business and delivering on performance enhancement

We focus on profitability, return on equity and earnings growth. We concentrate on our core business and strive to do the right things in the right way at the right time. Key metrics are cost to collect and follow-up on results and achievements. To provide a more flexible cost-base, we sometimes partly outsource collections of portfolios. Best practice sharing and a common view on how to operate have significant impact on performance.

Digital & data driven

» Operations based on data insights and digital solutions

Our vast data on customers and their behavior, combined with strong analytics, is what we use to determine the approach towards each customer. We do so to ensure the best possible solution for each customer, which is the key to collection performance. We strive for the best balance between on one side a local approach to improve collections strategies and the use of communications channels. On the other side we leverage our strength of being a pan European financial institution to centrally develop and invest in machine learning and AI, which are cornerstones of Hoist's company wide digital strategy. This strategy aims at strengthening Hoist's digital solutions towards our customers, as well as automation to increase operational efficiency.

FSA regulated platform

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

Hoist Finance has been a credit institution regulated by the Swedish FSA (Financial Supervisory Authority) since 1996. This has provided access to low-cost funding through bank deposits, which represents a cost advantage relative to our peers. It is valuable in commercial situations and a quality stamp given the extensive regulatory requirements a banking licence involves.

Benefits from being a regulated credit institution

- Funding advantage
- High quality control functions
- Diligent & rigorous processes
- Same regulated status as our banking clients
- Strong consumer protection

Financial targets

ROE (A)	EPS Growth (B)	Cost-to-income Ratio
>15%	15% CAGR (C)	<65% by 2023

CET1	Dividend policy
1.75-3.75% Above regulatory requirements	Dividend will in the long-term correspond to **25-30%** of annual net profit, and will be determined annually, with respect to the company's capital target and the outlook for profitable growth.

(A) Net profit for the period adjusted for accrued unpaid interest on AT1 capital calculated on annualised basis, divided by equity adjusted for AT1 capital reported in equity, calculated as an avarage for the financial year based on a quarterly basis.

(B) Adjusted for AT1 costs;

(C) When comparing 2023 vs. 2019 and excluding items affecting comparability (IAC)

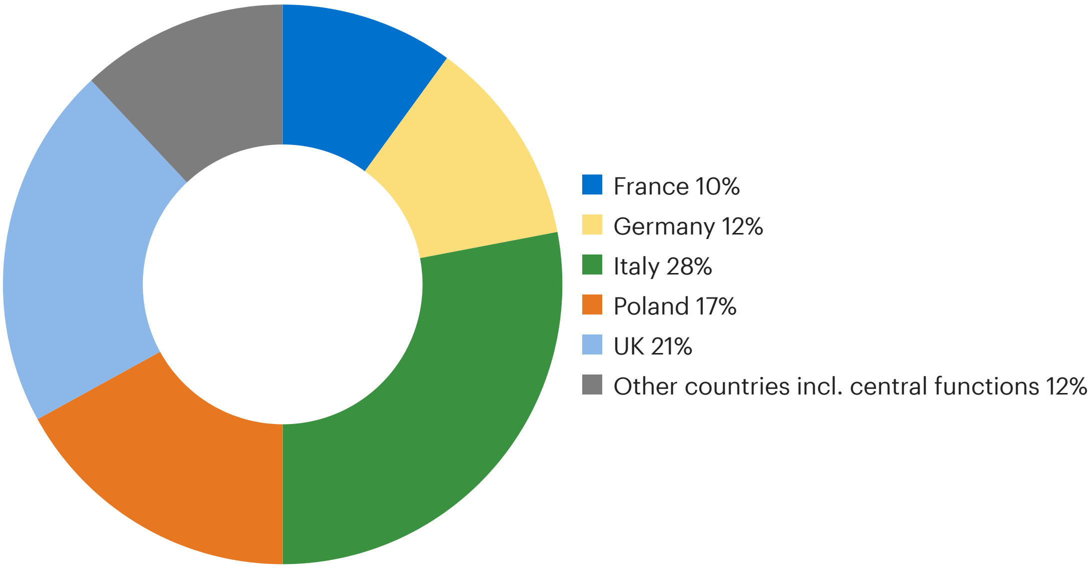
Our Presence

Hoist Finance is present in thirteen European countries with debt collection operations in 10 countries, primarily managed through our own servicing platform. We have currently third party agreements for collections in for example Italy and Greece. In the other countries we have mainly our own customer centers.

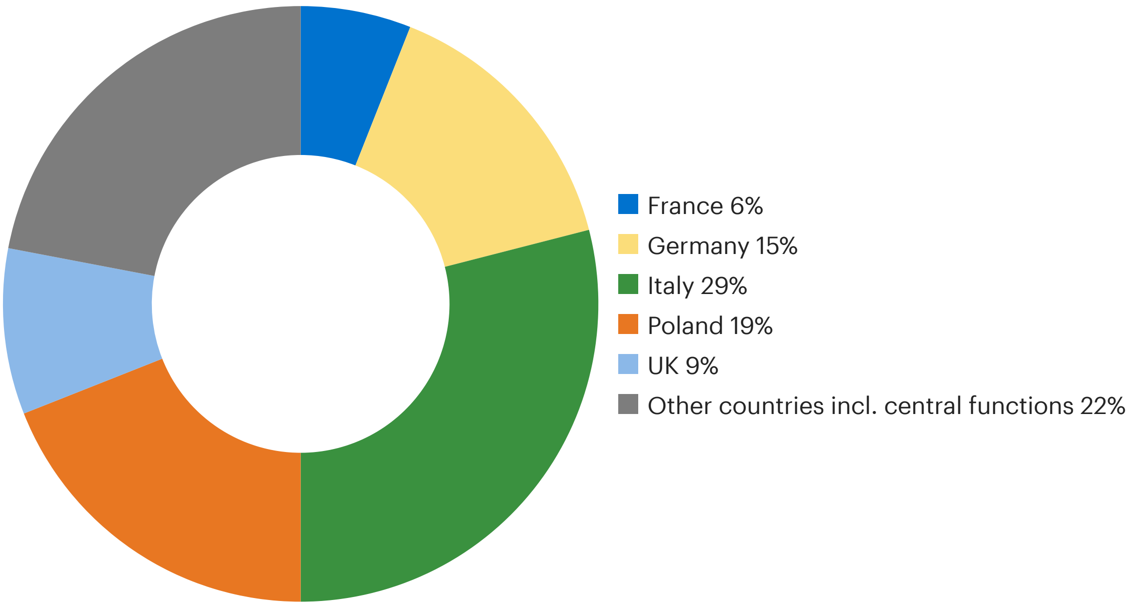
Italy is in terms of carrying value our largest market, followed by UK and Poland. In terms of operating income Italy is our largest market, followed by Poland.

Carrying amount of Hoist Finance acquired loan portfolios

Carrying value distribution per country (31 December 2021)



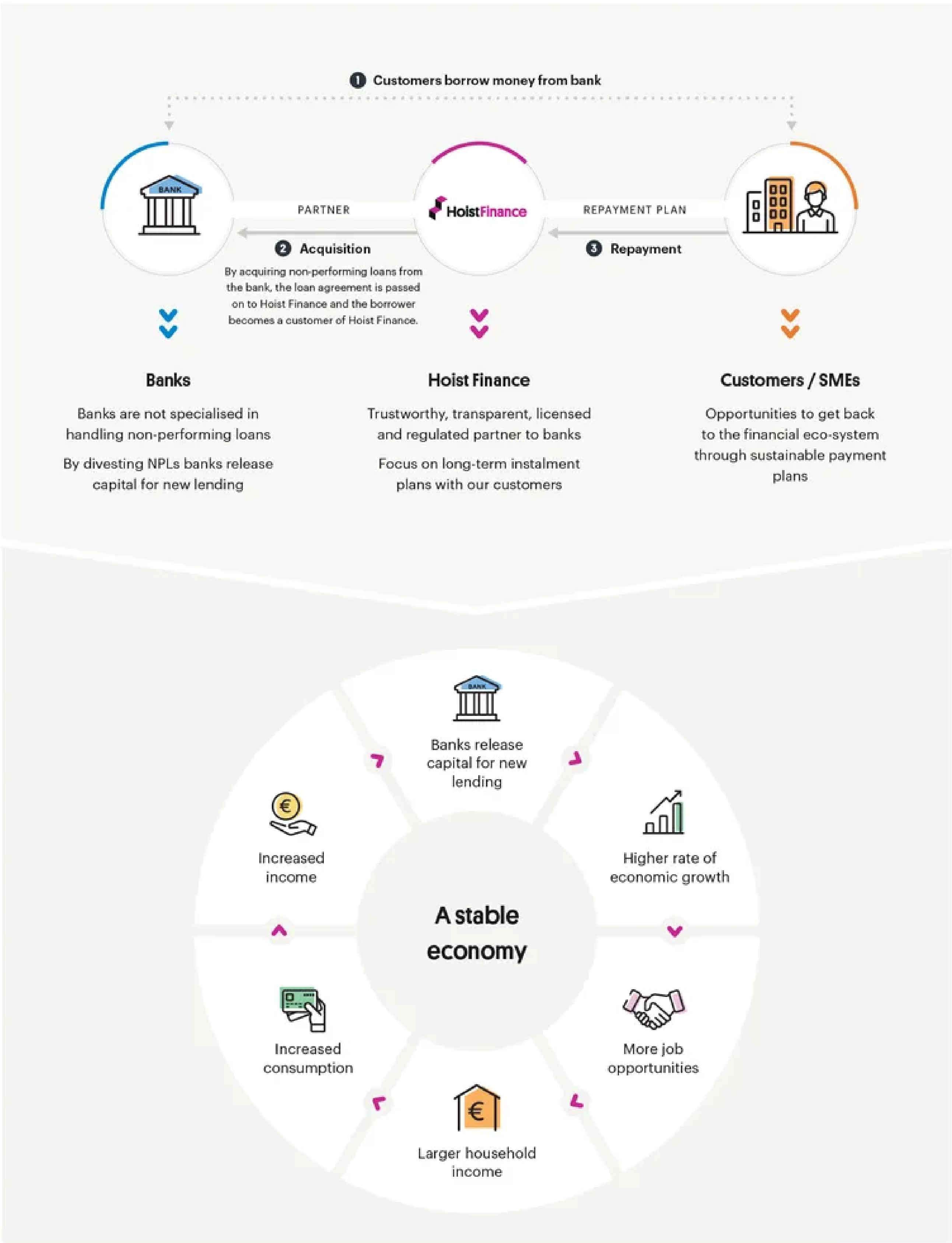
Share of Hoist Finance's total operating income



How we create value

Our business model and strategies are focused on delivering value to all stakeholders

Business model for value creation



Value for our stakeholders

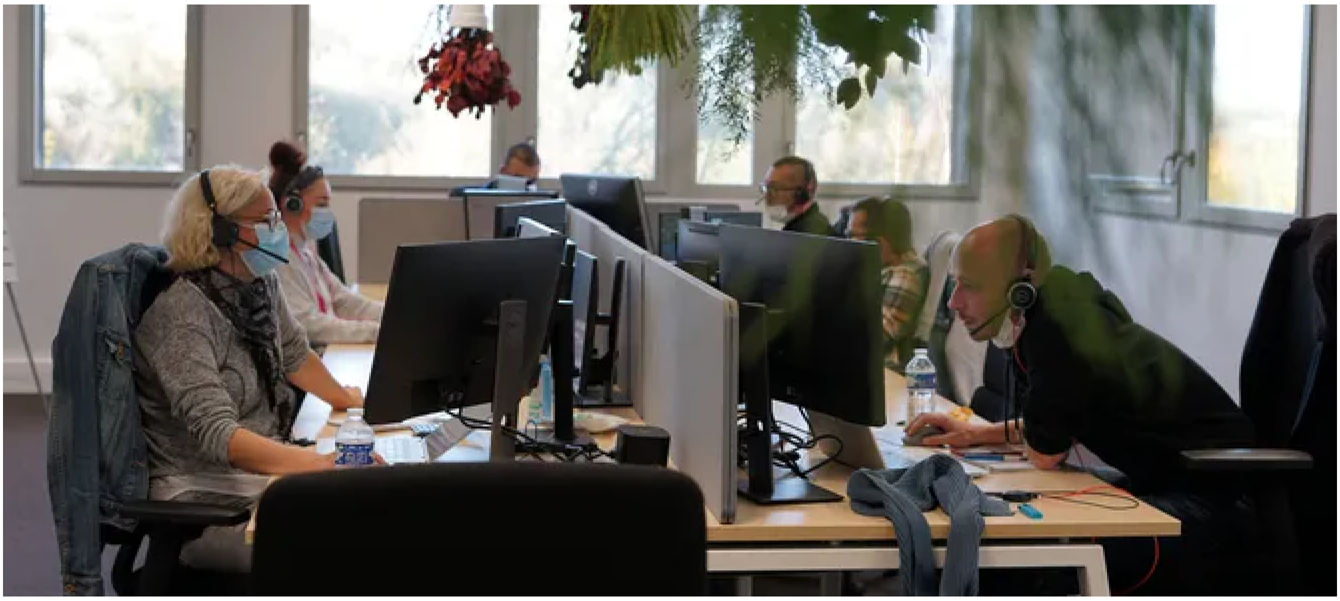
Stakeholders	Value	...in numbers 2021
Society	» Contribute to a healthy financial eco-system. » Actions supporting people to pay off their debts and get back to the financial ecosystem. » Meet customer needs and societal expectations through our digital developments.	**6 SDGs and targets selected** **137 400** people repaid a debt in full **28%** digital collections from customers who can access our digital platform
Shareholders	» A long-term investment with a healthy dividend and a good value growth.	**6,035** Shareholders **-20%** return on share
Banks and financial institutions	» Strengthened financial position and reduced risk exposure. » Increased cash flow, strengthening liquidity. » Higher return on equity. » Increased focus on core business.	**SEK 3,558** million in portfolio acquisitions. **28%** of acquisitions within the Secured NPL asset class. Portfolios aquired from **40** client banks
Customers	» Sustainable payment plans so that customers can regain control over their finances.	**221 100** new payment plans set up **EUR 96** average monthly customer payments **923 300** customers supported to get back to the financial ecosystem (paid in full, made payment or made payment plan)
Deposit customers	» Online deposit savings platform in Sweden (HoistSpar), Germany (HoistSparen) and UK (HoistSavings) with competitive interest rates.	**77 400** Deposit customers Up to **2.05%** interest rate
Our People	» Opportunity to work in a stimulating environment with engaging company culture. » Opportunities for professional and personal development.	**90%** response rate in Great Place to Work survey **76%** Trust Index© in Great Place To Work survey **1,100** Managerial educations finalised in Hoist Finance Academy.

Our market

Uncertainty is certain in today's global credit markets

Global Credit Markets have felt the impact of the Covid-19 pandemic since it began. Government support and forbearance schemes have supported global credit markets in what has been a tough time for both lenders and borrowers. The extent of the support given has varied from country to country, placing banks in different stages of the recovery process.

Despite the negative economic impact due to the pandemic, EU banks have been able to maintain both overall stability and control the growth of the Non-Performing Exposure stock. This is partly due to the significant support measures implemented by governments, such as moratoria and state guarantees. In fact, over EUR 900 bn of European loans have received support through European Banking Authority (EBA) eligible moratoria. Therefore, the impacts of the Covid-19 crisis will be to some extent delayed in the NPL sector. The combined effect of this and a deterioration of asset quality on bank's balance sheets is expected to materialise in 2022. The impact of the crisis is expected to be asymmetrical on different countries due to the variation in government response.



Long-term trends shaping our markets

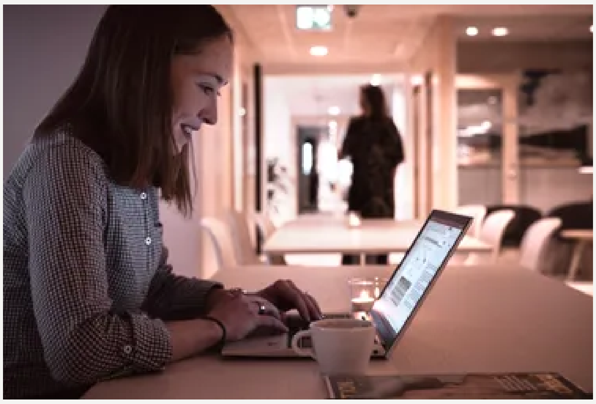
The most important long-term trends that will shape the future European debt collection industry are: market consolidation and new market players, changed regulations, technological and digital sophistication, increased focus on consumer protection and sustainable debt collection.

Market consolidation and increased competition

The European Banking Authority is attempting to harmonise jurisdictional differences in the NPL market as well as promote cross-border firms through regulation. This has also impacted the cost of doing business, benefitting companies of scale. This, in combination with the pandemic, have limited the organic growth opportunities for debt collector companies and drives consolidation in the sector. The market competition is also likely to intensify, due to participation by new market players such as private equity funds and hedge funds, regulatory compliance, and the use of new technology. The market transformation will probably benefit companies that are agile, tech-driven and customer-focused.

Digitalisation

Digitalisation affects most things in society, including the credit management sector. With increasing importance given to customer experience, collections practices have altered significantly over the past decade. Using the right channels is important to effectively help those experiencing financial difficulty, especially those who have been in the collections cycle for a long time. Digitalisation is also changing payment behaviours and cashless and credit-based payments increases. The collections operating model needs to be flexible enough to allow debt collectors to segment different audiences. Continuous product development is required to meet the needs of different client and customer categories.



Increased focus on consumer protection

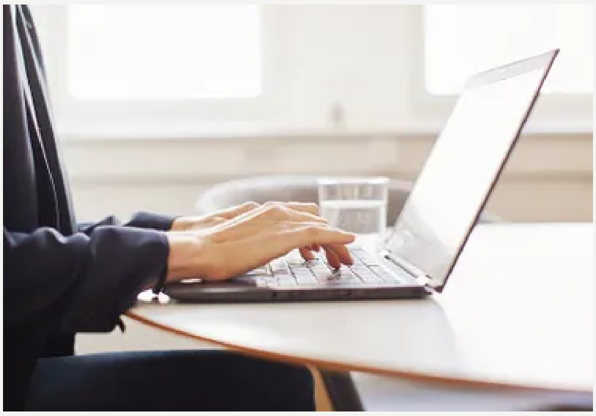
Treating customers ethically and with respect for their financial situation is the key for us to create long-term value for our client banks, customers and all stakeholders. The Directive of the European Parliament and of the Council on credit servicers and credit purchasers is one example of regulatory changes that focuses on increased consumer protection. This Directive aims to foster the development of secondary markets for NPLs while at the same time safeguarding borrowers' rights.

The Directive will require credit servicers to treat borrowers fairly by for example guaranteeing that communications do not in any way constitute harassment. Furthermore, it sets out streamlined guidelines for transparent complaints management, and emphasises the necessity to take individual customer circumstances, such as the consumer's ability to repay, into account in relation to forbearance measures. The Directive constitutes an important driver for industry change and aligns well with Hoist Finance's commitment to help our customers back to the financial ecosystem through customized and amicable solutions.

Regulations

The financial sector is a highly regulated area and changes in regulations has a significant impact on the sector. Amendments to the EU's regulations 2019 introduced a prudential backstop for NPLs for the entire European banking sector. The backstop requires a deduction from the bank's own funds where NPLs are not sufficiently covered by provisions. An unsecured NPL exposure has to be written down entirely within three years. The NPL backstop is thought likely to lead to a steady flow of fresh portfolios for sale to debt collection companies each year. The backstop effect will gradually start showing from 2022 as it concerns defaults on loans originated after April 2019.

Hoist Finance is, unlike many of our debt collector peers, a regulated credit institution (similar to a bank) and we are subject to the strict bank regulations. Current proposed amendments of EU's standards for calculations of credit risks would have a significant impact of our business. For banking institutions operating in the secondary market for NPLs, such as Hoist Finance, the changes result in a decrease of applicable risk weights for its unsecured non-performing loans from 150 per cent to 100 per cent, increasing our investment capability for unsecured non-performing loans.



New technology

The rapid technological development results in more efficient debt collections at lower costs. New technology transforms the businesses' operations, allowing them to work quicker, more accurately, and more cost-effectively than before. Deeper analytics and insights will allow debt collectors to develop more detailed client profiling to assess risk, optimise legal services, to reduce expenses and to add more suitable touchpoints to enrich the customer journey. Artificial intelligence and automatisation can manage large amounts of data and rapidly and efficiently recognise core patterns. This helps debt collectors to gain greater knowledge of its debtors and as a result significantly improve collections efforts. It improves the customer experience, making better use out of the data they provide to offer personalised, tailored recommendations and in the end a more efficient debt collections.

Growing risk for financial exclusion

As the prevalence of financial services usage grows across Europe, the consequences of being excluded from the financial system will become more severe, due to the fact that those not served by the financial system will face further social exclusion and potential difficulties to make regular payments and get out of debt spirals. The overall level of arrears has been increasing across EU Member States, indicating that more and more households are becoming over-indebted. Reflecting the difficult situation of European households, the volumes of NPLs have been growing. Portfolios with an estimated face value of over EUR 100 bn are expected to trade in 2022 and remain at a heightened level for several years to come. Furthermore, in 2022, more consumers are likely to be vulnerable due to Covid-19 effects as restrictions fade and government support programs expire. These changes in customer circumstances make it even more vital to enable customers with the right tools and support, for them to manage to pay off their debts in a sustainable way.

Our market position

Debt buyers include firms whose business model focuses on the purchase of debt, as well as collection agencies and firms who collect both on debt owned by others as well as debt they purchase and own themselves. In addition, some firms are passive debt buyers—investors that buy and resell portfolios but do not engage in actual debt collection themselves.

For over 20 years, Hoist Finance has focused mainly on the acquisition of NPL portfolios. This distinguishes us from many of our competitors, which have evolved from being solely collection companies (i.e. collecting on behalf of a third party). We are a full-service as well as a banking model actor on the debt purchase market. Several of our closest debt collector competitors are mainly in the full-service group.

Debt purchase market landscape

Full-service
- Large industry players with integrated servicing platforms in multiple countries
- Have tended to grow expertise through M&A transactions
- Competing at the larger end, but not seeking to compete directly with PE

Asset specialists
- Smaller, more specialist companies targeting a specific asset class
- Typically tend to operate in one or a small number of jurisdictions
- Candidates for M&A, being absorbed by the full service companies

Banking model
- Players who use banking model to fund their acquisitions
- Well placed to manage more complex assets (performing, corporate, UtP)
- May be a platform to develop into a true challenger bank

Capital-light
- Focus on servicing relationships, with fewer assets on balance sheet
- May complement servicing revenues with some portfolio acquisitions
- Look for strategic partnerships: selling banks, investors, securitisation etc.

Private equity funds
- (Very large) investors who typically target a smaller number of high value deals
- May acquire servicing platforms, but treat these more as parallel investments
- Typically more visible in SME, corporate and secured NPL markets

Our partners

Hoist Finance offers banks and financial institutions extensive support with debt restructuring solutions. Solid experience, knowledge of the regulatory environment and presence in thirteen European markets enable us to offer banks and financial institutions extensive support with debt restructuring solutions. We are a supplier capable of servicing various stages of the credit risk cycle. With strict procedures and processes, we can ensure fair treatment of customers in compliance with the selling bank's compliance criteria.

To ensure that we can support banks and financial institutions in various stages of the credit risk cycle, we have expanded into secured asset classes. This allows us to better compete with peers in our industry who operate integrated servicing platforms in multiple countries. We remain focused on our existing, prioritised markets, expanding the platforms we have already established. With strict procedures and processes regulated by the Swedish Financial Supervisory Authority (FSA), we can ensure fair and ethical treatment of customers in compliance with the selling bank's compliance criteria.

Portfolios

Hoist Finance main investments have been and still are within unsecured non-performing loans. Non-performing loans ("NPL") are loans 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. Most portfolios acquired by Hoist Finance have historically been tertiary loans, which have been in default for 2-5 years. In more recent years, fresher debt has been acquired as debt markets have matured.

Assets

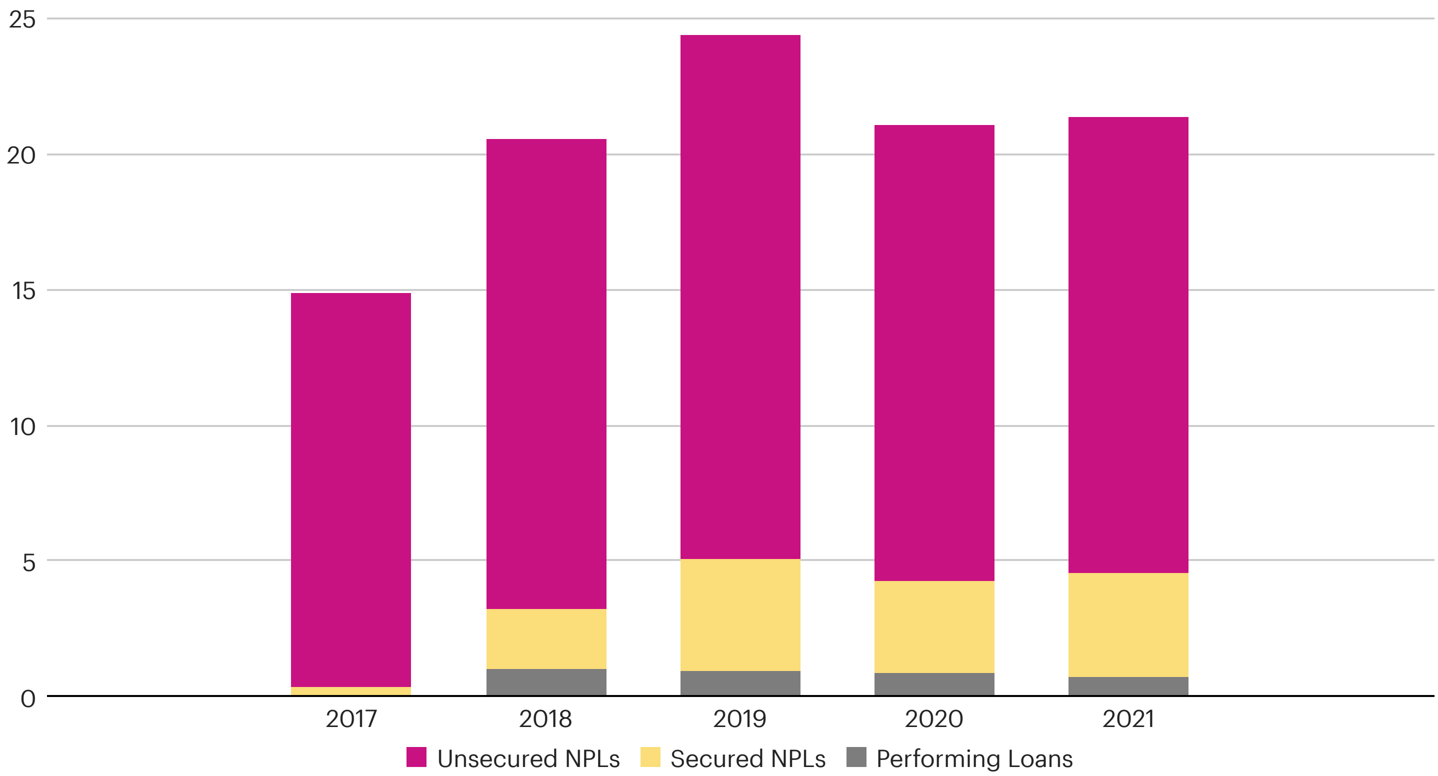
Non-performing loans ("NPL") are loans that are deemed to cause probable credit losses including individually assessed impaired loans, portfolio assessed loans past due more than 60 days and restructured portfolio assessed loans. Hoist Finance primarily purchases loans that are credit-impaired on initial recognition.

Our portfolio consists of three main asset classes, all focused on consumers and SMEs:

- **Non-performing unsecured loans**: an unsecured loan is a loan that is issued and supported only by the creditworthiness of the borrower and any guarantor, rather than by any type of collateral.
- **Non-performing Secured loans**: a secured loan is a loan in which the borrower pledges some asset as collateral for the loan, normally a mortgage, which then becomes a secured debt owed to the creditor who extends the loan.
- **Performing loans**: a performing loan is a loan in which payments of interest and principal are less than 90 days due.

Hoist Finance's book value NPL portfolios

SEK billion



Loan acquisition strategy

Hoist Finance invests in non-secured and secured NPL's towards consumers and SME's. Expanding into secured acquisitions within our existing markets is a key element of our strategy. These investments have the additional benefit of being subject to lower risk weights than our consumer unsecured portfolios. Our long-term focus as well as flexible and tailored product offering have allowed us to develop the expertise to structure and execute complex transactions. A guiding principle has always been, and still is, to be prudent when bidding for debt portfolios. With Hoist Finance's tools for examining and analysing potential acquisitions, predictions are made on a 15-year horizon of future cash flows and collection costs.

Our experience, knowledge and presence in the financial sector has resulted in our acquisition strategy; to focus on bank-originated loans, to customise our business model to enable flexibility and to be geographically diversified:

Bank-originated loans

- High quality origination with low risk repayment profile.
- Larger ticket size than non-bank loans.
- Long-tail stable cash flows.

Asset-class diversification

- Flexibility to buy most types of financial institution-originated debt towards consumers and SMEs
- Increased proportion of secured NPLs in recent years.

Diversified geographic profile

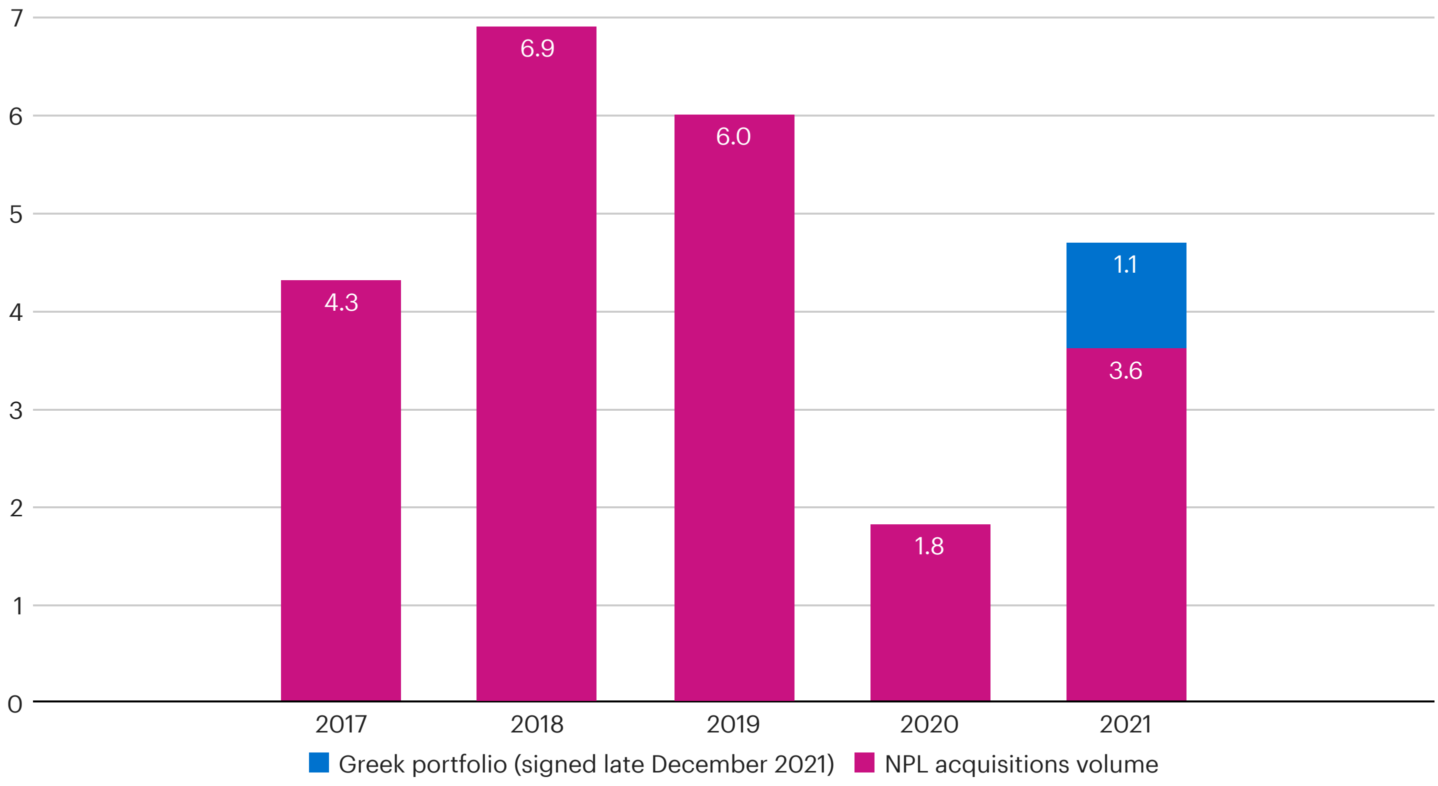
- Reduction of single-market exposure from a risk and origination perspective.
- A more even flow of investment opportunities.
- Strengthened value proposition to banks and financial institutions.

Transaction market 2021

NPL transaction volumes in 2021 have seen an increase compared to 2020. This follows a slow-down in portfolio sales caused by the Covid-19 pandemic. In 2021, Italy continued to be Europe's most active NPL market in terms of deal volume. The year 2021 has been a very active year for the Greek market. Spain mainly saw deals that were carried forward into 2021 from 2020. UK total transaction volumes have increased markedly in 2021, but has been slow in terms of major transactions. France has shown lower volume of transactions when compared to Italy, Spain and Greece, but transaction volumes have steadily increased throughout 2021.

Hoist Finance's NPL acqusitions volume

SEK billion



FSA regulated

Hoist Finance has been a credit institution regulated by the Swedish FSA (Financial Supervisory Authority) since 1996. This has provided access to low-cost funding through retail deposits, which represents a cost advantage relative to our peers. It is also valuable in commercial situations and as a quality stamp given the extensive regulatory requirements a banking licence involves.

Partner testimonial

What do you value when selling loan portfolios?

When selling loan portfolios we focus on building a fair process to all investors and we prioritise an experienced partner who safeguards fair customer treatments. We are committed in ensuring a structured and competitive process, with high-quality information flow and a great balance between price offer and Sales purchase agreement.

How long were you working with Hoist Finance?

We have been working with Hoist Finance since 2011.

How did you experience working with Hoist Finance?

Hoist Finance has solid expertise within the debt collection industry across Europe. They have demonstrated an extremely high degree of professionalism and a strong commitment when dealing with us.

Is Hoist Finance particularly good at taking care of their customers?

I would say yes. So far, we have sold more than 15 NPL portfolios to Hoist Finance (including one-offs and forward flows) and we have never received any claim from former Santander costumers. This means that Hoist Finance values the integrity and security of our end customers.

Our customers

Hoist Finance's customers are individuals and SMEs with non-performing or performing loans. We help customers by setting up sustainable repayment plans to help them get back into the financial ecosystem.

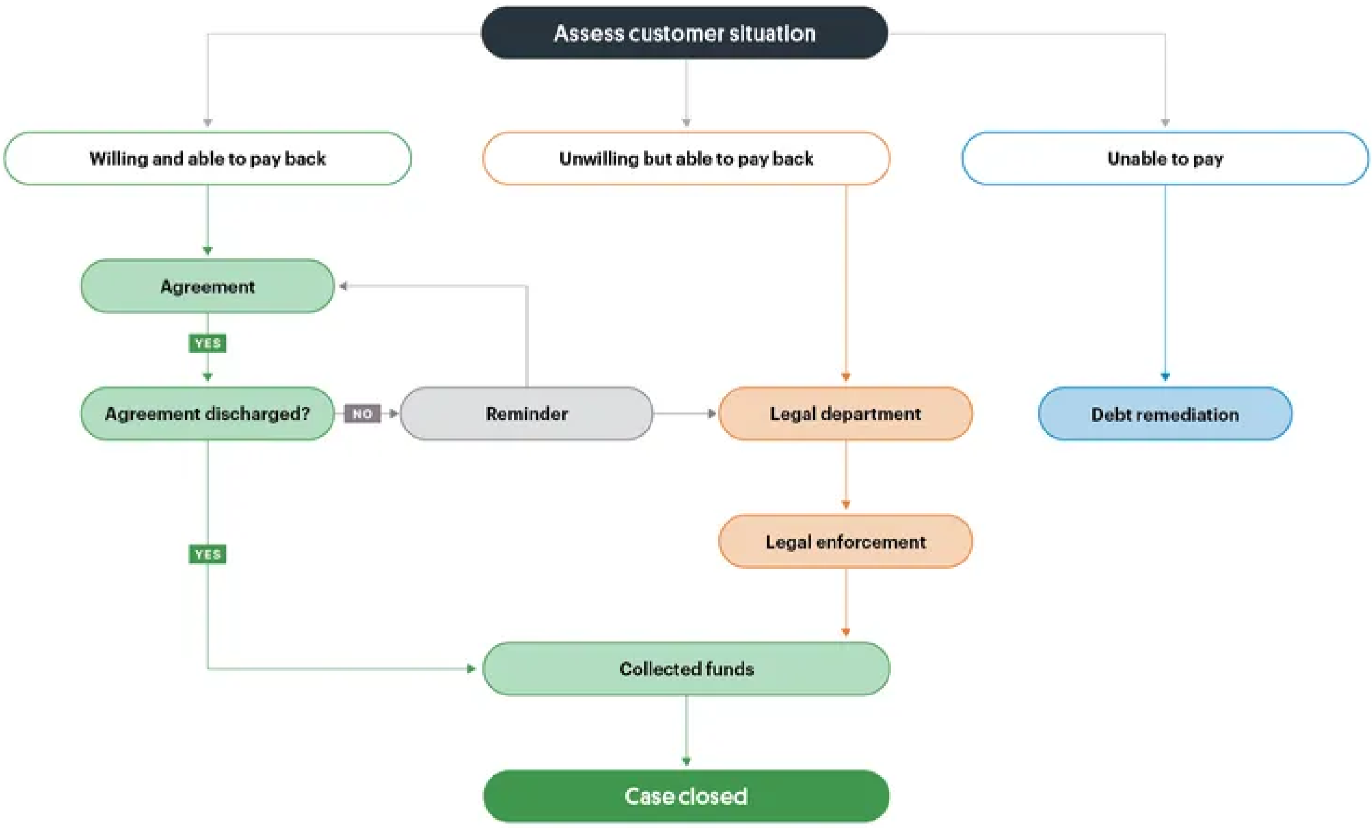
Hoist Finance also offers savings accounts with fixed and flexible interest rates to customers in Sweden, Germany and the UK. Hoist Finance deposit customers are covered by the deposit guarantee scheme, which in Sweden corresponds to SEK 1.050.000.

Our customer approach

We have many years of experience helping individuals to get back on track and regain control of their financial situation. We know that not all customers are equally willing or able to repay their debts and over the years we have learned about the obstacles our customers face. Thus, we offer tailored solutions based on customers' individual circumstances and strive to make the interests of our customers a cornerstone of the joint solutions we seek. Whenever a customer is in contact with Hoist Finance, they can rely on being treated in a responsible, humane, and ethical way, with understandable communications and customised solutions. Keeping to our values, vision and mission, we have found that our ability to collect has improved over time and that outcomes are better for all parties.

Collection process overview

Our agents contact customers by phone, letter, email and sometimes personal visits to negotiate a payment plan. Our goal is to work with amicable settlements which means that we help our customers to set up realistic and sustainable payment plans individually tailored to their unique financial situation. If there are no preconditions for an amicable settlement, it will turn in to a legal process. We are consistent in our customer approach, whether it concerns an amicable payment plan or a legal repayment solution.



Excellence in Customer Experience

Customer experience – self assessment

An important part of successful debt collections builds on our ability to create trust with our customers. To enable us to continuously improve our customer interactions, Hoist Finance has created a framework and process for measuring customer experience through a self-assessment questionnaire at specific customer touchpoints. It has been successfully tested in select markets during 2021 and will be implemented in 2022.

Vulnerable customers principles

The treatment of vulnerable customers is an important aspect and is highlighted further by the impact of the Covid-19 pandemic. Vulnerabilities are based on individual circumstances such as mental health, long-term illness, and financial shock. Treating customers with appropriate levels of care can improve customer well-being, help us to develop sustainable arrangements, and attract less complaints. It is vital that we have effective processes in place to identify signs of potential vulnerability and the impact it has on their ability to repay their debt. In 2021, we updated our Vulnerable Customer Definition and Principles, meaning that we now have a common way of working with vulnerability across markets.

Customer complaints

A well-functioning process for handling complaints provides the customers with a means to look after their own interests. Our group policy is to inform customers, in an appropriate manner, regarding the handling of complaints and how the customer can submit complaints. Customers will also be informed of any guidance which can be obtained from external consumer organisations and agencies as well as through local municipal consumer guidance authorities.

Customer testimonial

Can you describe your situation when Hoist Finance first contacted you?

At the first stage I hadn't enough money to cope with your request. I had to wait to the end of another financial transaction to be able to make a repayment proposal. Your availability to wait for me was crucial to achieve a positive closure.

How did you end up in your financial situation?

I had more than one opened dossier (not only with your company), I ended up in financial difficulties following the financial crisis of 2008 when I was self-employed.

How were you treated by our Customer Contact Representative?

My experience was completely positive: I felt empathy and respect from the agent despite my circumstance. Communications was also very clear; furthermore, the politeness of the contact centre's agents who answered my calls has been essential.

Did you get the support you needed?

I made a proposal of repayment that the collector submitted. Later, I was contacted via email to confirm its acceptance. You have been flexible, clearly within the granted limits, and from the other side, I think I've been precise in sticking to the agreement we made.

Do you have any advice you would like to give to other people in a similar situation?

Among the debt collection companies I've heard about and that I dealt with for my other dossiers, you have proven to be the most professional. The cooperation is crucial because, when you get in touch with the customer, he is already very stressed. If I would hear someone talking about Hoist Finance, I will express my positive notes and suggest him/her to rely on you to find a solution.

Vincenzo, 56 years old, Italy

Data driven business

During 2021, we increased our focus on digital solutions and automation and continued the work to improve our collections processes. We do so to accomplish greater efficiency and achieve best practice in our operations processes in all our markets, from amicable collections to litigation processes.

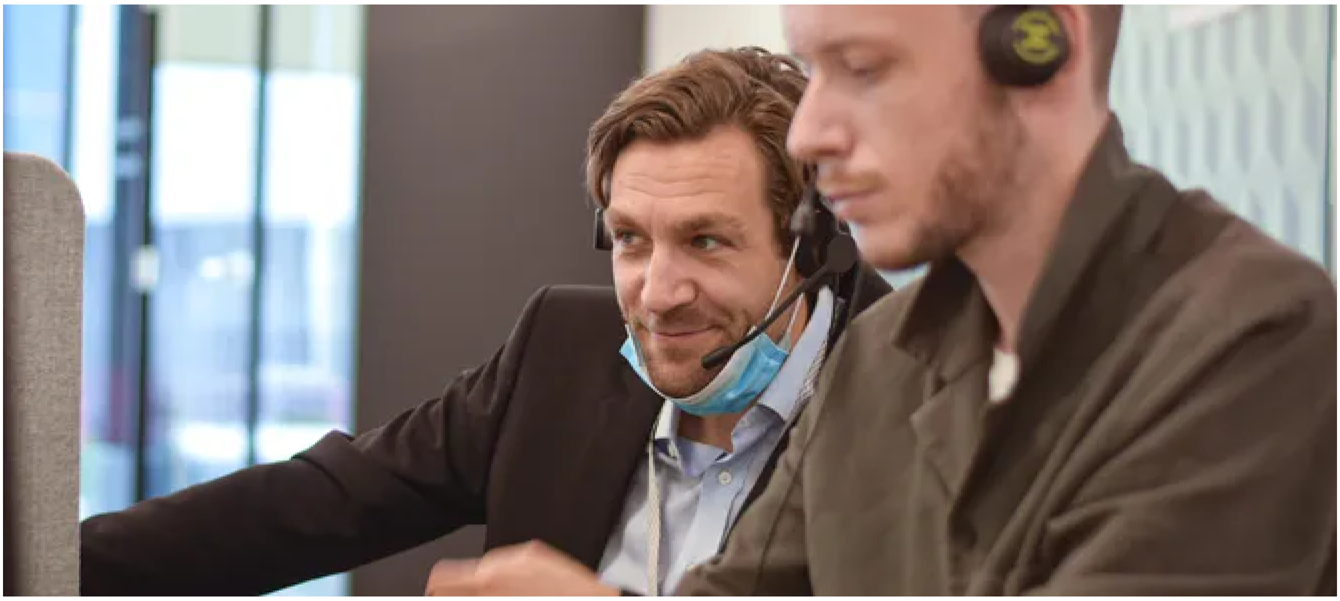
At Hoist Finance we believe that the future of debt collection is to provide customers with those communication and payment solutions best suited to their needs, which is reflected in our digital strategy. When contacting us, we leave the choice of which channel to use to our customers. When reaching out, data tells us how and when to contact our customers and which payment solution they can afford. Last year we have seen improvements in the use of our self-service portal, increased customer satisfaction and a lower cost to collect. With our customer support platform, customers can assess their own unique financial situation and access guidance on how to improve their finances, reduce expenses and identify social benefits that they are entitled to.

Group data model enhances efficiency

Hoist Finance's Group data model enables us to do large scale analytics and reporting in one place, enhancing collections performance at reduced costs. Contact centre and web portal reporting uses live queries and visualised real-time data. The Group data model allows for a more structured KPIs monitoring as well as detailed comparisons for knowledge sharing and continuous improvements across the group. Data is being used to combine affordability checks with customer payment behaviour, to improve collections and reduce costs.

Rules Engine supporting plan conversion

We consistently leverage technology and develop a culture of data-driven decision-making processes. Hoist Finance's Rules Engine product (NEO) creates automated strategy decisions based on comprehensive data. On a daily basis, Rules Engine defines the next best action for each of our customers by selecting the customers we should contact, the channel we should use, and the message we should convey. By utilising our data in decision making processes, Rules Engine allows us to run concurrent tests to optimise our collection performance.



A full spectrum of customer self-service offerings

In 2021, Hoist Finance introduced a full spectrum of customer self-service offerings.

Meet the fictive customer called Sandra, who is a German customer newly onboarded and who has an unsecured debt.

We first get in touch with Sandra by letter, SMS or email inviting her to to create an online account. Our new online registration process provides 25 per cent more efficiency in the digital onboarding process, is more secure and improves future communications with customers by capturing and confirming contact data.

Utilising our data modelling, Sandra is suggested with a payment plan tailored for her financial situation. Just like 25 per cent of other customers, she selects the suggested payment plan. Although Sandra could have used new digital payment solutions such as Blik, PayPal, Apple Pay or Google Pay, she decided to go for a manual payment every month.

The following month, Sandra receives an SMS reminder with a one-time link for a quick access to a monthly payment interface. In less than one minute she can pay her instalment. In a few months Sandra will receive an email proposing to review her plan, with a new suggested amount that highlights the benefits of accelerating her payments. Hence, she could be debt free faster, whilst still having the flexibility to review her plan at any time. The new suggested payment plan has up until now led to a 35 per cent conversion rate.

If at any time Sandra has questions, the chatbot, can assist her 24/7. However, she can always choose to use our agent assisted service in our contact centres if she prefers.

Our people, our culture

Hoist Finance strives to be the industry's best place to work. We are a proud culture-oriented company and our employees are at the heart of our organization. We want to offer the best work environment and equal opportunities to develop, and we deeply believe that an investment in our people translates to an investment in our customers' experience and their financial freedom.

Our organisational structure has clearly defined processes, and clear roles and responsibilities are focused on one thing: working effectively together as a unified company adopted to local conditions.

"

It is always important to seek the advantages we have being a large corporation, and in some ways that became clearer during the pandemic. That doesn't mean that one size fits all. Solutions that are made at group level need to be tweaked to the local markets. There are big differences between the markets to take into consideration, such as regulations, culture and different ways of talking to the customers. We need to pay equal attention to local and global needs and opportunities.

"

Per Anders Fasth, CEO

Employee health and well-being

Mental health and well-being have been at the core of our approach to practically handle Covid-19.

We have developed a number of training resources, educating all employees on how to work effectively in a hybrid working model. Our hybrid way of working enables our employees to have more flexibility in how they manage their work-life balance. It is important to get this balance right, and we are accountable for providing a framework where our employees feel supported and trusted. We have also developed supporting tools and trainings to identify when our employees may be suffering from mental health issues, so that our managers and people leaders are well equipped to offer support and guidance. Hoist Finance's management of the pandemic increased employee loyalty, productivity, and engagement, which has been proven through the results of a recent internal survey. Even though our markets have moved at different speeds following local government guidelines, we have remained consistent in the way we have treated employees through communication and support.

When the pandemic hit the world in early 2020, we needed to adapt quickly to a new reality. To transform the physical culture that they were used to, our management teams at Hoist Finance set up digital townhall meetings, buzz sessions, calls, videos, and activities such as mental health guest speaker seminars, digital team-building activities and stress management courses.

Mental health week UK

Find more stories of activities carried out in 2021 to develop our work for our employees' well-being, diversity and gender equality here.

Career and skills development

In a world where digitalisation and change are proceeding at a rapid rate, the skills and well-being of our people remains a key focus. We continue to build on technology to create a stimulating and innovative environment that ensures that our people are constantly developing. Digital training solutions have been an area of growing expertise, supporting employees during the transition to hybrid working arrangements and a new operational structure.

During 2021 Hoist Finance has introduced a new accessible learning platform encouraging curiosity to improve. The learning platform aim at personal development with topics ranging from Health and Wellbeing to Finance for non-Financial Managers.

We also moved our employee mandatory trainings to our new platform Youniverse, creating an accessible digital experience with new content. During 2021, 96% of employees across the group have completed mandatory training modules. In total, 19278 hours of training was completed across the company, using a variety of different methods, which results in an average of 12 hours per colleague.

We continue to invest in our people with the creation of a talent module in our new digitalized employee appraisal process that will enhance the dialogue between manager and employee, support individual development, retain talent and create a clear succession planning during 2022. Our employees and future employees will have access to clear career paths and development programmes as well as mobility opportunities across functions and countries where appropriate. During 2021, 100% of our employees received regular performance and career development reviews.

Diversity and equal opportunity

Hoist Finance believes that everyone has equal value and the right to equal treatment, with the same employment conditions, skills development and promotion that underpins all its management practices. Our commitment to fostering and preserving a culture of diversity and inclusion is supported by our Diversity Policy. Pay is based on industry, local market and collective agreements and is reviewed annually.

Our Diversity and Inclusion Committee is made up of representatives from across the group with the common goal of identifying our challenges and opportunities and to define a package of solutions to improve our overall culture. During 2021, the committee have identified focus areas for our work and related activities, such as the need for unconscious bias training, more transparent recruitment processes and more conversation around the gender split in senior management. Action plans are currently under review and includes the removal of names on CVs and interviews, annual trainings and supporting documents related to our diversity focus areas.

Gender equality - Getting inspired by rugby

Find more stories of activities carried out in 2021 to develop our work for our employees' well-being, diversity and gender equality here.

Great Place to Work®

We initiated a collaboration with the company Great Place to Work in 2016 to measure the development of our corporate culture and work environment over time. Great Place to Work conducts one of the world's largest employee surveys and ranking programmes and provides tools to support and prioritise development areas as well as to understand employee perceptions and experiences of the company. The survey also measures how far Hoist Finance has come in implementing company values.

During 2021 Hoist Finance has been certified as a Great Place to Work in eight out of the 12 countries where we have employees, and we have reached a listing in Sweden and Italy, giving us a high rank in comparison with companies in similar size in each market. Find results from the GPTW employee survey 2021 in the Sustainability Reporting Section.

Whistleblowing

Hoist Finance empower employees to report misconduct, unethical or illegal behaviours through a whistleblowing mechanism. Our Whistleblowing Policy furthermore states that any harassment, including sexual harassment, bullying and/or victimisation is unacceptable. The procedures of our whistleblowing mechanism are included in annual e-learnings for all employees.

Hoist Finance's whistleblowing mechanism, provided by an independent external supplier, consists of a web-based encrypted whistleblowing system, available at all times to all Hoist Finance's employees in seven different languages. All employees can access the system to report anonymously, and all concerns raised will be treated with strict confidentiality, ensuring that anyone raising a concern will not be penalised or victimised in any way. Access to messages received through our whistleblowing channel is restricted to appointed individuals and reports are managed on a case-by-case basis. If an investigation needs to be initiated, necessary actions are taken internally or reported to external authorities if needed.

Our people in figures

At 31 December 2021, Hoist Finance had 1544 employees in 12 countries. Additional data related to our people are presented below and is based on the total number of full-time equivalents (FTEs) in each category by the 31 December 2021, if not stated otherwise. Supplementary information about the division of employees per market can be found in Note 9.

The majority of our people are full-time employees, but some have part-time contracts. Numerous of our part-time employees work in our customer centers and many of them combine work and studies. Another factor for working part-time is also working with childcare at home.

Information on employees and other workers	**Total 2021**	**Women 2021**	**Men 2021**	**Total 2020**	**Women 2020**	**Men 2020**
Total number of employees (FTEs)	1544	905	639	1631	979	652
Total number of employees (headcounts)	1733	1069	664	1798	1122	676
Average number of employees, 2021	1586	942	644	1615	949	666
Total number of employees with permanent contract	1349	793	556	-	-	-
Total number of employees with temporary contract	195	113	82	-	-	-
Total number of employees with full-time contract	1219	650	569	-	-	-
Total number of employees with part-time contract	325	255	70	-	-	-
Total number of employees in consultant roles/agency workers, FTEs	51,5	-	-	-	-	-

Diversity

Various diversity metrics for Hoist Finance are presented below. Here, all data are presented based on headcounts, as we aim to use FTEs when analysing efficiency but headcounts when analysing demographics and diversity. Find more information about the diversity of our Parent Company Board of Directors here.

In addition to information about the diversity among employees, management and Board of Directors, we are also eager to track the pay ratio and parental leave discrepancies based on gender over time to measure progress. As seen in the table below, female salaries are lower than male salaries, which largely depend on women being less represented in management positions. During 2021, 1645 Hoist Finance employees were entitled to parental leave, and 100 employees started a cycle of parental leave. Out of these employees, 80 were women and 20 were men.

Diversity among Board of Directors, management and employees	**2021**	**2020**	**2019**
Percentage of employees, women	62%	62%	59%
Percentage of managers, women	48%	53%	45%
Percentage of executives, women	45%	-	-
Percentage of Parent Company Board of Directors, women	25%	57%	50%
Ratio: Median Female Salary to Median male Salary	0,85:1	-	-

Age distribution among employees and managers	**Employees 2021**	**Managers 2021**
<30	17%	4%
30-50	71%	79%
>50	12%	17%

People turnover and sick leave

The staff turnover for 2021 is presented below. The reason for the gradual decrease in staff turnover since 2019 depends mainly on how we have handled the pandemic and provided larger opportunities to work in a hybrid work model. During 2021, 60 per cent of new employees were women and 40 per cent were men. Divided on age, 26 per cent were under 30 years old, 63 per cent were between 30-50 years old, and 11 per cent were over 50 years old.

Short-time absence due to illness increased since 2020, but remains lower than before Covid-19, as the development below demonstrates. The reason for the higher rate in 2021 compared to 2020 was that more people returned to our offices, while in 2020 many employees worked only from home. During 2021, there was one reported work-related injury among all employees.

Turnover and sick leave	**2021**	**2020**	**2019**
Staff Turnover (%)	25,5%	26,3%	29,9%
Sick leave (%)	2,85%	2,62%	3,31%

Risk management

Hoist Finance's core business is to acquire and manage NPL portfolios, which is why we are actively exposed to credit risk. Being a regulated company under supervision from the Swedish Financial Supervisory Authority (SFSA) puts further emphasis on a solid understanding and management of all the risks facing the company.

The risk management framework

Risk management at Hoist Finance aims to:

- Increase awareness around the company's complete risk picture through identification, analysis, measurement, control and reporting of risks.
- Facilitate and ensure sound and safe development of the business.
- Secure the company's survival by maintaining adequate capital and liquidity levels.

This creates and maintains confidence in Hoist Finance among Hoist Finance stakeholders, thereby enabling sustainable shareholder value. To fulfil these goals, the Board of Directors has adopted policies and strategies for the management, analysis, control and reporting of risks in day-to-day operations, which together comprises a risk management framework.

Hoist Finance's core business and risk strategy is to generate returns through controlled exposure to credit risk in the form of acquired loan portfolios. Therefore, we actively pursue this type of credit risk. Other types of risk, such as operational risk and market risk, are undesirable but sometimes unavoidable. However, these risks are minimised as far as is economically justifiable.

Risk capacity, which consists of the capital and liquidity buffers in place, is set to ensure the survival of the company. Capital risk capacity is the difference between actual capital levels and regulatory minimum levels and demonstrates the capacity to absorb losses before critical levels are reached. Liquidity risk capacity is the scale of the liquidity outflow Hoist Finance can accommodate without breaching regulatory minimum requirements.

The Board of Directors determines our risk appetite within the available risk capacity. By weighing potential returns against potential risks, the Board decides on an appropriate risk and return level for Hoist Finance. Our risk appetite then provides the basis for business decisions and risk limits, which are applied in day-to-day business activities and in risk monitoring. Continuous monitoring performed by the Group's Risk Control function ensures we do not assume any risks that exceed the established risk appetite, risk capacity or limits.

Three lines of defence

Hoist Finance's risk management is built around a sound risk culture; an efficient operating structure governed by policies and guidelines and transparent reporting and monitoring. The Board of Directors' risk management policy stipulates the framework, roles and responsibilities for risk management and the guidelines for ensuring that there is adequate capital and liquidity to withstand economic adversity.

Hoist Finance's risk management allocates roles and responsibilities in accordance with three lines of defence, described in the Corporate Governance Report.

Risk culture

We have a deep insight and understanding of why a sound risk culture is essential for efficient risk management. Therefore, structured efforts are taken to support and promote a sound risk culture within Hoist Finance. We define a sound risk culture as:

- **Transparency**, where information is shared as far as possible and all communication and feedback is clear, concise and constructive.
- **Teamwork**, where the atmosphere is open and it is easy to share and learn from experience, both from successes and from failures.
- **Balance between risk/reward**, where all decisions and considerations take into account both the risk and the reward that the decision entails. We believe that constructive discussions on risk and reward are essential for sophisticated decision-making on business opportunities.
- **Sound incident management**, where incidents are reported, analysed and actions taken to mitigate risks as far as economically justifiable; and where a sound and formative risk culture promotes learning from mistakes to continuously improve.

Promoting a balanced risk culture is a long-term and continuous endeavor that permeates everything that we do. Internal rules, remuneration systems, incentives, ethical guidelines, formal educational initiatives and other governing mechanisms within the company are designed to ensure that the risk culture develops in a positive direction. We strive to improve the risk culture further and have initiated work to broaden the risk management to ensure inclusion of risks outside what was previously considered traditional risk types for a bank. These risks include for example climate change and the well-being of our employees. This work is done in close collaboration with our Sustainability team and via active participation in the Business Ethics and Sustainability Committee.

Security management

Our information security management continues to focus on protecting our customer data and business critical information. The demands of regulatory requirements for the finance industry are high and going forward we will see an increase in those that we need to adhere to, therefore, this is a prioritized part of the Security work at Hoist Finance.

During the year we have seen a considerable increase of cyber-attacks towards the finance sector as well as evolving attack methods. In order to prevent the new attack methods, we have taken several initiatives and implemented various defense mechanisms.

The Board of Directors and our Management are continuously engaged in the work with information security. Reporting is done on a quarterly basis to the Management team and the Board, both when it comes to KPI's within the field as well as follow ups on any incidents or special projects.

Security is handled in all three layers of defense where the first layer is focused on operations, the second on reviews and tests and the third on internal audits.

An important part of the security management is having a high security awareness level among our employees; therefore, we have invested in a new training and awareness tool to test and train our staff on a regular basis. The results are carefully examined to identity any gaps towards our target.

Apart from protecting our business and our customers we also want to contribute to a stable and secure financial market.

Climate change risk assessment

Climate change has an impact on the economy in general, on a more specific note it affects collateral values and customers' repayment capacity. The level of investments in portfolios secured by real estate increases and Hoist Finance is placing greater focus on monitoring our collateral, including effects from environmental/climate change risks. This serves both to protect Hoist Finance against unforeseen deterioration in collateral asset quality and to ensure we are able to assess whether environmental factors pose any risk to our customers. Read more about climate change risk in the Sustainability report.

Risk exposure

The risks to which Hoist Finance is exposed can be divided into two groups: strategic risks relating to Hoist Finance in the context of its macro environment, and business-related risks which are more linked to Hoist Finance's financial and operational activities.

Strategic risks

Risk type	Risk profile	Risk management
Competition The risk of increased competition in purchasing loan portfolios or in offering savings accounts to the public could result in lower earnings for Hoist Finance.	As regards the purchasing of loan portfolios, Hoist Finance operates in several countries within Europe and offers savings accounts in Sweden, Germany and the UK.	Hoist Finance strives to be competitive through a good geographic footprint, a well-diversified portfolio, efficient operations and a low cost of funding.
Regulatory framework The risk of new regulations negatively impacting Hoist Finance's business model or otherwise adversely affecting earnings.	As a credit market company, Hoist Finance is regulated by the Swedish FSA and subject to Swedish banking regulation. Furthermore Hoist Finance is subject to applicable European banking regulations and changes hereof.	Hoist Finance has a compliance function that works internationally across the jurisdictions in which the company operates. Forthcoming regulations are continuously monitored and subjected to risk analysis. Hoist Finance actively participates in dialogue with the regulator and makes statements on proposed regulatory frameworks.
Tax The risk that new or substantially altered products have not been properly assessed from a VAT or income tax perspective. The risk that appropriate processes are not in place, resulting in improper management of income tax and VAT. The risk that Hoist Finance will take over unknown tax liabilities in acquired companies.	Given that Hoist Finance operates in a large number of jurisdictions in Europe, tax issues are relatively complex. A high degree of complexity entails a risk that misinterpretations may have arisen.	There is ongoing work to ensure a sustainable structure includes analysing new tax rules and their impact on Hoist Finance corporate structure. Hoist Finance also works continuously to ensure that the Group has the necessary processes in place and the expertise required to identify tax risks and clarify roles and responsibilities regarding income tax and VAT.

Business-related financial risks

Risk type	Risk profile	Risk management
Credit risk The risk of loss arising from a customer's failure to repay principal or interest or otherwise meet a contractual obligation.	Credit risk refers mainly to acquired NPL portfolios and the risk that collection on these will be lower than forecasted. Credit risk also includes the risk of credit losses on acquired performing loans. Other credit risk exposures are: (i) cash deposits with banks; (ii) investments in interest bearing instruments; and (iii) counterparty risk related to hedging FX and interest-rate risk.	Credit risk in acquired loan portfolios is monitored, analysed and managed by the management in each country, and by the Group's Business Control unit. Other credit risks are analysed and managed by the Group's Treasury function. The Risk Control function analyses and monitors all credit risk exposures.
Market risk The risk arising from adverse movements in foreign exchange rates and interest rates.	The main FX risks arise from the fact that the loan portfolios (the assets) are denominated in EUR, PLN and GBP, while the reporting currency is SEK and the majority of liabilities are denominated in SEK. Interest-rate movements have an effect on net interest income.	Market risks are hedged continuously by the Group Treasury function and are independently analysed by the Group's Risk Control function.
Liquidity risk The risk of difficulties in obtaining funding, and thus being unable to meet payment obligations when they fall due, without a significant increase in the cost of obtaining means of payment.	Liquidity risk is linked primarily to deposits from the public and the risk of large withdrawals occurring at short notice. Furthermore, increased requirements for funds pledged as collateral for derivative positions, and refinancing risk associated with existing market funding, could potentially impact liquidity in a negative way.	The Group has a significant liquidity reserve to cover potential outflows of liquidity. Hoist Finance also works pro-actively to diversify the number of funding sources.
Operational risk The risk of loss resulting from inadequate or failed internal processes, people, IT-systems or from external events including legal and compliance risk.	Operational risk is present across our operations and come in many forms. Common examples are to failure in our processes due to issues with our IT-systems or lack of or erroneous data to perform tasks. Operational risk category is expanding broadly due to the increasing connection with Environmental Social Governance - ESG related risk such as pandemic, climate change risks, and financial inclusion. The operational risk framework is then updated accordingly.	The operational risk framework is implemented to analyse, control, report and mitigate operational risks Hoist Finance is exposed to. During 2021 the Risk and Control Self-Assessment – RCSA process has considered, for the first time, if any ESG related risks rely on the business process to provide input to a dedicated sustainability risk assessment to conduct in 2022.Hoist Finance has showed good capacity to handle a crisis and adopt the way of working to deal with unexpected changes. Hoist Finance is committed to continuous improvement of such capacity, planning and proper training to get prepared for further crisis.

Additional and more detailed information about Hoist Finance's risk management is presented in the Administration Report, Note 33 and in Hoist Finance's Pillar 3 report. This also includes quantitative risk measurements.

Our share

The Hoist Finance share has been listed on Nasdaq Stockholm's Mid Cap list since 25 March 2015. Hoist Finance's market capitalisation was SEK 2,608 million based on the last price paid on 30 December 2021, which was SEK 29.20 per share.

Trading

In all, 109 million (192) Hoist Finance shares were traded in 2021 with an average daily trading volume of 431 439 (762,275) shares. Nasdaq accounted for 57.4% of the total trading in Hoist Finance shares.

Hoist Finance's share price decreased 19.9 per cent in 2021, while the total OMX Stockholm PI index increased 35.0 per cent. The highest price quoted during the year was SEK 44.40, on 8 March 2021, and the lowest price was SEK 26.80, on 20 December 2021.

Share capital

The total number of shares is 89,303,000. Each share has a nominal value of SEK 0.33, and total share capital 29,767,667. Hoist Finance's share capital derives from one type of share where each share has the same voting rights and the same right to dividends. There is no provision in Hoist Finance's articles of association that limits the right to transfer shares or any voting right restrictions as to how many votes a shareholder may exercise at a shareholders' meeting. Hoist Finance does not hold any of its own shares, nor has it issued any shares in 2021. Hoist Finance is unaware of any agreement between shareholders that may entail restrictions on the right to transfer shares in the company.

Ownership structure

As of December 31, 2021, Hoist Finance had 6 035 shareholders (6 877). Approximately 14.7% of the shares (15,1) were registered to foreign accounts. The fifteen largest individual shareholders represented 65.9% (65.2) of the share capital.

Dividend

Hoist Finance dividend will in the long-term correspond to 25-30 per cent of annual net profit. The dividend will be determined annually with respect to the company's capital target and the outlook for profitable growth. As the annual net profit is negative for the financial year 2021, the Board of Directors will recommend that the Annual General Meeting resolve not to pay a dividend for 2021.

Credit rating

Hoist Finance has a long-term senior unsecured debt rating of Baa3, with a stable outlook. The short-term credit score is P-3. The credit rating is completed by the rating agency Moody's Investors and was confirmed in October 2021.

Hoist Finance share data 2021

Ticker	HOFI
ISIN code	SE0006887063
Total turnover, SEK	6,470,414,280
Total turnover, number of shares	185,742,254
Daily average turnover, SEK	25,574,760
Daily average turnover, number shares	746,541
Average daily turnover velocity, %	0.84
Stake of turnover number of shares on Nasdaq, %	57.38
Lowest price, SEK	26.80
Highest price, SEK	44.40

1) Source: Modular Finance AB.

Ownership structure, 31 December 202

Size	Number of shares	Capital, %	Votes, %	No. of shareholders	Market value, KSEK
1–500	560,087	0.63	0.63	3,448	16,355
501–1,000	700,562	0.78	0.78	842	20,456
1,001–5,000	2,815,062	3.15	3.15	1.090	82,200
5,001–10,000	2,119,568	2.37	2.37	273	61,891
10,001–15,000	1,038,869	1.16	1.16	81	30,335
15,001–20,000	1,289,305	1.44	1.44	70	37,648
20,001	80,779,547	83.6	83.6	231	2,358,763
Total	**89,303,000**	**100.0**	**100.0**	**6,035**	**100.0**

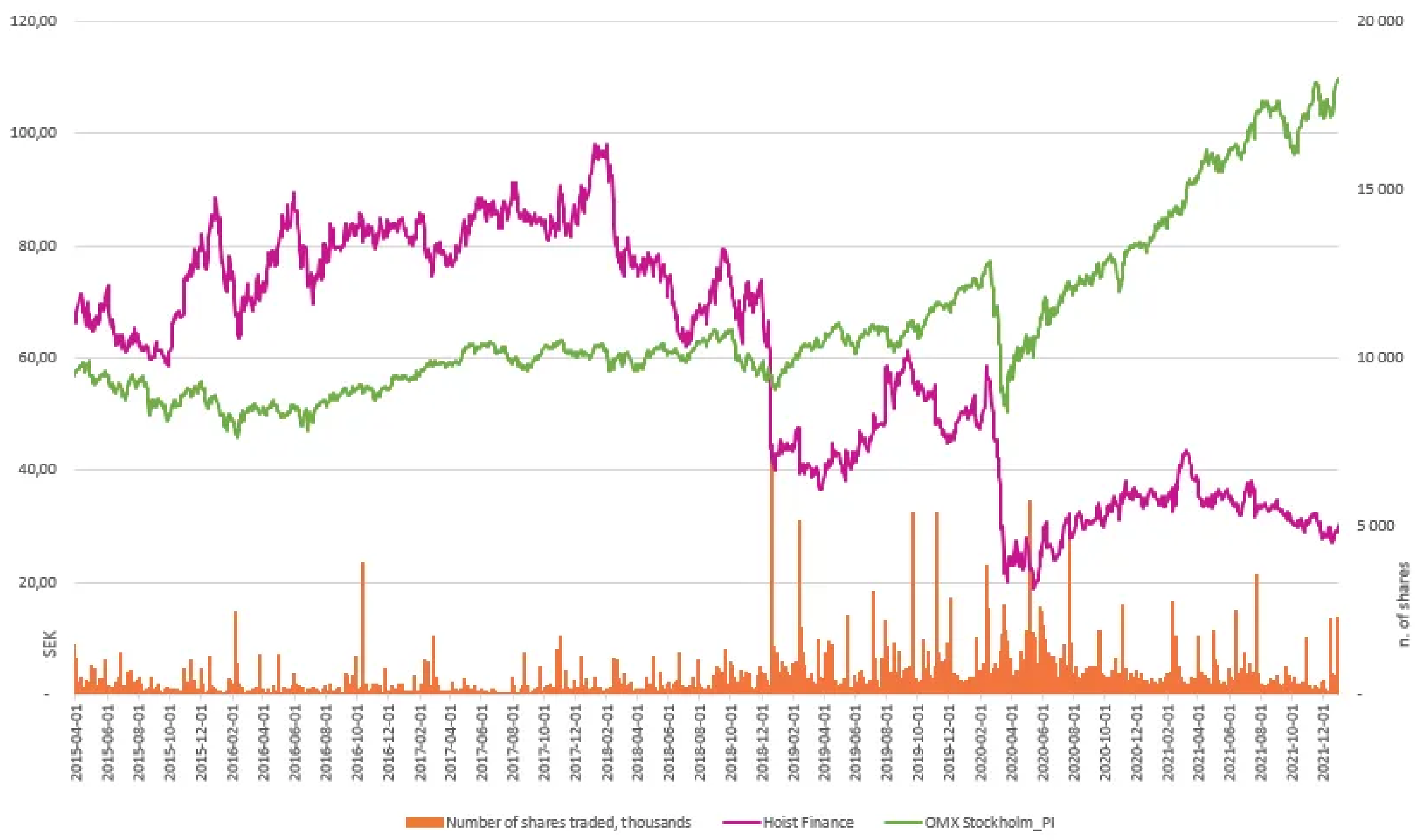
Source: Modular Finance AB

Largest shareholders, 31 December 2021

	Share of capital and votes, %
Per Arwidsson through closely related persons' holding	15.7%
Erik Selin	14.0%
Avanza Pension	8.2%
Swedbank Robur Fonder	6.7%
C WorldWide Asset Management	4.7%
BlackRock	4.2%
Per Josefsson privately and through company	2.8%
Dimensional Fund Advisors	2.7%
RAM Rational Asset Management	1.6%
Holberg Funds	1.5%
Arbona AB (publ)	1.3%
Nordnet Pensions Insurance	1.2%
Handelsbanken Funds	0.7%
The Kamprad family's foundation	0.7%
Nordea Liv & Pension	0.6%
Total 15 largest shareholders	**65.9%**
Other shareholders	34.1%
Total	**100.0%**

Source: Modular Finance AB

Hoist Finance, 25 March 2015 - 30 December 2021



Sustainability

Time to step up – define and improve relevant data for effective sustainability management

Hoist Finance launched our sustainability framework in 2019, right before the outbreak of Covid-19. The pandemic has forced us to put parts of our ambitions on hold to focus on supporting our co-workers and customers through this difficult time. Together with the rest of the world, Hoist Finance experienced negative impacts from the pandemic in 2021 which led to difficult, but necessary, changes in the organisation. These changes resulted in a mobilization of resources to increase focus on improved efficiency and cost reductions. However, we have not, by any means, rested in our sustainability efforts. We have managed to deliver on many of our intended targets and look forward to continuing to deliver on our commitments, and to support our customers on their way back to the financial ecosystem.

During 2021, we experienced the impact of climate change with severe flooding in Germany, Belgium and the Netherlands as well as difficult wildfires in Greece. Both Covid-19 and these events have deeply affected our societies and demonstrated that external threats are becoming increasingly real risks to business. We have also seen new initiatives from the EU to ensure that financial markets align around common reporting standards to mitigate green- and white-washing and turn around the eroding trust in investments labelled as sustainable.

"Looking back at 2021 I especially reflect on the emerging complex external risks we are facing as a business. The future will require improved ability to connect non-financial data to potential financial risks. A future where more elaborate data modelling and scenario building will create a competitive advantage."

Camilla Backström, Head of Sustainability

Data is another topic that has grown in importance within the field of sustainability. Appropriate data is necessary to enable increased transparency and to deliver an effective sustainability program. In 2021, we decided to put extra effort into improving our customer centric approach in data analysis, as well as implementing new data collection processes for our environmental and people data. These initiatives will provide us with tools to identify areas in need of improvement, setting measurable targets and to monitor progress based on current data.

OBJECTIVES 2022	INDICATORS 2022
We contribute to an inclusive financial ecosystem	
» Creating sustainable payment plans » Supporting customers to get out of bad debt » Client bank satisfaction	» Per cent of customers breaking their payment plan » Per cent of customer that paid off their debt with Hoist Finance » Number of banks ranking Hoist Finance among top three in the market
We create a great place to work	
» Employee health and well-being » Diversity awareness » Gender equality in management » High employee net promorion score (eNPS)	» Health and wellbeing score in Great Place to Work survey. » Per cent of workforce that improve their awareness of diversity » Per cent of female representation in management » eNPS
We uphold the highest ethical standards	
» Strong customer integrity processes » Robust framework on anti-corruption and conflicts of interest practice	» Number of investigations reported » HOFI anti-corruption index
We combat climate change	
» Reduce indirect and direct CO2 emissions » Reduce paper consumption through reduction in number of letters	» Total CO2 emissions » Total number of letters sent

Sustainability Management

Stakeholders and materiality

Understanding the perspectives of our stakeholders is critical to identifying and managing our priorities. By continuously engaging with multiple stakeholders in all markets and developing our processes, we ensure that our sustainability strategy is built on the non-financial aspects that are most material to our stakeholders. Read more on our stakeholder engagement process and our materiality matrix here.

Sustainability policy and other supporting policies

Our Group Sustainability Policy govern our sustainability efforts. The policy, reviewed annually, includes principles for each stakeholder group and demonstrates Hoist Finance's commitment to integrate sustainability aspects in all areas of our daily business, including environmental issues, human rights, social issues, employees, and anti-corruption. All new employees are trained on the Sustainability Policy through an e-learning, which is planned to go out annually to all employees from 2022 and forward. Other corporate policies and instructions that are vital for governing ESG issues are found on our website and outcomes of these policies, such as their contribution to sustainability objectives, are followed up regularly through our business review process.

Furthermore, our Supplier Code of Conduct, which governs our suppliers' adherence to environment, social and governance (ESG) issues and ethical business, builds on the UN Global Compact principles, the International Labour Organization's Declaration of Fundamental Principles and Rights at Work, the Universal Declaration of Human Rights, and the United Kingdom Modern Slavery Act.

Sustainability as part of our governance model

Board of Directors (BoD)

The Board of Directors is the highest governing body and oversees the sustainability strategy. Decides on our sustainability work and progress at least annually. Its committee RACO (Risk and Audit Committee) provides advice, counsel and recommendations on key sustainability matters.

Chief Executive Officer (CEO)

Primary responsibility for managing and executing the sustainability strategy rests with the CEO with the support from the Executive Management Team (EMT).

Business Ethics and Sustainability Commitee (BESC)

A forum providing recommendations to the EMT on sustainability and ethical issues. Makes precedential decisions and gives guidance and supervision to the organisation on matters relating to ethical dilemmas, environmental, social, human rights, human resources and customer matters. Headed by the CEO and convenes four times a year.

Sustainability function

Develops the sustainability strategy and supports deliveries on set KPIs in collaboration with operational and functional units.

Sustainability Ambassadors

Country Management

Responsible for developing local activity plans and delivering on the strategy and KPIs. Integration and execution into daily management is secured through the quarterly Business Review process. Responsible for managing and developing impact and communicating with the sustainability function.

Functional units

Responsible for integrating and executing on set sustainability strategy and KPIs. Supporting sustainability integration into decision making processes.

Sustainability ambassador network

Hoist Finance's Sustainability Ambassador Network was launched during 2020 and meets monthly. The network consists of 23 Ambassadors representing all markets and functions across our organisation. The purpose of the network is to leverage on Hoist Finance's sustainability strategy across the organisation. It is a channel for sharing best practices and serves as a communication- and feedback loop between the Sustainability Function and the various markets.

"The Sustainability Ambasador network helps us to become more aware of the importance of our daily impact on financial inclusion and enables us to align local activities with the sustainability strategy."

Lidia Petrescu, Head of People Romania and Sustainability Ambassador Romania

Sustainability Strategy

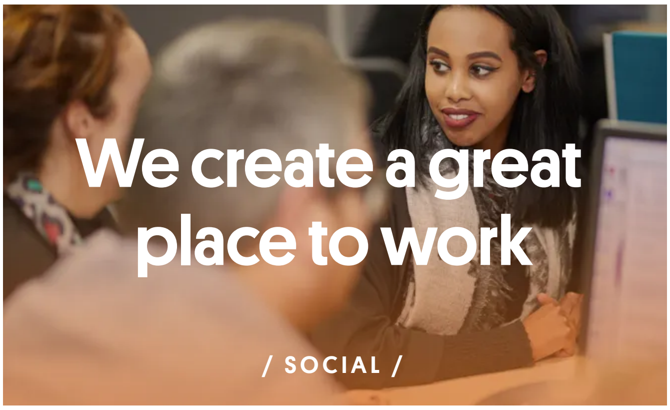
Hoist Finance's sustainability strategy is clearly connected to our business and value creation model and aims to contribute to sustainable development and create long-term value for all stakeholders. The material aspects collected in our stakeholder dialogues are embedded in our four strategic pillars seen below. Although we drive efforts in all three ESG areas, it is within the social area (S) where we, as a company, can really make a difference. By supporting banks and helping customers get back on track, we contribute to financial inclusion and economic growth in society.

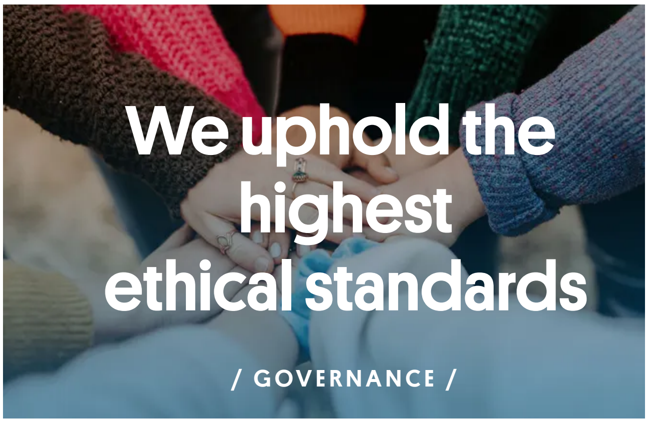
Within our four strategic pillars, we have established a dual focus where we aim to mitigate negative aspects as well as identifying what actions have a potential positive impact. Since the beginning of 2020 and throughout 2021 we started to track our progress regularly through the existing business review process, improving transparency and ensuring a continuous focus on our activities and progress. We have developed measurable indicators for each pillar to track our performance and hold ourselves accountable.

By your side

Helping People Keep Their Commitments

OUR FOUR PILLARS





We contribute to an inclusive financial ecosystem

Our Commitment

Our materiality matrix demonstrates that our stakeholders consider the customer dimension to be most material for Hoist Finance. In practice, this means treating customers fairly and with respect, and that we strive to understand their individual circumstances and the threat of them being excluded access to affordable financial services.

Financial inclusion is a growing pan-European challenge. Already before the pandemic, one third of European households were considered financially fragile and unable to meet unexpected expenses. When you are financially excluded, you often have no access to affordable financial services and it can therefore be challenging to build a credit record, open a savings account, meet unexpected changes, and even gaining an employment or a rental lease.

Hoist Finance contributes to a healthy financial ecosystem by helping customers to get out of bad debt through customised support. In practice, this means for example to provide customers with repayment plans that they can afford, improved digital solutions, setting practices to help especially vulnerable customers, and forming shared value collaborations to support customers. Our success in helping customers to get out of problematic debt depends on our ability to build trust. This requires a great amount of sensitivity and respect to what can often be a challenging situation for the customer. In all customer interactions, we therefore focus on meeting customers on their terms with the ambition to arrive at amicable agreements.

Our Goals 2021	SDGs	Our Indicators 2021	UNGC Principle	Selection of Governing Documents
Business partner satisfaction	17 PARTNERSHIPS FOR THE GOALS	80% of client banks will rate Hoist Finance as top three in the market.	Principle 1, 2, 10	Code of Conduct, Sustainability Policy
Excellence in customer experience	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES 17 PARTNERSHIPS FOR THE GOALS	Implement CSAT in three customer touchpoints in all markets and all segments. Have a CSAT dashboard in place by end of year.	Principle 1, 2, 10	Code of Conduct, Sustainability Policy
Digital channel development for improved servicing	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES 17 PARTNERSHIPS FOR THE GOALS	30% digital collection rate. 95% satisfaction rate in 2021.	Principle 1, 2, 9	Code of Conduct
Forming external collaborations with organisations that have new innovative ideas for increased financial inclusion	17 PARTNERSHIPS FOR THE GOALS	Establish 1-2 impact partnerships.	Principle 1, 2, 10	Sustainability Policy

Testimonial: Maxime Pekkip

Find more testimonials and stories of activities carried out in 2021 to help our customers back to financial inclusion here.

Business partner satisfaction

Another important contributor to financial inclusion is the banks and financial institutions that entrust us with their customers. We contribute to upholding a healthy financial ecosystem in all our markets by supporting our business partners in offloading non-performing debt. We always strive to do our best to deliver solutions that suit our clients' needs. Therefore, we have a strong focus on continuous dialogue to ensure business partner satisfaction. Read more about our partners in the Our Partners and Our Customers Section.

Forming external collaborations

Impact Collaborations to create shared value

To create a greater value in the area of financial inclusion we collaborate with relevant stakeholders across our markets. Hoist Finance believes that collaboration for improved impact can create a win, win, win situation – win for our customers, our partners, our business and thus society. Sharing aspired outcomes, forming common indicators, and measuring results is the way to mutually create value. Below you find more information on two of our collaborations.

TEAM U & AppJobs

TEAM U is a social enterprise based in Germany, with the purpose to support SMEs and individuals in financial difficulties through preventative care, crisis support, and recovery. Hoist Finance entered a partnership with TEAM U in 2020 with the objective to share our know how in working with the SME segment while gaining a deeper understanding of the target group from TEAM U. During 2021 we have referred our customers in need of additional support to TEAM U for coaching, and TEAM U has helped Hoist Finance's customers to find a sustainable solution to their situation and arrange a payment arrangement with us. In return, Hoist Finance supported TEAM U in building a digital platform to achieve nationwide reach. We also supported TEAM U to hire their volunteer, Petra.

Hoist Finance are also collaborating with AppJobs in the UK, France, Spain and Italy. AppJobs is a comprehensive online platform that connects job seekers to Gig economy job opportunities. Through this collaboration Hoist Finance can better help customers in financial difficulties to access a job, while AppJobs increases their customer base.

We create a great place to work

Our Commitment

Our materiality matrix demonstrate that our stakeholders consider several aspects related to our employees as material for Hoist Finance. As part of running a sustainable business operation, we ensure we recruit and retain the best professionals, with the right passion and drive to make sure we deliver on our mission and goals. To create a great place to work, we focus on employee health and well-being, diversity, and gender equality to ensure our employees feel empowered, supported and proud to work at Hoist Finance. Read more about our People in the Our People Section.

Our Goals 2021	SDGs	Our Indicators 2021	UNGC Principle	Selection of Governing Documents
Employee health and well-being	3 GOOD HEALTH AND WELL-BEING; 17 PARTNERSHIPS FOR THE GOALS	» 85% score in employee well-being in annual Great Place to Work survey. » 77% score in TRUST index in the annual Great Place to Work survey.	Principle 1, 2, 3, 4, 5, 6	Code of Conduct, Sustainability Policy, Whistleblowing Policy
Diversity and equal opportunity	10 REDUCED INEQUALITIES; 17 PARTNERSHIPS FOR THE GOALS	A minimum of 90% score in diversity category in the annual Great Place to Work survey.	Principle 1, 2, 3, 4, 5, 6	Code of Conduct, Sustainability Policy, Diversity Policy, Whistleblowing Policy
Gender equality	10 REDUCED INEQUALITIES; 17 PARTNERSHIPS FOR THE GOALS	A common reporting standard to be developed 2021.	Principle 1, 2, 3, 4, 5, 6	Code of Conduct, Sustainability Policy, Diversity Policy, Whistleblowing Policy

Testimonial: Protecting colleagues from the mental consequences of racism

Find more stories of activities carried out in 2021 to develop our work for our employees' well-being, diversity and gender equality here.

We uphold the highest ethical standards

Our commitment

Human rights and strong ethical standards are a core part of all business that we conduct. Our ethical standards apply to all Hoist Finance's stakeholders. In this section you find information on our processes for issues related to human rights and business ethics. Find information regarding our management and governance model for ESG issues here. Find our Corporate Governance structure in the Corporate Governance Report.

Our Goals 2021	SDGs	Our Indicators 2021	UNGC Principle	Selection of Governing Documents
Strong customer integrity processes	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	100% of staff trained in data protection and how to treat personal data.	Principle 1, 2, 10	Code of Conduct, Sustainability Policy, Privacy Policy, Personal data retention guidelines, personal data breach guidelines
Robust framework on anti-corruption practices.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	» Create a HOFI anti-corruption index. » 100% of employees to undergo anti-corruption training. » 100% of employees to undergo AML training.	Principle 1, 2, 10	Code of Conduct, Sustainability Policy, Conflicts of Interest Policy, Whistleblowing Policy, AML Policy
Sustainable and local sourcing.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	100% of new suppliers above certain size screened according to sustainable procurement practices (ESG) in all markets.	Principle 1, 2, 3, 4, 5, 6, 7, 8, 9, 10	Code of Conduct, Sustainability Policy, Procurement Guidelines, Supplier Code of Conduct

Strong customer integrity processes

Human rights and labour

Hoist Finance's commitment to human rights involves all our stakeholders and includes measures to manage customer and employee integrity/privacy, prevent discrimination, promoting diversity and inclusion, eradicating corruption, respecting freedom of association, abolishing forced labour and child exploitation, ensuring decent labour conditions, and screen suppliers for sustainable procurement practices.

Data privacy and personal data

Data protection is paramount for protecting the right to privacy of our customers which is especially critical in our industry, where many customers are in difficult situations. We are committed to processing personal information fairly, in a transparent manner and in accordance with all applicable data protection laws and regulations. In practice, we have implemented robust information security systems, regularly train employees about data protection, and have appointed Data Protection Officers in each jurisdiction where we operate.

Robust framework on anti-corruption practices

Anti-corruption and conflicts of interest

Hoist Finance has a crucial role to prevent, monitor, manage and enforce measures related to corruption and conflicts of interest. We have an extensive anti-corruption framework which entails guidelines on how the company are to conduct business responsibly and ethically. To prevent corruption and conflicts of interest, we regularly carry out risk analyses related to corruption risk and all members of the organisation is regularly trained on internal anti-corruption rules and their application. Measures to manage conflicts of interest vary depending on the nature of the risk.

Anti-money laundering

Hoist Finance is committed to identifying and managing money laundering-, terrorist financing and sanctions risks. Hoist Finance's is working on strengthening the company group's defence against money laundering, terrorist financing and sanctions risk. The preventive work is being developed to adapt to the evolving regulation, terrorist risks and criminal behaviour patterns. Preventative measures include continuous customer due diligence and transaction monitoring. In areas with increased exposure, we have enhanced processes in place ensuring that potential suspicious activities are reported to relevant authorities. Furthermore, all customers are screened daily against applicable sanction lists, and all employees receive anti-money laundering training annually.

We combat climate change

Our commitment

Hoist Finance's environmental footprint is not considered to be material by most stakeholders. However, with only eight years to make Agenda 2030 a reality and with demanding urgency to reach the 1.5-degree target of the Paris Agreement, we are strongly committed to minimize our environmental footprint and mitigate climate-related risks, which is also associated with reduced costs and lower business risks.

Minimimized emissions, reduced costs and focus on compliance

Today, Hoist Finance's largest direct negative environmental impact consists of the energy use in our offices, our business travel, and letters sent to our customers. During 2021 we have increased our efforts to strengthen our sustainability data quality. With a new digital solution, we manage and analyse emissions better than ever before, which also allows for reduced costs. Our improved data quality is moreover vital to comply with current and upcoming climate related regulations. This year, you find Hoist Finance's first EU Taxonomy reporting in the Sustainability Reporting Section.

Our Goals 2021	SDGs	Our Indicators 2021	UNGC Principle	Selection of Governing Documents
Reduce indirect and direct CO2 emissions	13 CLIMATE ACTION	Reduce CO2 emissions by 30% compared to 2019. Continous reduction in energy consumption combined with intention to move all bought energy to renewable sources.	Principle 7, 8, 9	Sustainability Policy
Reduce paper consumption	13 CLIMATE ACTION	Migrate 10% of letters to digital.	Principle 7, 8, 9	Sustainability Policy
Reduce business risks connected to climate change	13 CLIMATE ACTION	Further develop database to include climate change related risks in all markets with secured portfolios.	Principle 7, 8, 9	Sustainability Policy

Testimonials & Stories

Below, find stories of local activities 2021 related to our environmental objectives and targets.

Reduce climate change business risks

Climate change risk management

The summer of 2021 brought high levels of extreme weather in many of our markets, such as the floods in Germany and Belgium and the wildfires in Greece. These events demonstrate that climate change already affects our business and is a risk for our customers, our people, and our collateral assets. We are using the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations as a guidance to improve our work in this area.

Climate change risk on secured assets

Hoist Finance has grown its secured portfolio from three per cent in 2017 to 28 per cent in 2021. We are accustomed to undertaking extensive due diligence on acquired loan assets, which includes thorough reviews of collateral assets as well as independent real estate valuations on those assets. These valuations incorporate extensive data around environmental issues such as flooding, subsidence and fracking.

"

Ensuring a full understanding of the value drivers in our portfolios, including environmental risks, is essential for managing our secured assets successfully.

"

Fabien Klecha, Chief Investment Officer

Through a pilot initiative in the UK, we gathered this data into a comprehensive database which we are now populating with information for our French and Italian secured assets. We use open-source data, such as French Géorisques data, to learn how environmental issues might affect our book as well as potential new investments. Our secured assets have been geocoded, allowing us to better analyse our collateral and to assess new risks dynamically. The integration of our environmental risk data with other portfolio data allow us to include an ongoing environmental risk assessment in our investments processes and internal reporting processes.

Sustainability Reporting

Our Reporting Logic

This is Hoist Finance's fifth integrated sustainability report, covering the reporting period from 1 January 2021 to 31 December 2021. The sustainability report is presented each accounting year and covers all our operations, unless otherwise stated. The most recent previous sustainability report was issued 23 March 2021.

This sustainability report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and is developed in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines: Core Option, the UN Global Compact (UNGC) Ten Principles, and the Sustainable Development Goals (SDGs). Our Annual Report serves as our UN Global Compact Communication on Progress (CoP), Active level. Furthermore, this report includes our EU Taxonomy Reporting for 2021, and builds on our role as a certified NASDAQ ESG Transparency Partner, as this encourages us to continuously improve our transparency measures.

The structure of our sustainability report and references in relation to statutory obligations regarding the information on our commitment to the environment, social conditions, employees, human rights and anti-corruption are found below. The scope of our sustainability report is presented in the GRI Content Index of this report. The Head of Sustainability is responsible for preparing the Sustainability Report. The Board of Directors are responsible for approving the Sustainability Report.

Sustainability Report Structure

- Our Business Model
- Sustainability Objective and Indicators 2022
- Sustainability Strategy - strategic objectives, activities, testimonials & stories
- Sustainability Management - stakeholder interaction, materiality matrix, governance model, and applicability-, governance- and outcomes of policies
- Progress Tracking 2021 – Key Metrics, Indicators and Achievements
- EU Taxonomy Regulation Reporting - Article 8
- GRI Content Index
- Diversity Policy for the Board
- Identified Risks & Management of Risks

Contact

Please contact Group Head of IR, Ingrid Östhols with questions concerning sustainability.
ir@hoistfinance.com

Progress tracking 2021 - Key metrics

Data collection process

Improved data collection- and streamlining processes has been a clear focus area for the Sustainability Function in 2021. Our new digital platform secure enhanced data quality, including more precise emission factor calculations and a broader scope of variables in our Greenhouse Gas (GHG) Protocol emissions reporting. A consequence of the improved data collection process is that all 2021 data are not fully comparable to last year's reporting. The following variables are included in our GHG emissions reporting for 2021:

- **Scope 1:** Company cars as well as our solar energy production in Italy.
- **Scope 2:** Purchased energy in our offices, including electricity, heating and cooling.
- **Scope 3:** Business travel (including air, rail and hotels), letters sent to customers, cloud usage, and office material (paper for internal use).

	2021	2020	2019
We contribute to an inclusive financial ecosystem			
People repaying a debt with Hoist Finance in full	137 400	38 000	-
Customers supported to get back to the financial ecosystem (paid in full, made payment, made payment plan)	923 300	-	-
Customer satisfaction rate in digital self-serve portals	92%	91%	88%
TEAM U collaboration: Companies saved from bankrupcy with support via the Hoist Finance-financed online portal	32	-	-
TEAM U collaboration: Improved reach to people in financial distress via online platform	25%	-	-
TEAM U collaboration: Financial damage prevented for debtors and entrepreneurs	EUR 8 m	-	-
We create a great place to work (scores in GPTW-survey)[5]			
TRUST-index, %	76	77	68
Diversity, %	91	91	89
Wellbeing, %	82	84	68
We uphold the highest ethical standards			
Received Whistleblowing cases	7	-	-
Managed Whistleblowing cases	7	-	-
Result in HOFI anti-corruption index	84		
Number of investigations (data subject request and personal data breaches)*	27	-	-
Number of investigations closed*	25		
Number of investigations where measures have been taken*	2	-	-
We combat climate change			
Total CO2 emissions, Metric tonnes	1142	636	2621
Energy consumption within the organisation, kWh	2,052,251[1)]	820,386 [2)]	1,873,049 [4)]
Scope 1: Direct CO2 emissions, Metric tonnes	239	41	109
Scope 2: Indirect CO2 emissions; market based, Metric tonnes	468[1)]	264 [2)]	1,107 [4)]
Indirect emissions per sq. m. office space, Metric tonnes	0,02[1)]	0.02 [2)]	0.08 [4)]
Scope 3: Other indirect GHG emissions, Metric tonnes	435	332 [3)]	1,406
Other indirect emissions per employee (FTE), Metric tonnes	0,3	0.2 [3)]	0.9
Total amount of sent letters to customers	9,685,044	10,780,478	N/A

1 Excluding BENE, Greece and Cyprus. Note that the average of these offices are 13 FTEs.
2 Excluding BENE, Greece, London
3 Excluding BENE, London
4 Excluding BENE, Greece and Poland.
5 Number of work-related injuries, turnover, and diversity metrics in Our People in Figures Section.

Comments on results

Ethical standards

*Hoist Finance had contacts/investigations from supervisory authorities due to customer complaints or personal data breaches during 2021. Two of them resulted in warnings but no administrative fines issued. There were two serious data breaches with our third parties, a fire in a paper document storage warehouse and a ransomware attack on one of our debt collection agencies. In both situations we have reported this to the supervisory authorities and the investigations are ongoing.

Environmental data

Our total CO2 emissions increased from 2020 to 2021, due to gradually coming back to our offices and consuming more energy. Also, our Scope 2 reporting includes two additional offices than previous years. Our Scope 3 reporting is also higher than in 2020, which is not surprising as we have included both rail travel, hotels and cloud usage for the first time, and improved our ability to measure CO2 emissions related to our external letters. However, results are much stronger than in 2019, when we consumed more energy per square meter, had less renewables, and travelled significantly more. In summary, we have managed to meet targets for both CO2 emissions and letters in 2021.

Progress tracking 2021 - Indicators and achievements 2021

Below, we have listed all indicators set out for the reporting cycle of 2021 and the achievements that were made to reach each specific indicator. Indicators marked as green has been fulfilled, indicators marked as yellow has been partially fulfilled/put on hold, and indicators marked as red has not been fulfilled.

Our Goals	Our Indicators and Commitments 2021	Achievements 2021	Our Progress
Reduce indirect and direct Co2 emmissions.	» Reduce CO2 emissions by 30% compared to 2019. » Continous reduction in energy consumption combined with intention to move all bought energy to renewable sources.	» 49% of renewable energy in offices » During 2021, there was still an option to work from home in all markets. » 444 500 digital meetings during 2021. Although a slight decrease from 2020, the preference for digital meetings remains.	
Reduce paper consumption.	» Migrate 10% of letters to digital.	» Digital customer self-service portals implemented in 8 markets. » Letter Dashboard in place to idenfity redundant letters. » Rules Engine deployment in 3 markets. » Process for migration of letters to digital platforms and removal of redundant letters initiated.	

Reduce business risks connected to climate change.	» Further develop database to include climate change related risks in all markets with secured portfolios.	» We continosly populate our database with data for our French and Italian secured assets. » We integrated environmental risk data with other portfolio data, allowing for inclusion of environmental risk assessment in our investments processes.
Excellence in customer satisfaction.	» Implement CSAT in three customer touchpoints in all markets and all segments. Have a CSAT dashboard in place by end of year.	» Due to unforeseen changes in management and Covid-19 the deployment has been postponed to 2022. » Pilot conducted in Poland and France during 2021. » Average of satisfied customers in pilots: 80%.
Digital channel development for improved servicing.	» 30% digital collection rate. » 95% satisfaction rate.	» 28% self-service collection through portals (2020: 20%, 2019: 15%) » Portal customer satisfaction rate 92% (2020: 91%, 2019: 88%)
Forming external partnerships with organisations that have new innovative ideas for increased financial inclusion.	» Establish 1-2 impact partnerships.	» Due to Covid-19 the development for new partnerships was put on hold during 2021.
Business Partner satisfaction.	» 80% of client banks will rate Hoist Finance as top three in the market.	» 86% of client banks rated Hoist Finance as top three in the market. » The questionnaire was sent to more than 85 banks over Europe with a response rate close to 50%.
Employee health and wellbeing.	» 85% score in employee well-being in annual Great Place to Work survey. » 77% score in TRUST index in the annual Great Place to Work survey.	» During the year we have worked diligently to support our employees in all markets. Examples of actions during the year is found in the People Section.
Diversity and equal opportunity.	» A minimum of 90% score in diversity category in the annual Great Place to Work survey.	» During 2021 we analysed Group level data to define harmonized diversity focus areas across our markets. Read more here.
Gender equality	» A common reporting standard to be developed 2021.	» During 2021 we collected data to set a baseline for harmonized reporting on gender equality. Read more here.
Strong customer integrity processes.	» 100% (allowing for a 2% margin) of staff trained in data protection and how to treat personal data.	» GDPR e-learning completed by 98% during 2021 (98% 2020; 86% 2019).
Robust framework on anti-corruption practises.	» Create a HOFI anti-corruption index. » 100% of employees to undergo anti-corruption training (allowing for a 2% margin). » 100% of employees to undergo AML training (allowing for a 3% margin).	» Anti-corruption Index developed. » Anti-corruption e-learning completed by 98% (98% in 2020). » AML e-learning completed by 99% (97% in 2020).
Sustainable and local sourcing.	» 100% of new suppliers (> EUR 10 thousand and five employees) screened according to sustainable procurement practices (ESG) in all markets.	» Processes for sustainability screenings finalized and implemented. » However, recording platform is not running effectively, causing difficulties to collect harmonized data to support results.

EU Taxonomy Regulation Reporting – Article 8

Context

During 2021, we have seen a large magnitude of updates in climate related regulation from the EU Commission. The implementation of the Sustainable Finance Disclosure Regulation (SFDR), updates of the Taxonomy Regulation and related delegated acts, and the proposal for the amendment of the Corporate Sustainability Disclosure Regulation (CSDR) to the Non-financial Reporting Directive (NFRD) will reshape the playing field for a sustainable financial sector. Below you find Hoist Finance's first yearly reporting on EU Taxonomy disclosures for 2021.

Scope and applicability

Hoist Finance is not included in the scope of the SFRD following definitions presented in its Article 2(1) or Article 2 (11). We do however support the purpose of improved transparency measures within the financial sector. According to the Taxonomy Regulation and our obligation to publish a consolidated non-financial statement pursuant to the NFRD, Hoist Finance reports our EU Taxonomy disclosures as a 'financial undertaking' pursuant to Article 1 (8) in the Delegated Act supplementing Article 8 of the Taxonomy Regulation. More granularly, Hoist Finance reports the disclosures of a 'credit institution' as defined in Article 4(1), point (1) of regulation <EU 575/2013>.

Disclosures

Exposures	SEK m	%
Taxonomy non-eligible and taxonomy-eligible economic activites	26,217	86%
Central governments, central banks and supranational issuers and derivatives	1,139	4%
Trading portfolio and on demand inter-bank loans	2,047	7%
Undertaking that are not obliged to publish non-financial information	427	1%
Other assets	542	2%
Total assets	**30,372**	**100%**

Specification of gross carrying amount from exposures to taxonomy non-eligible and taxonomy-eligible economic activities	SEK m	%
of which undertakings that are obliged to publish non-financial information		
Financial corporations	3,935	15%
Credit institutions	*3,934*	*15%*
Other financial corporations	*1*	*0%*
Non financial corporations	1,036	4%
of which undertakings that are not obliged to publish non-financial information		
Households	20,710	79%
of which loans collateralised by residential immovable property	*2,996*	*11%*
of which motor vehicle loans	*0*	*0%*
Local government financing	513	2%
Collateral obtained by taking possession	24	0%
Total	**26,217**	**100%**

Qualitative disclosures

As Article 10 of the Delegated Act suggests, Hoist Finance reports on the disclosure list set for January 2022, which is the predecessor to the quantitative KPIs set for January 2024. We also report on the qualitative information set out in Annex XI of the Delegated Act.

The proportion in total assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic assets is constituted by Hoist Finance balance sheet and consist of loans and advances, debt securities and equity instruments as follows the Annex 6 of article 8 in the Taxonomy Regulation. We also present the proportion in our total assets of the exposures to central governments, central banks and supranational issuers and derivates in the form of Treasury Bills and Treasury Bonds and Derivatives. The proportion in our total assets of the exposures to undertakings that are not obliged to publish non-financial information are related to Hoist Finance's s participations in joint ventures, actual and deferred taxes and prepaid expenses. Data sources for taxonomy disclosures are internal data warehouse and is aligned with Hoist Finance's FINREP (FINancial REPorting).

Trading portfolio reporting is not included in the scope as we do not trade with financial instruments and holds no trading book. However, our banking book holds green instruments of EUR 500m at 31 December 2021. Our on demand inter-bank loans consist of cash and non-restricted lending to credit institutions.

ESG data sources are mainly based on regulatory reports in accordance with FINREP ("FINancial REPorting"), which are derived from Hoist Finance data bases, such as general ledger, collection systems and portfolio data bases etc.

As a debt collector with a credit market license, we have a large part to play to help financial markets to strive for more transparent sustainability reporting. However, our portfolios consist of consumer debts. Hoist Finance complies with the disclore obligations of the Delegated Act supplementing Article 8 of The Taxonomy Regulation through this reporting. However, the EU Taxonomy will currently not impact sustainability or business KPI development or the engagement with our customers. Hoist Finance's single Taxonomy-eligible economic activities are within our real estate companies in Italy, France and Cyprus, purposed to hold seized assets. As these assets add up to a very small segment of the total assets in our balance sheet, it is currently not our priority to include Taxonomy-related development within our business KPIs.

GRI Content Index

Disclosure Developments 2021

During 2021, we have carried out an extensive gap analysis for our GRI reporting, in order to make it clearer, more transparent and to assure a higher quality. This resulted in an improved scope and accuracy of our GRI reporting to better reflect our business.

Foundation

GRI standard	Disclosure reference or comment
GRI 101: Foundation 2016	
101-1 This report has been prepared in accordance with the GRI Standards: Core Option.	GRI Content Index, Sustainability Reporting

General disclosures

GRI standard	Disclosure reference or comment
GRI 102: General Disclosures 2016	
102-1 Name of the organisation	Administration Report
102-2 Activities, brands, products, and services	Our Business, Our Strategy and goals, How we create value
102-3 Location of headquarters	Corporate Governance Report
102-4 Location of operations	Our presence, Administration Report
102-5 Ownership and legal form	The share, Administration Report, Corporate Governance Report, Note 19
102-6 Markets served	Our presence, Administration Report, How we create value Portfolio Aquisitions, Customers
102-7 Scale of the organisation	Our People in Figures, Our presence, Consolidated income statement, Consolidated balance sheet, How we create value, Assets
102-8 Information on employees and other workers	Our People in Figures
102-9 Supply chain	Hoistfinance.com
102-10 Significant changes to the organisation and its supply chain	Milestones 2021, Administration Report, Consolidated balance sheet
102-11 Precautionary Principle or approach	Risk Management, Reduce climate change business risks
102-12 External initiatives	CEO Comments, Sustainability Reporting, Sustainability Management, Forming external collaborations
102-13 Membership of associations	Hoistfinance.com
102-14 Statement from senior decision-maker	CEO Comments

102-15 Key impacts, risks and opportunities	How we create value, Sustainability, Sustainability Strategy, Risk Management, Sustainability Reporting
102-16 Values, principles, standards, and norms of behaviour	Our business, How we create value, People, Sustainability, Customers, Risk Management, Sustainability Management, Hoistfinance.com
102-17 Mechanisms for advice and concerns about ethics	Sustainability Management, People
102-18 Governance structure	Corporate Governance Report, Sustainability Management
102-19 Delegating authority	Sustainability Management, Corporate Governance Report
102-20 Executive level responsibility for economic, environmental, and social topics	Sustainability Management
102-22 Composition of highest governance body and its committees	Board of Directors ***Omission 102-22 vi. and vii. due to information unavailable.**
102-23 Chair of highest governance body	Board of Directors
102-24 Nominating and selecting the highest governance body	Corporate Governance Report ***Omission 102-24 iv. due to information unavailable.**
102-25 Conflicts of Interest	Robust framework on anti-corruption practices, Corporate Governance Report ***Omission 102-25 iv. due confidentiality constraints.**
102-26 Role of highest governance body in setting purpose, values, and strategy	Corporate Governance Report
102-32 Highest governance body's role in sustainability reporting	Sustainability Reporting
102-33 Communicating critical concerns	People, Corporate Governance Report
102-34 Nature and total number of critical concerns	Sustainability Reporting ***Omission "nature" reference in** **102-34 a. due confidentiality constraints.**
102-35 Remuneration policies	Note 9
102-36 Process for determening remuneration	Note 9
102-37 Stakeholder's involvement in remuneration	Corporate Governance Report
102-40 List of stakeholder groups	How we create value
102-41 Collective bargaining agreements	People, All employees have full freedom of association. ***Omission of % due to information unavailable. Continous data collection improvements during 2022.**
102-42 Identifying and selecting stakeholders	Hoistfinance.com
102-43 Approach to stakeholder engagement	Sustainabilty Management, Hoistfinance.com
102-44 Key topics and concerns raised	Sustainability Reporting, Hoistfinance.com
102-45 Entities included in the consolidated financial statements	Note 19
102-46 Defining report content and topic boundaries	Sustainability Management, Hoistfinance.com

102-47 List of material topics	Sustainability Mangement, Hoistfinance.com, Sustainability Strategy
102-48 Restatements of information	Restatements of base years and measurement methods are defined in relation to data presented.
102-49 Changes in reporting	Sustainability, Sustainability Reporting
102-50 Reporting period	Sustainability Reporting
102-51 Date of Most recent report	Sustainability Reporting
102-52 Reporting cycle	Sustainability Reporting, Administration Report
102-53 Contact point for questions regarding the report	Sustainability Reporting
102-54 Claims of reporting in accordance with the GRI Standards	GRI Content Index, Sustainability Reporting
102-55 GRI content index	GRI Content Index
102-56 External assurance	Auditor's report on the statutory sustainability statement

Management approach

GRI standard	Disclosure reference or comment
GRI 103: Management approach 2016	
103-1 Explanation of the material topic and its boundary	All areas included in our materiality matrix, which builds on stakeholder dialogues, are more or less material for our organisation as indicated on the axes of the matrix. The impact from our materiality topics occurs internally as well as within our stakeholder interactions. Hoist Finance have direct impact on material topics in terms of customer treatment, employee treatment, and on certain environmental emissions. We also have indirect impact on material topics in terms of our suppliers, and in relation to our societal contribution. The reporting on our material topics is limited to Hoist Finance Group unless otherwise stated.
103-2 The management approach and its components	Hoist Finance aims to manage all material topics through our Corporate Governance Structure. The Corporate Governance Structure is furthermore supported by our Sustainability Governance model. However, we are not there yet in relation to all material topics. However, this work is ongoing and we are constantly developing. For example, in 2021, we implemented continuous evaluation of our sustainability strategy and targets in our Business Review process.
103-3 Evaluation of the management approach	The structure of the corporate governance model is evaluated annually, and the sustainability governance model is continuously updated to identify necessary development. We have an internal auditing function in place and our grievance mechanism can be used for monitoring effectiveness of the management approach. Potential results of the evaluation of the management approach, e.g. performance against goals and targets are disclosed in this GRI Content Index. That is also the case for any related adjustments.

Topic-specific disclosures

GRI standard	Disclosure reference or comments
GRI 201: Economic Performance 2016	
201-1 Direct economic value generated and distributed	Consolidated income statement
201-2 Financial implications and other risks and opportuntites due to climate change	Risk Management, Reduce climate change business risks ***Omission 201-2 iii. due to information unavailable.** **Continous data collection improvements during 2022.**
201-3 Defined benefit plan obligations and other retirement plans	Note 1 (16. Employee benefits)
GRI 202: Market Presence 2016	
202-2 Senior management hired from local society	89% of Country Managers in our markets are hired from the local community.
GRI 205: Anti-corruption 2016	
205-1 Operations assessed for risks related to corruption	Risk Management, Robust framework on anti-corruption practices
205-2 Communication and training about anti-corruption policies and procedures	Sustainability Reporting, Sustainability Management
205-3 Confirmed incidents of corruption and actions taken	During 2021, Hoist Finance was not subject to any warnings or sanctions for compliance breach by any supervisory authority.
GRI 302: Energy 2016	
302-1 Energy consumption within the organisation	Sustainability Reporting 302-1 g. DEFRA
302-2 Energy intensity	Sustainability Reporting 302-2 c. DEFRA
302-3 Reduction of energy consumption	Sustainability Reporting
GRI 305: Emissions 2016	Source of emission factors in all 305 disclosures: DEFRA
305-1 Direct (Scope 1) GHG emissions	Sustainability Reporting, Control approach
305-2 Energy indirect (Scope 2) GHG emissions	Sustainability Reporting, Control approach
305-3 Other indirect (Scope 3) GHG emissions	Sustainability Reporting
305-4 GHG emissions intensity	Sustainability Reporting
305-5 Reduction of GHG emissions	Sustainability Reporting
GRI 307: Environmental Compliance 2016	
307-1 Non-compliance with environmental laws and regulation	No identified compliance breaches with environmental laws or regulations.
GRI 308: Supplier environmental assessment 2016	
308-1 New suppliers that were screened using environmental criteria	Sustainability Reporting

GRI 401: Employment 2016	
401-1 New employee hires and employee turnover	Our People in Figures ***Omission: region due to not applicable. Gender and age more relevant.**
401-3 Parental leave	Our People in Figures ***Omission 401-3 c-e due information unavailable. Continous data collection improvements during 2022.**
Employment 403: Occupational health and safety 2018	
403-2 Hazard identification, risk assessment, and incident investigation	Risk Management, People Sustainability Management
403-9 Work-related injuries	Our People in Figures ***Omission: Only a. iii. included because of not apllicable: iii. is most relevant for organization.**
GRI 404: Training and education 2016	
404-1 Average hours of training per year per employee	People ***Omission 404-1 a.i. & ii. due to information unavailable. Continous data collection improvements during 2022.**
404-2 Programs for upgrading employee skills and transition assistance programs	People
404-3 Percentage of employees receiving regular performance and career development reviews	People
GRI 405: Diversity and equal opportunity 2016	
405-1 Diversity of governance bodies and employees	Our People in Figures, Board of Directors
405-2 Ratio of basic salary and remuneration of women to men	Our People in Figures ***Omission 405-2: Information unavailble for employee category. Continous data collection improvements during 2022.**
GRI 406: Non-discrimination 2016	
406-1 Incidents of discrimination and corrective actions taken	Sustainability Reporting ***Omission 406-1 b. due to confidentiality constraints.**
GRI 408: Child labor 2016	
408-1 Operations and suppliers at significant risk for incidents of child labor	Sustainability Management
GRI 409: Forced or compulsory labor 2016	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Sustainability Management
GRI 412: Human rights assessment 2016	
412-2 Employee training on human rights policies or procedures	Sustainability Management, Strong customer integrity processes
GRI 414: Supplier social assessment 2016	
414-1 New suppliers that were screened using social criteria	Sustainability Reporting
GRI 418: Customer privacy 2016	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Reporting
GRI 419: Socioeconomic compliance 2016	
419-1 Non-compliance with laws and regulations in the social and economic area	Sustainability Reporting

Administration Report

Business overview

Hoist Finance AB (publ), corporate identity number 556012-8489, is the Parent Company within the Hoist Finance Group, registered in Stockholm, Sweden. Hoist Finance is a registered credit market company under the supervision of the Swedish Financial Supervisory Authority.

Hoist Finance is a leading debt restructuring partner to international banks and financial institutions, with loan acquisition and management operations in thirteen countries across Europe. The Group's core business has historically been the acquisition of non-performing loans (NPLs) originated by large international banks and other financial institutions with whom Hoist Finance has strong and long-term relationships. After purchasing an NPL portfolio, Hoist Finance's primary method of collecting from its customers is through sustainable payment plan agreements. Most of Hoist Finance's recovery activities for its acquired portfolios are managed through its own call centres across Europe, supplemented in some cases by carefully selected external debt recovery partners. For over 20 years, the Group has focused exclusively on the acquisition of NPL portfolios. This distinguishes Hoist Finance from many of its competitors, which have evolved from being solely collection companies (i.e., collecting on behalf of a third party) and, therefore, have significantly shorter histories in acquiring claims. This long-term focus and the Group's flexible and tailored product offering have allowed Hoist Finance to develop the expertise to structure and execute complex transactions.

The Group operates a traditional internet-based retail deposit product in Sweden under the HoistSpar brand, and has also launched savings accounts in Germany, in partnership with one of the largest deposit savings platforms in Europe, under the HoistSparen brand. In 2021 Hoist Finance also launched deposits from the public in the UK under the HoistSavings brand. As a regulated credit market company, Hoist Finance can offer the public a deposit service which is fully covered by the Swedish state deposit guarantee up to an amount of SEK 1,050,000 for each account. This gives the Group a cost-effective, flexible and reliable source of funding, which is primarily used for the acquisition of NPLs.

The market

Hoist Finance's geographic focus is Europe. The Group has acquired loan portfolios in Belgium, Cyprus, France, Greece, Italy, the Netherlands, Poland, Spain, the UK, Germany and Austria. By selling their NPLs, banks and other originators can focus on their core business, free up capital, improve liquidity, limit the risk of doubtful payment profiles and improve key performance indicators. The European NPL market has grown in recent years, mainly as a result of the underlying market expansion of the consumer credit market and the new capital adequacy (Basel III) regulations, as well as the regulation for minimum loss coverage for non-performing exposures (”NPL prudential backstop”) that took effect in 2019. For further information on the NPL prudential backstop, see the "NPL Prudential Backstop" section, the "Development of Risks" section in the Administration Report, and Note 33 "Risk Management". Hoist Finance's main competitors include debt acquisition and collection companies, integrated players offering a wide range of financial services, and specialised investors.

Group structure and ownership

Hoist Finance was listed on the Nasdaq Stockholm Mid Cap list on 25 March 2015. At 30 December 2021, the number of shares totalled 89,303,000 and the share price closed at SEK 29.20, corresponding to a market capitalisation of SEK 2,608m. See Hoist Finance's website, www.hoistfinance.com, for additional information on the share and shareholders. The Articles of Association do not include any restrictions on the negotiability of the shares and there are no other circumstances that require disclosure under Chapter 6, 2a § 3–11 of the Swedish Annual Accounts Act.

Hoist Finance together with a number of subsidiaries acquire and hold loan portfolios for the Group. Day-to-day collection operations are mostly run by local branch offices and subsidiaries. Some of these companies also provide commission-based administration services to third parties. The Polish, Romanian and the UK branch offices are providing services within the Hoist Finance Group. Note 19 "Shares and Participations in Subsidiaries", sets out the Hoist Finance Group and its key subsidiaries and branch offices as of 31 December 2021.

Proposed dividend

The Board of Directors propose to the Annual Shareholders meeting 2022 to not pay a dividend to the shareholders for the financial year 1 January - 31 December 2021, as the net result for the year is negative.

Proposed appropriation of profits

According to the Parent Company's balance sheet, the following unappropriated earnings are at the disposal of the Annual General Meeting:	**SEK**
Share premium	1,882,891,946
Reserves	2,946,618
Retained earnings	1,534,674,487
Profit/loss for the year	-52,915,060
Total	**3,367,597,991**

The Board of Directors proposes that unappropriated earnings be distributed as follows:	**SEK**
To be carried forward	3,367,597,991

Key events during the year

- Pan-European securitisation partnership agreement for new portfolio investments signed with Magnetar Capital, and several Italian portfolios acquired in the securitisation programme during the year.
- Forward-looking negative impairment of unsecured portfolios of SEK -351m in Q1 2021.
- Review of total tax provision resulted in additional provisions of SEK -102m in net effect.
- Per Anders Fasth appointed acting CEO.
- Christian Wallentin appointed CFO.
- Transformation programme initated to right size company, improve productivity and increase growth, which started to pay-off during the fourth quarter.
- NPL portfolio volumes bottoming out.
- Investment grade rating and stable outlook from Moody's.
- Several attractive portfolio acquisitions late in the year.

Developments during the 2021 financial year

Unless otherwise indicated, all comparative market, financial and operational information refers to 2020 financial year.

Profit before tax

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

Total operating income

Operating income totalled SEK 2,255m (2,368). Net interest income totalled SEK 2,430m (2,726). Interest income on acquired loan portfolios decreased SEK -296m during the year to SEK 3,006m (3,302). The decrease is attributable to lower portfolio volumes and year-on-year margins. Interest expense totalled SEK -574m (-582). Impairment gains and losses totalled SEK -338m (-458). The surplus of collections against projections totalled SEK 298m, representing a collection rate of 101 per cent. All markets but the UK had a positive collection development. Revaluations totalled SEK -635m (-805) of which SEK -351m pertains to the forward-looking portfolio writedown conducted during Q1 2021. Other revaluations pertain mainly to secured loan portfolios, for which collections achieved earlier than projected reduced expected future cash flow. Fee and commission income decreased to SEK 63m (93) due to the closure of third-party collection services in the UK. Net result from financial transactions totalled SEK 82m (-7). Both periods were affected by unrealised gain/loss from market valuation of interest rate hedging instruments.

Total operating expenses

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

Net profit/loss and total comprehensive income

Net profit/loss for the year totalled SEK -117m (41). The year’s tax expense was SEK –78m (–41). The effective tax rate was 204 per cent (50) and is negatively affected primarily by a tax provision related to an ongoing tax audit, offset somewhat by tax revenue resulting from capitalisation of loss carry-forwards.

Other comprehensive income was SEK -10m (-128) which mainly related to translation difference and hedging of currency risk. Total comprehensive income was SEK -127m (-87).

Balance sheet

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

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

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

Total interest-bearing debt amounted to SEK 24,065m (25,104). The change is mainly attributable to an SEK -1,296m reduction in senior unsecured debts offset by deposits from the public, which increased SEK 241m. Hoist Finance funds its operations through deposits in Sweden and Germany as well as through the international bond market and the Swedish money market. In 2021 Hoist Finance also launched deposits from the public in the UK under the HoistSavings brand. In Sweden, deposits from the public under the HoistSpar brand amounted to SEK 8,541m (10,552), of which SEK 3,775m (5,391) is attributable to fixed term deposits of one-, two- and three-year durations. In Germany, deposits to retail customers are offered under the HoistSparen name. At 31 December 2021, deposits from the public in Germany were SEK 9,564m (7,376), of which SEK 7,201m (7,115) is attributable to fixed term deposits of one- to five-year duration.

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

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

Acquired loan portfolios

SEK m	2021	2020	Change %
Portfolio acquisitions	3,558	1,761	>100
Carrying amount, acquired loan portfolios	21,337	21,075	1

The year-on-year loan portfolio acquisition volume more than doubled in 2021, despite the prevailing market uncertainty resulting from Covid-19. Total 2021 acquisition volume amounted to SEK 3,558m (1,761). The carrying value of acquired loan portfolios totalled SEK 21,337m (21,075) on 31 December 2021, an increase of SEK 262m since 2020. Work continued in 2021 on the securitisation of loan portfolios in Europe.

An agreement was signed in December with Alpha Bank in Greece for an SEK 1.1bn portfolio acquisition. Including this portfolio, portfolio acquisitions totalled SEK 4.7bn, representing Hoist Finance’s third-highest annual acquisition volume.

Cash flow

SEK m	2021	2020	Change %
Cash flow from operating activies	3,481	4,857	-28
Cash flow from investing activies	-2,996	-3,066	-2
Cash flow from financing activies	-1,448	-2,410	-40
Cash flow for the year	**-963**	**-619**	**56**

Cash flow from operating activities totalled SEK 3,481m (4,857). Amortisation of acquired loan portfolios increased during the year and totalled SEK 3,685m (3,164). Cash flow from other assets and liabilities amounted to SEK -260m (1,021), the majority of which pertains to realised cash flows for FX hedging.

Cash flow from investing activities totalled SEK -2,996m (-3,066). Portfolio acquisitions more than doubled year-on-year and amounted to SEK -3,558m (-1,715). Net cash flow from bonds and other securities totalled SEK 582m (-1,318) during the year.

Cash flow from financing activities totalled SEK -1,448m (-2,410). Net cash flow from deposits from the public amounted to SEK 117m (-3,272) during the year, with outflows in Sweden offset by inflows in Germany. Issued securities totalled SEK 94m (2,018) and pertain to issues in the Italian securitisation structure. Repurchases and repayments of issued securities totalled SEK -1,517m (-1,454). Of this amount, SEK -1,445m pertains to the senior bond repayment in October. Other cash flows from financing activities are attributable to interest paid on Tier 1 capital contributions (SEK -90m) and amortisation of lease liability (SEK -52m).

Total cash flow for the year amounted to SEK -963m (-619).

Capital adequacy

At the end of the year the CET1-ratio was 9.56 per cent (10.76) for the Hoist Finance consolidated situation. CET1 capital totalled SEK 3,317m (3,617). The risk-weighted exposure amount increased somewhat during the year to SEK 34,710m (33,625).

Market risk for open FX exposures decreased the CET1 ratio by -0.24 per cent compared to last year. New loan portfolio acquisitions decreased the CET1 ratio by -1.31 per cent. CVA-risk and operational risk reduced the CET1 ratio further by -0.05 per cent. Collections on existing loans contributed however positively on the CET1 ratio (1.17). Total capital amounted to SEK 5,260m (5,544) at the close of the year. The total capital ratio was 15.16 per cent (16.49).

All the capital ratios meet regulatory requirements. The signed but not yet settled portfolio in Greece is included in the risk-weighted exposure amount, the portfolio will be included in the Balance sheet the day of the settlement.

The parent company capital ratio amounted to 11.71 per cent (13.09).

Parent Company disclosures

Hoist Finance AB (publ) is a registered credit market company under the supervision of the Swedish Financial Supervisory Authority. The operating Parent Company acquires and holds loan portfolios, which are managed by foreign branch offices. These units also provide commission-based administration services to third parties. The Polish, Romanian and the UK branch offices are providing services within the Hoist Finance Group.

The Parent Company’s net interest income totalled SEK 1,010m (1,184) during the year. The decrease is mainly attributable to lower interest income on loans to subsidiaries, as a result of low acquisition volumes during the year and amortisation on loans to subsidiaries. Interest expense was on par with last year and amounted to SEK -518m (-521).

Total operating income amounted to SEK 1,354m (1,633). The Parent Company received no dividends from subsidiaries during the year, as compared with SEK 302m received in 2020. Net result from financial transactions totalled SEK 68m (-113) and is mainly attributable to unrealised profit from market valuation of interest rate hedging instruments, offset by exchange rate fluctuations in assets and liabilities in foreign currencies. Other operating income totalled SEK 274m (256) and is mainly attributable to management fees invoiced to subsidiaries, and a liquidation result from Hoist Finances services AB, which amounted to SEK 31m.

Total operating expenses amounted to SEK -1,273m (-1,206). Depreciation and amortisation of tangible and intangible assets totalled SEK -68m (-62), of which SEK -9m pertains to impairment of IT projects.

Net operating profit totalled SEK 82m (341). Impairment gains and losses of SEK 7m (-41) are attributable to the differences between actual and projected collections, to portfolio revaluations and to loss allowances for performing loans. Shares in participations in subsidiaries were written down by SEK -72m (-116). Profit from participations in joint ventures totalled SEK 66m (71).

Net profit for the year totalled SEK -53m (255) and taxes totalled SEK-127m (-77). During the year SEK -102m was provisioned for an ongoing tax audit.

At 31 December 2021, the carrying value of acquired loan portfolios totalled SEK 6,360m (6,755), a year-on-year decrease due primarily to reduced acquisition volumes due to the Covid-19 situation. Loans to subsidiaries totalled SEK 15,168m (14,402) attributable primarily to the financing of subsidiaries' acquisitions of loan portfolios. Deposits from the public increased during the year to SEK 18,169m (17,928). In addition to Sweden and Germany, deposits from the public are now offered in the UK as of 2021.

Segment overview

Hoist Finance works under an organisational structure with a focus on building a stronger, more integrated company to improve the Company's operational efficiency and better capture market growth. Since January 1, 2021 the division of segments is based on a new operating model with three business lines, for the Executive Management Team's monitoring of operations. See Note 3 ”Segment Reporting” for additional details.

Sustainability report

Hoist Finance has prepared a Sustainability Report in accordance with the Annual Accounts Act. The Sustainability Report can be found in the "Sustainability" section under "The value we create" in Hoist Finance Annual report 2021, pages 46-70. The auditor's report on the statutory sustainability statement can be found on page 215.

Other disclosures

Significant risks and uncertainties

Hoist Finance is exposed to a number of uncertainties through its business operations and due to its broad geographic presence. 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.

In addition, Hoist Finance's operations are complex and the Group is comprised of various types of legal entities, branches and portfolio-owning companies, special purpose vehicles. Furthermore, Hoist Finance has had several historical tax risks which the Company with its own tax department, for several years, actively and continuously worked to reduce. An example of such a reduction in historical tax risks is the judgment in cases no. 7005–7007-19 and 7009–7011-19 issued by the Supreme Administrative Court (SAC) on 3 June 2021. The SAC upheld, with a positive outcome for Hoist Finance, the case that the Tax Agency pursued against Hoist Finance in which the Administrative Court of Appeal previously also ruled in favor of Hoist Finance. The case concerned deduction for losses for the years 2012-2014. Another example is the ongoing tax audit case pursued by the Swedish Tax Agency regarding cross-border allocation of profits. The tax audit has resulted in a negative proposal for a decision from the Swedish Tax Agency regarding a legacy structure with Polish assets established in 2014. The process is in an initial stage where Hoist Finance is of the view that a correct profit allocation has been made. However, the case is complex and concerns difficult tax issues. Hoist Finance has taken a prudential approach awaiting the administrative court's assessment of the case in accordance with the applicable tax legislation. Pending a final assessment, Hoist Finance has decided to further provision for additional tax in 2021. Another example where Hoist Finance has worked to reduce tax risks is the case of preliminary ruling where the Company received a positive decision from the Swedish Council for Advance Tax Rulings on 8 November 2021 in the case dnr 85-19/D regarding the new interest deduction limitation rules. The decision, which has been appealed by the Swedish Tax Agency, creates a certainty regarding the company's corporate income tax environment for the coming years.

The impact of Covid-19 on Hoist Finance's operations is outlined in the Development of Risks section below. Details on Hoist Finance's risk management and its most significant risks are presented in the Risk Management section and in Note 31, "Risk Management.

Development of risks

Due to the Covid-19 pandemic, credit risk is increased and is closely monitored. Due to the uncertainty regarding future developments, there is continued risk of additional loan portfolio write-downs. In order to diversify the Company's assets in a positive way from a risk perspective, Hoist Finance continues to assess new opportunities to acquire portfolios of non-performing secured loans.

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

Hoist Finance has an internal framework for follow-up and oversight of the Group's operational risks. The Group is committed to continuously improving the quality of its internal procedures to minimise operational risks.

Remote working recommendations differ between markets. Hoist Finance updates these recommendations on an ongoing basis, based on the rate of infection and local restrictions.

Flexible working methods, a combination of office and at-home work, are expected to continue even after Covid restrictions are lifted. This is not deemed to affect operational risks to any significant degree. The level of operational risks is therefore deemed to be unchanged from previous quarters.

Market risks remain low, as Hoist Finance continuously hedges interest rate and FX risks in the short and medium term.

Hoist Finance has elected to increase the volume of interest rate hedges to meet the new Pillar 2 requirements for market risks in non-trading activities previously announced by the Financial Supervisory Authority. Additional information on this development is provided in the Net Profit section.

Liquidity risk was low during the year. Hoist Finance's liquidity reserve exceeds Group targets by a healthy margin. Additional securitisations of non-performing loan portfolios were conducted in Italy during the year. The securitisation of asset portfolios is an effective method of managing the regulatory changes introduced in December 2018.

The European Commission is working on an action plan for non-performing loans in order to be better able to manage an increased volume of these loans in the wake of the pandemic. Under the proposed change, an institution that buys a portfolio of non-performing loans from another institution may equalise the discount in the purchase price with a write-down when calculating risk weight. If the discount exceeds 20 per cent, the risk weight for the loan would be 100 per cent rather than 150 per cent. This would be positive for Hoist Finance from a capital adequacy perspective.

During the fourth quarter, the EBA published its recommendation regarding changes to risk weight calculations for acquired credit portfolios. The recommendation is fully in line with the European Commission’s proposal. The EBA’s recommendation is expected to be adopted by the European Commission and approved by the European Parliament. The timing of the final decision has not been fully determined and Hoist Finance is closely monitoring developments.

Remuneration to senior executives

Information on the most recently approved guidelines for remuneration for senior executives is presented in Note 9 “Personnel expenses”. The remuneration policy was approved by the Board at the April 2021 statutory board meeting and adopted by the April 2021 Annual General Meeting. The Board sees no need to update these guidelines prior to the April 2022 AGM and, accordingly, the guidelines adopted in April 2021 remain applicable. However, pursuant to Chapter 8, Section 51 of the Swedish Companies Act, the Board is required every four years to prepare a proposal for new guidelines to be adopted by the AGM.

Report on the most important elements of the system for internal control and risk management for financial reporting

The Board’s report on the most important elements of the system for internal control and risk management for financial reporting for the 2021 financial year is presented as a separate section in the Corporate Governance Report.

Subsequent events

At Hoist Finance AB (publ)'s Extra General Meeting 17 February 2022 the current board member Peter Zonabend was re-elected and Bengt Edholm, Camilla Philipson Watz, Christopher Rees, Rickard Westlund and Lars Wollung were elected as new members of the Board of Directors. The Meeting elected Lars Wollung as Chairman of the Board of Directors. The former board members Mattias Carlsson (chairman), Fredrik Backman, Malin Eriksson, Per Anders Fasth, Niklas Johansson, Henrik Käll and Helena Svancar resigned at the Meeting.

Hoist Finance acting CEO Per Anders Fasth will leave his position in connection with the agreement expiring on 31 March of 2022.

No other significant events affecting operations took place.

Outlook

The supply of non-performing loans is expected to increase in the next few years, due in part to regulatory changes implemented in 2018 and 2019 that are driving banks to sell. Competition for portfolios available for sale is still significant, but is expected to ease with increasing supply. The effects of the pandemic on the economy are expected to lessen and court systems in several European countries have reopened, signifying an increase in collection activities. Hoist Finance will continue to have access to diversified operational funding. The foundation for this remains cost-effective deposits from the public, which tend to support profitability in an environment with rising lending rates. The transformation programme the Company is currently implementing will strengthen operations, improve productivity and reduce non-operating costs.

Corporate Governance Report

Hoist Finance is a Swedish public limited liability company with corporate identification number 556012-8489. The Company has its registered office and headquarters in Stockholm, Sweden.

Good corporate governance aims to create favourable conditions for active shareholder engagement. This is achieved through a well-defined and well-balanced assignment of responsibilities between the company's executive and shareholder functions, which ensures that accurate information is being presented to the market.

The aim of corporate governance is to ensure that the company is run as efficiently and effectively as possible in the interest of its shareholders, and that Hoist Finance AB (publ) (the "Company" or "Hoist Finance") complies with corporate governance and other rules prescribed by regulatory and supervisory authorities. Corporate governance also aims to create order and a systematic approach for the board of Hoist Finance (the "Board") and for management. With a clear structure and well-defined rules and procedures, the Board can ensure that management and employees are focused on developing the business and, accordingly, on creating shareholder value.

Application of the Swedish Corporate Governance Code

All companies with shares listed on Nasdaq Stockholm, regardless of market capitalisation, have been required since 1 July 2008 to apply the Swedish Corporate Governance Code. The Code is based on the "comply or explain" principle, meaning that a company's deviation from the Code's provisions is not deemed a breach thereof if the company explains its reason for the deviation. Hoist Finance in 2021 complied with all provisions of the Code. This Corporate Governance Report is part of the Company's Administration Report and is reviewed by the Company's auditors.

Corporate governance within the Company

Hoist Finance is subject to external and internal control systems.

The external control systems, which serve as the framework for Hoist Finance's corporate governance, are the Swedish Companies Act, Annual Accounts Act, Banking and Financing Business Act, regulations and general guidelines by the Swedish Financial Supervisory Authority as well as the European Banking Association, Nasdaq Stockholm's Rule Book for Issuers, other relevant laws and regulations, and the Swedish Corporate Governance Code. Governance, management and control are, pursuant to Swedish corporate law, the Swedish Corporate Governance Code, and the Articles of Association, allocated between the shareholders at the Annual General Meeting (AGM), the Board and the CEO.

The internal control systems include the Hoist Finance Articles of Association adopted by the AGM. The Board has also adopted policies and instructions that clarify the division of responsibilities within the Group.

The following are of particular importance in this context:

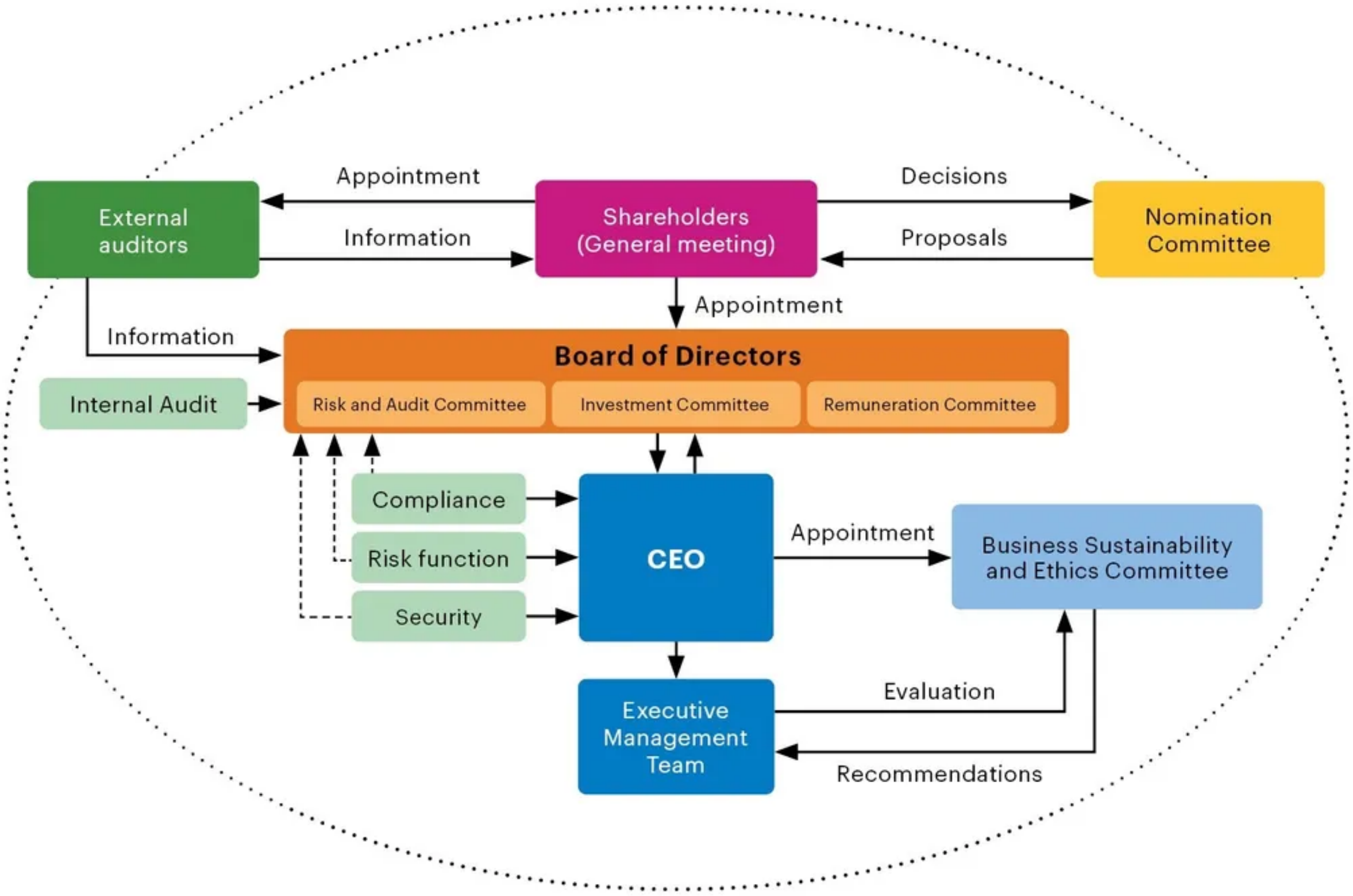
- Rules of procedure for the Board
- Instruction for the CEO
- Policy for internal governance and control
- Instructions for the Risk and Audit Committee
- Instructions for the Remuneration Committee
- Instructions for the Investment Committee and
- Order of Authorisation

Articles of Association

The Articles of Association are adopted by the Annual General Meeting and contain basic compulsory information about the Company.

The Articles of Association specify the type of business activities the Company will carry out, limits on share capital and the number of shares and the number of Board members allowed. The Articles of Association include no special provisions for amendments thereto or for the appointment or dismissal of Board members. The Articles of Association are available in their entirety at www.hoistfinance.com.

Governance structure



Shareholders

As of 31 December 2021, the total number of shares was 89,303,000 and the share capital was SEK 29,767,666.66. Each share carries one vote. The Company had 5,927 shareholders at year-end. The 15 largest shareholders held an aggregate of 66.6 per cent of total share capital at the end of 2021. Read more about the Company's largest shareholders at www.hoistfinance.com.

Annual General Meeting

The Annual General Meeting (AGM) is the Hoist Finance Group's highest decision-making body. All shareholders have an opportunity at the AGM to influence the Company by exercising their voting rights. The Companies Act and Hoist Finance's Articles of Association include rules that govern general meetings and their agenda.

Hoist Finance's financial year runs from 1 January to 31 December. Pursuant to the Companies Act, notice must be given no earlier than six weeks prior to, and no later than four weeks prior to, the AGM. The AGM resolves on adoption of the year's balance sheet and income statement, appropriation of profits, election of Board members and auditors, remuneration to Board members and auditors and other business matters as prescribed by the Companies Act and the Articles of Association. All shareholders listed in the shareholders' register six banking days prior to the AGM who have provided notification of their participation during the prescribed timeframe are entitled to participate in the AGM, either in person or by proxy, and to vote in relation to their holdings.

Every shareholder is entitled to request that a matter is addressed by the AGM. A shareholder who wishes to do so must submit a written request to the Board no later than one week before the earliest date on which notice of the meeting may be published (i.e. the request must be received no later than seven weeks prior to the AGM). Pursuant to Chapter 7, Section 32 of the Companies Act, all shareholders are entitled to ask the Board and CEO questions about matters addressed during the AGM and about the financial situation of the Company and the Group.

2021 Annual General Meeting

The most recent AGM was held on 13 April 2021 in Stockholm. Due to the Covid-19 pandemic, shareholders could only participate via postal voting. 30 shareholders, representing 41.68 per cent of the shares and votes in the Company, were present via postal voting at the AGM.

In accordance with recommendations from the Board and the Nomination Committee, the AGM resolved, among other things:

- To adopt the balance sheet and income statements
- To not distribute dividend
- To discharge Board members and the CEO from liability
- To re-elect Board members Malin Eriksson, Lars Wollung and Henrik Käll. Mattias Carlsson, Fredrik Backman, Per Anders Fasth, Niklas Johansson, Helena Svancar and Peter Zonabend were elected as new Board members. The AGM elected Mattias Carlsson as Chairman of the Board. Former Board members Ingrid Bonde (chairman), Cecilia Daun Wennborg, Liselotte Hjorth and Robert Kraal resigned from the Board at the AGM
- On remuneration for the Chairman of the Board and other Board members
- To re-elect EY, represented by Daniel Eriksson, as auditor for the period until the close of the next AGM and to pay auditor's fees based on approved invoices
- To adopt guidelines for remuneration to senior executives
- To approve the deferred bonus plan for 2021
- To authorise the Board to issue shares
- To authorise the Board to acquire own shares

The complete minutes of the 2021 AGM are available at www.hoistfinance.com.

Nomination Committee

The Nomination Committee is composed of representatives of the three largest shareholders, based on shareholder statistics from Euroclear Sweden AB, as per the last banking day in August the year before the Annual General Meeting and on all other reliable ownership information that has been provided to the Company at this point of time, together with the Chairman of the Board. The Chairman of the Board is also responsible for convening the Committee's first meeting. If a shareholder who is offered to become a member of the Nomination Committee declines, the offer shall instead be made to next shareholder in order of size of holding. The Committee's composition may be changed to reflect changes to the shareholder structure.

The Nomination Committee submits proposals for the election of the AGM Chairman; the Board members and Chairman of the Board; remuneration to Board members; and proposals for the election of and remuneration to auditors. The Committee conducts its work in the interest of all shareholders. Instructions for the Nomination Committee and information on the options for submitting proposals to the Committee are available on the Company's website, www.hoistfinance.com.

The Nomination Committee is composed of the following members: Per Arwidsson (representing Arwidsro) Chairman of the Nomination Committee, Erik Selin (representing Erik Selin Fastigheter AB) and Lars Wollung (Chairman of the Board of Hoist Finance). Lars Wollung replaced Mattias Carlsson as Chairman of the Board and hence also member of the Nomination Committee on 17 February 2022. Until 21 January 2022, Joachim Spetz (representing Swedbank Robur Fonder) was also a member of the Committee. The Committee has held three minuted meetings ahead of the 2022 AGM and maintained regular contact between meetings. The Committee also held individual interviews with several of the current board members and the CEO.

The Nomination Committee's proposals, its report on Committee work performed in preparation for the 2022 AGM, proposed Board members and auditors are published in connection with the AGM notice.

Board of Directors

Pursuant to the Articles of Association, Hoist Finance's Board shall be composed of at least three and no more than nine members. Members of the Board are appointed by the AGM for a one-year term. The 2021 AGM appointed Mattias Carlsson (Chair of the Board), Malin Eriksson, Lars Wollung, Henrik Käll, Fredrik Backman, Per Anders Fasth, Niklas Johansson, Helena Svancar and Peter Zonabend as Board members. Lars Wollung resigned from the Board on 15 June 2021. Former Board members Ingrid Bonde (Chair), Cecilia Daun Wennborg, Liselotte Hjorth and Robert Kraal resigned from the Board at the AGM.

At the end of the financial year, the Board had two female and six male members. All Board members were independent in relation to the Company's major shareholders (as defined in item 4.4 of the Swedish Corporate Governance Code), except for Peter Zonabend who is not independent in relation to Arwidsro, the Company's largest shareholder. All Board members were independent in relation to the Company and the Executive Management Team in 2021, except for Per Anders Fasth who took on the role as Acting CEO starting from 31 May 2021. For further information on the Board members, see the section on the Company's Board of Directors and Executive Management Team on the Company's website, www.hoistfinance.com.

See Note 9 "Personnel expenses" for details on the remuneration to the Board of Directors.

Diversity policy

The Company's Board as a whole shall have the appropriate collective expertise, experience and background in the Company's business operations to enable identification and understanding of the risks such operations entail. The objective is to have a Board composed of members with complementary experience and expertise and of varying ages, genders, geographic origins, and educational and professional backgrounds that, taken together, contribute to independent and critical reflection.

The Company's Board has adopted a Diversity Policy applicable to the Board. To achieve a diverse Board, in preparing its proposal to the AGM, the Nomination Committee takes into consideration item 4.1 of the Swedish Corporate Governance Code, the Board's Diversity Policy and the European Banking Authority's guidelines on eligibility assessments for Board members. The Company continuously evaluates the composition of the Board and believes that its composition was satisfactory in 2021.

Work of the Board

The primary task of the Board is to serve the interests of the shareholders and the Company. The Board is responsible for the Company's organisation and the management of the Company's business, and for ensuring that the Group is suitably structured to enable the Company to optimally exercise its ownership responsibilities with respect to the Group subsidiaries. The Board is responsible for ensuring that the Company complies with applicable laws and regulations, the Articles of Association and the Swedish Corporate Governance Code. The Board is obliged to regularly assess the Company and the Group's financial situation and ensure that the Company's organisation is structured to enable satisfactory monitoring of its accounting, management of assets, and general financial situation.

The Board adopts financial targets for the Company, decides on the Company's strategy and business plans and ensures good internal control and risk management.

The Board's duties and working methods are regulated by the Companies Act, the Articles of Association and the Swedish Corporate Governance Code. The Banking and Financing Business Act also regulates the duties and work of the Board.

The Board has adopted written rules of procedure and instructions on internal reporting for the Board that deal with:

1. The Board's duties and responsibilities
2. Members of the Board
3. Chairman of the Board
4. Board meetings; and
5. Board Committees

Board meetings in 2021

A total of 17 minuted Board meetings were held in 2021; seven ordinary meetings, one statutory meeting and nine extraordinary meetings. All Board members attended these meetings, with the exception of the Board meeting held on 9 March when Malin Eriksson did not participate. The CEO, the CFO (during certain parts) and the Board's secretary participated in the Board meetings. A number of Company employees also participated in some of the Board meetings to report on specific issues.

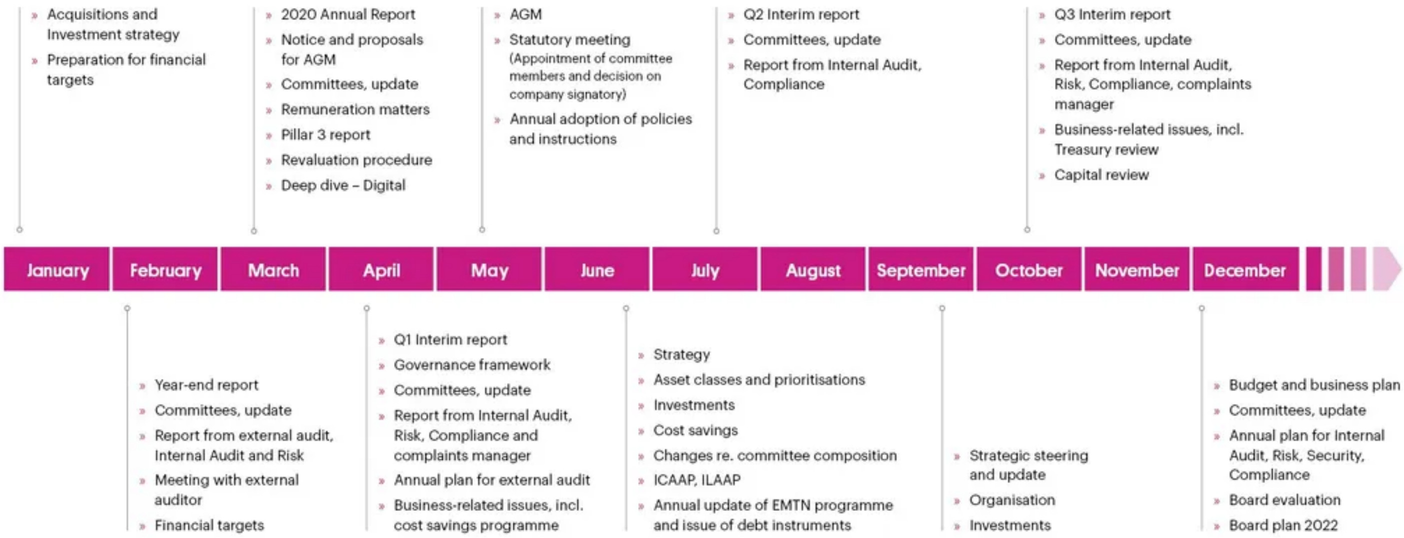
The Board's work is carried out in accordance with an annual plan. This may be adjusted depending on the year's events and projects. The majority of ordinary Board meetings are held in conjunction with the Company's reporting; the annual accounts were addressed in February, the Annual Report and issues related to the AGM in March, the interim accounts in May, July and October, strategy in June and at an extra meeting in September and the budget and business plan for the coming year in December. As a rule, governance documentation and instructions are adopted at the statutory Board meeting. At ordinary meetings the Board receives regular reports from its Committees and the control functions.

The matters addressed by the Board in 2021 included, among other things, organisation, strategy, cost savings programme, replacement of CEO, investments, security and remuneration matters. The Board also held a meeting with the external auditors without the Executive Management Team in attendance.

Board training

The Board received training in various subjects during 2021, including security and ICT risks and anti-money laundering.

Work of the Board in 2021



Board Committees

Risk and Audit Committee

The Risk and Audit Committee serves in an advisory capacity and prepares issues for consideration and decision by Hoist Finance's Board. The Risk and Audit Committee also has a mandate to make decisions in matters regarding the procurement of non-audit-related services from the Company's external auditors. The Committee is responsible for monitoring and ensuring the quality of financial reporting, the effectiveness of the Company's internal control and the tasks performed by the Internal Audit, Risk Control, Compliance and Security functions. The Committee also discusses valuation issues and other assessments pertaining to the annual accounts. In matters relating to external audit, the Risk and Audit Committee is, notwithstanding the Board's responsibilities and duties, to regularly meet with and review reports from the Company's external auditors to remain informed about the focus and scope of the audit and to discuss the coordination of the external and internal audit with the external auditor. The Risk and Audit Committee is to inform the Board about audit results, the manner in which the audit contributed to the reliability of financial reporting, and the role played by the Committee in the process. The Committee is also to remain informed about the Swedish Inspectorate of Auditors' quality control of the Company's external auditors and is responsible for the auditors' independence and impartiality and the selection procedure ahead of the choice of auditor. The Committee is required to meet at least four times per financial year.

The Risk and Audit Committee has at least three members appointed by the Board on an annual basis. Committee members may not be employed by the Company. One member is elected Committee Chairman. The Chairman may not be the Chairman of the Board of Hoist Finance. Until the Annual General Meeting 2021, the Risk and Audit Committee members were Cecilia Daun Wennborg (Chair), Ingrid Bonde and Liselotte Hjorth. In connection with the Annual General Meeting 2021, Per Anders Fasth (Chair), Niklas Johansson and Mattias Carlsson were appointed as members. Due to Per Anders Fasth's appointment as Acting CEO on 31 May 2021 he resigned from the Committee, and it is as of 15 June 2021 composed of Niklas Johansson (Chair), Mattias Carlsson and Helena Svancar. The CEO, CFO (during certain parts) and the Company's external auditors also attend the Committee's meetings. The Company's employees may be summoned to Committee meetings to provide details on specific reports or issues. Committee meeting minutes are kept and made available to all Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed and proposed at Committee meetings. The Committee held eight meetings in 2021, with all members in attendance at these meetings.

Remuneration Committee

The Remuneration Committee's primary task is to prepare the Board's decisions on remuneration policies, remuneration and other terms of employment for Executive Management Team members and employees responsible for control functions. The Committee is to monitor and evaluate variable remuneration programmes for the Executive Management Team (both ongoing and those completed during the year), as well as the application of the remuneration guidelines for senior executives resolved by the AGM and the Group's remuneration structure and remuneration levels.

The Remuneration Committee is to have at least two members appointed by the Board on an annual basis. All members must be independent in relation to the Company and the Company's management. The Remuneration Committee meets at least twice per financial year. Until the 2021 AGM, the Remuneration Committee members were Ingrid Bonde (Chairman), Lars Wollung and Robert Kraal. Since the 2021 AGM the Committee consists of Mattias Carlsson (Chairman) and Peter Zonabend. The CEO and Chief People Officer also attend the Committee's meetings. Company employees may be summoned to Committee meetings to provide details on specific reports or issues. Remuneration Committee meeting minutes are recorded and are available to Board members. The Committee Chairman reports to the Board concerning the issues discussed and proposed at Committee meetings. The Committee held five meetings in 2021, with all members in attendance at these meetings.

Investment Committee

The Investment Committee is both a preparatory and a decision-making committee. Its responsibilities include evaluating and approving standard portfolio acquisitions valued at EUR 75m or more (EUR 50 m starting from February 2022), portfolio acquisitions not considered to be standard and valued at EUR 25m or more and investments that require the approval of the Swedish Financial Supervisory Authority. The Investment Committee is also involved in the process of potential revaluations of credit portfolios. The Investment Committee is to have at least three members appointed by the Board on an annual basis. The Chairman must be independent in relation to the Company and the Company's management and may not be the Board Chairman of Hoist Finance. The Committee meets at least four times per financial year and whenever a Committee decision or recommendation is required as per the Company's Investment Policy or Revaluation Policy. Until the AGM 2021, the Committee was composed of Malin Eriksson (Chair), Liselotte Hjorth, Lars Wollung and Henrik Käll. In connection with the AGM 2021, Malin Eriksson (Chair), Henrik Käll, Per Anders Fasth and Helena Svancar were appointed as members. Due to Per Anders Fasth's appointment as Acting CEO on 31 May 2021, he resigned from the Committee on 15 June 2021.

Company employees may be summoned to Committee meetings to provide details on investment data. Committee meeting minutes are kept and are available to all Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed, proposed, and decided on at Committee meetings. The Committee held twelve meetings in 2021 with all members in attendance at these meetings.

For standard investments valued at less than EUR 75m, and non-standard investments valued at less than EUR 25m, the Investment Committee may delegate decision-making authority to the Company's Management Investment Committee. This applies provided that such investments do not require the Swedish Financial Supervisory Authority's approval. The Management Investment Committee is composed of employed executives.

Chairman of the Board

Mattias Carlsson was elected as Chair of the Board of Hoist Finance by the AGM held on 13 April 2021.

The Chairman of the Board leads the Board's work and oversees the fulfilment of its duties and has a specific responsibility for ensuring that the Board's work is well-organised, efficiently run and aligned with operational developments. The Chairman of the Board verifies that Board decisions are effectively executed, ensures that the Board's work is evaluated annually and that the Nomination Committee is informed of the evaluation results.

The Chairman's particular duties are to:

- In consultation with the CEO, decide the matters to be considered by the Board, prepare meeting agendas and issue meeting notices when needed
- Organise and lead the Board's work, while overseeing that the Board addresses those matters that rest with the Board pursuant to law, the Articles of Association and the Swedish Corporate Governance Code
- Serve as the Board's spokesperson towards Hoist Finance's shareholders; and
- Ensure that the CEO provides sufficient information for Board decisions and oversee that Board decisions are executed.

Board evaluation

In accordance with the Board's rules of procedure, the Chairman of the Board initiates an evaluation of the Board's performance once per year. For the 2021 evaluation, all Board members were able to give their views via a digital evaluation platform, on issues including working methods, Board meetings, work performed by the Board and management during the year, and Board and management structure. The purpose of the evaluation is to gain an understanding of the Board members' views on the Board's performance and the measures that can be taken to make the Board's work more efficient. The purpose is also to gain an understanding of the type of issues the Board believes should be given more attention and the areas that may require additional Board expertise. The result of the evaluation was shared with the board members and the nomination committee.

CEO and Executive Management Team

The CEO is appointed by the Board and runs the business in accordance with instructions adopted by the Board. The CEO is responsible for the Company and the Group's day-to-day administration pursuant to the Companies Act. The CEO also works with the Chairman of the Board to decide on matters that will be addressed at each Board meeting. The Board adopts instructions for the CEO each year and evaluates the CEO's duties on a regular basis.

Per Anders Fasth is the Company's CEO since 31 May 2021. Before that, Klaus-Anders Nysteen was the CEO of the Company. For additional information on the CEO and the CEO's shareholding, see the section on the Company's Board and Executive Management Team on the Company's website, www.hoistfinance.com.

For the purpose of managing the operations, the CEO consults with the Executive Management Team on matters of major importance or of importance as to principles. The Executive Management Team meets regularly and under the structure set by the CEO. In addition to the CEO, the Executive Management Team is composed of members appointed by the CEO. The Executive Management Team's role is among other things to prepare and implement strategies, manage matters related to corporate governance, the organization and sustainability, and monitor the Company's financial performance.

The Asset and Liability Committee is also at the CEO's disposal for the purpose of managing the operations. The Committee is composed of the CFO (Chair), CEO, Head of Accounting, Head of Treasury and Head of Risk Control (non-voting member). ALCO is inter alia responsible for deciding on the conditions including interest rate levels for all funding, deciding on hedging strategies for market and financial risks, deciding the duration, size and liquidity of the liquidity portfolio and deciding on prerequisites, terms and conditions that are expected to have a material impact on the group's (i) funding structure, costs and risk metrics, (ii) liquidity risk metrics, and (iii) rating in relation to establishing new securitisation transactions and secured funding transactions.

The CEO is responsible for ensuring that Board members receive information and essential decision-making material, and for presenting reports and proposals at Board meetings on issues dealt with by the Company. The CEO keeps the Board and Chairman updated on the Company and the Group's financial position and performance. The CEO's work is evaluated by the Board on a continuous basis.

The CEO's main duties include:

- Assuming responsibility for the financial reporting by ensuring that it is carried out in accordance with applicable law and that assets are managed prudently
- Managing and coordinating Group companies in accordance with the Board's guidelines and instructions; and
- Ensuring that Board resolutions are executed and keeping the Board updated on the performance of the Company and the Group's operations, earnings and financial position.

Executive Management Team

For information on the Executive Management Team, see the section on the Company's Board and Executive Management Team and the Company's website, www.hoistfinance.com.

See Note 9 "Personnel expenses" for details on the remuneration of the CEO and Executive Management Team.

Important guidelines

The Company has set up a Business Sustainability and Ethics Committee composed of the CEO, the Head of Sustainability, the Head of Compliance and certain other Company managers that the CEO nominates. The Company's Sustainability policy is applied throughout the Group, and in the day-to-day operations, measures are taken to achieve both Group wide and local goals. The sustainability governance structure is composed of a framework for internal governance and control that includes a functional organisational structure with a clear division of responsibilities between management, operations and control functions, as well as principles, policies and processes. To further support policy application and relevance, each policy is assigned to a "document owner" – often the person responsible for the policy's specific area. The Executive Management Team is responsible for the Sustainability strategy. After that the responsibility was taken over by the CEO. Day-to-day responsibility for the achievement of individual targets rests with each respective manager.

The Company's ethical guidelines, composed of an umbrella document and several ancillary documents, are designed to be applied by both employees and partners. The umbrella document specifies fundamental values and principles and provides information on some of the ancillary documents. All employees receive continuous training on ethical issues, and training statistics are monitored monthly.

The Company has a program aimed at preventing money laundering and terrorist financing in place. The program is continuously updated and includes inter alia ways of working, IT systems, policies, education and reporting routines.

Auditors

The 2021 AGM re-elected registered public accounting firm Ernst & Young AB as the Company's auditor for the period until the close of the next AGM. Authorised Public Accountant Daniel Eriksson is Auditor in Charge.

Financial reporting

The Board is responsible for ensuring that the Company's organisation is structured in a way that enables its financial situation to be satisfactorily monitored, and that financial statements, such as interim reports and annual accounts, are prepared in accordance with applicable law, accounting standards and other requirements. Interim reports are initially handled by the Risk and Audit Committee and are then approved by the Board as a whole. The Board of Directors ensures the quality of financial reporting through its Risk and Audit Committee. The Board and the Risk and Audit Committee address not only the Group's financial statements and material accounting issues, but also issues concerning internal control, compliance, significant uncertainty in carrying amounts, events after the balance sheet date, changes in estimates and assessments, and other conditions affecting the quality of the financial statements. The CEO is responsible for ensuring that the Company's accounting is prepared in compliance with applicable law and that assets are managed prudently. The Company and the Group prepare accounts each month. The Board and the Executive Management Team continuously receive information on the Company's and the Group's financial situation.

To safeguard financial reporting within the Group, monthly reports are issued directly to a joint intergroup accounting system that includes quality controls. Detailed analyses and reconciliations are performed in connection with the periodic reporting. The consolidation process also includes a number of specific reconciliation controls. Hoist Finance has developed internal accounting and reporting guidelines, the Hoist Finance Financial Framework.

Internal reports

The Board monitors the Group's financial performance, ensures the quality of financial reporting and internal control, and follows up and evaluates the operations on a regular basis. Internal reports, such as consolidated financial statements, are regularly prepared and submitted to the Board. An income statement, balance sheet and investment budget are prepared for each financial year and are adopted at the ordinary Board meeting held in December.

Guidelines for remuneration of senior executives, etc.

Guidelines for remuneration to senior executives were adopted by the AGM on 13 April 2021. Remuneration to senior executives shall be on market terms and may consist of the following components; fixed cash salary, variable cash remuneration, pension benefits and other benefits. The remuneration in Hoist Finance shall encourage senior executives to promote the Company's business strategy, long-term interests and sustainability and a behaviour in line with the Company's ethical Code of conduct and values. The remuneration shall also be structured to enable Hoist Finance to attract, retain and motivate employees who have the requisite skills. The remuneration shall encourage good performance, prudent behaviour and risk-taking aligned with customer and shareholder expectations. Hoist Finance's business strategy, long-term interests and sustainability work are described on the Company's webpage, www.hoistfinance.com.

Variable remuneration for senior executives will be paid out based on a long-term incentive program (LTIP) and shall not exceed 100 per cent of the fixed annual cash salary. Variable remuneration is based on various financial and non-financial criteria and is linked to the performance of the Hoist Finance Group and the respective business unit as well as individual targets. It is hence distinctly linked to the business strategy and thereby to the Company's long-term value creation, including its sustainability.

Variable remuneration takes into account the risks involved in the Company's operations and is proportional to the Group's earning capacity, capital requirements, profit/loss and financial position. The payment of variable remuneration must not undermine the Group's long-term interests and is contingent upon the recipient's compliance with internal rules and procedures. Variable remuneration is not paid to a senior executive who has participated in or been responsible for any action resulting in significant financial loss for the Group or the relevant business unit.

For senior executives, payment of 60 per cent of the variable remuneration is deferred for a period of at least three years. Variable remuneration, including deferred remuneration, is only paid to the extent warranted by the Group's financial situation and the performance of the Group and the relevant business unit, and the senior executive's achievements.

Pension and insurance are offered pursuant to national laws, regulations and market practices and are structured as collective agreements, company-specific plans or a combination of the two. Hoist Finance has defined-contribution pension plans. A few senior executives receive gross salary, in these instances, the Company does not make pension contributions. The Remuneration guidelines are presented in their entirety in Note 9 “Personnel expenses”. Information on salaries and other remuneration to senior executives is presented in Note 9 “Personnel expenses”.

Internal control over financial reporting

Internal governance and control

The internal governance and control process is governed by law and regulations and is supervised by the Board. In Sweden, where the Company has its registered office, internal governance and control are regulated primarily by the Companies Act, Banking and Financing Business Act, the Swedish Financial Supervisory Authority’s regulations and guidelines, the Corporate Governance Code, and stock exchange regulations.

Hoist Finance has an internal governance and control framework aimed at creating the environment necessary to enable the entire organisation to promote effective, high quality corporate governance by providing clear definitions, assignments of roles and responsibilities and Group-wide tools and procedures.

Hoist Finance applies the COSO model for internal control over financial reporting.

COSO focuses on developing a framework that can be used directly by a Company’s management team to evaluate and improve risk management in three inter-related areas; enterprise risk management (ERM), internal control and fraud deterrence.

Roles and responsibilities

The Board is ultimately responsible for limiting and overseeing Hoist Finance’s risk exposure. The Board and the Risk and Audit Committee are responsible for establishing the main rules and guidelines for internal control.

The Risk and Audit Committee assists the Board by continuously monitoring the risks that may affect financial reporting and by adopting manuals, policies and accounting policies. The Risk and Audit Committee interacts directly with the external auditors.

The CEO is responsible for the effective design and implementation of internal control within the Group. The CFO is responsible for the design, implementation and correct application of the internal control framework at a central level. Local management is responsible for the design, implementation and correct application at a local level.

Hoist Finance’s roles and responsibilities with respect to internal control and risk management are structured in three lines of defence. These three lines of defence jointly form the internal control framework, which is designed to develop and maintain systems that ensure:

- Effective and efficient business operations
- Satisfactory risk control
- Business management
- Reliable reporting of financial and non-financial information (internally and externally); and
- Compliance with laws, regulations, supervisory authority requirements and internal policies and procedures.

Areas of responsibility

Risk Control function

The Risk Control function is responsible for providing relevant and independent analyses, advice and expert opinions on the Company's risks. It is also responsible for the ongoing evaluation and development of the Company's risk management framework to ensure its functionality. This involves:

- Verifying that all material risks that the Company is exposed to are identified, analysed and managed by the appropriate functions.
- Identifying and reporting on risks arising from deficiencies in the Company's risk management. Providing recommendations for correcting deficiencies and thereby avoiding or minimising these risks in the future.
- Providing information, analyses and advice on the Company's risks to the Board and CEO on a regular basis.
- Providing all relevant information that may constitute decision-making material when the Company develops or changes its risk strategy and risk appetite, as well as evaluating proposed risk strategies and providing recommendations before decisions are made.
- Evaluating whether company proposals or decisions that may give rise to a significant increase in risk are compatible with the Company's risk appetite.
- Identifying, verifying and reporting risks of error in the Company's estimates and assumptions that form the basis of the financial statements.
- Evaluating risks prior to company decisions on new or substantially changed products, services, markets, processes or IT systems and in the event of major changes to the Company's operations and organisation, and evaluating the anticipated impact on the Company's aggregate risk.

Compliance function

The Compliance function is responsible for supporting the Company's compliance with all legal, regulatory and other requirements for its licensed operations. This involves:

- Identifying risks of the Company failing to comply with its legal, regulatory and other duties with respect to its licensed operations, and monitoring and verifying that these risks are managed by the relevant functions.
- Overseeing and monitoring compliance with laws, regulations and other rules, as well as with relevant internal regulations.
- Reviewing and evaluating the functionality and effectiveness of the Company's procedures on a regular basis.
- Providing recommendations to relevant persons based on the function's findings.
- Providing advice and support to the Company's personnel, CEO and Board regarding the laws, regulations and other rules applicable to the licensed operations, and regarding internal regulations.
- Informing and training relevant persons regarding new or amended regulations.
- Verifying that new or substantial changes to products, services, markets, processes and IT systems and major changes to the Company's operations and organisation comply with legal, regulatory and other requirements applicable to the Company's licensed operations (for example via the New Product Approval Process or the change management process).
- Advising and reporting to the CEO and the Board on a regular basis.

Security function

The Company's Security function is organised as a control function. The Head of Security is responsible for ensuring that security and ICT risks are identified, monitored, managed and reported.

The Security function is supporting the entire Group in managing security and ICT risks and is continuously reporting to the CEO, the Board and the Risk and Audit Committee.

Internal Audit function

The Internal Audit function is responsible for ensuring the independent review and supervision of work performed by the first and second lines of defence. Accordingly, the Internal Audit function follows an updated, risk-based audit plan adopted by the Board, under which it reviews and regularly evaluates:

- Whether the Company's organisation, governance processes, IT systems, models and procedures are appropriate and effective.
- Whether the Company's internal control is appropriate and effective and whether the operations are conducted in accordance with the Company's internal regulations.
- Whether the Company's internal regulations are adequate and consistent with laws, regulations and other rules.
- The reliability of the Company's financial reporting, including off-balance sheet commitments.
- The reliability and quality of the work performed within the Company's various control functions.
- The Company's risk management based on the adopted risk strategy and risk appetite.

The Internal Audit function also provides recommendations to relevant persons based on the function's findings, monitors whether the measures are subsequently implemented, and reports to the Board on a regular basis.

Three lines of defence for risk management and internal control

1st line of defence
The first line of defence is comprised of the business organisation, which are responsible for conducting operations in accordance with the adopted risk exposure, internal control framework and the rules and regulations applicable to Hoist Finance. The first line of defence has a well-functioning governance structure and effective processes to identify, measure, assess, monitor, minimise and report risks.

2nd line of defence
The second line of defence is comprised of the Risk Control function, the Compliance function and the Security function, independent units that monitor and control Hoist Finance's risks and report independently of each other to the CEO and the Board.

3rd line of defence
The third line of defence is the Internal Audit function that conducts independent audits and reviews and provides the Board with evaluations of Hoist Finance's internal control and risk management processes. The Internal Audit function reports to the Board.

Internal control process

The Board of Directors has ultimate responsibility for ensuring that internal control operates efficiently. The internal control and risk management systems for financial reporting are designed to achieve reasonable assurance regarding the reliability of external financial reporting and to ensure that the financial statements are prepared in compliance with generally accepted accounting policies, applicable laws and regulations and other requirements for listed companies.

Hoist Finance's internal control process follows the COSO model, which is based on the following components

- Control environment
- Risk assessment
- Control activities
- Information & Communication; and
- Monitoring

The control enviroment is the foundation of the Company's system for internal control of financial reporting. The control environment is primarily based on the corporate culture and the values that have been established by the Board of Directors and the Executive Management Team, as well as the organisational structure with distinct authorities and responsibilities. Policies and instructions are documented and evaluated continuously. These steering documents, and well-conceived process descriptions, are made available to the relevant personnel.

The risk assessment includes processes for identifying, analysing and evaluating risks arising in financial reporting. This component assesses and prioritises the areas that each business area believes to be the most relevant in the Company, based on a risk analysis. This risk analysis takes into account both the probability and consequence of a risk materialising. The risk analysis is conducted regularly at Group level to identify and create an understanding of the risks arising in the Group, in terms of both materiality and complexity. The risk analysis is then used as the starting point for determining the areas that are to be assigned priority and how the risks in these areas are to be limited and managed.

Control activities are the activities designed to limit the risks and ensure the reliability of the Company's organisation. The main purpose of the control activities, which can be of both a manual and automated character, is to uncover and prevent errors and thereby assure the quality of financial reporting. Examples of control activities include authorisation manuals, payment instructions, payment vouchers, reconciliations, business performance reviews, general IT controls and division of responsibilities. Control activities exist at both subsidiary and Group level.

Information & Communication is both an internal tool to strengthen the internal control environment and a process to ensure that correct information is identified, collected and communicated in a manner and within a timeframe that allows the organisation to carry out its duties. Policies and instructions have been adopted and the Company's financial manual, Hoist Finance Financial Framework, includes instructions and guidance for accounting and financial reporting. The policies, instructions and financial manual are updated continuously and are available to the entire organisation. Regular meetings are also held with accounting staff and local Heads of Finance to provide information on new or updated rules and regulations applicable to Hoist Finance, and on internal control responsibility. The Group's intranet is another important communication channel. The Board also receives information regarding risk management, internal controls and financial reporting from the control functions and the Risk and Audit Committee. A Communication Policy has been established to ensure that the information disclosed externally is correct and complete. The Company has further established a Disclosure Committee which makes decisions regarding disclosure of information to the capital market.

Monitoring occurs at all levels in the Group. The Company regularly evaluates the internal control of financial reporting. Work on the internal control is reported to the Board of Directors and the Risk and Audit Committee. This reporting forms the foundation for the Board's evaluation and assessment of the efficiency of the internal control of financial reporting and also constitutes a basis for decisions about potential improvement measures. The Company has an incident reporting procedure in place, under which incidents are reported and analysed and actions taken to reduce risks as far as is economically justifiable. The Company also has an internal whistleblowing procedure through which employees can report suspicions of improprieties in the organisation. Such reporting can be done anonymously.

Financial reporting competencies

The quality of financial reporting is largely controlled by the organisation's expertise in accounting matters and the way in which the Finance, Accounting and Treasury functions are staffed and organised. The CEO and the Finance function are continuously involved in ongoing financial reporting and therefore have insight into the preparation of financial information. The Finance function is organised and staffed based on the need to ensure that the Group maintains high accounting standards and complies with accounting laws, regulations and standards. The CEO and the Finance function work actively to ensure that the Group has employees with the necessary expertise in all key positions and that there are procedures in place to ensure that employees have the requisite knowledge and skills.

Board of Directors

Mattias Carlsson

Chairman of the Board

Chairman of the board since 2021.
Born: 1972.
Education: Master of Science in Engineering Physics, Uppsala University.
Internal assignments:
Chairman of the board
Other significant external assignments:
TF Bank, CEO
Qred Holding AB, Chair
Previous experience: Chairman of the board of TF Bank, manager within consumer finance at Resurs Bank and various positions within the bank SEB.
Independent in relation to the company and management and to major shareholders.
Shareholding: 50,000 shares.

Peter Zonabend

Board member

Board member since 2021.
Born: 1980.
Education: Master of Laws and Bachelor of Science in Business, General Business Administration and Economics, Stockholm University and European Master in Law and Economics Programme at Aix-Marseille III, Aix-en-Provence.
Internal assignments:
Board member
Other significant external assignments:
Arwidsro Fastighets AB, CEO
Oasmia Pharmaceutical, Board member
Previous experience: CEO of Victoria Investments Holding Ltd, Fylgia law firm and Björn Rosengren law firm. Board assignments within Hövding Sverige AB, HQ AB, TCER AB and CBD Solutions AB.
Not independent in relation to major shareholders.
Shareholding: 61,000 shares.

Malin Eriksson

Board member

Board member since 2017.
Born: 1971.
Education: Bachelor of Science in Business, Ithaca College, New York.
Internal assignments:
Board member
Investment Committee, Chair
Other significant external assignments:
Chief Operating Officer, EARNEST Partners
Previous experience: Partner and Chief Investment Officer at Credigy, Board member Webbank, Board member Ingenico e-payments, Board member and Head of the Investment Committee in Lindorff Group, CEO at Rio Branco Aquisição e Administração de Creditos, Senior Consultant at Monitor and Head of US Market at Klarna Inc.
Independent in relation to the company and management and to major shareholders.
Shareholding: 31,500 shares.

Helena Svancar

Board member

Board member since 2021.
Born: 1975.
Education: Master of Science in Finance and Business Administration, Stockholm School of Economics.
Internal assignments:
Board member
Other significant external assignments:
Ericsson, Head of M&A
Previous experience: Almost 20 years of experience in investment banking in London, New York and Stockholm, including Managing Director and Head of Corporate Finance, Nordic region at Deutsche Bank, and positions at Rothschild & Co and SEB.
Independent in relation to the company and management and to major shareholders.
Shareholding: 5,000 shares.

Per Anders Fasth

Board member

Board member since 2021.
Born: 1960.
Education: Master of Science, Stockholm School of Economics.
Internal assignments:
Board member
Other significant external assignments:
Skandiabanken, Board member
Lyra Financial Wealth, Chair
FundedByMe, Chair
Atle Investment Services, Board member
ClearOn AB, Board member
Previous experience: Various executive positions within the bank SEB, CEO of SBAB Bank, Partner at QVARTZ (now Bain & Co), consultant at McKinsey & Company, CEO of ERC, Chairman of Sileo Kapital and Investerum as well as board member of Piraeus Bank SA and other financial institutions.
Independent in relation to the company and management and to major shareholders.
Shareholding: 6,000 shares.

Henrik Käll

Board member

Board member since 2020.
Born: 1967.
Education: Master of Science in Economics and Business Administration, Uppsala University.
Internal assignments:
Board member
Investment Committee, member
Other significant external assignments:
-
Previous experience: Global Head of Markets & Sales Distribution at Nordea and various other positions at Nordea, i.a. Global Head of Markets Trading, Head of FICC Sweden, Head of Investments and Institutional Sales and Nordic Head of Structured Products. Various positions at Dresdner Kleinwort London, Natixis (previously IXIS) and Öhman Fondkommission Stockholm.
Independent in relation to the company and management and to major shareholders.
Shareholding: 6,000 shares

Niklas Johansson

Board member

Board member since 2021.
Born: 1961.
Education: Bachelor of Social Science, University of Linköping, Master of Business
Administration, Uppsala University and Certified Financial Analyst, Stockholm School of Economics.
Internal assignments:
Board member
Other significant external assignments:
Skandia Liv, Board member
Areim AB, Chair
Apotekets Pensionsstiftelse, Chair
Djurgården Hockey AB, Board member
Previous experience: Group CEO of Carnegie Investment Bank AB, the chairman of the board of Skandiabanken, and director general at the Ministry of Finance and at the Ministry of Enterprise and Innovation.
Independent in relation to the company and management and to major shareholders.
Shareholding: 0 shares.

Fredrik Backman

Board member

Board member since 2021.
Born: 1981.
Education: MSc in Finance and Business Administration, Stockholm School of Economics.
Internal assignments:
Board member
Other significant external assignments:
Ludvig & Co Group, CEO
Previous experience: Various positions within Intrum AB, including as Managing Director of Intrum Sverige and Regional Finance Director of Region Northern Europe. Manager at Oliver Wyman Ltd. and various positions within Kaupthing Bank Sverige AB.
Independent in relation to the company and management and to major shareholders.
Shareholding: 0 shares.

Lars Wollung

Board member

Board member since 2019. Resigned 15 June, 2021.
Born: 1961.
Education: Bachelor of Business Administration, Stockholm School of Economics and Master of Science in Information Technology, KTH Royal Institute of Technology.
Previous experience: CEO for two publicly listed entities for 15 years, Acando, an IT-company, and Intrum Justitia, a credit management services company. Consultant for 15 years at McKinsey & Company and OTP. Board member in Nordea, TF Bank, IFS, Tieto, Sigma and Connecta.
Independent in relation to the company and management and to major shareholders.

Auditor in Charge

Ernst & Young AB

Daniel Eriksson

Authorised Public Accountant
Born: 1973.

Executive Management Team

Per Anders Fasth

Chief Executive Officer

Member of the Executive Management Team since 2021. Hoist Finance employee since 2021
Born: 1960.
Education: Master of Science, Stockholm School of Economics.
Other significant external assignments: Chairman Lyra Financial Wealth, Chairman FoundedByMe, Board member Atle Investment Services.
Previous experience: Various executive positions within the bank SEB, CEO of SBAB Bank, Partner at QVARTZ (now Bain & Co), consultant at McKinsey & Company, CEO of ERC, Chairman of Sileo Kapital and Investerum as well as board member of Piraeus Bank SA, Skandiabanken and other financial institutions.
Shareholding: 6,000 shares.

Christian Wallentin

Chief Financial Officer

Member of the Executive Management Team since August 2021. Hoist Finance employee since 2021.
Born: 1975.
Education: M Sc Economics and Business Administration, Stockholm School of Economics, CEMS Master Interanational Management, ESADE.
Previous experience: More than 20 years of financial services industry experience in various strategic and leadership roles, i.a. CFO (including responsibility of operations) at Luminor Group (the merged Baltic banking operations of Nordea and DNB), Head of Group Corporate Development at Nordea, Investment Manager at Permira and corporate finance advisor at Goldman Sachs.
Shareholding: 45,000 shares.

Melanie Foster

Chief Staff Officer

Member of the Executive Management Team since January 2021. Hoist Finance employee since 2012.
Born: 1975.
Education: Bachelor of Science, The University of Glasgow.
Previous experience: Joined Hoist Finance as part of the acquisition of Robinson Way in 2012 as Head of IS. Appointed Head of PMO in 2015. Prior to that various positions in Robinson Way in Client Services, IS and analytics.
Shareholding: 0 shares.

Fabien Klecha

Chief Investment Officer

Member of the Excecutive Management Team since March 2019. Hoist Finance employee since 2012.
Born: 1984.
Education: Bachelor Degree in Business Administration, Università Commerciale L. Bocconi (Italy). Master Degree in Management, HEC Paris (France).
Other Assignments: Hoist Finance Country Manager, France
Previous experience: Hoist Finance Investment team, based in London, in 2012. Appointed Country Manager in France 2014. Experience from the finance industry (M&A) and entrepre-neurship in AgroGeneration from a start-up to be listed.
Shareholding: 0 shares.

Ulf Eggefors

Chief People Officer

Member of the Executive Management Team since July 2021. Hoist Finance employee since 2017.
Born: 1961.
Education: Economy at University of Stockholm
Previous experience: Various positions at SEB in Stockholm and London, Swedbank & CFO at CellMark AB.
Shareholding: 13,000 shares through closely related person's holding.

Julian Winfield

Chief Market Execution Officer

Member of the Executive Management Team since January 2021. Hoist Finance employee since 2014.

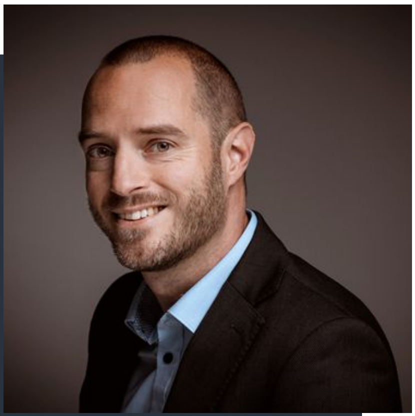
Born: 1970.

Education: Fellow Member of the Association of Chartered Certified Accountants (FCCA) Master of Business Administration (MBA) from Manchester Business School.

Other Assignments: Hoist Finance Country Manager, UK

Previous experience: Over 20 years of experience working within Financial Services. CFO, Paymentshield; a subsidiary of Tower Gate Finance Director, Shop Direct Financial Services Commercial & JV Director, Shop Direct Financial Services.

Shareholding: 0 shares.



Jelle Dekkers

Chief Operations Officer

Member of the Executive Management Team since January 2021. Hoist Finance employee since 2017.

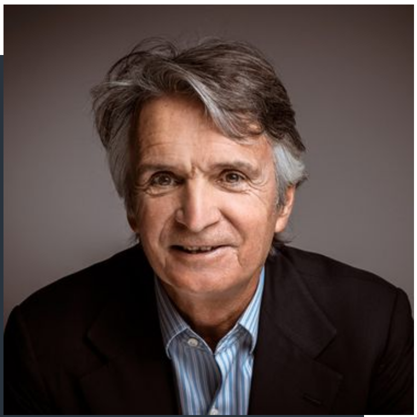
Born: 1981.

Education: Bachelor in Business Administration at Avans Hogeschool, s'-Hertogenbosch, The Netherlands.

Other assignments: Hoist Finance Country Manager, BeNeLux

Previous experience: 16 years of prior experience in the collections industry, related to amicable and legal collections for various branches (Banking, Utilities, Health insurance and Logistics).

Shareholding: 0 shares.



Clemente Reale

Country Manager Italy

Member of the Executive Management Team since July 2021. Hoist Finance employee since 2021.

Born: 1959.

Education: Economics, University of of Fribourg, Switzerland

Previous experience: Chairman at TRC Spa, Marketing Director at Diners Club Italia and Manager at London Transimar Ltd.

Shareholding: 0 shares.

Shareholding stated as at 31 December 2021.

Consolidated income statement

SEK m	Note	2021	2020
Interest income acquired loan portfolios calculated using the effective interest rate method	4	3,006	3,302
Other interest income [1]	4	-2	6
Interest expense	4	-574	-582
Net interest income	**4**	**2,430**	**2,726**
Impairment gains and losses	5	-338	-458
Fee and commission income	6	63	93
Net result from financial transactions	7	82	-7
Other operating income	8	18	14
Total operating income		**2,255**	**2,368**
Personnel expenses	9	-867	-862
Collection costs	10	753	-734
Other administrative expenses	10	-606	-613
Depreciation and amortisation of tangible and intangible assets	20.21	-129	-134
Total operating expenses		**-2,355**	**2,343**
Net operating profit/loss		**-100**	**25**
Share of profit from joint ventures	11	61	57
Profit/loss before tax		**-39**	**82**
Income tax expense		-78	-41
Net profit/loss for the year		**-117**	**41**
Profit/loss attributable to:			
Owners of Hoist Finance AB (publ)		-207	-45
Additional Tier 1 capital holders		90	86
Basic and diluted earnings per share SEK	14	-2.32	-0.5

1) Of which interest income calculated using the effective interest income method amounted to SEK -0.1m (1.7).

Consolidated statement of comprehensive income

SEK m	Note	2021	2020
Net profit for the year		-117	41
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Revaluation of defined pension benefit plans		3	-5
Revaluation of remuneration after terminated employment		0	0
Tax attributable to items that will not be reclassified to profit or loss		-	-
Total items that will not be reclassified to profit or loss	**29**	**3**	**-5**
Items that may be reclassified subsequently to profit or loss	29		
Translation differences, foreign operations		14	-99
Translation differences, joint ventures		3	-20
Hedging of currency risk in foreign operations		-41	-18
Hedging of currency risk in joint ventures		-1	11
Transferred to the income statement during the year		3	6
Tax attributable to items that may be reclassified to profit or loss		9	-3
Total items that may be reclassified subsequently to profit or loss		**-13**	**-123**
Other comprehensive income		-10	-128
Total comprehensive income		**-127**	**-87**
Profit/loss attributable to:			
Owners of Hoist Finance AB (publ)		-217	-173
Additional Tier 1 capital holders		90	86

Consolidated balance sheet

SEK m	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	15,17	1,576	2,411
Lending to credit institutions	15,17	2,480	2,526
Lending to the public	15,17	3	6
Acquired loan portfolios	15,17,18	21,337	21,075
Bonds and other securities	15,17	3,502	4,082
Participations in joint ventures	11	155	160
Intangible assets	20	360	358
Tangible assets	21	205	262
Other assets	23	490	763
Deferred tax assets	13	160	97
Prepaid expenses and accrued income	24	104	124
Total assets		**30,372**	**31,864**

LIABILITIES AND EQUITY	Note	31 Dec 2021	31 Dec 2020
Liabilities			
Deposits from the public	15,17,28	18,169	17,928
Debt securities issued	15,17,28	5,059	6,355
Tax liabilities	13	189	132
Other liabilities	25	797	1,025
Deferred tax liabilities	13	127	141
Accrued expenses and deferred income	26	194	239
Provisions	27	59	65
Subordinated debts	15,17,28	837	821
Total liabilites		**25,431**	**26,706**
Equity	29		
Additional Tier 1 capital holders		1,106	1,106
Share capital		30	30
Other contributed equity		2,275	2,275
Reserves		-394	-381
Retained earnings including profit/loss for the period		1,924	2,128
Total equity		**4,941**	**5,158**
Total liabilites and equity		**30,372**	**31,864**

Consolidated statement of changes in equity

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

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

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

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

2) No share-based payment are outstanding as of 31 December 2020. For more information see Note 9 "Personnel expenses".

3) To secure the delivery of treasury shares in the LTIP program with third party see Note 9 "Personnel expenses".

Consolidated cash flow statement

SEK m	Note	2021	2020
OPERATING ACTIVITIES			
Profit before tax		-39	82
of which, paid-in interest		*3,002*	*3,321*
of which, interest paid		*-530*	*-449*
Adjustment for other items not included in cash flow			
Depreciation and amortisation on tangible and intangible assets		129	134
Unrealised component of net income from financial transactions		-89	-9
Impairment gains and losses		338	458
Unrealised gains on shares and participations in joint ventures		8	14
Increase/decrease in accrued interest income and interest expense		42	146
Increase/decrease in provisions		-5	-21
Derecognition gains and losses		4	1
Other items		-165	-13
Adjustment for items included in investing activities			
Realised result from divestment of loan portfolios		-1	1
Realised result from divestment of shares and participations in joint ventures		-66	-58
Income tax paid		-100	-62
Amortisations on acquired loan portfolios		3,685	3,164
Increase/decrease in other assets and liabilities		-260	1,021
Cash flow from operating activites		**3,481**	**4,857**
INVESTING ACTIVITIES			
Acquired loan portfolios		-3,558	-1,715
Investments in bonds and other securities		-1,109	-2,069
Divestments of bonds and other securities		1,691	751
Other cash flows from investing activities		-20	-33
Cash flow from investing activities		**-2,996**	**-3,066**
FINANCING ACTIVITIES			
Deposits from the public		117	-3,272
Debt securities issued		94	2,018
Repurchase and repayment of Debt securities issued		-1,517	-1,454
Additional Tier 1 capital		-	414
Interest paid on Additional Tier 1 capital		-90	-60
Acquisition agreement for treasury shares		-	-8
Amortisation of lease liabilities		-52	-48
Cash flow from financing activities	**32**	**-1,448**	**-2,410**
Cash flow for the year		**-963**	**-619**
Cash at beginning of the year [1)]		4,576	5,261
Translation difference		12	-66
Cash at end of the year [2)]		**3,625**	**4,576**

1) As from 2020 the definition of 'cash and cash equivalents' in the cash flow statement has been changed to exclude lending to credit institutions in securitisation vehicles and pledged bank balances. Adjustment to cash at beginning of 2020 totalled SEK -543m.

2) Cash and cash equivalents in cash flow statement

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

Parent Company income statement

SEK m	Not	2021	2020
Interest income	4	1,528	1,705
Interest expense	4	-518	-521
Net interest income	**4**	**1,010**	**1,184**
Dividends recevied		0	302
Fee and commission income	6	2	4
Net result from financial transactions	7	68	-113
Other operating income	8	274	256
Total operating income		**1,354**	**1,633**
Personnel expenses	9	-460	-376
Other administrative expenses	10	-745	-768
Depreciation and amortisation of tangible and intangible assets	20,21	-68	-62
Total operating expenses		**-1,273**	**1,206**
Profit before credit losses		**81**	**427**
Impairment gains and losses	5	7	-41
Amortisation of financial fixed assets		-72	-116
Profit from participations in joint ventures	11	66	71
Net operating profit		**82**	**341**
Appropriations	12	-8	-9
Taxes	13	-127	-77
Net profit		**-53**	**255**

Parent Company statement of comprehensive income

SEK m	Not	2021	2020
Net profit		**-53**	**255**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Translation difference, foreign operations		1	0
Tax attributable to items that may be reclassified to profit or loss		0	-1
Total items that may be reclassified subsequently to profit or loss		**1**	**-1**
Other comprehensive income for the period		**1**	**-1**
Total comprehensive income for the period		**-52**	**254**
Profit/loss attributable to:			
Owners of Hoist Finance AB (publ)		-143	168
Additional Tier 1 capital holders		90	86

Parent Company balance sheet

SEK m	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	15,17	1,576	2,411
Lending to credit institutions	15,17	1,467	1,611
Lending to the public	15,17	3	6
Acquired loan portfolios	15,17,18	6,360	6,755
Receivables, Group companies		15,168	14,402
Bonds and other securities	15,17	3,502	4,082
Shares and participation in subsidiaries	19	863	816
Shares and participation in joint ventures	11	7	11
Intangible assets	20	194	187
Tangible assets	21	30	35
Other assets	23	320	462
Deferred tax assets	13	7	1
Prepaid expenses and accrued income	24	50	55
Total assets		**29,547**	**30,834**

LIABILITIES AND EQUITY	Note	31 Dec 2021	31 Dec 2020
Liabilities			
Deposits from the public	15,17,18	18,169	17,928
Debt securities issued	13,15,28	4,605	5,959
Tax liabilities	13	145	96
Other liabilities	25	818	890
Deferred tax liabilities	13	0	3
Accrued expenses and deferred income	26	66	94
Provisions	27	35	37
Subordinated debts	13,15,28	837	821
Total liabilities and provisions		**24,675**	**25,828**
Untaxed reserves	12	285	277
Equity	29		
Restricted equity			
Share capital		30	30
Statutory reserves		13	13
Revaluation reserve		71	72
Development expenditure fund		0	2
Total restricted equity		**114**	**117**
Non-restricted equity			
Additional Tier 1 capital holders		1,106	1,106
Share pemium		1,883	1,883
Reserves		3	2
Retained earnings		1,534	1,366
Profit/loss for the year		-53	255
Total unrestricted equity		**4,473**	**4,612**
Total equity		**4,587**	**4,729**
Total liabilities and equity		**29,547**	**30,834**

Parent Company statement of changes in equity

	RESTRICTED EQUITY				NON-RESTRICTED EQUITY					
SEK m	**Share capital**	**Statutory reserves**	**Revaluation reserve**	**Development expenditure fund**	**Additional Tier 1 capital holders**	**Share premium**	**Reserves**	**Retained earnings**	**Profit/loss for the year**	**Total equity**
Opening balance 1 Jan 2021	30	13	72	2	1,106	1,883	2	1,366	255	4,729
Transfer of previous year ´s net profit/loss								255	-255	0
Total comprehensive income for the year										
Profit/loss for the year									-53	-53
Other comprehensive income							1			1
Total comprehensive income for the year							**1**		**-53**	**-52**
Transactions reported directly in equity										
Transfer between restricted and non-restricted equity				-2				2		0
Interest paid on Additional Tier 1 capital								-90		-90
Share-based payments								0		0
Portfolio revaluation reserve			-1					1		0
Tax effect on items reported directly in equity			0					0		0
Total transactions reported directly in equity			**-1**	**-2**				**-87**		**-90**
Closing balance 31 Dec 2021	**30**	**13**	**71**	**0**	**1,106**	**1,883**	**3**	**1,534**	**-53**	**4,587**

	RESTRICTED EQUITY				NON-RESTRICTED EQUITY					
SEK m	**Share capital**	**Statutory reserves**	**Revaluation reserve**	**Development expenditure fund**	**Additional Tier 1 capital holders**	**Share premium**	**Reserves**	**Retained earnings**	**Profit/loss for the year**	**Total equity**
Opening balance 1 Jan 2020	30	13	74	5	690	1,883	3	1,236	197	4,131
Transfer of previous year´s net profit/loss								197	-197	0
Total comprehensive income for the year										
Profit for the year									255	255
Other comprehensive income							-1			-1
Total comprehensive income for the year							**-1**		**255**	**254**
Transactions reported directly in equity										
Transfer between restricted and non-restricted equity				-3				3		0
Additional Tier 1 capital instrument					414					414
Interest paid on Additional Tier 1 capital								-60		-60
Share-based payments								-1		-1
Acquisition agreement for treasury shares								-8		-8
Portfolio revaluation reserve			-2							-2
Tax effect on items reported directly in equity			0		2					2
Total transactions reported directly in equity			**-2**	**-3**	**416**			**-66**		**345**
Closing balance 31 Dec 2020	**30**	**13**	**72**	**2**	**1,106**	**1,883**	**2**	**1,366**	**255**	**4,729**

Parent Company cash flow statement

SEK m	Note	2021	2020
OPERATING ACTIVITIES			
Profit before appropriations and taxes		82	341
of which, paid-in interest		*944*	*1,450*
of which, interest paid		*-502*	*-434*
Adjustment for other items not included in cash flow			
Depreciation and amortisation on tangible and intangible assets		68	62
Impairment of shares in subsidiaries		72	116
Unrealised component of net income from financial transactions		-76	96
Impairment gains and losses		-8	41
Increase/decrease in accrued interest income and interest expense		-568	-168
Increase/decrease in provisions		-2	-16
Derecognition gains and losses		2	1
Other items		-107	-31
Adjustment for items included in investing activities			
Dividend from subsidiaries		-	-302
Realised profit from divestment of shares and participations in joint ventures		-66	-58
Income tax paid		-98	-15
Amortisations on acquired loan portfolios		1,493	1,235
Increase/decrease in other assets and liabilities		201	1,355
Cash flow from operating activities		**993**	**2,657**

INVESTING ACTIVITIES	Note	2021	2020
Acquired loan portfolios		-933	-869
Disposed loan portfolios		2	-
Loans to Group companies		-1,560	-437
Repaid loans, Group companies		1,354	1,912
Investments in bonds and other securities		-1,109	-2,069
Divestments of bonds and other securities		1,691	751
Dividend from subsidiaries recevied		-	302
Other cash flows from investing activities		-18	-6
Cash flow from investing activities		**-573**	**-416**

FINANCING ACTIVITIES	Note	2021	2020
Deposits from the public		117	-3,272
Debt securities issued		-	2,018
Repurchase and repayment of Debt securites issued		-1,445	-1,352
Additional tier 1 capital		-	414
Interest paid on Additional Tier 1 capital		-90	-60
Acquisition agreement for treasury shares		-	-8
Cash flow from financing activities	32	**-1,418**	**-2,260**
Cash flow for the year		**-998**	**-19**
Cash at beginning of the year		3,576	3,602
Translation difference		-9	-7
Cash at end of the year [1)]		**2,569**	**3,576**

1) Cash and cash equivalents in cash flow statement

SEK m	31 Dec 2021	31 Dec 2020
Cash	0	0
Treasury bills and Treasury bonds	1,576	2,411
Lending to credit institutions	1,467	1,611
excl. pledged bank balances	0	0
Liabilities to Group companies, group account	-474	-446
Total cash and cash equivalents in cash flow statement	**2,569**	**3,576**

Note 1 - Accounting principles

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1. Corporate information

The Annual Report is issued as of 31 December 2021 by Hoist Finance AB (publ), CIN 556012-8489, the Parent Company of the Hoist Finance Group (”Hoist Finance”). The parent company is a Swedish public limited company, registered in Stockholm, Sweden.

The address of the head office is Box 7848, 103 99 Stockholm. The Group is licensed and Supervised by the Swedish Financial Supervisory Authority.

The consolidated accounts for financial year 2021 were approved by the Board of Directors on 10 March 2022 and will be presented for adoption at the Annual General Meeting on 13 April 2021.

2. Statement of compliance

Accounting principles of the Group

The consolidated accounts for Hoist Finance AB (publ) were prepared in accordance with the international Financial Reporting Standards (IFRS) issued by the international Accounting Standard Board (IASB) and interpretations issued by the IFRS Interpretation committee as adopted by the EU. The Annual Report was prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Supervisory Authority’s regulations and guidelines on annual accounts in credit institutions and securities companies (FFFS 2008:25) including applicable amendments, and the Swedish Financial Reporting Board’s recommendations RFR 1 “Supplementary Accounting Rules for Groups”.

Accounting principles of the Parent Company are presented in section 22.

3. Changed accounting principles

New and amended standards adopted in the financial statements

Compared with the 2020 Annual Report, an IFRC IC update constitutes a material change concerning cloud-based IT solutions and Hoist Finance is also affected by the IBOR reform.

In March, IFRC IC published an agenda decision on the reporting of configuration and customisation costs that arise in cloud-based IT solutions (Software as a Service, SaaS). Hoist Finance has carried out several digitalisation projects and, accordingly, a review has been conducted to determine whether reporting of these projects falls under this decision. Procedures have been updated and the projects have been adapted to the new rules. No material changes in estimates and assessments have been made that affect previous accounting.

It is also worth mention that the amendments to IAS 39, IFRS 9, IFRS 7 and IFRS 16, which were made due to uncertainty arising from the ongoing interest rate benchmark reform (IBOR reform phase 2), came into effect on 1 January 2021.

As per year end, Hoist Finance was exposed to IBOR reform via Interest rate derivatives denominated in GBP and PLN as well as floating rate holdings in the liquidity buffer denominated in SEK. For the interest rate derivatives, the outstanding volume was GBP 210m with contract maturities spanning from 9 months to 10 years, and PLN 230m with maturities spanning 9 months to 7 years. The notional volume of floating rate holdings in the liquidity portfolio was SEK 3.6 billion with maturities up to 5 years.

As to the IBOR reform, only GBP LIBOR was affected for Hoist Finance (as WIBOR and STIBOR remain unchanged). Hoist Finance has decided to apply the transition fallback mechanism regarding the IBOR transition, which involves replacing GBP LIBOR with SONIA plus the defined add-on. Hoist Finance considers the transition fallback mechanism to be market standard and designed in a manner that prevents Hoist Finance from being affected in any material way, either positively or negatively.

Regarding a pending STIBOR transition, any potential changes are still largely unknown and will occur years in the future. Hoist Finance has therefore not addressed this issue as of now and is awaiting further input before taking any action.

Other amendments

No other IFRS or IFRIC amendments that came into effect in 2021 had any significant impact on the Group's financial reports or capital adequacy.

In all other material aspects, the Group's and the Parent Company's accounting policies, bases of calculation and presentation are unchanged compared with the 2020 Annual Report.

4. New standards, amendments and interpretations that have not yet been applied

No new or amended standards are expected to be applied in 2022 that will have a material effect on Hoist Finance's accounting.

5. Critical estimates and assessments

The preparation of financial reports in accordance with IFRS requires that Management make estimates and assessments that affect the application of the accounting principles and the carrying value of assets, liabilities, revenue and expenses. Estimates and assessments are based on historical experience and a number of other factors that are deemed reasonable in the prevailing circumstances. The result of these estimates and assessments is then used to assess the carrying values of assets and liabilities that are not otherwise clearly indicated by other sources. Actual outcomes may deviate from these estimates and assessments.

Estimates and assessments are evaluated regularly, and the effect on carrying values is recognised through profit or loss. Changes in estimates are reported in the period in which the change is made, provided the change has affected only this period, or the period the change was made and future periods if the change affects both current and future periods.

Estimates and assessments made by Management that have a significant impact on the consolidated financial statements and which may affect the consolidated financial statements in subsequent years are described in more detail below.

Measurement of acquired credit-impaired loan portfolios

As described in Note 18 "Acquired Loan Portfolios", the recognition of acquired non-performing loans is based on the Group's own forecast of future cash flows from acquired portfolios. Although the Group's cash flow forecasts have historically been reasonably accurate, future deviations cannot be ruled out. The Group applies internal rules and a formalised decision-making process for the adjustment of previously adopted cash flow forecasts. The internal rules are based on a 15-year period. The effective interest rate for acquired credit-impaired loan portfolios is based on the initial cash flow forecast specified at acquisition date.

As regards credit-impaired loans, new assumptions made during the year indicate lower expected returns over the entire life of selected portfolios, primarily in the UK, due to Covid-19.

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

Measurement of acquired performing loans

The Company also acquires performing loans, for which both effective interest rate and cash flow are subject to the contractual obligations defined at acquisition. The effective interest rate here is based on initial expected cash flows as per the customer contract, discounted by the purchase price. Cash flows are regularly adjusted as receivables are paid or customer terms and conditions are renegotiated.

The measurement of the expected credit loss (ECL) for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses). A number of assessments are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for ECL measurement
- Establishing the number and relative weightings of forward-looking scenarios for each market

For performing loans, Hoist Finance has found no reason to adjust model assumptions due to Covid-19 beyond the scope of the directives issued by the EBA. Payment holidays have been granted to virtually all who have applied and have proven to be a good tool for customers in Hoist Finance's portfolios.

Detailed information on these estimates and assumptions is included in Note 33 "Risk Management".

Measurement of deferred tax assets

Deferred tax assets pertaining to loss carry-forwards or other future tax deductions are reported to the extent it is deemed probable that they may be offset against future tax surplus. Carrying values for deferred tax assets at each balance sheet date are presented in Note 13 "Tax".

Measurement and impairment testing of goodwill

Assessments are required to identify the cash-generating units. In the annual impairment test, the value in use of the cash-generating units is calculated by discounting estimated future cash flows. Cash flow forecasts are based on an assessment of future collections, portfolio acquisitions, and cost accounting and revenue recognition. Additional details on impairment testing for goodwill are presented in Note 20 "Intangible Assets".

Assessment of control in conjunction with securitisation

In 2021 Hoist Finance continued to conduct parts of its business through Special Purpose Vehicles (SPV). These companies acquire credit-impaired loan portfolios and issue bonds to investors, secured by the acquired assets. A securitisation programme is set up for each SPV, with predetermined criteria that are part of the companies' initial design. Through its senior bond holdings and issuance of financial guarantees, the Group is exposed to variations in returns from these companies. Hoist Finance also runs the day-to-day service of the receivables pursuant to issued service agreements. In assessing whether Hoist Finance has control over the SPVs, consideration is given to whether Hoist Finance handles the key decisions that have the greatest impact on these receivables and is exposed to variable returns. The Group has therefore concluded that the SPVs should be consolidated.

Provisions

Assessments are required to determine whether existing legal or informal obligations exist and to calculate the probability, timing and amount of outflows. Claims arising from civil proceedings and official matters require a higher degree of assessment than other types of provisions.

Additional Tier 1 capital

Hoist Finance's Additional Tier 1 capital (AT1 capital) comprises depreciable perpetual debt instruments. Hoist Finance has no obligation to pay cash or other financial assets to the holders of the instruments. In other words, Hoist Finance has a unilateral and unconditional right to choose not to make payments. Therefore, AT1 capital does not comprise a financial liability, and is instead recognised as equity.

6. Consolidation

Subsidiaries

Subsidiaries are entities over which the Parent Company has controlling influence. Controlling influence exists when the Parent Company can exert influence over an investment, is exposed to or has the right to receive variable returns as a result of the investment, and is able to use its influence over the investment to affect returns.

The Group uses the acquisition method of accounting to report business combinations. The consolidated acquisition value is determined by an acquisition analysis conducted in connection with the acquisition. The analysis determines the acquired identifiable assets, acquired liabilities and contingent liabilities. The acquisition value of subsidiary shares and operations is comprised of their fair value as at acquisition date for assets, liabilities that arise or are transferred, and issued equity instruments transferred as consideration in exchange for the acquired net assets. Transaction costs directly attributable to the acquisition are expensed as incurred.

In business combinations where acquisition cost exceeds the net value of the acquired assets, liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, it is reported directly in the income statement. The contingent purchase price is reported in the consolidated accounts at fair value through profit or loss. Intra-group receivables and liabilities, revenue and expenses, and unrealised gains and losses that arise from intra-group transactions are eliminated in their entirety in the consolidated financial statements.

Joint ventures

For accounting purposes, joint ventures are entities over which the Group has joint controlling influence through contractual arrangements with one or several parties and has a right to the net assets.

In the consolidated accounts, joint venture holdings are consolidated in accordance with the equity method, under which the asset is initially reported at acquisition value. The carrying value is subsequently increased or decreased to reflect the owner company's profit share in the investment after the acquisition date. Tax reported for shares and participations in joint ventures is the capital gain that will accrue when the shares and participations are redeemed. "Share of profit from joint ventures" is reported net after tax. Changes attributable to exchange differences are reported in "Other comprehensive income".

7. Segment reporting

An operating segment is a part of the Group that operates a business from which it can generate revenue and incur expenses and for which independent financial information is available. This information serves as a governance tool and is reviewed on a regular basis by chief operating decision makers to evaluate performance and allocate resources to the segment. Hoist Finance's chief operating decision maker is the CEO.

As from 1 January 2021, Hoist Finance has established a new operating model with three business lines (Unsecured, Secured and Performing) to reflect the operating model used by the company, which served as the main basis of division. Operations continue to be monitored in the geographic regions, which are comprised of individual countries. The company's chief operating decision maker is responsible for defining the segment.

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

8. Foreign currency translation

Functional currency

SEK is the functional currency of the Parent Company and the presentation currency of the Group and the Parent Company. Group companies and branches prepare their accounts in the functional currency of the country in which they operate. For consolidation purposes, all transactions in other currencies are converted into SEK at balance sheet date. All amounts, unless indicated otherwise, are rounded to the nearest million.

Transactions in foreign currency

Transactions in a currency other than the local functional currency are translated at the exchange rate in effect on the transaction date. When such transactions are settled, the exchange rate may deviate from the transaction date rate, in which case a realised exchange difference arises.

Monetary assets and liabilities in foreign currency are also translated to functional currency at the balance sheet date exchange rate, which gives rise to unrealised exchange differences. Both realised and unrealised exchange differences of this type are reported in the consolidated income statement.

Translation of foreign operations' financial statements

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the operation's functional currency to the Group's reporting currency at the balance sheet date exchange rate. Revenues and expenses are translated at the yearly average rate, which serves as an approximation of the rate that was applied on each transaction date.

Translation differences from subsidiaries arise because the balance sheet date exchange rate changes each period and because the average rate deviates from the balance sheet date exchange rate. Translation differences are reported in ”Other comprehensive income” as a separate component of equity. Information on the most important exchange rates is presented in Note 2 "Exchange Rates".

9. Financial assets and liabilities

Recognition in and derecognition from the balance sheet

A financial asset or liability is recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. A receivable is recognised in the balance sheet when the counterparty is contractually liable to pay, even if an invoice has not been sent. Loan receivables, deposits, issued securities and subordinated debt are recognised in the balance sheet at the settlement date. A spot purchase or sale of financial assets is recognised in and derecognised from the statement of financial position on the trade date. A financial asset is derecognised from the balance sheet when the contractual right to receive cash flows from the financial asset expires or when the financial asset is transferred and the company simultaneously transfers substantially all of the risks and rewards of ownership of the financial asset. A financial liability or portion thereof is derecognised when the obligation is discharged or otherwise extinguished. An exchange between the company and an existing lender, or an existing borrower of debt instruments with essentially different terms and conditions, is recognised as an extinguishment of the old financial liability or asset, respectively, and recognised as a new financial instrument. Financial assets and liabilities are offset and the net amount recognised in the balance sheet only when there is a legal right to offset the amounts and an intention to settle the items net or to concurrently realise the asset and settle the liability.

With regard to “Acquired loan portfolios”, changes in instalment agreements do not comprise grounds for derecognition from the balance sheet or for recognition of modifications of loan receivables.

Debtor instalment agreements are completed on a regular basis for receivables in “Acquired loan portfolios” and in some countries, the instalment agreements are established through legal processes pursuant to insolvency rules. Changes in expected cash flows as a result of instalment agreements have an impact on the portfolios’ amortised cost and are recognised in profit or loss as “Impairment gains and losses”.

Impact on earnings arising from derecognition upon, e.g., the write-off or sale of financial assets valued at amortised costs are reported in the income statement as “Gain/Loss on derecognition of financial assets” within "Net result from financial transactions".

Classification and measurement

Financial instruments are initially recognised at fair value plus transaction costs, with the exception of derivatives and instruments from the “Financial asset at fair value through profit or loss” category, which are recognised at fair value in profit or loss. These are recognised at fair value exclusive of transaction costs. Financial instruments are classified on initial recognition. The classification of a financial asset is based on the underlying reason in the entity’s business model for acquiring the asset and the nature of the contractual cash flows generated by the financial asset. Financial liabilities are classified at amortised cost, except for derivative liabilities, which are classified at fair value through profit or loss. The classification determines how the financial instrument is measured after initial recognition, as described below.

Financial assets and liabilities at fair value through profit or loss

The financial assets recognised by the Group at fair value through profit or loss (FVTPL) are derivatives with positive values where hedge accounting is not applied, as well as “Treasury bills and Treasury bonds” and “Bonds and other securities”. In addition to derivatives, financial assets recognised at FVTPL are managed pursuant to a fair-value-based business model primarily aimed at providing liquidity for the acquisition of loan portfolios. The financial liabilities recognised at FVTPL are derivatives with negative values to which hedge accounting does not apply. Derivatives are initially recognised at fair value at the date the derivative is contracted and are subsequently measured at fair value at the end of each reporting period. Changes in fair value are recognised in the “Net result from financial transactions”.

Fair value measurement

The fair value of financial instruments traded on an active market (level 1) is determined for financial assets based on the current bid price. Assets measured at fair value in the balance sheet and traded on an active market comprise investments in "Treasury bills and Treasury bonds" and "Bonds and other securities". Financial instruments that are not traded on an active market but which can be measured using other valuation methods, with observable market information as input (level 2), are comprised of currency hedges and interest derivatives. In cases where assets and liabilities have conflicting market risks, the mid-price is used to determine fair value. See Note 15 “Financial instruments”.

Financial assets and liabilities recognised at amortised cost

Acquired loan portfolios

”Acquired loan portfolios” are comprised of loan receivables, some of which are credit-impaired receivables acquired at a price significantly below the nominal claim and some of which are performing loans. The portfolios are held within the framework of a business model focused on holding the receivables in order to collect contractual cash flows comprised of principal payments and interest payments on outstanding principal.

Measurement methods

The amortised cost is the amount at which the financial asset or liability was measured at initial recognition, adjusted by amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance. The effective interest rate is the rate that exactly discounts the expected cash flows (including transaction costs) to the gross carrying amount of financial assets. For purchased performing loan portfolios, the calculation of the effective interest rate does not take into consideration expected credit losses.

When Hoist Finance revises estimates of future cash flows on acquired credit-impaired loans, the carrying amount of the financial asset is adjusted to reflect the new estimate discounted using the effective interest rate determined at initial recognition. Any changes are recognised in profit or loss.

Interest income

Interest income for credit-impaired loans is calculated by applying the credit-adjusted effective interest rate to the loan’s carrying value. For performing loans, interest income is calculated as the effective interest rate times the loan’s gross value before loss allowance, except for stage 3, where the effective interest rate is applied to the net carrying amount.

Impairment

Hoist Finance assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost. Loss allowances for ECL are recognised at each reporting date, where the measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- Reasonable and supportable information on current and future macroeconomic and non-macroeconomic conditions.

For acquired performing loans, IFRS 9 outlines a model for impairment based on the changes in credit quality since initial recognition, as summarised below:

- All financial assets that are not credit-impaired at initial recognition are classified as stage 1 and Hoist Finance continuously monitors their credit risk.
- Stage 2 financial assets are those which have experienced a trigger event for a significant increase in credit risk but are not yet deemed to be credit-impaired. Note 33 "Risk Management" describes the criteria for the triggers for a significant increase in credit risk.
- Stage 3 financial assets are those which are credit-impaired. Note 33 "Risk management" describes the criteria for a financial asset to be considered credit-impaired or in default.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events in the next 12 months. Instruments in Stage 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. The ECL modelling techniques utilised by Hoist Finance are described in the notes.

Write-offs

For acquired loan portfolios, Hoist Finance will, in whole or in part, derecognise assets where there is no reasonable expectation of recovery. Indicators of when there is no reasonable expectation of recovery include: (i) ceasing of enforcement activities; (ii) realisation of collateral;
(iii) days past due and days since last payment was received (not used in isolation); and (iv) sudden change of debtor status indicating inability to meet any portion of its contractual obligations.

Unidentified revenue and payments

The Group receives large volumes of payments from debtors on its own behalf and on behalf of Group customers. In cases where the sender's reference information is missing or incorrect, it is difficult to assign the payment to the correct account. Payments are also sometimes received on closed accounts. In such instances, a reasonable search is conducted and an attempt is made to contact the payment sender. Unidentified payments are treated as "other liabilities". The amounts are recognised as revenue in accordance within a predefined time frame.

Other financial assets at amortised cost

Other financial assets at amortised cost encompasses "Lending to credit institutions", as well as accounts receivable and other financial assets reported under "Other assets" (excluding derivatives with positive values). The assets are held within the framework of a business model with the objective of holding assets to collect contractual cash flows comprising repayments of capital and interest on the capital outstanding. On initial recognition, accounts receivable are recognised at the transaction price and other financial assets are recognised at fair value exclusive of transaction costs. Thereafter, the effective interest method is used to measure amortised cost. The items provide the basis for the loss allowance for expected credit losses (ECL). The loss allowance for accounts receivable is calculated using the simplified approach. The ECL allowance is prepared on initial recognition and on subsequent balance sheet dates, and takes into consideration the remaining term of the receivable.

The loss allowance for "Lending to credit institutions" and other financial assets is based on allocation of the assets in three different stages that reflect changes in credit risk. On initial recognition, the asset is allocated to Stage 1 and, on initial recognition and on subsequent balance sheet dates, a loss allowance is reported for the next 12 months. If the credit risk for the financial asset has increased significantly since initial recognition, the asset is allocated to Stage 2 and the loss allowance is calculated for the entire remainder of the term. Interest income under the effective interest method for financial assets in Stages 1 and 2 is calculated on the gross carrying amount. While a loss allowance continues to be calculated for the entire remainder of the term for Stage 3 credit-impaired assets, interest income according to the effective interest method is calculated on the amortised cost, i.e., after taking into account the loss allowance. Should the credit risk decline, the asset can once again be allocated to Stages 1 or 2. The allocation criteria for the various stages are determined by the Group.

The recognised balance sheet items comprise the net of gross amounts and the loss allowance. Consequently, no separate provision for the loss allowance is reported in the balance sheet. Changes in the loss allowance are recognised under "Impairment gains and losses" in profit or loss.

Seized assets

Seized assets are assets taken over to protect a claim. Hoist Finance may waive a loan receivable and instead seize the asset that served as collateral for the loan. Seized assets may consist of financial assets, properties and other tangible assets. Seized asset are recognised on the same line item in the balance sheet as similar assets that have been acquired otherwise. Seized assets comprised of tangible assets are measured as inventories in accordance with IAS 2. At initial recognition seized assets are measured at fair value. The fair value at initial recognition becomes the acquisition value or amortised cost, depending on what is applicable. Subsequently seized assets are measured according to type of asset, with the exception of impairment on tangible seized assets which is reported as "Gains/losses from tangible and intangible assets" rather than as "Depreciation and amortisation of tangible and intangible assets". The purpose is to better reflect the similar character of impairment of assets that are taken over to protect claims on counterparties and credit losses.

Financial liabilities

The Group's financial liabilities are comprised of "Debt securities issued", "Subordinated debts" and other financial liabilities. Financial liabilities are initially recognised at fair value, including transaction costs directly attributable to the acquisition or issue of the debt instrument. Subsequent to acquisition, they are recognised at amortised cost pursuant to the effective interest method. Financial liabilities valued at fair value through profit or loss include such financial liabilities held for trading (derivatives).

Modification of financial assets and liabilities

For acquired loans and financial liabilities, Hoist Finance does on occasion renegotiate or otherwise modify a loan's contractual cash flows. When this happens, Hoist Finance assesses whether or not the new terms are substantially different from the original terms. In doing so, Hoist Finance considers factors including:

- Change in interest rate or the denomination of the currency of the loan
- Extension of the loan term or changes in payment plan
- Schedule insertion of collateral or other security or credit enhancements that affect the credit risk associated with the loan.

If the terms are substantially different, Hoist Finance derecognises the original financial asset/liability and recognises a new asset/liability at fair value according to the new contractual terms, and recalculates a new effective interest rate. The difference in gross carrying amount is recognised in "Derecognition gains and losses".

If the terms are deemed as not substantially different the modification does not result in derecognition, and Hoist Finance recalculates the gross carrying amount based on the revised cash flows of the financial asset/liability and recognises a modification gain or loss in profit or loss in “Net result from financial transactions”. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate determined by Hoist Finance at initial recognition.

A modification of contractual cash flows for acquired loans is considered a default trigger if the modification reduces the financial obligation towards Hoist Finance by more than 1 per cent. This implies that these loans will be considered credit-impaired and consequently classified in Stage 3 where loss allowance is recognised on a lifetime basis.

10. Hedge accounting

The Group applies hedge accounting in accordance with IAS 39.

Derivatives are used to hedge (for the purpose of neutralising) any risk of interest-rate and exchange-rate exposures for the Parent Company or the Group. The Group applies hedge accounting in cases where currency derivatives or foreign currency debts are used to hedge net investments in foreign operations. When hedge accounting is used for foreign net investments and the hedge has proven 80–125 per cent effective, changes in the hedging instrument’s fair value are recognised in “Other comprehensive income” and accrued (as are the translation effects of net investments) in the translation reserve. In cases where the hedge is ineffective that part is recognised in the income statement in the item “Net result from financial transactions”. For other derivatives to which hedge accounting does not apply, changes are recognised in fair value under the item “Net result from financial transactions”.

For qualitative information on the Group’s management of market risk, see note 33 “Risk management”. Quantitative information on the Group’s derivative instruments for hedging purposes in presented in Note 16 “Derivatives”.

11. Leasing

Contracts that are deemed as at their start date to transfer right-of-use for an identified asset for a specified period in exchange for consideration are reported as lease contracts by Hoist Finance. The Group applies the exceptions allowed under the standard for intangible assets, short-term leases and lease contracts with low-value underlying assets. These lease contracts are reported as other expenses.

Lease contracts that include both a lease component and associated non-lease components are accounted for separately if an observable stand-alone price is available; otherwise, non-lease components are not accounted for separately but rather reported as a single leasing component.

At a lease contract’s start date, a right-of-use asset and a lease liabil- ity are reported in the balance sheet. The lease liability is initially valued at the present value of remaining leasing fees at the start of the lease contract. After initial recognition, the lease liability is valued at amortised cost pursuant to the effective interest method. Lease payments are allocated between interest and amortisation of the outstanding liability. Interest is allocated over the lease period so that every accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognised during the respective period. Right-of-use is initially valued at an amount corresponding to the lease liability’s original value plus any prepaid leasing fees or initial direct costs, and is then written off on a straight-line basis over its useful life. The carrying value of the right-of-use asset is adjusted for any revaluations of the lease liability.

Lease contracts may include provisions for extending or terminating agreements included in the lease period only if it is deemed to be reasonably certain that such provisions will be exercised. The lease liability is revalued to reflect the new assessment of the lease period.

Lease contracts in the Hoist Group are classified in the following categories:

- Equipment and furniture
- Office premises
- Vehicles
- IT hardware

The majority of lease contracts are leases of office premises for the company's normal business operations.

12. Intangible assets

Intangible assets are identifiable, non-monetary assets that lack physical substance and are under Hoist Finance's control.

Capitalised expenses for IT development

Expenditures for IT development and maintenance are generally expensed as incurred. Expenditures for software development that can be attributed to identifiable assets that are under the Group's control and that have anticipated future economic benefits are capitalised and reported as intangible assets.

Additional costs for previously developed software, etc. are reported as assets in the consolidated balance sheet if they increase the anticipated future economic benefits of the specific asset to which they are attributable – e.g., by improving or extending a computer programme's functionality beyond its original use and estimated useful life.

IT development costs reported as intangible assets are amortised using the straight-line method over their useful lives, though not more than seven years. The asset is reported at cost less accumulated amortisation and impairment losses. Costs associated with the maintenance of existing computer software are continuously expensed as incurred.

For capitalisation of self-generated development expenditures, the corresponding amount is transferred from unrestricted equity to restricted equity in the Parent Company.

If work is done to configure and customise a system held via a cloud-based solution (Software as a Service, SaaS), an assessment is made of the extent to which these expenses can be considered an independent immaterial asset or whether they should be taken up as an expense when the service is received. If the service is provided by the supplier of the cloud-based solution, it must be determined whether or not the service is distinct from the software. If not distinct, the expenses are accrued over the term of the software agreement.

Goodwill

When the purchase price, any non-controlling interest and fair value at the acquisition date of previous shareholdings exceed the fair value of identifiable net assets acquired, the excess amount is reported as goodwill. Goodwill from acquisitions of subsidiaries is reported as intangible assets.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Allocation is made to the cash-generating units, or groups of cash-generating units, determined in accordance with the Group's operating segments that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested annually, or more often if so indicated, to identify any impairment requirements and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Profit or loss on disposal of an entity includes the remaining carrying value of goodwill relating to the entity sold.

Other intangible assets

Other intangible assets are amortised on a straight-line basis over their useful lives, but not over a longer period than five years.

Impairments

An impairment test is conducted upon indication of depreciation in value, or at least annually when each asset's residual value and remaining useful life are determined.

The recoverable value of the asset is estimated if there are indications of an impairment requirement. For goodwill and other intangible assets with indeterminate useful lives and for intangible assets that have not yet come into use, recoverable values are calculated on an annual basis. If independent cash flows cannot be determined for individual assets, the assets are grouped at the lowest level at which independent cash flows can be identified – a cash-generating unit.

An impairment is reported when the carrying value of an asset or a cash-generating unit exceeds its recoverable value. Impairments are reported in the income statement. Impairments attributable to a cash-generating unit are primarily allocated to goodwill and are subsequently distributed proportionally among other assets in the unit.

The recoverable value for cash-generating units is the fair value less divestment costs or the useful value, whichever is greater. Useful value is calculated by discounting future cash flows using a discounting factor that takes into account the risk-free interest rate and the risk associated with that particular asset.

Goodwill impairment is not reversed. Impairment of other assets is reversed if there have been changes in the underlying assumptions that were used to determine recoverable value. Impairments are reversed only to the extent that the carrying value of the assets following the reversal does not exceed the carrying value of the assets if the impairment had not been reported.

13. Tangible assets

Tangible assets are comprised of IT equipment, improvements to leased premises, and equipment.

Tangible assets are reported as assets in the balance sheet if it is likely that the future economic benefits will accrue to the company and the cost of the asset can be reliably estimated. Tangible assets are reported at cost less accumulated depreciation and impairments.

Principles for depreciation/amortisation of assets

Assets are depreciated/amortised using the straight-line method over e»stimated useful life and applying the following periods:

- Equipment 2-5 years
- Investments in leased premises 5 years
- Intangible assets 3–7 years

14. Provisions

Provisions are recognised for existing legal or informal obligations arising from past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation. The amount must be able to be reliably estimated in order to for recognition to occur. The provision is measured at the amount corresponding to the best estimate of the expenditure required to settle the obligation at the balance sheet date.

The expected future date of the settlement is taken into account in the estimate.

15. Income and expenses

Interest income

Interest income encompasses interest income according to the effective interest method from “Acquired loan portfolios”, from “Lending to credit institutions” and investments in “Treasury bills and Treasury bonds” and “Bonds and other securities”.

Interest income pertaining to credit-impaired assets is based on the initial credit-adjusted effective interest rate and the portfolio’s amortised cost at the start of the period. Interest income pertaining to other financial instruments is based on the initial effective interest rate and the instrument’s gross value at the start of the period. However, if an asset has been credit-impaired, the interest income is calculated on the amortised cost – i.e., the net of the gross value and the ECL loss allowance.

Interest expense

Interest expense is mainly comprised of expenses associated with the Group’s funding via deposits from the public and issued debt instruments.

Impairment gains and losses

The earnings item comprises loss allowance changes pertaining to “Acquired loan portfolios”. Where applicable, modification gains/losses attributable to “Acquired loan portfolios” are included. The item also encompasses a loss allowance for other financial assets recognised at amortised cost. Both positive and negative remeasurements can be recognised under this item. If no reasonable expectation exists of recovering the remaining receivables in a portfolio, an impairment loss is recognised and the carrying amount of the asset is derecognised from the balance sheet.

“Impairment gains and losses” also includes the net of actual and projected collections.

Fee and commission income

Companies in the Hoist Finance Group provide collection services for third parties. In such agreements the counterparty selects the receivables to be included in the contract and transfers those to the Group, while retaining ownership of the receivables. In such contracts the Group is generally entitled to remuneration corresponding to a fixed percentage of successful collections. The Group may also be entitled to bonus payments in the event collections during a specific period reach a certain level. A contract may also include a cancellation fee.

The Group reports "Fee and commission income" in accordance with IFRS 15. Income is recognised when the performance obligation has been fulfilled and when control is transferred to the customer. Variable payments are recognised as income to the extent it is highly probable that no material provision of previously recognised accumulated income is likely to arise in later periods. For Hoist Finance, services are transferred and income is recognised at a given time, as the services are performed.

Net result from financial transactions

“Net result from financial transactions” includes realised and unrealised exchange rate fluctuations, gains/losses on financial assets and liabilities recognised at FVTPL and the ineffective portion of hedges of foreign net investments. The item may also include modification gains/losses on financial instruments that are unrelated to acquired loan portfolios. Earnings effects that are not recognised as separate earnings items that pertain to financial assets recognised at amortised cost can, when derecognised from the balance sheet and on reclassification, be recognised under “Net result from financial transactions”.

Collection costs

Various types of costs directly related to loan portfolio administration are grouped under “Collection costs”. For the Group, “Collection costs” are mainly direct costs for external and internal collection services.

16. Employee benefits

All forms of remuneration provided to employees as compensation for services rendered constitute employee benefits.

Short-term benefits

Short-term benefits to employees are settled within twelve months following the close of the reporting period during which the services were rendered. Short-term benefits are mainly comprised of fixed and variable salary, both of which are accounted for during the period in which the related services are rendered. Post-employment benefits in Hoist Finance comprise only pensions. Benefits that are not expected to be fully settled within twelve months are reported as long-term benefits.

A provision is reported for the expected cost of profit share and bonus payments when the Group has valid legal or constructive obligation to make such payments due to services rendered by employees and when the obligation can be reliably calculated.

Redundancy payments

Remuneration expense in connection with termination of personnel is reported either when the company is no longer able to withdraw the redundancy offer or when the company reports restructuring costs, whichever occurs sooner. Payments that are expected to be settled after twelve months are reported at present value.

Pensions

Group companies operate various pension schemes, which are generally funded through payments determined by periodic actuarial calculations to insurance companies or trustee-administered funds. The Group has both defined benefit and defined contribution plans:

- Defined benefit plans normally specify the pension rate to be received by the employee upon retirement, usually dependent on one or several factors, such as age, years of service and salary.
- Under defined contribution plans, the Group pays fixed contributions into a separate entity. The Group has no legal or informal obligation to pay further contributions if the fund does not hold sufficient assets to pay all benefits to employees relating to employee service during the current and prior periods.

The liability reported in the consolidated balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation as at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The net present value of the defined benefit obligation is determined by discounting estimated future cash flows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid and with durations approximating the durations of the related pension liability.

Net interest expense/income for the defined benefit pension obligation/asset is reported in “Net interest income”. Net interest income is based on the discount rate used in calculating the net obligation – i.e., the interest on the obligation, plan assets and interest on effects of any asset restrictions. Other components are recognised in net operating income.

Revaluation effects are comprised of actuarial gains and losses, discrepancies between actual return on plan assets and the amount included in net interest income, and any changes to effects of asset restrictions (exclusive of interest included in net interest income).

Revaluation effects are reported in ”Other comprehensive income”.

Changes or reductions to defined benefit plans are reported at the earlier of the following:

- When the change to or reduction in the plan occurs, or
- When the company reports the associated restructuring costs and redundancy costs changes/reductions are reported.

Changes/reductions are reported directly as personnel expenses in the profit and loss accounts. The special employer's contribution is included in the actuarial assumptions and is reported as part of the net obligation/asset.

Tax on returns from pension funds is reported in profit or loss for the period the tax relates to, and is thus not included in the liability projection. For funded pension plans, the tax is charged to ”Return on plan assets” and is reported in ”Other comprehensive income”. For unfunded or partially unfunded plans, the tax is charged to ”Net profit for the year”.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are reported as employee benefit expense when they fall due. Prepaid contributions are reported as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payment arrangement

A long-term incentive plan (LTIP) enables the Executive Management team to acquire shares in the company. The fair value of the granted options is recognised as a personnel expense, with a corresponding increase in equity. Fair value is calculated at grant date and distributed over the vesting period. The fair value of the granted options is calculated and takes into account market conditions, conditions that are not vesting conditions, and applicable conditions on grant date. The cost recognised corresponds to the fair value of the estimated number of options expected to be vested, taking into account service and performance conditions that are not market conditions. The cost is adjusted in subsequent periods to ultimately reflect the actual number of vested options, although no adjustment is made when forfeiture is based solely on non-fulfilment of market conditions and/or conditions that are not vesting conditions.

Social fees attributable to share-based instruments granted to employees as remuneration for purchased services are expensed over the period during which services are rendered. The provision for social fees is based on the options' fair value at the reporting date.

For additional details, see Note 9 ”Personnel expenses”.

17. Taxes

Taxes are comprised of current tax and deferred tax. Taxes are reported through profit or loss unless the underlying transaction is directly reported in ”Equity” or in ”Other comprehensive income”, in which case the attributable tax effect is also reported in ”Equity” or ”Other comprehensive income”, respectively.

Current tax refers to tax paid or received for the current year, using tax rates that apply as at the balance sheet date, including adjustments for current tax attributable to previous periods.

Deferred tax is calculated in accordance with the balance sheet method based on temporary differences between the carrying value of assets and liabilities and their value for tax purposes. The following temporary differences are not taken into account:

- Temporary differences that arise in the initial recognition of goodwill. The initial recognition of assets and liabilities in a transaction other than a business combination and which, at the time of the transaction, does not affect either the reported or taxable profit.
- Temporary differences attributable to participations in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future

The measurement of deferred tax is based on how the carrying values of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set or essentially set as of the balance sheet date.

Deferred tax assets from deductible temporary differences and tax losses carry-forwards are only recognised if it is likely that they will be utilised within the foreseeable future. The value of deferred tax assets is reduced when they are utilised or when it is no longer deemed likely that they will be utilised. Current tax, deferred tax, and tax attributable to the previous year are reported under "Income tax expense".

18. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to Hoist Finance AB (publ) shareholders, adjusted for interest on capital instruments recorded in equity, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long-term incentive programmes.

Potential ordinary shares are only considered to be dilutive on the balance sheet date if a conversion to ordinary shares would reduce the earnings per share. The rights are further considered dilutive only when the exercise price, plus future services, is lower than the period's average share price and the vesting requirements for the warrant programme have been met.

19. Equity

When a financial instrument is issued in the Group it is reported as a financial liability or as an equity instrument, in accordance with the financial implications of the instrument's terms. These instruments or sections thereof are reported as liabilities when the company has an irrevocable obligation to pay cash. Issued financial instruments that do not irrevocably oblige the company to pay cash on interest and nominal amounts are reported as equity.

Return to investors is reported as a dividend to equity with respect to equity instruments and as an interest expense in profit or loss with respect to debt instruments.

Dividend

Proposed dividends are reported as a liability after having been approved by the Annual General Meeting.

20. Related-party transactions

Hoist Finance defines related parties as:

- Shareholders with significant influence
- Group companies and joint ventures
- Key senior management
- Other related parties

All intra-group transactions between legal entities and transactions with other related parties are conducted pursuant to the arm's length principle in accordance with OECD requirements. Intra-group transactions are eliminated in the consolidated accounts.

Shareholders with significant influence

Shareholders with significant influence are entitled to take part in decisions on Hoist Finance's financial and operational strategies, but do not have controlling influence over such strategies.

Group companies and joint ventures

A company is defined as a related party if the company and its reporting entity are part of the Hoist Finance Group.

See section 6 "Consolidation", for the definition of "subsidiaries and joint ventures". Further information on Hoist Finance Group companies is presented in Note 19 "Group companies".

Key senior management

Key senior executives include:

- the Board of Directors
- the Chief Executive Officer (CEO)
- the Executive Management Team

See Note 9 "Personnel Expenses" for details on compensation, pensions and other transactions with key senior executives.

Other related parties

Other related parties comprise close relatives and family members of key senior management, if that or those person(s) has or have controlling influence, severally or jointly, over the reporting entity.

Other related parties are also companies over which Hoist Finance Group key management personnel, or their close relatives, have significant influence.

Information on transactions between Hoist Finance and other related parties is presented in Note 35 "Related-party transactions".

21. Cash flow statement

The cash flow statement includes changes in the balance of cash and cash equivalents. The Group's cash and cash equivalents is comprised of cash, treasury bills exposed to an insignificant risk of value fluctuations, and non-restricted lending to credit institutions. Cash flow is divided into cash flow from operating activities, investment activities and financing activities. The indirect method is used to report cash flow.

Cash flow from investing activities includes only actual disbursements for investments made during the year.

Foreign subsidiaries' transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested subsidiaries are reported as "Cash flow from investing activities, net", after deducting cash and cash equivalents in the acquired or divested company. For acquired and divested subsidiaries that hold debt portfolios, acquired and divested loan portfolios are reported in "Operating activities".

22. Parent Company accounting principles

The Parent Company's financial statements have been prepared 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" requires the Parent Company to use the same accounting principles as the Group (i.e., IFRS) to the extent allowed by Swedish accounting legislation. However, the exception in RFR 2 is applied with respect to guarantee agreements benefiting subsidiaries and leases.

Mergers are accounted for in accordance with BFNAR 1999:1. The differences between the Group's and the Parent Company's accounting principles are stated below.

The headings in the financial statements follow the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations, and therefore differ in certain cases from headings in the Group's accounts.

22.1 Change in accounting principles

Unless otherwise indicated below, the Parent Company's accounting principles have changed in accordance what is specified above for the Group.

As regards equity in the balance sheet, Hoist Finance has accounted separately for additional Tier 1 capital and has moved shareholders' contributions from other contributed capital to retained earnings in order to improve transparency in the Parent accounts. Comparative figures have been restated.

22.2 Group contributions and dividends

Group contributions

Hoist Finance applies the main rule in RFR 2 IAS 27.2. Group contributions received from Group companies are reported in the income statement. The net of Group contributions paid or received for optimising the Group's tax expense is reported as appropriation in the Parent Company. Group contributions from the Parent Company to subsidiaries are reported as an increase in participations in Group companies, net of tax.

Dividends

Dividends paid to Hoist Finance AB (publ) shareholders are reported as a liability following the approval of the Annual General Meeting. Dividends from subsidiaries and associated companies are reported as "Dividends received".

22.3 Subsidiaries

Parent Company shareholdings and participations in Group companies are reported based on cost of acquisition. Holdings are carried at cost and only dividends are reported in the income statement. Impairment tests are conducted in accordance with IAS 36 "Impairment of assets" and write-downs are made when permanent decline in value is established.

Transaction costs are included in the carrying value of the holding in the subsidiary.

Transaction costs attributable to subsidiaries are reported directly in profit or loss in the consolidated accounts when incurred.

Contingent purchase prices are valued based on probability of payment. Any changes to the provision/receivable are added to/reduced from the cost of acquisition.

22.4 Revaluation reserve

Revaluation reserve rules also apply to financial assets classified as purchased or issued credit-impaired loans. If the Parent Company makes a new assessment that leads to an upward revision of future cash flow compared with the cash flow that formed the basis of the calculation of the effective interest rate at the time of acquisition, it must report these revaluations in a revaluation reserve for restricted equity. The transfer therefore has an effect on distributable funds, until upward adjustments to cash flows are realised or reduced and amounts in the revaluation reserve are reversed. Revaluations and their reversals have no effect on earnings. In the Parent Company, the present value of the upwardly adjusted portion of future cash flows are reported in the revaluation reserve, with respect to acquired unsecured credit-impaired loans pursuant to collective valuation. Revaluation may also be done for other non-current assets with a permanent value that significantly exceeds the carrying amount.

22.5 Development expenditure fund

Capitalisation of self-generated development expenditures is limited by the option of distributing capital. The amount corresponding to capitalised self-generated development expenditure is transferred from retained earnings to a special restricted fund. The fund is reduced in the event of amortisation, impairment or divestment.

22.6 Untaxed reserves

In the Parent Company, untaxed reserves are reported as a separate item in the balance sheet. In the consolidated financial statements, untaxed reserves are divided into a 'deferred tax liability' component and an 'equity' component.

22.7 Financial instruments

The Parent Company applies the RFR 2 exception with respect to guarantee agreements benefiting subsidiaries.

The Parent Company's financial assets are classified at amortised cost and are subject to a loss allowance. The calculated credit loss in the Parent Company is not significant and no loss allowance is presented.

22.8 Hedge accounting

The Parent Company applies hedge accounting to the fair value of participations in foreign subsidiaries as well as participations in the Polish joint venture. In hedge accounting, exchange rates influence the carrying value of shares and participations in subsidiaries and shares and participations in joint ventures. This change in value is reported in "Net result from financial transactions", as is the change in value of hedging instruments. Hedge accounting thus shows a net effect in "Net result from financial transactions" compared with previous reports, when reported changes in value of hedging instruments did not correspond to any reported changes in value of participations in subsidiaries or joint ventures.

22.9 Leasing

The Parent Company reports leasing fees as costs on a straight-line basis over the lease period.

22.10 Pensions

The Parent Company calculatesd imputed pension costs in accordance with the Pension Obligations Vesting Act and Financial Supervisory Authority regulations. As compared with the Group, this primarily involves differences regarding determination of the discount rate and the calculation of future obligations, which does not take assumptions about future salary increases into account. The reported net cost for pensions is calculated as the sum of pensions paid and pension premiums.

Note 2 - Exchange rates

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

Note 3 – Segment reporting

Segment reporting has been prepared based on the manner in which executive management monitors operations. From 2021, Hoist Finance established a new operating model with three business lines in order to reflect the Company's business model. Comparative figures for 2020 have been restated to reflect the new business lines.

» **The Unsecured business line** is end-to-end responsible for the unsecured NPL business. Unsecured drives the transformation from analogue to digital debt resolution and works with national markets and other business lines to maintain Hoist Finance's position as the digital leader in our industry. Unsecured also includes the contact centre services provided for unsecured NPLs.

» **The Secured business line** is end-to-end responsible for the secured NPL business. This includes collections, customer contact centre and collateral management.

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

Total operating expenses also follow the statutory account preparation for the Group's income statement, but are distributed between direct and indirect expenses. Direct expenses are expenses directly attributable to the business lines, while indirect expenses are expenses from central and support functions that are related to the business lines.
Group items pertains to revenue and expenses for the Group's corporate financial transactions, expenses for deposits from the public, and other operating expenses.
With respect to the balance sheet, only acquired loan portfolios are monitored. Other assets and liabilities are not monitored on a segment-by-segment basis.

MSEK (2021)	Unsecured	Secured	Performing	Group items	Group
Total operating income	**1,763**	**330**	**29**	**133**	**2,255**
Net interest income	2,034	332	31	33	2,430
of which, interest expense	*-527*	*-62*	*-19*	*34*	*-574*
Impairment gains and losses	-336	-2	-	-	-338
of which, realised collections against active forecast	102	196	-	-	298
of which, portfolio revaluation	-437	-198	-	-	-635
Fee and commission income	63	0	0	-	63
Net income financial transactions	-	-	-	84	84
Derecognition gains and losses	0	-	-2	-	-2
Other operating income	0	0	0	18	18
Operating expenses					
Direct expenses [1)]	-1,175	-108	-24	-21	-1,328
Indirect expenses [1)]	-877	-118	-32	-	-1,027
Total operating expenses	**-2,052**	**-226**	**-56**	**-21**	**-2,355**
Share of profit from joint venture	61	-	-	-	61
Profit/loss before tax	**-228**	**104**	**-27**	**112**	**-39**
Key ratios [2)]					
Direct contribution	588	222	5	112	927
Acquired loan portfolios	16,802	3,838	697	-	21,337
C/I ratio %	113	69	193	16	102
Collection performance %	101	105	-	-	101

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

MSEK (2020)	Unsecured	Secured	Performing	Group items	Group
Total operating income	**1,959**	**266**	**37**	**106**	**2,368**
Net interest income	2,244	345	38	99	2,726
of which, interest expense	*-587*	*-64*	*-25*	*94*	*-582*
Impairment gains and losses	-379	-78	0	-	-458
of which, realised collections against active forecast	*71*	*277*	-	-	*348*
of which, portfolio revaluation	*-450*	*-356*	*0*	-	*-806*
Fee and comission income	93	-	-	-	93
Net income financial transactions	-	-	-	-6	-6
Derecognition gains and losses	-	-	-1	-	-1
Other operating income	-	-	-	14	13
Operating expenses					
Direct expenses 1)	-1,157	-96	-21	-8	-1,282
Indirect expenses 1)	-945	-99	-16	-	-1,061
Total operating expenses	**-2,103**	**-195**	**-37**	**-8**	**-2,343**
Share of profit from joint venture	57	-	-	-	57
Profit/loss before tax	**-87**	**71**	**0**	**98**	**82**
Key ratios 2)					
Direct contribution	802	170	16	98	1,086
Acquried loan portfolios	16,864	3,458	753	-	21,075
C/I ratio %	104	73	100	8	97
Collection performance %	97	106	-	-	98

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

Geographical information

Geographical information follows statutory account preparation, with the exception of internal funding. The internal funding cost is included in net interest income and allocated to the segments based on acquired loan portfolio assets in relation to a fixed internal monthly interest rate for each portfolio. The difference between the external financing cost and the internal funding cost is reported in Central Function. This Central Functions item pertains to the net income for intra-group financial transactions. Group costs for central and supporting functions are not allocated to the operating segments but are reported as Central Functions. With respect to the balance sheet, only acquired loan portfolios are monitored. Other assets and liabilities are not monitored on a segment-by-segment basis.

Income statement, 2021

MSEK	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminiations	Group
Total operting income	**205**	**644**	**331**	**424**	**144**	**385**	**121**	**1**	**2,255**
of which, internal funding	-175	-134	-59	-146	-37	-57	608	-	0
Total operating expenses	**-286**	**-458**	**-211**	**-204**	**-167**	**-293**	**-736**	**0**	**-2,355**
Impairment of shares in subsidiaries	-	-	-	-	-	-	-72	72	0
Share of profit from joint venture	-	-	-	59	-	2	-	-	61
Profit before tax	**-81**	**186**	**120**	**279**	**-23**	**94**	**-687**	**73**	**-39**
Key ratios									
Acquired loan portfolios [1)]	4,504	5,982	2,468	3,677	2,051	2,655	-	-	21,337

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

Income statement, 2020

MSEK	United Kingdom	Italy	Germany	Poland	France	Other countries	Central Functions	Eliminiations	Group
Total operting income	**460**	**698**	**327**	**339**	**274**	**171**	**399**	**-300**	**2,368**
of which, internal funding	-210	-145	-59	-157	-43	-61	675	0	0
Total operating expenses	**-333**	**-468**	**-213**	**-181**	**-168**	**-281**	**-698**	**-1**	**-2,343**
Impairment of shares in subsidiaries	-	-	-	-	-	-	-116	116	0
Share of profit from joint venture	-	-	-	-	-	13	44	-	57
Profit before tax	**127**	**230**	**114**	**158**	**106**	**-97**	**-371**	**-185**	**82**
Key ratios									
Acquired loan portfolios [1)]	5,061	5,428	2,440	3,366	2,320	2,460	-	-	21,075

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

Note 4 – Net interest income

	GROUP		PARENT COMPANY	
SEK m	**2021**	**2020**	**2021**	**2020**
Interest income/Net revenues				
Acquired loan portfolios calculated using effective interest rate method	3,006	3,302	947	1,040
Total interest income/net revenues from acquired loan portfolios	**3,006**	**3,302**	**947**	**1,040**
Lending to credit institutions	0	2	0	1
Lending to the public	-	0	-	0
Bonds and other securities	-2	4	-1	4
Receivables, Group companies	-	-	582	660
Total other interest income	**-2**	**6**	**581**	**665**
of which, interest income from financial assets measured at amortized cost calculated using the effective interest method	*3,006*	*3,304*	*1,529*	*1,702*
Interest expense				
Deposits from the public	-212	-257	-212	-257
of which, deposit guarantee scheme expenses	*-30*	*-34*	*-30*	*-34*
Debt securities issued	-259	-229	-201	-166
Subordinated debts	-33	-33	-33	-33
Derivatives	-24	-10	-24	-10
Other interest expenses	-46	-53	-48	-55
Total interest expenses	**-574**	**-582**	**-518**	**-521**
of which, interest expense from financial liabilities not measured at fair value through profit and loss	*-550*	*-572*	*-493*	*-510*
Net interest expenses	**2,431**	**2,726**	**1,010**	**1,184**

Note 5 – Impairment gains and losses

	GROUP		PARENT COMPANY	
SEK m	**2021**	**2020**	**2021**	**2020**
Portfolio revaluations LECL, acquired credit-impaired loan portfolios	-635	-805	-231	-386
Collection differences LECL, acquired credit-impaired loan portfolios	298	348	242	345
Impairment gains and losses, acquired credit-impaired loan portfolios	**-337**	**-457**	**11**	**-41**
Impairment gains and losses 12M ECL stage 1, acquired performing loan portfolios	0	0	-1	0
Impairment gains and losses LECL stage 2, acquired performing loan portfolios	0	0	0	0
Impairment gains and losses LECL stage 3, acquired performing loan portfolios	-1	-1	0	0
Expected credit losses, other assets	-	-	-3	-
Impairment gains and losses, acquired performing loan portfolios	**-1**	**-1**	**-4**	**0**
Total impairment gains and losses	**-338**	**-458**	**7**	**-41**

Note 6 – Fee and commission income

Revenues from fee and commission income relates to revenues from contracts with customers. The Group provides debt collection services through call centers for third parties and the majority of customers operates within the financial industry. Under these contracts, the Group is entitled to a remuneration that corresponds to a fixed percentage of collections.

The Group can also be entitled to a bonus payment if the collections for a period reaches a certain level. A contract can also include a termination fee. The majority of the contracts have no fixed end-date, but continue until further notice.

	GROUP		PARENT COMPANY	
SEK m	**2021**	**2020**	**2021**	**2020**
Revenues from servicing	63	93	2	4
Bonus fees	0	0	0	-
Total	**63**	**93**	**2**	**4**

Service revenues for remaining performance obligations

Expected service revenues for residual maturity, per year.

SEK m	**2022**	**2023**	**2024**	**2025**
Revenues from servicing	74	79	83	86
Total	**74**	**79**	**83**	**86**

Service revenues for the Parent Company derive from branch offices in Germany and France. See Note 3 ”Segment reporting” for revenue distribution.

Note 7 – Net result from financial transactions

	GROUP		PARENT COMPANY	
SEK m	**2021**	**2020**	**2021**	**2020**
Exchange rate fluctuations	-71	58	-85	-48
Profit/Loss from financial assets manditorily at fair value through profit or loss, net	1	9	1	9
Profit/Loss from financial liabilities manditorily at fair value through profit or loss, net	107	-39	107	-39
Profit/Loss from financial assets designated at fair value through profit or loss, net	66	27	66	27
Profit/Loss from financial liabilities designated at fair value through profit or loss, net	-7	-43	-7	-43
Profit/Loss from financial assets at amortised cost	0	0	0	-
Profit/Loss from financial liabilities at amortised cost	-12	-18	-12	-18
Derecognition gains and losses at amortised cost 1)	-2	-1	-2	-1
Total Net result from financial transactions	**82**	**-7**	**68**	**-113**

1) Derecognition of performing loans where the debt is repaid but the amortisations doesn´t correspond to book value.

Note 8 – Other operating income

	GROUP		PARENT COMPANY	
SEK m	**2021**	**2020**	**2021**	**2020**
Intercompany transactions	-	-	238	250
Other	18	14	37	6
Total	**18**	**14**	**274**	**256**

Intercompany transactions in the Parent company is mainly attributable to management fees invoiced to subsidiaries.

Note 9 – Personnel expenses

Total personnel expenses and remuneration1)

	GROUP		PARENT COMPANY	
SEK m	**2021**	**2020**	**2021**	**2020**
Salaries and remuneration 2)	-621	-612	-314	-263
Of which, salaries and other compensation to senior executives 3)	*-54*	*-32*	*-32*	*-20*
Of which, salaries and other compensation to other employees	*-567*	*-580*	*-282*	*-243*
Pension expenses	-27	-27	-17	-18
Of which defined-benefit plans	*0*	*0*	*0*	*0*
Social fees	-142	-134	-82	-68
Other personnel-related expenses	-77	-89	-47	-27
Summa	**-867**	**-862**	**-460**	**-376**

1) The table also includes costs for redundancy payments and similar items in connection with organisational changes.

2) The amount includes fixed and variable remuneration.

3) Senior executives include Board members, the President/CEO and the executive Management team. Former Board members are included. Senior executives during the year included 25 (17) individuals, of which Board members accounted for 12 (9) and the CEO for 2 (1).

Remuneration to Members of the Board and the Executive Management Team

Approved guidelines for remuneration for executive officers, resolved on by the AGM on 13 April 2021.

These guidelines cover senior executives in Hoist Finance AB (publ) ("Hoist Finance" or the "Company"). The term senior executives shall in this context mean the CEO and the other members of the executive management team, and board members to the extent they receive remuneration for services performed outside of their Board duties. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting 2021. The guidelines do not apply to any remuneration decided by the General Meeting.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

The remuneration in Hoist Finance shall encourage senior executives to promote the Company's business strategy, long-term interests and sustainability and a behaviour in line with the Company's ethical code of conduct and values. The remuneration shall also be structured to enable Hoist Finance to attract, retain and motivate employees who have the requisite skills. The remuneration shall encourage good performance, prudent behaviour and risk-taking aligned with customer and shareholder expectations. Hoist Finance's business strategy, long-term interests and sustainability work are described on the Company's webpage, www.hoistfinance.com.

Types of remuneration

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the General Meeting may, irrespective of these guidelines, resolve on, among other things, share-related or share price-related remuneration.

Fixed cash salary

Salaries shall be gender- and age-neutral and cannot be discriminatory. Hoist Finance views remuneration from a comprehensive perspective and, accordingly, takes all remuneration components into account. Remuneration is weighted in favour of fixed salary, which is based on the position's complexity and level of responsibility, prevailing market conditions and individual performance.

Variable cash remuneration

Variable remuneration for senior executives shall not exceed 100 per cent of the fixed annual cash salary. The variable remuneration consists to 40 per cent of cash remuneration and to 60 per cent of a long-term share-based incentive program, a so-called LTIP. Since LTIP is resolved by the General Meeting it is excluded from the scope of these guidelines. Variable remuneration is based on various financial and non-financial criteria, and is linked to the performance of the Hoist Finance group and the relevant business unit respectively, and to individual targets. It is hence distinctly linked to the business strategy and thereby to the Company's long-term value creation, including its sustainability.

Variable remuneration takes into account the risks involved in the Company's operations and is proportional to the group's earning capacity, capital requirements, profit/loss and financial position. The payment of variable remuneration must not undermine the group's long-term interests and is contingent upon the recipient's compliance with internal rules and procedures. Variable remuneration is not paid to a senior executive who has participated in or been responsible for any action resulting in significant financial loss for the group or the relevant business unit.

For senior executives, payment of 60 per cent of the variable remuneration is deferred for a period of at least three years. Variable remuneration, including deferred remuneration, is only paid to the extent warranted by the group's financial situation and the performance of the group and the relevant business unit, and the senior executive's achievements.

The fulfilment of the criteria for payment of variable cash remuneration shall be measured during a period of one year. When the measurement period for the fulfilment of the criteria for the payment of variable cash remuneration has ended it shall be evaluated/determined to which extent the criteria have been fulfilled. The Remuneration Committee, and the Board of Directors with respect to remuneration to the CEO, are responsible for the assessment.

Pension benefits and other benefits

Pension and insurance are offered pursuant to national laws, regulations and market practices and are structured as collective agreements, company-specific plans or a combination of the two. Hoist Finance has defined-contribution pension plans. A few senior executives receive gross salary; in these instances, the Company does not make pension contributions. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to no more than 30 per cent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medicial insurance (Sw. sjukvårdsförsäkring) and company cars. Other benefits are designed to be competitive in relation to similar operations in each respective country. Such benefits may amount to no more than 10 per cent of the fixed annual cash salary.

For employments governed by other rules than Swedish rules, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Sign-on bonus

Remuneration for new hires, so-called "sign-on bonus", is only offered in exceptional cases and then only to compensate for the lack of variable remuneration in the senior executive's previous employment contract. Sign-on bonuses are paid during the year in which the senior executive begins to work. Decisions on exceptional cases are made in accordance with the decision-making process for variable remuneration.

Loans

Issuing loans to senior executives is not permitted.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and the increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The committee's tasks include the preparation of the Board of Director's decision on the proposal of guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall remain in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The members of the Remuneration Committee are independent of the Company and its executive management team. The CEO and other members of the executive management team do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Termination of employment

Upon the group's termination of an employment contract, the maximum notice period is twelve months and no severance payment is made.

Remuneration to board members for services performed outside of their Board duties

Directors, elected at General Meetings, may in certain cases receive remuneration for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board of Directors.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interest, including its sustainability, or to ensure the Company's financial viability. Since the Remuneration Committee's tasks include the preparation of the Board of Directors' resolution in remuneration-related matters, any resolutions to derogate from the guidelines shall also be prepared by the Remuneration Committee.

Remuneration to the Board of Directors [1)]

	GROUP		PARENT COMPANY	
Chair of the Board:	**2021**	**2020**	**2021**	**2020**
Ingrid Bonde[2)]	619	1,650	-	1,650
Mattias Carlsson[3)]	1,169	-	1,169	-
Other Board members:				
Liselotte Hjorth[2)]	268	715	268	715
Joakim Rubin [4)]	-	240	-	240
Cecilia Daun Wennborg[2)]	259	690	259	690
Malin Eriksson	665	665	665	665
Marcial Portela [4)]	-	184	-	184
Robert Kraal [2)]	182	521	182	521
Lars Wollung [5)]	295	640	295	640
Henrik Käll [6)]	590	369	590	369
Fredrik Backman[7)]	347	-	347	-
Per-Anders Fasth[8)]	99	-	99	-
Peter Zonabend[7)]	382	-	382	-
Niklas Johansson[7)]	476	-	476	-
Helena Svancar[7)]	486	-	486	-
Total	**5,837**	**5,674**	**5,837**	**5,674**

1) Director and Committee member fees comprise a fixed annual amount, excluding social fees. No member fees was paid for subsidiaries pursuant to an AGM resolution. As from the 16 May 2018 AGM, all director fees are paid as salary.

2) Ingrid Bonde, Liselotte Hjort, Robert Kraal and Cecilia Daun Wennborg stepped down from the Board in conjunction with the 13 April 2021 AGM.

3) Mattias Carlsson was elected to chairman of Board at the 13 April 2021 AGM.

4) Joakim Rubin and Marcial Portela stepped down from the Board in conjunction with the May 2020 AGM.

5) Lars Wollung stepped down from the Board on the 20 Juni 2021.

6) Henrik Käll joined the Board as per the 14 May 2020 AGM.

7) Fredrik Backman, Peter Zonabend, Niklas Johansson and Helena Svancar joined the Board as per the April 2021 AGM.

8) Per-Anders Fasth joined the Board as per the April 2021 AGM and became acting CEO in May 2021.

Salaries and benefits [1]

	FIXED SALARY		PERFORMANCE-BASED COMPENSATION [3]		ALLOCATED VALUE LTIP [3]		BENEFITS [4]		PENSION BENEFITS [5]		TOTAL	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Chief Executive Officer [2] :												
Klaus-Anders Nysteen	7,616	5,333	-	-	-	-	3	3	2,231	2,138	9,850	7,474
Per-Anders Fasth	5,523	-	-	-	-	-	2	-	7	-	5,532	-
Executive Management Team [2]:												
11 (7) people excluding the CEO	34,540	20,685	-	-	-	-	911	93	4,021	2,801	39,472	23,579
Total	**47,679**	**26,018**	**-**	**-**	**-**	**-**	**916**	**96**	**6,259**	**4,939**	**54,854**	**31,053**

1) Excluding social fees.

2) Klaus-Anders Nysteen left as CEO for Hoist Finance at 30 May 2021. His salary have been paid until February 2022. Per-Anders Fasth became acting CEO on 31 May, 2021.

3) For the years of 2020 and 2021 Hoist Finance decided that no bonuses, including the LTIP program, was tp be paid out.

4) Benefits have been included in the taxable fringe benefit, excluding social fees. Benefits primarily comprise a company car, housing, health insurance and other benefits associated with foreign posting.

5) The amounts pertain to pension costs during the year for senior executives. Pension costs comprise pension premiums for defined-contribution pension plans expensed during the year (costs for services rendered during the current and previous years and settlements as defined by IAS 19). 100 per cent of total pension costs is attributable to defined contribution pension plans.

Directors' remuneration

The Board

The AGM of Hoist Finance held on 13 April 2021 resolved that annual directors' fees are to be paid as follows:[1]

Chair of the Board	1 475 000 SEK
Board member	490 000 SEK
Chair, Risk and Audit Committee	200 000 SEK
Member, Risk and Audit Committee	125 000 SEK
Chair, Remuneration Committee	50 000 SEK
Member, Remuneration Committee	50 000 SEK
Chair, Investment Committee	175 000 SEK
Member, Investment Committee	100 000 SEK

1) For the period through the next AGM.

CEO

The CEO’s basic salary, Long-term Incentive Plan and other terms of employment are proposed by the Board’s Remuneration Committee and adopted by the Board of Directors. The outgoing CEO’s salary amounted to SEK 7,616 thousand (5,333), while the acting CEO's salary amounted to SEK 5,523 thousand (-), in line with Hoist Finance’s remuneration policy. The CEO’s salary is paid in Swedish kronor. The performance-based compensation for the outgoing CEO amounts to maximum 100 per cent of fixed salary. The acting CEO has no performance-based compensation. The outgoing CEO had a 12-month notice period while the acting CEO has a contract without notice period. There is no agreement in place on redundancy payments.

CEO Pension

The pension premium for Per-Anders Fasth is 30 per cent (-) of fixed salary of which 12 000 SEK each year is placed in an pension insurance and the rest is paid as salary. The pension premium for the outgoing CEO Klaus-Anders Nysteen is 30 per cent (30) of fixed salary.

It is a defined-contribution pension.

Executive Management Team (EMT)

The Board’s Remuneration Committee prepares for the Board’s decision changes to remuneration rates and bonus programme results and other changes to EMT compensation agreements. During 2021, 6 EMT members had agreements concerning variable salary increments capped at 100 per cent of fixed salary. Two EMT members have had an agreement where the variable remuneration for a limited time exceeds 70 per cent of the fixed salary and one has had a an agreement where the variable remuneration for a limited time exceeds 60 per cent of the fixed salary. Benefits primarily comprise a company car and health insurance benefits.

As of 31 December 2021, the EMT was comprised of 9 people (7), exclusive of the CEO.

Notice period

The notice period for the nine EMT members is between three to nine month.

Pension benefits, EMT

At year-end, four EMT members have followed Hoist Finance’s pre-determined pension scheme, for which fixed salary is the pensionable compensation amount. One EMT member receives 10 per cent of fixed salary and one receives 13 per cent of fixed salary. Pension provisions for one EMT member are not posted in the company an the other has individual pensionplans with a provision between 8-30%.

Share-based incentive programme (LTIP)

Variable remuneration for senior executives is comprised of a longterm share-based incentive programme (LTIP). Variable remuneration takes into account the risks involved in the company’s operations and is proportional to the Group’s earning capacity, capital requirements, profit/loss and financial position, as well as individual targets.

Variable remuneration is based on results achieved during the performance year (calendar year 2021) and final performance amounts are determined when the year-end report is published. Of the remuneration amount, 40 per cent is paid in cash (governed by IAS 19 regulations) and 60 per cent through share grant (governed by IFRS 2). The original valuation date for the programme is January 2021, when Hoist Finance and the counterparty agreed on the programme’s terms and conditions.

Remuneration is measured during the performance year at an estimated monetary value. The amount to be paid is then expressed in the number of share options granted during the time prior to the vesting period. The number of shares granted is based on the share price as determined in February the year after the performance year. The shares vest in equal 1/3 parts (i.e., the first, second and third year following the AGM's approval of the annual report). In practical terms, payment is made in equal parts in May 2023, May 2024 and May 2025. The share price for the 2021 LTIP programme has not been settled. The cost of the share options is allocated on a straight-line basis across the three stipulated periods, with a true-up for the rights lost by participants who terminate their employment during the vesting periods.

The options are converted automatically to ordinary shares on the vesting day, at an exercise price of nil. Participants are entitled to receive dividends on the granted shares. The right expires in the event the participant terminates their employment during the vesting period, except in limited cases approved by the Board on a case-by-case basis.

In 2021 the costs posted for the share option portion of the Group's LTIP programme totalled SEK 0m (0), excluding social fees. In December 2021 the Company decided that no variable remuneration would be paid under the 2021 incentive programme, in the same way as it was decided under the 2020 incentive program.

The table below shows the number of granted and outstanding share options at the beginning and end of the financial year:

	NUMBER OF OPTIONS	
	2021	**2020**
outstanding at beginning of the period	-	118,242
+ Granted during the year		
– Vested during the year		
– expired during the year	-	-118,242
outstanding at end of the period	-	-
outstanding share options at end of the period: weighted average remaining contractual duration	-	-

To hedge the 2019 incentive programme, Hoist Finance entered into a share swap agreement with a third party. Under the agreement the third party is obliged to acquire and transfer shares to participants in its own name to fulfil the Company's obligation to deliver shares and to cover social fees arising from vesting. Social fees are calculated based on the fair value of the share options and are expensed as incurred. As no remuneration will be paid under the 2019 share-based incentive programme, the shares acquired by the third party under the share swap agreement will revert to Hoist Finance no later than the May 2023 date of expiration.

Average number of employees during the year, Group	2021			2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Sweden	35	26	61	36	28	64
Germany	58	109	167	64	118	182
France	48	74	122	45	86	131
Belgium	2	1	3	1	0	1
Netherlands	15	19	34	17	21	38
UK	139	119	258	163	139	302
Italy	126	218	344	117	261	378
Poland	130	213	343	128	199	327
Spain	37	57	94	33	49	82
Greece	4	4	8	3	3	6
Romania	47	101	148	59	45	104
Cyprus	3	1	4	-	-	-
Total	**644**	**942**	**1,586**	**666**	**949**	**1,615**

The average number of employees is calculated based on the number of full-time employees (FTEs) during the year. The Group also has contracted consultants, the number of which varies during the year depending on requirements.

As at 31 December 2021 the Group had 1,544 FTEs (1,631).

Gender distribution, senior executives	31 DEC 2021				31 DEC 2020			
	MEN		WOMEN		MEN		WOMEN	
		%		**%**		**%**		**%**
Senior executives	14	82	3	18	10	67	5	33
Board of Directors	49	82	11	18	50	78	14	22
of which, Parent Company	*6*	*75*	*2*	*25*	*3*	*43*	*4*	*57*

Note 10 – Other operating expenses

	GROUP		PARENT COMPANY	
SEK m	**2021**	**2020**	**2021**	**2020**
Legal collection costs	-474	-509	-195	-198
Other collection costs	-279	-225	-55	-36
Total collection costs	**-753**	**-734**	**-250**	**-235**
Consultancy services	-180	-177	-132	-112
Intra-Group consultancy services	-	-	-18	-35
Other intra-Group expenses	-	-	-90	-118
IT expenses	-274	-274	-182	-187
Telecom expenses	-6	-8	-3	-4
Premises costs	-39	-46	-47	-45
Travel expenses	-3	-7	-2	-5
Restructuring costs	-	-	-	-
Bank charges	-14	-17	-9	-10
Sales and marketing expenses	-9	-9	-9	-7
Other expenses	-81	-75	-3	-11
Total administrative expenses	**-606**	**-613**	**-495**	**-533**
Total operating expenses	**1,359**	**1,347**	**-745**	**-768**

SEK m	**2021**	**2020**	**2021**	**2020**
EY and KPMG				
Audit assignments	-14	-12	-7	-5
EY	*-14*	*-9*	*-7*	*-3*
KPMG	-	*-3*	-	*-2*
Audit-related assignments	-3	-2	-1	-3
EY	*-3*	*-1*	*-1*	*-1*
KPMG	-	*-1*	-	*-2*
Tax services	-1	-3	-1	-1
EY	*-1*	*-1*	*-1*	*-1*
KPMG	-	*-2*	-	-
Other non audit-related assignments	-	-	-	-
EY	-	-	-	-
KPMG	-	-	-	-
Total	**-18**	**-17**	**-9**	**-9**

Expenses for audit assignments are included in Consultancy services in the table above.

Note 11 – Shares and participations in joint ventures

Shares and participations in joint ventures relate to Hoist Finance AB’s (publ) holdings in Best III (50 per cent) and PQH Single Special Liquidation S.A (33 per cent). BEST III is a Polish closed-end fund located in Gdynia and designated for the acquisition of individual loan portfolios. The initial investment was PLN 40m (SEK 90m). During the year 2016 Hoist Finance acquired, along with Qualco S.A. and Pricewaterhouse Coopers Business solutions S.A., the Greek company "PQH". PQH is based in Athens and offers advisory services. All joint ventures are consolidated pursuant to the equity method.

Share of profit from joint ventures

	GROUP	
SEK m	**31 Dec 2021**	**31 Dec 2020**
Share of profit from joint ventures according to equity method	53	47
Performance-based compensation	-1	13
Exchange rate differences	9	-3
Total profit	**61**	**57**

	PARENT COMPANY	
SEK m	**2021**	**2020**
Capital gain redemption of fund units	66	58
Performance-based compensation	-1	13
Total profit	**66**	**71**

	GROUP	
SEK m	**31 Dec 2021**	**31 Dec 2020**
Opening balance	160	200
Redemption of fund units	-70	-63
Share of profit from joint ventures according to equity method	53	47
Reversal from shareholders’ equity	2	-2
Exchange rate differences	10	-22
Closing balance	**155**	**160**

	BEST III	
SEK m	**31 Dec 2021**	**31 Dec 2020**
Assets		
Acquired loan portfolios	301	328
Cash	12	11
Total assets	**312**	**339**
Liabilities		
Current liabilities	8	17
Total liabilities	**8**	**17**
Net assets	**305**	**322**
Interest income	171	141
Other expenses	-71	-46
Net profit for the year	**100**	**95**

There are no contingent liabilities pertaining to the Group's interest in this joint venture, nor does the joint venture have any contingent liabilities.

	PQH	
SEK m	**31 Dec 2021**	**31 Dec 2020**
Assets		
Current assets	8	24
Cash	4	0
Total assets	**13**	**24**
Liabilities		
Current liabilities	6	27
Total liabilities	**6**	**27**
Net assets	**7**	**-3**
Interest income	55	64
Other expenses	-45	-67
Net profit for the year	**10**	**-3**

There are no contingent liabilities pertaining to the Group's interest in this joint venture, nor does the joint venture have any contingent liabilities.

Note 12 – Untaxed reserves

Tax allocation reserve	PARENT COMPANY	
SEK m	**31 Dec 2021**	**31 Dec 2020**
Provision to tax allocation reserve 2015	-	20
Provision to tax allocation reserve 2016	60	60
Provision to tax allocation reserve 2017	24	24
Provision to tax allocation reserve 2018	75	75
Provision to tax allocation reserve 2019	55	55
Provision to tax allocation reserve 2020	43	43
Provision to tax allocation reserve 2021	28	-
Closing balance 31 Dec	**285**	**277**

Note 13 - Tax

	GROUP		PARENT COMPANY	
SEK m	**2021**	**2020**	**2021**	**2020**
Current tax expense/income				
Tax expense/income for the year	-149	-96	-136	-59
Tax adjustment attributable to previous years	1	-14	1	-16
Total	**-148**	**-110**	**-135**	**-75**
Deferred tax expense/income				
Deferred tax attributable to temporary differences	70	69	8	-2
Total	**70**	**69**	**8**	**-2**
Total recognised tax expense	**-78**	**-41**	**-127**	**-77**

	GROUP		PARENT COMPANY	
SEK m	**2021**	**2020**	**2021**	**2020**
Profit before tax	-39	82	74	333
Tax calculated at 20.60% (21.40) (Swedish) tax rate	8	-18	-15	-71
Effect of different tax rates in different countries	16	9	0	0
Adjustment related to change in tax rate	0	-3	0	0
Non-taxable revenues	49	17	11	65
Non-deductible expenses	-47	-26	-22	-55
Adjustments with reference to previous years	1	-7	2	-9
Utilisation of previously uncapitalised loss carry-forwards	3	0	0	-
Increase in loss carry-forwards without corresponding activation of deferred tax	-20	-6	-	-
Tax related to tax matters 1)	-102	-7	-102	-7
Other	14	0	-1	0
Total tax expense	**-78**	**-41**	**-127**	**-77**

1) For more information, see Administration report section "Significant risks and uncertainties".

The Group's effective tax rate was 204 per cent (50) at 31 December 2021.

In 2021, no current tax on items was recognised directly in equity in the Group (SEK 2m). Other comprehensive income includes tax in an amount of SEK 9m (-3) related to hedging of currency risk in foreign operations, a revaluation of defined-benefit pension plans and a revalution of post-service remuneration.

	GROUP		PARENT COMPANY	
SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Deferred tax				
Deferred tax assets	160	97	7	1
Deferred tax liabilities	-127	-141	0	-3
Deferred tax in equity	-122	-115	-	-
Total	**-89**	**-159**	**7**	**-2**

	GROUP 31 DEC 2021				
SEK m	**Opening balance**	**Income statement**	**Other comprehensive income**	**Translation differences**	**Closing balance**
Change in deferred tax					
Loss carry-forwards	72	53	-	5	130
Joint ventures	-30	1	-	0	-29
Acquired loan portfolios	-47	14	-	0	-33
Untaxed reserves	-59	-2	-	-	-61
Hedge reserve	-115	-7	-	-	-122
Other	20	11	-	-5	26
Total	**-159**	**70**	**-**	**0**	**-89**

	GROUP 31 DEC 2020					
SEK m	**Opening balance**	**Reclassification**	**Income statement**	**Other comprehensive income**	**Translation differences**	**Closing balance**
Change in deferred tax						
Loss carry-forwards	12	11	53	-	-4	72
Joint ventures	-36	-	3	-	3	-30
Defined-benefit pension schemes and other employee benefits	5	-5	-	0	0	0
Acquired loan portfolios	-62	7	9	-	-1	-47
Untaxed reserves	-58	-	-1	-	-	-59
Hedge reserve	-119	4	-	-	-	-115
Other	21	-9	5	-	3	20
Total	**-237**	**8**	**69**	**0**	**1**	**-159**

The Group's deferred tax assets attributable to loss carry-forwards are expected to be fully utilised during the next six years. Deferred tax assets are only reported as a tax loss carry-forwards to the extent that a related tax benefit is likely to be realised.

Deferred tax assets and liabilities are offset to the extent there is a legal right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Note 14 – Earnings per share

Basic earnings per share

SEK m	2021	2020
Net profit/loss for the year	**-117**	**41**
Profit/loss attributable to Parent Company shareholders, before dilution	-207	-45
Net profit/loss for the year attributable to Additional Tier 1 capital holders	90	86
Weighted average number of shares outstanding, before dilution	89,303,000	89,303,000

Diluted earnings per share

SEK m	2021	2020
Net profit/loss for the year attributable to Hoist Finance AB (publ) shareholders, after dilution		
Profit/loss attributable to Parent Company shareholders, before dilution	-207	-45
Profit/loss attributable to Parent Company shareholders, after dilution	**-207**	**-45**
Weighted average number of shares outstanding, after dilution		
Basic weighted average number of shares during the year, before dilution	89,303,000	89,303,000
effect of options	-	-
Weighted average number of shares during the year, after dilution	**89,303,000**	**89,303,00**
Basic earnings per share, SEK	**-2.32**	**-0.50**
Diluted earnings per share, SEK	**-2.32**	**-0.50**

Note 15 – Financial instruments

Carrying amount and fair value of financial instruments

	GROUP 31 DEC 2021					
	ASSET/LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS					
SEK m	**Held for trading**	**Mandatorily**	**Hedging instrument**	**Amortised cost**	**Total carrying amount**	**Fair value**
Cash	-	-	-	0	0	0
Treasury bills and treasury bonds	-	1,576	-	-	1,576	1,576
Lending to credit institutions	-	-	-	2,480	2,480	2,480
Lending to the public	-	-	-	3	3	3
Acquired loan portfolios	-	-	-	21,337	21,337	21,769
Bonds and other securities	-	3,502	-	-	3,502	3,502
Derivatives	75	-	1[1)]	-	76	76
Other financial assets	-	-	-	380	380	380
Total	**75**	**5,078**	**1**	**24,200**	**29,354**	**29,786**
Deposits from the public	-	-	-	18,169	18,169	18,169
Derivatives	22	-	122[1)]	-	144	144
Debt securities issued	-	-	-	5,059	5,059	5,289
Subordinated debt	-		-	837	837	813
Other financial liabilities	-	-	-	808	808	808
Total	**22**	**-**	**122**	**24,873**	**25,017**	**25,223**

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

	GROUP 31 DEC 2020					
	ASSET/LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS					
SEK m	**Held for trading**	**Mandatorily**	**Hedging instrument**	**Amortised cost**	**Total carrying amount**	**Fair value**
Cash	-	-	-	0	0	0
Treasury bills and treasury bonds	-	2,411	-	-	2,411	2,411
Lending to credit institutions	-	-	-	2,526	2,526	2,526
Lending to the public	-	-	-	6	6	6
Acquired loan portfolios	-	-	-	21,075	21,075	21,945
Bonds and other securities	-	4,082	-	-	4,082	4,082
Derivatives	27	-	214[1)]	-	241	241
Other financial assets	-	-	-	492	492	492
Total	**27**	**6,493**	**214**	**24,099**	**30,833**	**31,703**
Deposits from the public	-	-	-	17,928	17,928	17,928
Derivatives	43	-	-	-	43	43
Debt securities issued	-	-	-	6,355	6,355	6,479
Subordinated debt	-	-	-	821	821	744
Other financial liabilities	-	-	-	1,185	1,185	1,185
Total	**43**	**-**	**-**	**26,289**	**26,332**	**26,379**

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

	PARENT COMPANY 31 DEC 2021					
	ASSET/LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS					
SEK m	**Held for trading**	**Mandatorily**	**Hedging instrument**	**Amortised cost**	**Total carrying amount**	**Fair value**
Cash	-	-	-	0	0	0
Treasury bills and treasury bonds	-	1,576	-	-	1,576	1,576
Lending to credit institutions	-	-	-	1,467	1,467	1,467
Lending to the public	-	-	-	3	3	3
Acquired loan portfolios	-	-	-	6,360	6,360	6,549
Receivables, Group companies	-	15	-	15,040	15,055	15,084
Bonds and other securities	-	3,502	-	-	3,502	3,502
Derivatives	75	-	1[1)]	-	76	76
Other financial assets	-	-	-	233	233	233
Total	**75**	**5,093**	**1**	**23,103**	**28,272**	**28,490**
Deposits from the public	-	-	-	18,169	18,169	18,169
Derivatives	22	-	122[1)]	-	144	144
Debt securities issued	-	-	-	4,605	4,605	4,815
Subordinated debt	-	-	-	837	837	813
Other financial liabilities	-	-	-	706	706	706
Total	**22**	**-**	**122**	**24,317**	**24,461**	**24,647**

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

	PARENT COMPANY 31 DEC 2020					
	ASSET/LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS					
SEK m	**Held for trading**	**Mandatorily**	**Hedging instrument**	**Amortised cost**	**Total carrying amount**	**Fair value**
Cash	-	-	-	0	0	0
Treasury bills and treasury bonds	-	2,411	-	-	2,411	2,411
Lending to credit institutions	-	-	-	1,611	1,611	1,611
Lending to the public	-	-	-	6	6	6
Acquired loan portfolios	-	-	-	6,755	6,755	7,149
Receivables, Group companies	-	10	-	14,392	14,402	14,418
Bonds and other securities	-	4,082	-	-	4,082	4,082
Derivatives	27	-	214[1)]	-	241	241
Other financial assets	-	-	-	205	205	205
Total	**27**	**6,503**	**214**	**22,969**	**29,713**	**30,123**
Deposits from the public	-	-	-	17,928	17,928	17,928
Derivatives	43	-	-	-	43	43
Debt securities issued	-	-	-	5,959	5,959	6,054
Subordinated debt	-	-	-	821	821	744
Other financial liabilities	-	-	-	909	909	909
Total	**43**	**-**	**-**	**25,617**	**25,660**	**25,678**

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

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 of acquired loan portfolios is calculated by discounting cash flow forecasts at the average effective interest rate for purchased loan portfolios from the past 24 months in each jurisdiction.

Fair value measurement

	GROUP 31 DEC 2021				PARENT COMPANY 31 DEC 2021			
SEK m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and treasury bonds	1,576	-	-	1,576	1,576	-	-	1,576
Aquired loan portfolios	-	-	21,769	21,769	-	-	6,549	6,549
Bonds and other securities	3,502	-	-	3,502	3,502	-	-	3,502
Receivables, Group companies[1)]	-	-	-	-	-	-	15	15
Derivatives	-	76	-	76	-	76	-	76
Total assets	**5,078**	**76**	**21,769**	**2,923**	**5,078**	**76**	**6,564**	**11,718**
Derivatives	-	144	-	144	-	144	-	144
Debt securities issued	-	5,289	-	5,289	-	4,815	-	4,815
Subordinated debt	-	813	-	813	-	813	-	813
Total liabilities	**-**	**6,246**	**-**	**6,246**	**-**	**5,772**	**-**	**5,772**

1) Receivables from Group companies pertain junior notes issued by securitisation vehichles within the Group valued at fair value.

	GROUP 31 DEC 2020				PARENT COMPANY 31 DEC 2020			
MSEK	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills and treasury bonds	2,411	-	-	2,411	2,411	-	-	2,411
Aquired loan portfolios	-	-	21,945	21,945	-	-	7,149	7,149
Bonds and other securities	4,082	-	-	4,082	4,082	-	-	4,082
Receivables, Group companies[1)]	-	-	-	-	-	-	10	10
Derivatives	-	241	-	241	-	241	-	241
Total assets	**6,493**	**241**	**21,945**	**28,679**	**6,493**	**241**	**7,159**	**13,893**
Derivatives	-	43	-	43	-	43	-	43
Debt securities issued	-	6,479	-	6,479	-	6,054	-	6,054
Subordinated debt	-	744	-	744	-	744	-	744
Total liabilities	**-**	**7,266**	**-**	**7,266**	**-**	**6,841**	**-**	**6,841**

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

For acquired loan portfolios, the valuation approach, key input data and valuation sensitivity to material changes are described in the Accounting Principles.

Derivatives used for hedging (see Note 16 "Derivatives") were model-valued using interest and currency market rates as input data.

Treasury bills and treasury bonds, and bonds and other securities, are valued based on quoted rates.

The fair value of liabilities in the form of issued bonds and other subordinated debt was determined with reference to observable market prices quoted by external market players/places. In cases where more than one market price observation is available, fair value is determined at the arithmetic mean of the market prices. Since no observable market price is available for the junior notes their fair value has been calculated using the income approach.

Carrying amounts for accounts receivable and accounts payable are deemed approximations of fair value. The fair value of current loans corresponds to their carrying amount due to the limited impact of discounting.

Note 16 – Derivatives

The Group continuously hedges its assets denominated in foreign currencies in order to reduce its exchange rate exposure. As per 31 December 2021, the Group had exposures in EUR, GBP, PLN and RON, which are hedged using currency forward contracts. All outstanding derivatives are measured at fair value. Gains/losses on derivative instruments are recognised in the income statement for each annual statement. The effective part of hedge accounting in the Group is recognised in other comprehensive income for each annual statement.

The Parent Company Hoist Finance AB (publ) apply hedge accounting for the fair value of shares in subsidiaries and for shares and participations in joint ventures. Gains/losses on derivative instruments for hedge accounting in the Parent Company are recognised in shares in subsidiaries and in shares and participations in joint ventures. The Parent Company ceased its hedge accounting in GBP during 2021, as critical conditions for hedging are no longer met.

Additional information on the Group's and the Parent Company's management of hedge accounting is presented in Accounting Policies sections 10 and 22.8 "Hedge accounting".

Derivatives held for trading

	GROUP 31 DEC 2021					
	Nominal amount/maturity					
SEK m	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Nominal amount**	**Positive market values**	**Negative market values**
Interest rate-related contracts						
Swaps	832	792	1,447	3,071	62	0
Currency-related contracts						
Currency forwards	2,357	-	-	2,357	14	-22
Total	**3,189**	**792**	**1,447**	**5,428**	**76**	**-22**
SEK m					**Positive market values**	**Negative market values**
Currency breakdown of market values						
SEK					3	-4
EUR					0	-
GBP					34	-2
PLN					39	-16
RON					0	0
Total					**76**	**-22**

Derivatives for hedge accounting

	GROUP 31 DEC 2021					
	Nominal amount/maturity					
SEK m	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Nominal amount**	**Positive market values**	**Negative market values**
Currency-related contracts						
Currency forwards	8,624			8,624	-	-122
Total	**8,624**			**8,624**	**-**	**-122**

	GROUP 31 DEC 2021				
	Average exchange rate				
SEK m	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Positive market values**	**Negative market values**
Currency breakdown of market values					
SEK/GBP	12.11	-	-	-	-24
SEK/PLN	2.17	-	-	-	-98
Total				**-**	**-122**

Derivatives held for trading

	GROUP 31 DEC 2020					
	Nominal amount/maturity					
SEK m	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Nominal amount**	**Positive market values**	**Negative market values**
Interest rate-related contracts						
Swaps	776	2,057	-	2,833	-	-40
Currency-related contracts						
Currency forwards	1,648	-	-	1,648	27	-3
Total	**2,424**	**2,057**	**-**	**4,481**	**27**	**-43**
SEK m					**Positive market values**	**Negative market values**
Currency breakdown of market values						
SEK					-	-3
EUR					10	-13
GBP					12	-17
PLN					5	-10
Total					**27**	**-43**

Derivatives for hedge accounting

	GROUP 31 DEC 2020					
	Nominal amount/maturity					
SEK m	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Nominal amount**	**Positive market values**	**Negative market values**
Currency-related contracts						
Currency forwards	9,141	-	-	9,141	214	-
Total	**9,141**	**-**	**-**	**9,141**	**214**	**-**

	GROUP 31 DEC 2020				
	Average exchange rate				
SEK m	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Positive market values**	**Negative market values**
Currency breakdown of market values					
SEK/GBP	11.38	-	-	135	-
SEK/PLN	2.26	-	-	79	-
Total				**214**	**-**

Hedging instruments and effectiveness in the hedge accounting 2021

	GROUP							
	Carrying amount							
SEK m	**Nominal amount**	**Assets**	**Liabilities**	**Balance sheet item in which the hedging instrument is included**	**Change in fair value used to calculate ineffectiveness for the period**	**Change in value of the hedging instrument recognised in other comprehensive income**	**Ineffectiveness recognised in the income statement**	**Income statement item which include the ineffectiveness**
Currency-related contracts								
GBP - Derivatives, negative values	4,808	-	-24	Other liabilities	-26	-26	0	Net result from financial transactions
PLN - Derivatives, negative values	3,816	-	-98	Other liabilities	-15	-15	0	Net result from financial transactions
Total	**8,624**	**-**	**-122**		**-41**	**-41**	**0**	

Hedging instruments and effectiveness in the hedge accounting 2020

SEK m	GROUP							
	Carrying amount							
	Nominal amount	Assets	Liabilities	Balance sheet item in which the hedging instrument is included	Change in fair value used to calculate ineffectiveness for the period	Change in value of the hedging instrument recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Income statement item which include the ineffectiveness
Currency-related contracts								
GBP - Derivatives, positive values	5,221	135	-	Other assets	66	66	-	Net result from financial transactions
PLN - Derivatives, positive values	3,920	79	-	Other assets	-72	-72	-	Net result from financial transactions
Total	**9,141**	**214**	**-**		**-6**	**-6**	**-**	

Hedged items 2021

SEK m	GROUP		
	Change in fair value used to calculate ineffectiveness for the period	Hedge reserve	Amounts remaining in the hedging relationships for which hedge accounting is no longer applied
Hedging of foreign exchange risk in net investments in foreign operations			
EUR	-	-149	-149
GBP	-499	-169	-
PLN	-31	-276	-
Total	**-530**	**-594**	**-149**

Hedged items 2020

SEK m	GROUP		
	Change in fair value used to calculate ineffectiveness for the period	Hedge reserve	Amounts remaining in the hedging relationships for which hedge accounting is no longer applied
Hedging of foreign exchange risk in net investments in foreign operations			
EUR	-	-149	-149
GBP	568	-143	-
PLN	257	-264	-
Total	**825**	**-556**	**-149**

Hedged items 2021

	PARENT COMPANY			
	Carrying amount hedged item	Accumulated fair value adjustment included in the carrying amount of the hedged item		
SEK m	Assets	Liabilities	Balance sheet item in which the hedged item is included	Change in value of hedged items used to determine ineffeciency for the period
Fair value hedges				
GBP	-	-	Shares and participations in subsidiaries and joint ventures	-21
PLN	152	-45	Shares and participations in subsidiaries and joint ventures	-47
Total	**152**	**-45**		**-68**

Hedged items 2020

	PARENT COMPANY			
	Carrying amount hedged item	Accumulated fair value adjustment included in the carrying amount of the hedged item		
SEK m	Assets	Liabilities	Balance sheet item in which the hedged item is included	Change in value of hedged items used to determine ineffeciency for the period
Fair value hedges				
GBP	335	-21	Shares and participations in subsidiaries and joint ventures	19
PLN	147	-47	Shares and participations in subsidiaries and joint ventures	10
Total	**482**	**-68**		**29**

Note 17 – Maturity analysis

For additional information see Note 33 "Risk management".

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m

	GROUP 31 DEC 2021							
	Payable on demand	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**	**No fixed maturity**	**Total**	**Of which anticipated recovery date >12 months**
Assets								
Treasury bills and Treasury bonds	-	506	701	369	-	-	1,576	369
Lending to credit institutions	2,349	130	-	-	-	-	2,479	-
Swedish banks	*318*	-	-	-	-	-	*318*	-
foreign banks	*2,013*	*130*	-	-	-	-	*2,161*	-
Lending to the public	-	46	69	400	524	-	1,039	924
Bonds and other securities	-	126	101	3,275	-	-	3,502	3,275
Total assets with fixed/contractual maturities	**2,349**	**808**	**871**	**4,044**	**524**	**-**	**8,596**	**4,568**
Acquired loan portfolios [1]	-	1,644	4,834	16,468	9,626	-	32,572	26,094
Total assets with no fixed/ anticipated maturities	**-**	**1,644**	**4,834**	**16,468**	**9,626**	**-**	**32,572**	**26,094**
Liabilities								
Deposits from the public [2]								
retail	*6,975*	*1,199*	*3,475*	*6,497*	-	-	*18,146*	*6,497*
corporate	*23*	-	-	-	-	-	*23*	-
Total deposits from the public	**6,998**	**1,119**	**3,475**	**6,497**	**-**	**-**	**18,169**	**6,497**
Lease liabilities	-	-	49	96	15	-	160	111
Debt securities issued [3]	-	24	204	5,398	124	-	5,750	5,522
Subordinated debt	-	-	850	-	-	-	850	-
Total liabilities with fixed/contractual maturities	**6,998**	**1,223**	**4,578**	**11,992**	**139**	**-**	**24,929**	**12,130**

1) Maturity analysis for acquired loan portfolios is based on future cash flow forecast horizon of 180 months. See Note 33 "Risk management" for additional details on the Group's management of credit risk.

2) Deposits in SEK and EUR are payable on demand, although a fee is assessed for premature withdrawals from fixed-term deposits.

3) The nominal value is SEK 2,557m for unsecured debt maturing in 2023 and SEK 2,045m for unsecured debt maturing in 2024 as per 31 December 2021. The nominal value is SEK SEK 2,509m for unsecured debt maturing in 2023 and SEK 2,008m for unsecured debt maturing in 2024 as per 31 December 2020. See Note 28 "Funding" for additional information.

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m

	GROUP 31 DEC 2020							
	Payable on demand	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**	**No fixed maturity**	**Total**	**Of which anticipated recovery date >12 months**
Assets								
Treasury bills and Treasury bonds	-	1,441	703	267	-	-	2,411	267
Lending to credit institutions	2,419	107	-	-	-	-	2,526	-
Swedish banks	*643*	-	-	-	-	-	*643*	-
foreign banks	*1,776*	*107*	-	-	-	-	*1,883*	-
Lending to the public	-	48	73	424	643	-	1,188	1,067
Bonds and other securities	-	-	578	3,504	-	-	4,082	3,504
Total assets with fixed/contractual maturities	**2,419**	**1,596**	**1,354**	**4,195**	**643**	**-**	**10,207**	**4,838**
Acquired loan portfolios [1]	-	1,425	4,784	16,603	9,951	-	32,763	26,554
Total assets with no fixed/ anticipated maturities	**-**	**1,425**	**4,784**	**16,603**	**9,951**	**-**	**32,763**	**26,554**
Liabilities								
Deposit from public [2]								
retail	*5,375*	*2,226*	*2,827*	*7,453*	-	-	*17,881*	*7,453*
corporate	*47*	-	-	-	-	-	*47*	-
Total deposits from the public	**5,422**	**2,226**	**2,827**	**7,453**	**-**	**-**	**17,928**	**7,453**
Lease liabilities	-	13	36	138	38	-	225	176
Debt securities issued [3]	-	21	1,697	5,377	100	-	7,195	5,477
Subordinated debt	-	-	31	834	-	-	865	834
Total liabilities with fixed/contractual maturities	**5,422**	**2,260**	**4,591**	**13,802**	**138**	**-**	**26,213**	**13,940**

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m

	PARENT COMPANY, 31 DEC 2021							
	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	No fixed maturity	Total	Of which anticipated recovery date >12 months
Assets								
Treasury bills and Treasury bonds	-	506	701	369	-	-	1,576	369
Lending to credit institutions	1,467	-	-	-	-	-	1,467	-
Swedish banks	*318*	-	-	-	-	-	*318*	-
foreign banks	*1,149*	-	-	-	-	-	*1,149*	-
Lending to the public	-	23	28	153	175	-	379	328
Receivables, Group companies	-	140	2,695	6,912	-	3,932	13,679	10,844
Bonds and other securities	-	126	101	3,275	-	-	3,502	3,275
Total assets with fixed/contractual maturities	**1,467**	**795**	**3,525**	**10,709**	**175**	**3,932**	**20,603**	**14,816**
Acquired loan portfolios 1)	-	595	1,532	4,907	2,378	-	9,412	7,285
Total assets with no fixed/ anticipated maturities	**-**	**595**	**1,532**	**4,907**	**2,378**	**3,932**	**13,344**	**7,285**
Liabilities								
Deposit from public 2)								
retail	*6,975*	*1,199*	*3,475*	*6,497*	-	-	*18,146*	*6,497*
corporate	*23*	-	-	-	-	-	*23*	-
Total deposits from the public	**6,998**	**1,199**	**3,475**	**6,497**	**-**	**-**	**18,169**	**6,497**
Lease liabilities	474	50	-	-	-	-	524	-
Debt securities issued 3)	-	-	139	4,810	-	-	4,949	4,810
Subordinated debt	-	-	850	-	-	-	850	-
Total liabilities with fixed/contractual maturities	**7,472**	**1,249**	**4,464**	**11,307**	**-**	**-**	**24,492**	**11,307**

1) Maturity analysis for acquired loan portfolios is based on future cash flow forecast horizon of 180 months. See Note 33 “Risk management” for additional details on the Group’s management of credit risk.

2) Deposits in SEK and EUR are payable on demand, although a fee is assessed for premature withdrawals from fixed-term deposits.

3) The nominal value is SEK 2,557m for unsecured debt maturing in 2023 and SEK 2,045m for unsecured debt maturing in 2024 as per 31 December 2021. The nominal value is SEK SEK 2,509m for unsecured debt maturing in 2023 and SEK 2,008m for unsecured debt maturing in 2024 as per 31 December 2020. See Note 28 “Funding” for additional information.

Remaining contractual maturity (undiscounted value) and anticipated date of recovery, SEK m

	PARENT COMPANY 31 DEC 2020							
	Payable on demand	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**	**No fixed maturity**	**Total**	**Of which anticipated recovery date >12 months**
Assets								
Treasury bills and Treasury bonds	-	1,441	703	267	-	-	2,411	267
Lending to credit institutions	1,611	-	-	-	-	-	1,611	-
Swedish banks	*643*	-	-	-	-	-	*643*	-
foreign banks	*968*	-	-	-	-	-	*968*	-
Lending to the public	-	23	29	159	225	-	436	384
Receivables, Group companies	-	336	501	11,037	-	3,864	15,738	14,901
Bonds and other securities	-	-	578	3,504	-	-	4,082	3,504
Total assets with fixed/contractual maturities	**1,611**	**1,800**	**1,811**	**14,967**	**225**	**3,864**	**24,278**	**19,056**
Acquired loan portfolios [1]	-	517	1,564	5,422	2,905	-	10,408	8,327
Total assets with no fixed/ anticipated maturities	**-**	**517**	**1,564**	**5,422**	**2,905**	**-**	**10,408**	**8,327**
Liabilities								
Deposit from public [2]								
retail	*5,375*	*2,226*	*2,827*	*7,453*	-	-	*17,881*	*7,453*
corporate	*47*	-	-	-	-	-	*47*	-
Total deposits from the public	**5,422**	**2,226**	**2,827**	**7,453**	**-**	**-**	**17,928**	**7,453**
Liabilities, Group companies	445	48	-	-	-	-	493	-
Debt securities issued [3]	-	-	1,638	4,858	-	-	6,496	4,858
Subordinated debt	-	-	31	834	-	-	865	834
Total liabilities with fixed/contractual maturities	**5,867**	**2,274**	**4,496**	**13,145**	**-**	**-**	**25,782**	**13,145**

Note 18 – Acquired loan portfolios

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

For additional information see Accounting principles section 15 ”Income and expenses” and Note 33 ”Risk management”.

Acquired credit-impaired loan portfolios, 31 Dec 2021

	GROUP			PARENT COMPANY		
SEK m	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2021	20,430	-108	20,322	6,389	88	6,477
Acquisitions	3,558	-	3,558	933	-	933
Interest income	2,956	-	2,956	931	-	931
Gross collections	-6,557	-	-6,557	-2,392	-	-2,392
Impairment losses and gains	-	-337	-337	-	11	11
of which, realised collections against active forecast	-	298	298	-	242	242
of which, portfolio revaluations	-	-635	-635	-	-231	-231
Disposal	-2	-	-2	-2	-	-2
Translation differences	726	-25	701	130	1	131
Closing balance 31 Dec 2021	**21,111**	**-470**	**20,641**	**5,989**	**100**	**6,089**

Acquired credit-impaired loan portfolios, 31 Dec 2020

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

Undiscounted acquired loss allowances

As at 31 December 2021, the undiscounted acquired loss allowances at initial recognition totalled SEK 25,841m (12,231) for credit-impaired loan portfolios acquired by the Group during January to December, of which SEK 3,198m (5,455) is attributable to Parent Company acquisitions.

Acquired performing loan portfolios, 31 Dec 2021

	GROUP					
SEK m	**Gross carrying amount**	**Stage 1 - 12M ECL**	**Stage 2 - LECL**	**Stage 3 - LECL**	**Loss allowance**	**Net carrying amount**
Opening balance 1 Jan 2021	758	-1	0	-4	-5	753
Interest income	51	-	-	-	-	51
Amortisations and interest payments	-134	-	-	-	-	-134
Changes in risk parameters	-	0	-1	0	-1	-1
Derecognitions	-1	-	-	-	-	-1
Translation differences	28	0	0	0	0	28
Closing balance 31 Dec 2021	**702**	**-1**	**-1**	**-4**	**-6**	**696**

Acquired performing loan portfolios

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

Acquired performing loan portfolios, 31 Dec 2020

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

Acquired performing loan portfolios

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

Portfolio overview

The portfolios comprise a large number of loans. The debtors have varying characteristics, such as payers, partial payers and non-payers. There is some degree of mobility between debtor categories, with non-payers becoming payers and vice versa. The Group divides its portfolios into different categories, such as countries, age, asset class as the time of initial valuation and potential subsequent revaluations, ensuring the most up-to-date portfolio composition is reflected.

Collection forecast

The Group evaluates portfolios by estimating future cash flows for the next 15 years. Cash flow forecasts are regularly monitored during the year and updated based on factors such as achieved collection results and instalment plan agreements with debtors. A new carrying amount is calculated for the loan portfolios based on the updated forecasts and based on the principals set forth by the Effective Interest Rate method.

Revaluations

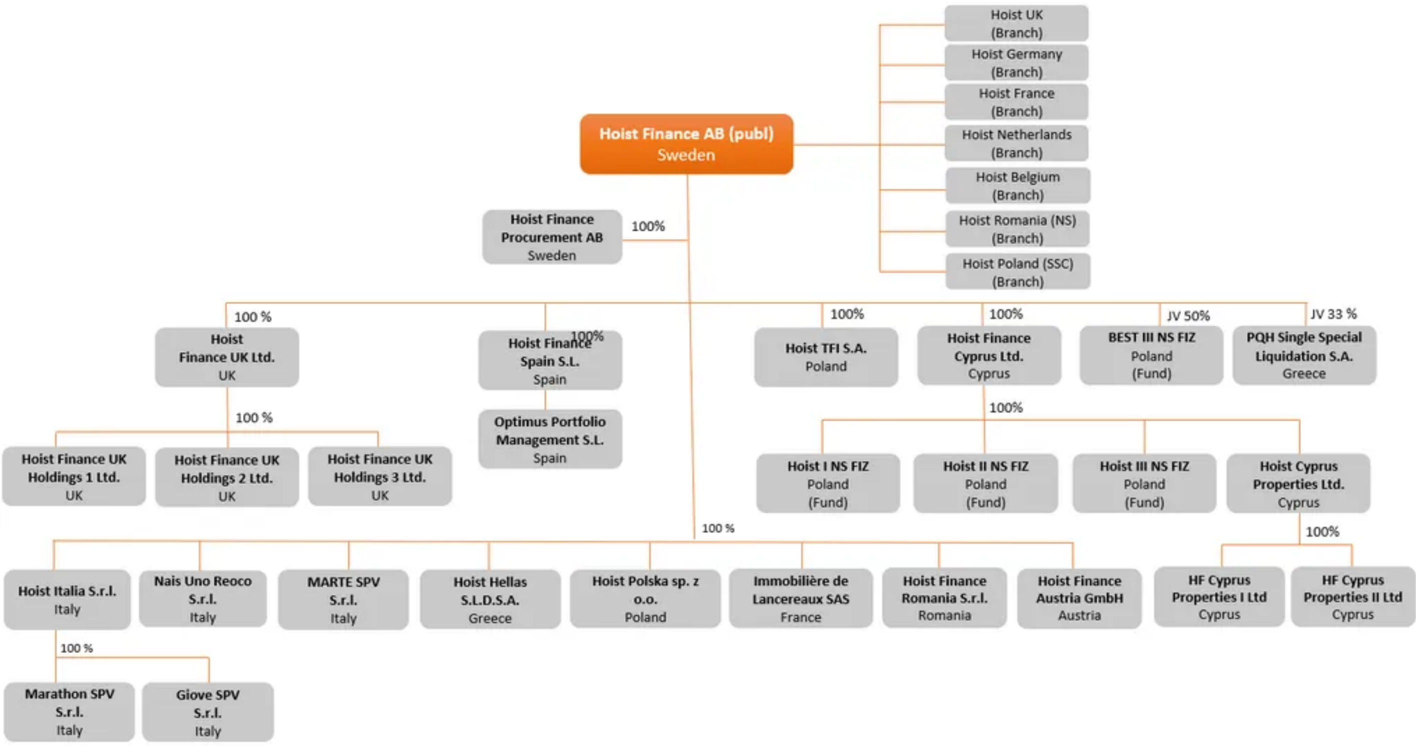
The Group evaluates actual collections in relation to the forecast that served as the basis for portfolio valuation during the same period. Deviations may in some cases result in an adjustment to future forecasts, ecpecially if operational efforts have not had, or are not expected to have, the intended effect or in times of economics downturn e.g Covid-19.

Forecast revisions are managed by the internal Revaluation Committee, which reports to the Board's Investment Committee. Decisions are duly taken by the Revaluation Committee pursuant to instructions issued by the Board Investment Committee within the scope of the Revaluation Policy issued by the Board of Directors. Forecast adjustments and their impact on earnings are disclosed internally and externally. The portfolio valuation is independently audited by the Risk Control function.

Note 19 – Shares and participations in subsidiaries

Legal structure

The Hoist Finance Group with its most important subsidiaries and branches as at 31 December 2021.



Hoist Finance AB (publ), corporate identity number 556012-8489 and with its registered office in Stockholm, is the Parent Company of the Group. The list of Group subsidiaries is provided below.

Ownership percentage corresponds to share of voting power. All shares are unlisted. No registered credit market company. Information on the number of shares in Group companies is available upon request.

SEK m	Corp. ID no.	Registered office	Ownership, %	Carrying value 31 Dec 2021
Swedish				
Hoist Finance Services AB 4)	5566409941	Stockholm	100	0
Foreign				
HECTOR SicherheitenVerwaltungs GmbH 4)	HRB 74561	Duisburg	100	0
HOIST I NS FIZ 2)	RFI702	Warszawa	100	-
Hoist Kredit Ltd.	7646691	London	100	0
Hoist Finance UK Ltd.	8303007	Manchester	100	335
C L Finance Ltd. 1)	1108021	Manchester	100	-
Robinson Way Ltd.	6976081	Manchester	100	-
The Lewis Group Ltd. 1)	SC127043	Glasgow	100	-
Compello Holdings Ltd. 1)	8045571	Manchester	100	-
Compello Operations Ltd. 1)	8045559	Manchester	100	-
MKE (UK) Ltd. 1)	7042157	Manchester	100	-
MKDP LLP 1)	OC349372	Manchester	100	-
Marte SPV S.r.l.	4634710265	Conegliano	100	0
Hoist Italia S.r.l.	12898671008	Rom	100	22
Hoist Finance Cyprus Ltd.	HE 338570	Nicosia	100	0
Hoist Polska SpZ.O.O	536257	Wroclaw	100	147
Hoist Finance Spain S.L.	B87547659	Madrid	100	359
Optimus Portfolio Management S.L.	B86959285	Madrid	100	-
Hoist Hellas S.A	137777901000	Athens	100	11
Nais Uno Reoco S.r.l.	14564684007	Rom	100	3
Hoist III NS FIZ 2)	292229	Warszawa	100	-
Immobilière de Lancereaux SAS	2018B20590	Paris	100	0
Hoist Finance UK Holdings 1 Ltd.	11473838	Manchester	100	-
Hoist Finance UK Holdings 2 Ltd.	11473850	Manchester	100	-
Hoist Finance UK Holdings 3 Ltd.	11473909	Manchester	100	-
Hoist II NS FIZ 2)	RFi1617	Warszawa	100	-
Hoist Finance Romania S.r.l	41830400	Bucharest	100	6
Marathon SPV S.r.l	5048650260	Conegliano	100	-
Maran CSRO S.r.l 4)	35910220	Bucharest	100	-
Giove SPV S.r.l	05089700263	Conegliano	100	-
Hoist Finance Austria Gmbh	FN544345h	Mooslackengasse	100	0
Hoist Cyprus Properties Ltd. 3)	HE 423727	Nicosia	100	-
HF Cyprus Properties I Ltd. 3)	HE 424747	Nicosia	100	-
HF Cyprus Properties II Ltd. 3)	HE 424829	Nicosia	100	-
Hoist TFI S.A 3)	937877	Wroclaw	100	4
Hoist Finance Procurement AB 3)	5593337909	Stockholm	100	20

1) The company is being liquidated.

2) Polish Sec. fund.

3) Companies added during the year.

4) Liquidated during the year.

SEK m	2021	2020
Accumulated acquisition value		
Opening balance	1,171	950
Absorbed through merger	-	-43
Acquired through merger	-	43
Acquisitions	-	-
Capital contribution	91	221
Disposal	-	0
Closing balance	**1,268**	**1,171**
Accumulated depreciations		
Opening balance	-355	-143
Amortisation	-72	-116
Hedge fair value 1)	22	-97
Closing balance	-406	-355
Closing balance	**863**	**816**

1) For additional information see Accounting principles section 22.8 ”Hedge accounting” and Note 16 ”Derivatives”.

Note 20 – Intangible assets

	GROUP 31 DEC 2021					PARENT COMPANY 31 DEC 2021				
SEK m	**Goodwill**	**Internally developed software**	**Licences and software**	**Work in progress**	**Total**	**Goodwill**	**Internally developed software**	**Licences and software**	**Work in progress**	**Total**
Opening balance	202	10	495	63	770	-	10	365	63	438
Investments for the year	1	-	9	59	68	1	-	5	59	65
Reclassification	6	-	46	-52	0	-	-	52	-52	0
Divestments and disposals	-8	-	-	-4	-12	-	-	-	-4	-4
Translation differences	-1	0	6	0	5	0	0	1	0	1
Acquisition value	**200**	**10**	**556**	**66**	**832**	**1**	**10**	**423**	**66**	**500**
Opening balance	-62	-9	-330	-11	-412	-	-9	-231	-11	-251
Depreciation for the year	-	-1	-52	-9	-62	0	-1	-46	-	-47
Divestments and disposals	-	-	-	-	-	-	-	-	-9	-9
Translation differences	7	0	-5	0	2	0	0	1	-	1
Accumulated depreciation	**55**	**-10**	**-387**	**-20**	**-472**	**0**	**-10**	**-275**	**-20**	**-306**
Carrying amount	**145**	**0**	**169**	**46**	**360**	**1**	**0**	**149**	**46**	**194**

SEK m	GROUP 31 DEC 2020 Goodwill	Internally developed software	Licences and software	Work in progress	Total	PARENT COMPANY 31 DEC 2020 Internally developed software	Licences and software	Work in progress	Total
Opening balance	213	10	459	52	734	10	329	50	389
Investments for the year	-	-	2	54	56	-	1	51	52
Acquired companies	3	-	-	-	3	-	-	-	-
Reclassification	-6	-	45	-39	0	-	38	-38	0
Divestments and disposals	-	-	0	-4	-4	-	-	-	-
Translation differences	-8	-	-11	0	-19	-	-3	-	-3
Acquisition value	**202**	**10**	**495**	**63**	**770**	**10**	**365**	**63**	**438**
Opening balance	-57	-7	-288	0	-352	-7	-196	0	-203
Depreciation for the year	-	-2	-50	-	-52	-2	-37	-	-39
Impairment for the year	-	-	-	-11	-11	-	-	-11	-11
Divestments and disposals	-	-	0	-	0	-	-	-	-
Translation differences	-5	-	8	0	3	-	2	-	2
Accumulated depreciation	**-62**	**-9**	**-330**	**-11**	**-412**	**-9**	**-231**	**-11**	**-251**
Carrying amount	**140**	**1**	**165**	**52**	**358**	**1**	**134**	**52**	**187**

Impairment test for goodwill

The Group’s goodwill of SEK 145m (140) has been identified as belonging to the cash-generating units Poland, SEK 127m, and Spain, SEK 10m, and the remaining goodwill is recognised in Italy. Goodwill was impairment tested in conjunction with the year-end accounts and no impairment requirement was identified. The Parent Companys goodwill of SEK 1m (-) is recognised in the Romanian branch.

Goodwill is tested for impairment at least annually and when there are indications for impairment. In impairment tests, the value in use of the cash-generating units is calculated by discounting estimated future cash flows. Value in use is compared with carrying value to determine whether impairment is required.

The Group's impairment test is carried out as follows. Cash flow forecasts are based on an assessment of future collections, portfolio acquisitions, and cost and revenue development. The forecast period for gross cash collections is 15 years. Collection costs are calculated in relation to collection on portfolios, and other revenues and costs are based on established 3-year business plans. Investments are considered to be of a long-term nature and, accordingly, it is assumed that, for the period beyond the forecast period, revenues, costs and investments will increase 2 per cent in perpetuity.

The effective tax rate applied in the impairment test is the local tax rate in the relevant country. The discount rate is the weighted average cost of capital in the relevant country. The discount rate for 2021 is within the 4.7–7.3 per cent range after tax.

In this year’s Group impairment test, the value in use was deemed to exceed the carrying value of the cash-generating units Poland and Spain. There is therefore no impairment requirement.

Goodwill in the Romanian branch is depreciated over five years and is eliminated on Group. The impairment testing of goodwill is carried out pursuant to local policies. No impairment requirement was identified in the year’s impairment test.

Note 21 – Tangible assets

	GROUP 31 DEC 2021				PARENT COMPANY 31 DEC 2021	
SEK m	**Land and buildings**	**Equipment**	**Properties repossessed for protection of claims**	**Total**	**Equipment**	**Total**
Opening balance	257	12	259	528	138	138
Investments for the year	-22	18	12	8	2	2
Reclassifications	-5	0	0	-5	10	10
Divestments and disposals	0	-6	0	-6	0	0
Translation differences	7	0	7	14	2	2
Acquisition value	**237**	**24**	**278**	**539**	**152**	**152**
Opening balance	-71	0	-195	-266	-103	-103
Depreciation for the year	-39	-	-26	-65	-14	-14
Reclassifications	5	-	0	5	-3	-3
Divestments and disposals	0	-	0	0	0	0
Translation differences	-3	0	-5	-8	-2	-2
Accumulated depreciation	**-108**	**0**	**-226**	**-334**	**-122**	**-122**

	GROUP, 31 DEC 2020				PARENT COMPANY, 31 DEC 2020	
MSEK	**Land and buildings**	**Equipment**	**Properties repossessed for protection of claims**	**Total**	**Equipment**	**Total**
Opening balance	235	240	11	486	123	123
Investments for the year	39	36	4	79	16	16
Acquired companies	-	0	-	0	4	4
Divestments and disposals	-5	-4	-3	-12	-1	-1
Translation differences	-12	-13	0	-15	-4	-4
Acquisition value	**257**	**259**	**12**	**528**	**138**	**138**
Opening balance	-38	-179	0	-217	-94	-94
Depreciation for the year	-41	-29	-	-70	-12	-12
Acquired companies	-	0	-	0	-	-
Divestments and disposals	5	2	-	7	0	0
Translation differences	3	11	0	14	3	3
Accumulated depreciation	**-71**	**-195**	**0**	**-266**	**-103**	**-103**
Carrying amount	**186**	**64**	**12**	**262**	**35**	**35**

Note 22 – Leasing

The Group's lease contracts mainly comprise leased premises, with a small share of lease contracts covering vehicles, equipment and furniture and IT hardware. All right-of-use assets are reported in Tangible assets in the balance sheet.

	GROUP 31 DEC 2021			GROUP 31 DEC 2020		
SEK m	**Leased premises**	**Other right-of-use assets**	**Total**	**Leased premises**	**Other right-of-use assets**	**Total**
Opening balance	257	19	276	235	19	254
Investments for the year	-22	5	-17	39	2	41
Divestments and disposals	0	0	0	-5	-1	-6
Translation differences	7	0	7	-12	-1	-13
Acquisition value	**242**	**24**	**266**	**257**	**19**	**276**
Opening balance	-71	-11	-82	-38	-7	-45
Depreciation for the year	-39	-5	-44	-41	-6	-47
Divestments and disposals	0	0	0	5	1	6
Translation differences	-3	0	-3	3	1	4
Accumulated depreciation	**-113**	**-16**	**-129**	**-71**	**-11**	**-82**
Carrying value	**129**	**8**	**137**	**186**	**8**	**194**

The year's investments in right-of-use assets pertain to new acquisitions and to additional amounts resulting from reviewing existing lease liabili- ties when lease contracts are extended or prematurely terminated.

As at 31 December 2021 the Group has not entered into any material leases that are not reported in the balance sheet. As at 31 December 2020 the Group did not entered into any material leases that are not reported in the balance sheet.

Lease liabilities are reported in Other liabilities in the balance sheet and totalled SEK 144m (204) at 31 December 2021. A maturity analysis of lease liabilities is presented in note 17, "Maturity analysis".

Total cash flow for lease liabilities during the year was SEK 52m.

Amounts reported in the income statement

	GROUP	
SEK m	**2021**	**2020**
Depreciation of right-of-use assets	-44	-47
Interest expense related to lease liabilities	-6	-7
Costs related to short-term leases	1	0
Costs related to low-value leases	1	0
Total	**-48**	**-54**

Interest expense related to lease liabilities is reported in note 4 "Net interest income". Depreciation of right-of-use assets is reported in Depreciation and amortisation of tangible and intangible assets. Costs related to short-term and low-value leases are reported in General administrative expenses.

Parent company

Hoist Finance AB (publ) has decided to apply the exceptions in RFR 2 in Parent company accounting. The accounting standard IFRS 16, in force from 1 January 2019, is therefore not applied by the Parent Company.

All Parent company leases are reported according to the rules for operating leases. There are no leases classified as finance leases.

The Parent company's lease expenses totalled SEK 34m (27) during the year. No variable fees were charged to net profit for the year.

The Parent Company's obligations under operating lease agreements are presented below.

	PARENT COMPANY	
SEK m	**31 Dec 2021**	**31 Dec 2020**
Payment obligations under noncancellable lease contracts		
Within 1 year	32	27
Years 1–5	79	98
Year 5 and thereafter	15	26
Total	**126**	**151**

Note 23 – Other assets

	GROUP		PARENT COMPANY	
SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Derivatives [1]	75	241	75	241
Financial assets	139	39	141	41
Tax receivables	8	13	0	6
VAT receivables	26	17	11	11
Accounts receivables [2]	84	95	1	1
Advance payments to customers	3	9	3	9
Other short-term receivables	155	349	89	153
Total	**490**	**763**	**320**	**462**

1) See note 16 "Derivatives".

2) No loss allowance for accounts receivable has been calculated as at the balance sheet date, as the discrepancies are not deemed to be significant.

Note 24 – Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Prepaid expenses	90	76	50	48
Accrued income	14	48	0	7
Total	**104**	**124**	**50**	**55**

Note 25 – Other liabilities

	GROUP		PARENT COMPANY	
SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Accounts payable	105	105	41	35
Payables to Group companies	-	-	525	493
Unpaid purchase consideration for portfolios	-	-	-	-
Liabilities from service billing	74	221	0	1
Derivatives 1)	145	43	145	43
VAT payables	6	5	1	0
Employee withholding tax on deposit interest	32	31	32	31
Employee withholding tax	32	29	16	13
Payables to employees	63	46	28	14
Collateral received	9	244	9	244
Lease liabilities	144	204	-	-
Other liabilities	186	97	21	16
Total	**797**	**1,025**	**818**	**890**

1) See note 16 "Derivatives".

Note 26 – Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Accrued personnel expenses	39	46	23	15
Accrued legal costs	40	33	1	3
Accrued transaction costs	32	80	11	54
Accrued commission costs	10	7	3	1
Accrued collection costs	23	26	4	7
Accrued consultancy expenses	15	3	4	2
Deferred income	4	4	-	-
Other accrued expenses	30	40	20	12
Total	**194**	**239**	**66**	**94**

Note 27 – Provisions

SEK m	PENSION PROVISION 31 Dec 2021	PENSION PROVISION 31 Dec 2020	RESTRUCTURING RESERVE 31 Dec 2021	RESTRUCTURING RESERVE 31 Dec 2020	OTHER NON-CURRENT EMPLOYEE BENEFITS 31 Dec 2021	OTHER NON-CURRENT EMPLOYEE BENEFITS 31 Dec 2020	OTHER PROVISIONS 31 Dec 2021	OTHER PROVISIONS 31 dec 2020	GROUP 31 Dec 2021	GROUP 31 Dec 2020
Opening balance	27	29	11	36	17	18	10	6	65	89
Provision	0	0	3	4	0	8	3	6	6	18
Amount released	0	-1	-8	-24	-1	-9	-1	-2	-9	-36
Dissolution recognized in income	-	-	-	-5	-	-	-	-	-	-5
Change in value	0	-1	-1	0	-1	-1	-2	-1	-4	-3
Other	0	-	1	-	-	1	1	1	2	2
Closing balance	**27**	**27**	**6**	**11**	**15**	**17**	**11**	**10**	**60**	**65**

Restructuring

Restructuring costs in 2021 relates to additional restructuring costs in the Netherlands and German. Restructuring costs in 2020 related to restructuring costs in Germany, and a minor provision in the Netherlands. These provisions are expected to be utilised in 2022.

Pensions

The Group has defined-benefit pension schemes for Hoist Finance AB (publ), of which SEK 27m is recognised in the German branch Hoist Finance AB (publ) Niederlassung and SEK 5 thousand is recognised in the Swedish parent company. These pensions are based on the employees' pensionable remuneration and length of service. Pension commitments are determined using the Projected Unit Credit Method, which includes current pensions, vested rights and future increases in these parameters in the valuation.

	GROUP	
SEK m	**31 Dec 2021**	**31 Dec 2020**
Net pension provision, recognised in the balance sheet		
Defined-benefit commitment	31	32
Fair value of plan assets	4	5
Net pension provision	**27**	**27**
Pension commitments		
Opening balance	32	34
Interest expense	0	0
Pension payments	0	-1
Actuarial gains (–)/losses (+)	-1	0
Currency effects, etc.	-1	-1
Other	1	-
Closing balance	**31**	**32**
Assets under management		
Opening balance	5	5
Interest income	0	0
Employer-contributed funds	-	1
Benefits paid	-	-1
Actuarial gains (+)/losses (–)	0	-
Currency effects	-1	-
Closing balance	**4**	**5**

All plan assets are invested in investment funds.

Note 28 – Funding

	GROUP	
SEK m	**31 Dec 2021**	**31 dec 2020**
Deposits from the public	18,169	17,928
Senior debt	4,605	5,959
Secured debt	455	396
Total issued securities	**5,059**	**6,355**
Subordinated debt	837	821
Total interest-bearing debt	**24,065**	**25,104**

Terms and conditions and repayment periods

				31 DEC 2021		31 DEC 2020	
SEK m	**Currency**	**Nominal interest rate**	**Maturity**	**Nominal value**	**Carrying amount**	**Nominal value**	**Carrying amount**
Deposits from the public	SEK	0.50% - 2.00%	2022-2024	8,459	8,541	10,451	10,552
Deposits from the public	EUR	0.15% - 2.00%	2022-2026	9,519	9,564	7,329	7,376
Deposits from the public	GBP	0.35% - 2.05%	2022-2026	63	63	-	-
Senior debt	EUR	1.125%	2021	-	-	1,484	1,476
Senior debt	EUR	2.275%	2023	2,557	2,566	2,509	2,485
Senior debt	EUR	3.375%	2024	2,045	2,039	2,008	1,998
Secured debt	EUR	8.0%-15.0%	2034	437	455	404	396
Subordinated debt	EUR	3.875%	2027	818	837	802	821
Total interest-bearing liabilities				**23,898**	**24,065**	**24,987**	**25,104**

Retail funding

Deposits from the public

Hoist Finance AB (publ) has offered deposits for retail customers and corporates in Sweden since 2009 under the HoistSpar brand, where customers can save up to SEK 1,050,000. A deposit programme was established in Germany in 2017, with customers allowed to save up to EUR 95,000. In June 2021 a new deposit programme was established in United Kingdom, with customers allowed to save up to GBP 75,000. All deposit products offer both current account and fixed-term deposits, with the majority (99 per cent) of all deposits covered by the Swedish deposit guarantee. At year-end 2021, Hoist Finance AB (publ) had SEK 4,766m and SEK 3,775m in current account and fixed-term deposits in SEK, respectively, and SEK 2,363m and SEK 7,156m in current account and fixed-term deposits in EUR, respectively, and SEK 8m and SEK 55m in current account and fixed-term deposits in GBP, respectively.

Wholesale funding

Senior debt

Hoist Finance AB (publ) issued no senior debt in 2021. EUR 200m of new debt was issued under the Company's EMTN programme in 2020, and EUR 102m of the outstanding bond maturing in 2021 was repurchased, totalling EUR 250m. At year-end Hoist Finance AB (publ) had two outstanding senior unsecured bond loans totalling EUR 450m under the EMTN programme. There were no outstanding issues under the commercial paper programme as at year-end 2021.

Secured debt

The Italian special purpose vehicle Giove SPV S.r.l issued bonds totalling EUR 63m during the year in three tranches, secured by Italian unsecured NPLs. The two subordinated tranches in the transaction structure, corresponding to 15 per cent of total issue amount, have been 93 per cent subscribed by external investors.

Subordinated debt

Hoist Finance AB (publ) issued no subordinated debt in 2021 or 2020.

Note 29 – Equity

Share capital. The Articles of Association of Hoist Finance AB (publ) specify that the company's share capital shall total a minimum of SEK 15m and a maximum of SEK 60m.

	GROUP	
Number of shares	**2021**	**2020**
Opening balance	89,303,000	89,303,000
Closing balance	**89,303,000**	**89,303,000**

The quota value is SEK 0.33 per share.

The total number of shares at 31 December 2021 and 2020 was 89,303,000.

Reserves comprise the translation reserve and hedge reserve. The translation reserve comprises all exchange differences arising through translation of foreign operations less hedging effects.

Other contributed equity refers to equity, other than share capital and AT1 capital contributions, contributed by shareholders.

AT1 capital contributions are subordinated loans, which have priority only over share capital. Subordinated loans that meet the requirements specified in Regulation (EU) No 575/203 may be rated as AT1 capital. The instruments are perpetual and are redeemable only upon approval of the Swedish Financial Supervisory Authority and no earlier than five years after issue date.

Retained earnings comprise accrued earnings in the Parent Company, subsidiaries and joint ventures. For the 2021 financial year, the Board has decided to propose to the AGM not to pay a dividend for 2021.

The revaluation reserve in the Parent Company comprises SEK 64m taken over from Hoist Kredit AB (publ) in the merger and which arose from revaluation of the share value in Hoist Finance UK Ltd in 2013. The revaluation reserve also comprises portfolio revaluations pertaining to positive revaluations of portfolios reported in restricted equity.

The development expenditure fund in the Parent Company pertains to expenditures for the Company's own development work and has been transferred from retained earnings.

Note 30 – Pledged assets

	GROUP		PARENT COMPANY	
SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Pledges and equivalent collateral to secure own liabilities and commitments recognised as provisions	939	757	0	0

Pledged assets in the Group pertain to restricted bank balances and a portion of the acquired loan portfolios in the Marathon SPV S.r.l. and Giove SPV S.r.l. securitisation structure pledged as security for bonds held by external investors. The acquired loan portfolios are included in pledged assets as from December 2020.

Note 31 – Contingent liabilities

	GROUP		PARENT COMPANY	
SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Commitments	1,368	339	1,368	337

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

Note 32 - Specifications to the cash flow statement

Reconciliation of liabilities from funding activities

			NON-CASH CHANGES			
SEK m	**31 Dec 2020**	**Cash flow**	**Investments**	**Accrued expenses**	**Exchange rate fluctuations**	**31 Dec 2021**
Deposits from the public	17,928	117	-	-21	145	18,169
Issued securities	6,355	-1,423	-	63	64	5,059
Subordinated debt	821	-	-	0	16	837
Lease liabilities	204	-52	10	-22	5	145
Total liabilities from funding activities	**25,308**	**-1,358**	**10**	**20**	**230**	**24,210**

Note 33 - Risk management

Introduction

The risks that originate from the Group's operational activities are primarily attributable to Group assets in the form of acquired loan portfolios and consequently the payment capacity of Hoist Finance's debtors. These risks are mitigated through the continuous monitoring and evaluation of portfolio development. The Group is also exposed to operational risks as part of its daily operational activities. These risks are managed using a framework for managing operational risks that is based on continuous improvements to procedures and processes, risk awareness in the organisation, duality in all important transactions and analyses, and a clear division of responsibilities. The Group is also exposed to exchange rate and interest-rate fluctuations. The Group has adopted policies, regulations and instructions governing the management, analysis, evaluation and monitoring of risks. The Group has also adopted risk management strategies built on the principle that the company, based on its extensive experience and expertise in acquiring loan portfolios, actively seeks to increase its volumes in this business area while minimising other exposures and risks (such as market, liquidity and operational risks) as far as is financially justifiable.

The Group's Risk control function is responsible for working independently from Management to analyse, monitor and report all significant risks to the CEO and Board of Directors. The Risk control function also serves as an advisor to the Board on issues concerning risk management, risk appetite and risk strategies. This ensures that duality is achieved, as all significant risks are analysed, reported and monitored by the business operations as well as the independent Risk control function. Risks within the Group are managed and limited in accordance with policies and instructions adopted by the Board. The Risk control function is responsible for reporting and escalating deviations from the limits to both the CEO and the Board.

Risk exposures are calculated, analysed and compared with anticipated revenue to ensure the achievement of an attractive risk-adjusted return. Once defined, the Group's risk profile is assessed and evaluated. Assessment and evaluation include the following steps:

1) Assessment of each risk category

Each risk category is individually assessed. The risk assessment is documented and always results in a qualitative assessment of the risk as well as a quantifiable amount if possible.

2) Stress testing: Assessment of unforeseen events

Unforeseen events are defined as events that are possible but highly unlikely. Such events may be designated as "stress test events" and their consequences simulated and documented. Simulation results are reviewed against the Group's capital and liquidity. Unforeseen events may be based on historical experience, academic theory and/or hypothetical scenarios. The stresstests are presented in the section "Interest rate risk".

3) Assessment of how risks can be managed and controlled

Although not all risks can be quantified in an adequate way, an analysis is done to detail the way in which risks can be managed and controlled. When appropriate, measures are implemented to improve the management and control of the risk.

The most significant risks identified by the Group as being relevant to its business are:

- (i) credit risk
- (ii) operational risk
- (iii) ICT-risk
- (iv) market risk (FX risk and interest rate risk)
- (v) liquidity risk

These risks are presented in separate sections below.

Credit risk

Credit risk is the risk to revenue and/or capital arising from a counterparty's failure to repay principal or interest at the stipulated time or a failure to otherwise perform as agreed.

Credit risk on the Group's balance sheet relates mainly to:

- Acquired loan portfolios, comprised of performing and non-performing loans. Details on the credit risk for these two categories are presented in separate sections below.
- Bonds and other securities.
- Lending to credit institutions.
- Counterparty risk exposure to institutions with which the Group conducts derivative transactions to hedge the Group's FX and interest rate exposure.

Credit Risk for acquired non-performing loan portfolios

The non-performing loans are acquired in portfolios at prices that typically vary between 5 and 35 per cent of the nominal value outstanding at the acquisition date. The price depends on the portfolios' specific characteristics and composition in terms of, inter alia, size, age, the existence of collaterals and type of loans, as well as debtor age, location, type, et cetera.

Measuring Credit Risk in the non-performing loan portfolios

Credit risk in the non-performing loan portfolios relates primarily to the Group overpaying for a portfolio — that is, recovering less from the portfolio than expected — resulting in higher than expected portfolio carrying amount impairments and lower revenue.

Total credit risk exposure is equal to the carrying amount of the assets. The year-end carrying amount of Hoist Finance's non-performing loan portfolios was SEK 20,642m (20,322). The majority of these loans are unsecured, although a number of portfolios have real estate properties as collateral. As at 31 December 2021, these portfolios had a carrying amount of SEK 3,845m (3,458).

Information on the loan portfolios' geographical distribution is presented in Note 3 "Segment reporting". Other information on acquired non-performing loan portfolios is presented in Note 18 "Acquired loan portfolios". An important parameter for Hoist Finance's credit risk management of non-performing loan portfolios is net cash flow forecasts, as presented in Note 18 "Acquired loan portfolios".

Impairment of non-performing loan portfolio values

The risk of loan portfolios failing to pay as expected is regularly monitored by the business operations and the Risk control function, by comparing actual outcome against forecasts. The process for identifying the need to impair portfolio values is regulated by a specific policy. The Risk control function monitors compliance with the policy and participates on the Revaluation Committee, which makes decisions on portfolio value impairment. Revaluation of portfolios and the difference between realised collections and forecasts is reported under "Impairment gains and losses".

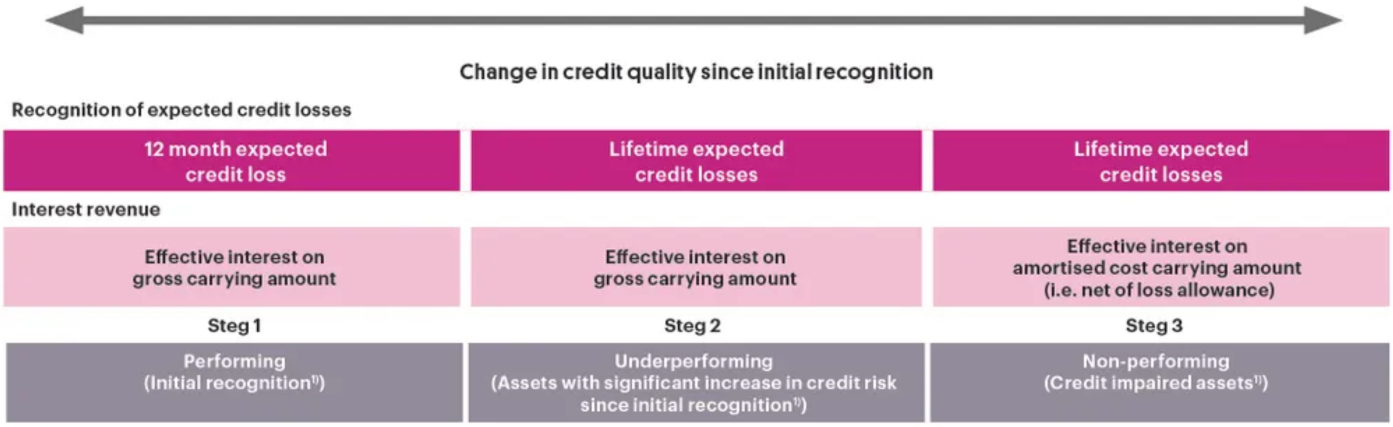
Securitisation

In 2019, Hoist Finance completed its first securitisation transactions backed by portfolios of unsecured non-performing loans. These transactions can be regarded as involving increased regulatory risk, given that Hoist Finance is obliged to continuously monitor and ensure that the requirements for "significant risk transfer" are fulfilled at all times. The securitised assets are fully consolidated in Hoist Finance's balance sheet and developments in the underlying loan portfolios are monitored in the same way as for non-securitised assets. The securitisation structure is funded with secured bonds. The bond's capital requirements are determined by their rating and, for this reason, the rating is constantly monitored.

Expected credit loss measurement for acquired performing loan portfolios

For acquired performing loans IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition. The model is only applicable to the Group's performing loan portfolios. Non-performing loan portfolios are always classified in Stage 3. The loss allowance for non-performing loans is detailed below in the section "Credit risk for acquired non-performing loan portfolios".

The IFRS 9 three-stage model is presented in the adjacent table.



1) Except for puchased or originated credit impaired assets

For Hoist Finance, initial recognition is the date on which a portfolio is acquired and subsequently recognised on the balance sheet. For acquired performing loan portfolios, all loans that are not considered credit-impaired are classified in Stage 1 at initial recognition. Criteria for migration to Stage 2 or Stage 3 are described under "Significant increase in credit risk" and "Definition of default and credit-impaired assets" respectively.

The general approach applied by Hoist Finance for measuring Expected Credit Losses ("ECL") for acquired performing loan portfolios is component-based and builds upon an estimation of Exposure at Default ("EAD"), Loss Given Default ("LGD"), and Probability of Default ("PD"). These components are multiplied together each month to produce an ECL which is recognised in financial statements as a loss allowance.

At each reporting date, ECL is estimated on a 12-month and a lifetime basis for all acquired performing loan portfolios. For loans in stage 1, loss allowance is recognised for ECL over the next 12 months whereas for loans in Stage 2 and Stage 3, loss allowance is recognised for lifetime ECL.

The ECL for all acquired performing loans is measured on a collective basis, where a grouping is performed based on shared risk characteristics, type of product, type of counterparty and type of collateral. During the period, there have been no changes in estimation techniques or significant assumptions in the ECL measurement process.

Measuring ECL – explanation of inputs, assumptions and estimation techniques

When a performing portfolio is acquired, the ECL model components are estimated based on historical information both on a customer and on a debt level.

At initial recognition and at subsequent reporting dates, the lifetime and 12-month PD is estimated using transition matrices for modelling the probability of being in different survival states prior to default over the remaining lifetime of the loan. All loans are classified in a risk rating class system for which the probability of moving between different risk classes is estimated. The estimation of PD also includes incorporation of forward-looking macroeconomic information which is described under "Forward-looking information incorporated in ECL models".

The lifetime and 12-month EAD is estimated based on the contractual payment profile of the loan along with behavioural assumptions for possible prepayments, overpayments and underpayments.

The lifetime and 12-month LGD is determined on the basis of factors impacting the expected post default recoveries such as the probability of curing to a non-default state and the value of any underlying collateral. The estimation of LGD also includes the incorporation of forward-looking macroeconomic information which is described under "Forward-looking information incorporated in ECL models".

Lifetime ECL is calculated as the present value of all cash shortfalls over the remaining lifetime of the loan, discounted using the effective interest rate ("EIR"). The 12-month ECL is quantified based on the lifetime ECL weighted by the probability that this loss will occur during the next 12 months.

The most significant assumptions affecting the ECL allowance are as follows:

- (i) The debtors' historical and current payment patterns and ability to comply with their contractual obligations which is the main component used in estimating the PD of the debtors.
- (ii) The Loan-To-Value for collateralised loans mitigating the loss in the event of default (LGD).

Significant increase in credit risk

Hoist Finance has defined rating class staging criteria based on the PD rating class system used in the transition matrices utilised for PD estimation. Significant increase in credit risk ("SICR") is defined as when a loan experiences a risk class migration increase of one risk grade as counted from its original risk class at initial recognition.

Hoist Finance is not rebutting the IFRS 9 presumption that a SICR has occurred when a loan contract is more than 30 days past due on contractual payments. However it should be noted that Hoist Finance applies this backstop criteria provided that the past due amount is considered material in accordance with the definition of default described under "Definition of default and credit-impaired assets".

Hoist Finance has not used the low credit risk exemption for any acquired performing loan portfolios.

Definition of default and credit-impaired assets

Hoist Finance defines an acquired loan as in default, which is fully aligned with the definition of credit-impaired, when it meets any of the following criteria:

- The obligor is more than 90 days past due on its contractual payments by a material amount. Pursuant to the EBA's guidelines on default of an obligor (article 178), material amounts are amounts exceeding EUR 100 plus 1 per cent of the outstanding amount
- When a concession is granted which modifies the contractual cash flows resulting in a material loss
- Bankruptcy of the obligor
- Confirmed death of the obligor
- An obligor's sources of recurring income are no longer available to meet the payments of instalments
- Hoist Finance has called any collateral, including a guarantee
- There are justified concerns about an obligor's future ability to generate stable and sufficient cash flow.

Concerning what is to be regarded as a purchased credit-impaired asset, the assessment is based on the information provided by the sellers of the acquired non-performing loan portfolios.

Forward-looking information incorporated in ECL models

The PD component incorporates forward-looking information through use of the macroeconomic variable proven to have the strongest impact on the default frequency of the portfolio. In the case of not having enough data a proxy default frequency may be used. The PD for each point in time is then adjusted in accordance with scenarios derived from that macroeconomic variable.

The LGD component incorporates forward-looking information by applying macroeconomic variable assumptions on the collateral valuation which impacts future recovery rates.

For the purpose of incorporating forward-looking macroeconomic information in the measurement of ECL, three different probability weighted scenarios are utilised.

- (i) A base economic scenario which builds upon the projected economic development as estimated by the International Monetary Fund ("IMF"). The probability weighting assigned to this scenario is 90 per cent.
- (ii) A negative economic downturn scenario. The probability weighting assigned to this scenario is 5 per cent.
- (iii) A positive favourable economic scenario. The probability weighting assigned to this scenario is 5 per cent.

The below table outlines how the most significant period-end economic variable assumptions as at 31 December 2021 have been applied for the different economic scenarios.

		PERFORMING LOANS				
%		**2022**	**2023**	**2024**	**2025**	**2026**
Germany	Inflation CPI	1.5	1.3	1.6	1.8	2.0
Poland	GDP Current prices	8.2	6.1	5.6	5.6	5.4
United Kingdom	GDP PPP (share of world)	7.9	4.3	3.9	3.7	3.6

The positive and negative economic scenarios are derived by applying +/– two standard deviations from the assumed future macroeconomic variable development in the basic scenario.

Sensitivity analysis

Set out in the table below are the changes to the ECL as at 31 December 2021 that would result if the negative and positive economic scenarios used for ECL measurement purposes, as described in section "Forward-looking information incorporated in ECL models", materialised.

ECL Scenario Sensitives

		LGD		
%		**Positive**	**Neutral**	**Negative**
PD	**Positive**	-13.45	-9.47	-5.82
	Neutral	-5.19	0.00	5.12
	Negative	18.04	26.55	35.38

Collateral

For acquired secured performing loan portfolios, the collateral which serves as security for mitigation of credit risk consists of properties and to a minor extent car vehicles. Hoist Finance prepares a valuation of the collateral to be obtained as part of the transaction process. Hoist Finance monitors the development of the value of the collateral in secured portfolios through periodic revaluation on an annual basis. There is no case where the ECL for a loan is zero due to the value of collateral.

Hoist Finance's policies for obtaining collateral have not significantly changed during the reporting period and there has not been any significant change in the overall quality of collateral held by Hoist Finance.

For acquired secured performing loans that subsequently have become credit-impaired, it becomes more likely that Hoist Finance might take possession of the collateral to mitigate potential credit losses. As at 31 December 2021 the value of collateral held for credit-impaired assets represents more than 100 per cent of the gross carrying amount of these loans which represents the maximum exposure to credit risk.

Write-offs

For acquired loan portfolios, Hoist Finance will, in whole or in part, derecognise assets where there is no reasonable expectation of recovery. As at 31 December 2021, as well as at 31 December 2020, there are no contractual amounts outstanding that are still subject to enforcement activity for written off acquired loans.

Modifications

For acquired loan portfolios, Hoist Finance has the ability to modify the contractual terms of the loan which alters the contractual cash flows. As at 31 December 2021, as well as at 31 December 2020, no losses or gains arising from modifications of contractual cash flows for acquired loan portfolios have been recognised for the reporting period. Thus, modification of contractual cash flows have not had any impact on measurement of ECL.

Credit risk exposure and maximum exposure to credit risk

For acquired non-performing and performing loan portfolios, the maximum exposure to credit risk is represented by the gross carrying amount of the loan. The adjacent table contains an analysis of the credit risk exposure for acquired loan portfolios based on credit risk classes. The credit risk class for "high credit quality" corresponds to loans where the exposure weighted average 12 month PD is 0.3 per cent. The equivalent PD averages for "medium credit quality" and "low credit quality" are 1.2 per cent and 21.4 per cent respectively.

	ACQUIRED LOAN PORTFOLIOS 31 DEC 2021				
SEK m	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Credit grade					
Credit grade for high credit quality	480	-	-	-	480
Credit grade medium credit quality	163	-	-	-	163
Credit grade for low credit quality	3	10	-	-	13
Default	-	-	46	21,111	21,157
Gross carrying amount	**646**	**10**	**46**	**21,111**	**21,813**
Loss allowance	-1	-1	-4	-470	-476
Net carrying amount	**645**	**9**	**42**	**20,641**	**21,337**

A full reconciliation of gross carrying amount and ECL movements can be found in note 18, "Acquired loan portfolios".

Concentration risk

Hoist Finance has receivables from a large number of counterparties, most of who are private individuals. The portfolio is also well diversified geographically, with receivables in 10 countries and no country accounting for more than 30 per cent of total loan portfolios. Limits are in place for banks and other financial counterparties and are monitored and reported on an ongoing basis. In light of this, Hoist Finance considers there to be no significant concentration risk.

Credit risk for the liquidity portfolio assets

The credit risk associated with exposures in Hoist Finance's liquidity reserve is managed in accordance with the Group's Treasury Policy, which regulates the portion that may be invested in assets issued by individual counterparties. Restrictions include limits on exposures to a given counterparty credit rating.

The table below shows the per cent distribution of S&P's credit rating for the Group's exposures in the liquidity reserve as per 31 December 2021 compared with 31 December 2020.

Rating	31 Dec 2021	31 Dec 2020
AAA	72.2	62.8
AA+	0.0	12.2
AA	0.0	0.0
AA-	13.0	8.4
A+	0.0	0.0
A	10.1	12.1
A-	0.5	0.3
BBB+	3.5	3.0
BBB	0.0	0.0
BBB-	0.1	0.1
BB+	0.2	0.3
BB	0.0	0.0
BB-	0.0	0.2
B+	0.0	0.0
B	0.0	0.0
B-	0.5	0.5
N/A	0.0	0.0
Total SEK m	**7,119**	**8,652**
of which, in the liquidity portfolio	**5,078**	**6,493**

As per 31 December 2021, the weighted average maturity for liquidity portfolio assets was 1.73 years (1.87) and the modified duration was 0.35 years (0.26). Maturity and modified duration are important measures for evaluating Hoist Finance's credit spread risks and interest-rate risks.

Credit risks arising from bond holdings or derivative transactions

Credit risks arising from bond holdings or derivative transactions are treated in the same way as other credit risks, that is, they are analysed, managed, limited and controlled.

Counterparty risk

The Group uses FX and interest-rate derivatives to hedge its exchange-rate and interest-rate exposure (see Note 16, "Derivatives"). To avoid counterparty risks associated with these derivatives, the Group uses ISDA and CSA agreements for all derivative counterparties. These agreements allow for netting and daily settlement of credit risk and, accordingly, counterparty risk with derivative counterparties corresponds at most to a one-day fluctuation of the derivative's value. The CSA agreement is backed by cash collateral. Derivative transactions are only conducted with stable counterparties with a minimum credit rating of A-, which also serves to limit the counterparty risk.

The tables below show financial assets and liabilities subject to setoff and covered by legally binding netting or similar agreements.

Financial per type of financial instrument

Financial assets and liabilities subject to set-off and covered by legally binding netting or similar agreements.

31 Dec 2021

			RELATED AMOUNTS NOT OFFSET IN THE BALANCE SHEET		
SEK m	**Gross amount of financial assets and liabilities**	**Amount offset in the balance sheet**	**Net amount presented in the balance sheet**	**Cash collateral**	**Cash collateral**
Assets	75		75	-9	66
Derivatives					
Liabilities				-22	
Derivatives	22		22		0
Total	**53**	**0**	**53**	**13**	**66**

31 Dec 2020

			RELATED AMOUNTS NOT OFFSET IN THE BALANCE SHEET		
SEK m	**Gross amount of financial assets and liabilities**	**Amount offset in the balance sheet**	**Net amount presented in the balance sheet**	**Cash collateral**	**Net amount**
Assets					
Derivatives	241	-	241	-244	-3
Liabilities					
Derivatives	43	-	43	-43	0
Total	**198**	**-**	**198**	**-201**	**-3**

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, IT systems or from external events, and includes legal and compliance risk.

The operational risk that Hoist Finance is mainly exposed to is divided into the following seven categories:

- Unauthorised activities and internal fraud
- External fraud
- Employment practices and workplace safety
- Clients, products and business practices
- Damage to physical assets
- Business disruption and system failures
- Execution, delivery and process management

The Group manages operational risk by continuously improving its internal procedures and day-to-day controls, and by training employees in risk management and risk management techniques. The Group also applies the dual-control principle which means that a business flow or transaction must always be managed by at least two independent units/individuals.

To identify and mitigate operational risks within the Group, the Risk control function in each country has established routines, including the following:

1. All employees are required to submit incident reports via a Groupwide risk management system, where incidents and actions taken are monitored by the Risk control function. Significant reported incidents are included in the risk report submitted to the Board and the Management in the relevant country.
2. Annual evaluation and identification of operational risks, and controls to reduce risks. This is a process to identify, quantify, analyse and thereby determine measures to reduce operational risks in Hoist Finance to an acceptable level. The analysis includes an assessment of a given risk's probability of occurrence and what its consequences (impact) would be, it lists the steps taken by Hoist Finance to manage the risks, and details additional measures that need to be taken. Assessments are not made by a single person – they are made in groups, since discussion and different perspectives are vital to the identification of relevant risks.
3. The process for approval and quality assurance of new and amended products, services, markets, processes, IT systems and major changes in Hoist Finance's operations and organisation.
4. Business Continuity Management (BCM) provides a framework for planning for and responding to events and business disruptions to ensure the continuation of business operations at an acceptable predefined level. The Group's BCM comprises disruption and crisis management:
   - Disruptions are managed by having business continuity plans in place.
   - Crises are managed by predefined crisis management teams.
5. Key risk indicators are reported to Management and the Board on a regular basis in order to follow up measurable operational risks and provide early warning when risks have increased.
6. Regular training in operational risks is conducted in key areas.

ICT- risk

ICT risk refers to the risk associated with incidents that affect the confidentiality, accuracy and accessibility of ICT assets. These incidents are typically scalable and can potentially give rise to other risks, such as financial, regulatory and operational risks.

Security work at Hoist Finance remains focused on safeguarding customer data and business-critical information. The strict regulatory compliance standards for information security are regularly tightened, so this is a prioritised area of Hoist Finance's security work.

During the year we have seen a significant increase in the number of cyber attacks targeting the financial industry, as well as increasingly sophisticated attack methods. We launched several initiatives and implemented a range of measures during the year to combat these attacks.

Our Executive Management Team and the Board of Directors remain highly involved in security management work. They receive quarterly reports on security management KPIs and monitoring of any incidents or specific projects.

We have functions in all three layers of defence that actively work with security. The first line of defence is focused on the operational level, the second line on control and measurement and the third line on internal audits.

An important element of our security work is ensuring that our employees have a high degree of security awareness. During the year we invested in a new training tool that trains and test our employees on a regular basis. Results are closely monitored to enable identification of any gaps in achieving our objectives.

Market risk

Market risk is defined as the risk that FX and interest-rate fluctuations may negatively affect a company's results or equity level.

Currency/FX risk

The FX risk that has an adverse impact on the Group's income statement, balance sheet and/or cash flow arises primarily as a result of:

- Certain income and expense items arising in different currencies, resulting in a transaction risk.
- Any imbalance between the value of assets and liabilities in different currencies gives rise to a translation risk or balance-sheet risk.

Group Treasury has overall responsibility for continuous management of these risks.

Transaction risk

In each country, most revenue and operating expenses are in local currency. Currency fluctuations therefore have only a limited impact on the company's operating profit in local currency. Revenue and expenses in national currency are therefore hedged in a natural way, which limits the transaction risk exposure.

Translation risk

The Group's presentation currency is SEK, while its three main functional currencies are EUR, GBP and PLN. The Group's loan portfolios (assets) are mainly denominated in foreign currency, while the Group's deposits from the public (liabilities) are denominated in SEK, GBP and EUR. This imbalance between assets and liabilities in different currencies entails a translation risk (balance-sheet risk). To manage translation risk, the Group calculates its unhedged exposure to the aggregate value of net assets denominated in currencies other than SEK. The Group's translation exposure is then managed through linear derivative contracts. The Group uses hedge accounting for the net investment in foreign operations. Additional information regarding hedge accounting in the Accounting Principles section 10 "Hedge accounting" and in note 16, "Derivatives".

The tables below show the Group's exposure per currency. The Group has no significant positions in currencies other than EUR, GBP and PLN. The tables also present the translation risk expressed as sensitivity to a movement of 10 per cent in the exchange rate between SEK and each currency.

Group FX risk in EUR	**31 Dec 2021**	**Impact on equity**	**31 Dec 2020**	**Impact on equity**
Net assets on the balance sheet, EUR m	-113		65	
Currency forwards, EUR m	116		-68	
Net exposure, EUR m	3		-3	
A 10 per cent increase in the EUR/SEK FX rate impacts Group results by (SEK m)	3	-0.05 %	-3,202	-0.06 %
A 10 per cent decrease in the EUR/SEK FX rate impacts Group results by (SEK m)	-3	0.05 %	3,202	0.06 %
Group FX risk in PLN	**31 Dec 2021**	**Impact on equity**	**31 Dec 2020**	**Impact on equity**
Net assets on the balance sheet, PLN m	1,860		1,818	
Currency forwards, PLN m	-1,844		-1,814	
Net exposure, PLN m	16		4	
A 10 per cent increase in the PLN/SEK FX rate impacts Group results by (SEK m)	3	0.07 %	932	0.02 %
A 10 per cent decrease in the PLN/SEK FX rate impacts Group results by (SEK m)	-3	-0.07 %	-932	-0.02 %
Group FX risk in GBP	**31 Dec 2021**	**Impact on equity**	**31 Dec 2020**	**Impact on equity**
Net assets on the balance sheet, GBP m	408		502	
Currency forwards, GBP m	-409		-499	
Net exposure, GBP m	-1		3	
A 10 per cent increase in the GBP/SEK FX rate impacts Group results by (SEK m)	-1	0.01 %	3,680	0.07 %
A 10 per cent decrease in the GBP/SEK FX rate impacts Group results by (SEK m)	1	-0.01 %	-3,680	-0.07 %

Interest rate risk

The Group's interest-rate risk originates from changes in interest rates that may affect the company's revenues and expenses to varying degrees. Changes in interest rates could affect the company's revenues from loan portfolios as well as the liquidity reserve, while the cost of funding these assets may also change.

A sudden and permanent interest-rate increase may adversely impact the Group's profit to the extent interest rates and interest expense for loans and deposits from the public are affected more by the increase than are revenues from loan portfolios and the liquidity reserve. To ensure that the exposure is within the company's risk appetite, Group Treasury manages and reduces these interest-rate risks by continuously hedging the Group's interest-rate exposure through linear interest-rate derivatives denominated in EUR, GBP and PLN. Hoist Finance does not apply hedge accounting for the interest rate risk hedging.

Pursuant to accounting policies, however, the effects of interest-rate changes are taken up as income at different times. For instance, the Group's liquidity reserve and interest derivatives are measured at fair value, so changes in interest rates have an instantaneous impact on the book value and hence on Group results. Loan portfolios, on the other hand, are generally valued under the amortised cost principle, so changes in interest rates have an impact over time (rather than instantaneous) on asset value and Group results. The Group's liabilities are valued under the amortised cost principle, so changes in interest rates have an impact over time (rather than instantaneous) on Group results.

Hoist Finance has strict limits for maximum allowed interest-rate exposure. Limits are in place to reduce earnings risk and economic value risk.

The table below shows the effect on various assets and liabilities of a sudden and permanent parallel shift of 100 basis points in market interest rates.

Total impact on net interest income over 1 year

	IMPACT ON PROFIT/LOSS 31 DEC 2021		IMPACT ON EQUITY	IMPACT ON PROFIT/LOSS 31 DEC 2020		IMPACT ON EQUITY
	-100 bps	**+100 bps**		**-100 bps**	**+100 bps**	
Impact on net interest income (over 1 year)	13	-13		-4	4	
Impact on derivatives (instantaneous impact)	-127	127		-69	69	
Total impact of change in short-term interest rate	**-114**	**114**	**+/-2.30 %**	**-73**	**73**	**+/-1.41 %**

The table below shows the instantaneous impact on profit/loss of a parallel shift of 100 basis points in market interest rates.

Total items measured at fair value including derivatives, SEK m

	IMPACT ON PROFIT/LOSS 31 DEC 2021		IMPACT ON EQUITY	IMPACT ON PROFIT/LOSS 31 DEC 2020		IMPACT ON EQUITY
	-100 bps	**+100 bps**		**-100 bps**	**+100 bps**	
Liquidity portfolio	18	-18		20	-20	
Interest-rate swaps	-127	127		-69	69	
Total	**-109**	**109**	**+/-2.20 %**	**-49**	**49**	**+/-0.95 %**

Liquidity risk

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.

The Group's cash flow from acquired loan portfolios is in its nature positive. The group normally receive a cash flow of ca 1.8 times the invested amount over time. Major cash outflows stem from a deliberate decision to invest in a new portfolio or from unexpected cash outflows. The latter can result from outflow of deposits or from outflow due to mark-to-market of hedging derivatives or from outflow of existing wholesale funding (refinancing risk).

The Group's overall liquidity strategy is to maintain a liquidity reserve of highly liquid assets designed to mitigate Hoist Finance's liquidity risks and, in addition, to make liquidity available for financial obligations related to loan portfolio acquisitions.

The Group's general funding strategy is to maintain a sustainable, cost-efficient and well diversified funding structure while at the same time upholding a sound structural risk level – including liquidity, interest rate and FX risk – which is appropriate, and proportionate to Hoist's business model. Diversification between different types of sources of funding in various markets, currencies and forms of funding instruments is a key component of the funding strategy. Maintaining an investment grade rating is another cornerstone to Hoist funding strategy, and potential rating implications are taken into consideration in financial and business strategic decisions.

The Group has a diversified funding base with a diversified maturity structure. 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. Hoist Finance offers retail deposits in Sweden, Germany and Great Brittain. 40 per cent (30) of deposits from the public are payable on demand (current account), while approximately 60 per cent (70) of the Group's deposits from the public are locked into longer maturities (fixed-term deposits) ranging from one to five years. More than 99 percent of deposits are backed by the deposit guarantee scheme. The retail deposits give the Group a competitive advantage, as they are stable, flexible and provide access to funding at relatively low cost.

Details of the Group's funding base are presented in the table below.

Funding, SEK m	**31 Dec 2021**	**31 Dec 2020**
Current account deposits	7,138	5,422
Fixed-term deposits	11,031	12,506
Debt securities issued	5,059	6,355
Additional Tier 1 capital	1,106	1,106
Subordinated debts	837	821
Equity	3,835	4,052
Other	1,367	1,602
Balance sheet total	**30,373**	**31,864**

In addition to having a diversified funding structure with respect to funding sources and maturity structure, the Group has implemented a number of measures to minimise liquidity risk:

- Centralised liquidity management: Management of liquidity risk is centralised and handled by Group Treasury.
- Independent analysis: The Group's Risk control function serves as a central unit for independent liquidity analysis. Internal Audit is responsible for inspecting the Group's liquidity control tools.
- Continuous monitoring: The Group uses short and long-term liquidity forecasts to monitor the liquidity position and reduce liquidity risk. These forecasts are presented to management and the Board.
- Stress testing: The Group conducts stress tests of the liquidity situation. These tests vary in nature to demonstrate the risk from multiple angles and to preclude negative results due to defects in stress test methodology.
- Interest-rate adjustment: The size of deposits from the public can be managed by adjusting quoted interest rates.
- Well-diversified deposit portfolio with no concentration risks: The highest savings deposit is limited to SEK 950,000. The risk of large outflows is further reduced through the coverage of 99 per cent of deposits by the national deposit insurance.
- Liquidity portfolio: Liquidity investments are made in low-risk, high-liquidity interest-bearing securities, which allows for rapid cash conversion if needed.

As a credit institution, Hoist Finance is subject to laws and regulations covering liquidity requirements. Hoist Finance's short-term liquidity coverage ratio (LCR) was 931 per cent (1130) at year-end, compared with its regulatory ratio of 100 per cent. The Net Stable Funding Ratio (NSFR) was 116 per cent (119) at year-end. As of June 28, 2021, the 100 percent regulatory NSFR requirement began to apply in accordance with CRR2.

As per 31 December 2021, Hoist Finance's liquidity reserve amounted to 24 per cent (24) of total assets. The liquidity portfolio is largely made up of Swedish government and municipal bonds, German government bonds, covered bonds, and also includes short-term lending to other banks.

Liquidity reserve, SEK m	**31 Dec 2021**	**31 Dec 2020**
Cash and holdings in central banks	38	0
Deposits in other banks available overnight	2,041	2,160
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,063	1,354
Securies issued or guaranteed by municipalities or other public sector entities	513	1,056
Covered bonds	3,502	4,082
Securities issued by non-financial corporates	-	-
Securities issued by financial corporates	-	-
Other	-	-
Total	**7,119**	**8,652**

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity. Available liquidity was within target level as per 31 December 2021 and totalled SEK 7,119m (8,652).

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

- An outflow from savings deposits of more than 10 per cent of total deposits over a 30-day period.
- A lowering or removal of Hoist Finance's credit rating by an official rating institute.

Internal capital and liquidity adequacy assessment processes

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are ongoing processes carried out by the Executive Management Team, which reviews, evaluates and quantifies risks to which the Group is exposed in carrying out its business operations. This risk analysis forms the basis for ensuring that the Group has sufficient capital and liquidity to cover the regulatory requirements and to ensure a comfortable financial margin vis-à-vis the regulatory requirements.

The capital and liquidity assessment process is developed and reviewed at least once per year. The annual review focuses on ensuring that the process is always relevant to the current risk profile and to the Group's operations. The Board decides on any changes to the process, and Internal Audit verifies that the process is carried out pursuant to the Board's instructions.

The processes start with the management's business plan and budget for the coming three years. These are formalised into a forecast. The ICAAP and ILAAP use these forecasts as a starting point and, as a first step, evaluate the risks inherent in the forecasts.

ICAAP

ICAAP is Hoist Finance's internal evaluation to ensure that it has sufficient capital to meet the risks in both normal and stressed scenarios.

Credit and market risks are rigorously stress-tested to determine the extent of the losses that Hoist Finance is capable of withstanding under extremely adverse circumstances. This loss figure is then compared to the statutory capital requirement calculated according to Pillar 1. If the simulated losses exceed this amount, the excess is covered by additional Pillar 2 capital.

Operational risks are evaluated based on the company's reported incidents statistics. Once the operational risks have been quantified, the next step is calculation of the amount of capital required to cover all potential unexpected losses related to the operational risks. The company must be able to withstand even extremely serious operational incidents. Here as well, the calculated capital requirement is compared to the statutory Pillar 1 capital requirement and any excess loss risk is covered by additional Pillar 2 provisions.

Hoist Finance conducts stress tests and sensitivity analyses of the business plan, under ICAAP and on an ongoing basis in the operations, to ensure that the Group maintains a strong financial position in relation to regulatory capital requirements under extremely adverse internal and external market conditions.

The capital requirement produced by ICAAP is used by management as a decision-making tool when making future plans for the Group. ICAAP thus adds a further dimension to the Group's decision-making above and beyond strategic and daily planning. Before being implemented, strategic plans, forecasts and immediate management decisions are always reviewed against the background of capital requirements.

The conclusions from this year's ICAAP are that Hoist Finance has sufficient capacity to withstand unexpected events without risking its solvency.

ILAAP

ILAAP is Hoist Finance's internal evaluation to ensure that the Group maintains sufficient levels of liquidity buffers and sufficient funding in light of the liquidity risks that exist. The process identifies, verifies, plans and stress-tests Hoist Finance's future funding and liquidity requirements.

Hoist Finance uses ILAAP to define the size of the liquidity buffer that the Group needs to maintain, to prevent identified liquidity risks from affecting the Group's capacity to achieve its business plan and to meet regulatory requirements (LCR/NSFR) and the limits set by the Board of Directors.

Results from this year's ILAAP show that Hoist Finance has sufficient capacity to meet unexpected liquidity risks without risking refinancing problems, and that Hoist Finance maintains a liquidity reserve sufficient to maintain continued growth.

Note 34 - 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 ("Hoist Finance") and Hoist Finance AB (publ), the regulated entity.

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). These laws are aimed at ensuring that the regulated entity and its consolidated situation manages its risks and protects its customers.

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.

There are no existing or anticipated actual or legal obstacles to the immediate transfer of own resources or debt repayment between companies and their subsidiaries.

Additional information on capital adequacy is available in the company's Pillar 3 report available on www.hoistfinance.com.

Transitional rules, IFRS 9

After obtaining Swedish Financial Supervisory Authority's 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.

Own funds

The table below shows own funds used to cover the capital requirements for Hoist Finance consolidated situation and the regulated entity Hoist Finance AB (publ).

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Common Equity Tier 1 (CET1) capital: instruments and reserves				
Capital instruments and related share premium accounts	1,913	1,913	1,913	1,913
Retained earnings	1,993	2,044	1,039	924
Accumulated other comprehensive income and other reserves	-10	-1	694	698
Independently reviewed interim profits net of any foreseeable charge or dividend[1)]	-113	50	-53	255
CET1 capital before regulatory adjustments	**3,783**	**4,006**	**3 593**	**3,790**
CET1 capital: regulatory adjustments				
Additional value adjustments	-5	-7	-4	-7
Intangible assets (net of related tax liability)	-292	-284	-125	-113
Deferred tax assets that rely on future profitability	-160	-93	-7	-1
Exposure amount of securitisation positions which qualify for a RW of 1,250 %, where the institution opts for the deduction alternative	-12	-8	-12	-8
Transitional rules regarding IFRS9	3	3	1	2
Total regulatory adjustments to CET1	**-466**	**-389**	**-147**	**-127**
CET1 capital	**3,317**	**3,617**	**3,446**	**3,663**
Additional Tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts	1,106	1,106	1,106	1,106
AT1 capital	**1,106**	**1,106**	**1,106**	**1,106**
Tier 1 (T1) capital	**4,423**	**4,723**	**4,552**	**4,769**
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts	837	821	837	821
T2 capital	**837**	**821**	**837**	**821**
Total capital (TC = T1+ T2)	**5,260**	**5,544**	**5,389**	**5,590**

1) The Board will propose to the Annual General Meeting not to pay a dividend for the year 2021, as the net result for the year is negative. As a result, no dividend deduction has been included.

As presented in the above table, issued Tier 1 capital instruments and Tier 2 capital instruments are both used in calculating own funds. These instruments are described briefly below.

Additional Tier 1 capital

Additional Tier 1 capital is comprised of three issues of write-down instruments with a nominal amount of EUR 30m, EUR 40m and EUR 40m, respectively, and with coupon rates of 8.625 per cent, 8 per cent and 7.75 per cent, respectively. The convertibles were issued to improve Hoist Finance's capital structure. The instruments have no scheduled maturity date, although the issuer may redeem the instruments in full at specified dates. The first possible redemption dates are 21 June 2023, 1 September 2023 and 26 February 2025, respectively.

Tier 2 capital instruments

In May 2017 Hoist Finance issued a subordinated loan of EUR 80m, which is included as Tier 2 capital in Hoist Finance's own funds. The subordinated loan matures on 19 May 2027 with possibility for early redemption after five years and carries a fixed coupon rate of 3.875 per cent. The instrument is listed on the Dublin Stock Exchange.

Revaluation reserve

Hoist Finance's own funds include a revaluation reserve of SEK 72m in other reserves, of which SEK 64m pertains to a revaluation of shares in subsidiary Hoist Finance UK Ltd during 2013 and SEK 8m pertains to revaluation of acquired loan portfolios.

Capital requirement

The tables below show the risk-weighted exposure amounts and own funds requirements per risk category for Hoist Finance and the regulated entity Hoist Finance AB (publ).

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
Risk-weighted exposure amounts, SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	761	670	516	411
of which, counterparty credit risk	*192*	*72*	*192*	*72*
Exposures to corporates	253	462	13,341	12,594
Retail exposures	15	27	12	23
Exposures secured by mortgages on immovable property	324	352	85	83
Exposures in default	26 431	25,012	10,316	9,258
Exposures in the form of covered bonds	350	408	350	408
Equity exposures	-	-	863	816
Other items	382	470	149	164
Credit risk (standardised approach)	**28,516**	**27,401**	**25,632**	**23,757**
Securitisation positions in the banking book	**1,741**	**1,954**	**1,741**	**1,954**
Market risk (foreign exchange risk – standardised approach)	**0**	**0**	**0**	**0**
Operational risk (standardised approach)	**4,272**	**4,208**	**2,326**	**2,213**
Credit valuation adjustment (standardised approach)	**181**	**62**	**181**	**62**
Total risk-weighted exposure amount	**34,710**	**33,625**	**29,879**	**27,986**

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
Capital requirements, SEK m	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Pillar 1				
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	61	54	41	33
of which, counterparty credit risk	*6*	*6*	*15*	*6*
Exposures to corporates	20	37	1,067	1,007
Retail exposures	1	2	1	2
Exposures secured by mortgages on immovable property	26	28	7	7
Exposures in default	2,114	2,001	825	741
Exposures in the form of covered bonds	28	33	28	33
Equity exposures	-	-	69	65
Other items	31	38	12	13
Credit risk (standardised approach)	**2,881**	**2,193**	**2,051**	**1,901**
Securitisation positions in the banking book	**139**	**156**	**139**	**156**
Market risk (foreign exchange risk – standardised approach)	**0**	**0**	**0**	**0**
Operational risk (standardised approach)	**342**	**337**	**186**	**177**
Credit valuation adjustment (standardised approach)	**14**	**5**	**14**	**5**
Total own funds requirement – Pillar 1	**2,777**	**2,691**	**2,390**	**2,239**
Pillar 2				
Concentration risk	233	234	289	267
Interest-rate risk in the banking book	303	96	144	41
Pension risk	0	0	0	0
Other Pillar 2 risks	27	27	27	27
Total own funds requirement – Pillar 2	**563**	**357**	**459**	**335**
Capital buffers				
Capital conservation buffer	868	841	747	700
Countercyclical buffer	0	0	0	0
Total own funds requirement – Capital buffers	**868**	**841**	**747**	**700**
Total capital requirements	**4,204**	**3,889**	**3,596**	**3,274**

Capital ratios and capital buffers

Regulation (EU) No 575/2013 of the European Parliament and the Council requires credit institutions to maintain Common Equity Tier 1 capital of at least 4.5 per cent, Tier 1 capital of at least 6 per cent and a total capital ratio (capital in relation to risk-weighted exposure amount) of 8 per cent. Credit institutions are also required to maintain specific capital buffers. Hoist Finance is currently required to maintain a capital conservation buffer of 2.5 per cent of the total risk-weighted exposure amount and an institutional specific countercyclical buffer of 0 per cent of the total risk-weighted exposure amount.

The table below shows CET1 capital, Tier 1 capital and the total capital ratio in relation to the total risk-weighted exposure amount for Hoist Finance consolidated situation and for the regulated entity Hoist Finance AB (publ). It also shows the total regulatory requirements under each pillar and the institution-specific CET1 capital requirements. All capital ratios exceed the minimum requirements and capital buffer requirements.

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
Capital ratios and capital buffers, %	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
CET1 ratio	9.56	10.76	11.71	13.09
Tier 1 capital ratio	12.74	14.05	15.41	17.04
Total capital ratio	15.16	16.49	18.21	19.97
Institution-specific CET1 requirements	7.00	7.00	7.00	7.00
of which, capital conservation buffer requirement	*2.50*	*2.50*	*2.50*	*2.50*
of which, countercyclical buffer requirement	*0.00*	*0.00*	*0.00*	*0.00*
CET1 capital available to meet buffers (as a percentage of risk exposure amount)[1)]	**5.06**	**6.26**	**7.21**	**8.59**

1) CET1 ratio as reported, less minimum requirement of 4.5 per cent (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

Internally assessed capital requirement

As per 31 December 2021, the internally assessed capital requirement for Hoist Finance was SEK 3,340m (3,048), of which SEK 563m (357) was attributable to Pillar 2.

	HOIST FINANCE CONSOLIDATED SITUATION		HOIST FINANCE AB (PUBL)	
Leverage ratio	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Exposure measure for leverage ratio calculation	31,003	31,177	31,502	31,167
Tier 1 capital	4,423	4,723	4,604	4,768
Leverage ratio, %	14.27	15.15	14.62	15.30

Note 35 – Related-party transactions

The Group conducted transactions during the year with joint venture companies Best III and PQH Single Special Liquidation S.A. As at the balance sheet date, Parent Company Hoist Finance AB (publ) had receivables from these companies totalling SEK 6m (6). Revenues from joint ventures totalled SEK 66m (71) for the Parent Company and SEK 61m (57) for the Group. No costs were recognised for joint ventures during the year, and no liabilities to joint ventures were recognised as at the balance sheet date.

For additional information on these companies, please refer to Note 11, "Shares and participations in Joint Ventures".

No transactions with senior executives or board members were conducted during the year, apart from salaries and other remuneration. Information on remuneration and benefits for these persons is presented in Note 9, "Personnel Expenses".

No transactions have otherwise taken place between the Group and related parties that have affected the Group's position and results.

Parent Company

Parent Company Hoist Finance AB (publ) has controlling influence over its subsidiaries; see Note 19, "Shares and participations in subsidiaries". The following related-party transactions were conducted during the year between the Parent Company and other Group companies.

SEK m	2021	2020
Receivables on balance sheet date	15,078	14,402
Liabilitites on balance sheet date	525	493
Interest income	582	660
Interest expenses	-8	-9
Dividend received	-	302
Other operating income	251	250
Other operating expenses	-121	-154

Note 36 - Reconciliation of alternative performance measures

EBITDA, adjusted

SEK m	2021	2020
Profit for the year	-117	41
+ Income tax expense	78	41
+/– Net result from financial transactions	-85	6
+ Interest expense	574	582
+/– Interest income (excl. interest from run-off performing portfolio)	2	-5
+/– Portfolio revaluations	635	805
+ Depreciation and amortisation of tangible and intangible assets	129	134
EBITDA	**1,216**	**1,604**
+ Gross cash collections on acquired loan portfolios	6,557	6,324
– Interest income on acquired loan portfolios	-3,006	-3,302
EBITDA, adjusted	**4,767**	**4,626**

Return on equity

SEK m	2021	2020
Equity	4,941	5,158
Additional Tier 1 capital	-1,106	-1,106
Reversal of interest expense paid for AT1 capital	90	60
Total equity	**3,925**	**4,112**
Total equity (quarterly average)	**3,902**	**4,144**
Profit for the year	-117	41
Adjustment of interest on AT1 capital	-91	-85
Adjusted annual profit	**-208**	**-44**
Return on equity, %	**-5**	**-1**

Return on equity, adjusted for items affecting comparability

SEK m	2021	2020
Equity	4,941	5,158
Additional Tier 1 capital	-1,106	-1,106
Reversal of interest expense paid for AT1 capital	90	60
Reversal of items affecting comparability [1] [2]	106	155
Total equity	**4,031**	**4,267**
Total equity (quarterly average)	**3,997**	**4,260**
Profit for the year	-117	41
Reversal of items affecting comparability [1] [2]	106	155
Estimated annual profit	**-11**	**196**
Adjustment of interest on AT1 capital	-91	-85
Adjusted annual profit	**-102**	**111**
Return on equity, adjusted for items affecting comparability, %	**-3**	**3**

1) Items affecting comparability for 2021 pertain to a provision for an ongoing tax audit and management restructuring costs

2) Items affecting comparability for 2020 pertain to costs related to portfolio revaluations in Spain, changes in the market value of bonds in the liquidity portfolio, and unrealised changes in value of interest rate hedging instruments during the first quarter. Items affecting comparability for the third quarter pertain to restructuring costs in Italy and the UK, and for the fourth quarter to bond buy-back costs, expensed securitisation projects, and provisions for legal processes in Spain. Tax effects are included in all items affecting comparability.

Note 37 – Subsequent events

At Hoist Finance AB (publ)'s Extra General Meeting 17 February 2022 the current board member Peter Zonabend was re-elected and Bengt Edholm, Camilla Philipson Watz, Christopher Rees, Rickard Westlund and Lars Wollung were elected as new members of the Board of Directors. The Meeting elected Lars Wollung as Chairman of the Board of Directors. The former board members Mattias Carlsson (chairman), Fredrik Backman, Malin Eriksson, Per Anders Fasth, Niklas Johansson, Henrik Käll and Helena Svancar resigned at the Meeting.

Hoist Finance acting CEO Per Anders Fasth will leave his position in connection with the agreement expiring on 31 March of 2022.

No other significant events affecting operations took place.

Note 38 – Appropriation of profits

According to the Parent Company's balance sheet, the following unappropriated earnings are at the disposal of the Annual General Meeting:

SEK	
Share premium	1,882,891,946
Reserves	2,946,618
Retained earnings	1,534,674,487
Net profit for the year	-52,915,060
Total [1)]	**3,367,597,991**

1) Unrealised changes in assets and liabilities at fair value have had a net impact on equity of SEK -64m in accordance with Chapter 4, section 14 of the Swedish Annual Accounts Act.

The Board of Directors proposes that unappropriated earnings be distributed as follows:

SEK	
To be carried forward	3,367,597,991

The Board of Directors propose to the Annual Shareholders meeting 2022 that no dividend will be paid to the shareholders for the financial year 1 January - 31 December 2021, as the net result for the year is negative.

Certification of the Board of Directors

The Board of Directors and the CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden, and the consolidated accounts in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Annual Report and consolidated accounts provide a true and fair presentation of the Parent Company's and the Group's financial position and performance. The Parent Company's and the Group's Administration Reports provide a true and fair account of the development of the respective entities' business, financial position and performance, and accurately describe the significant risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 10 March 2022

Lars Wollung

Chairman of the Board

Bengt Edholm

Board Member

Camilla Philipson Watz

Board Member

Christopher Rees

Board Member

Rickard Westlund

Board Member

Peter Zonabend

Board Member

Our audit report was submitted on 15 March 2022.
Ernst & Young AB

Daniel Eriksson

Authorised Public Accountant
Auditor in charge

Auditor’s report

To the general meeting of the shareholders of Hoist Finance AB (publ), corporate identity number 556012-8489.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Hoist Finance AB (publ) for the year 2021 except for the corporate governance statement on pages 79-100. The annual accounts and consolidated accounts of the company are included on pages 71-207 and 216 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of acquired credit-impaired loan portfolios

Detailed information and description of the area is presented in the annual accounts and consolidated accounts. The Group's and parent's acquired loan portfolios are specified in note 18 with additional information regarding risks in note 33. Regarding the area relevant accounting policies for the group, these can be found in note 1, section 9 and critical estimates and assumptions in note 1, section 5. Note 1 section 22 shows that the accounting principles of the parent company concerning acquired loan portfolios corresponds with the accounting principles of the group.

Description

As of December 31, 2021, acquired loan portfolios amounts to SEK 21,337m (6,360) on Group (Parent) level where as SEK 20,641m (6,089) are credit-impaired loan portfolios and SEK 696m (271) non-impaired loan portfolios. Acquired loan portfolios makes up 68 (21) per cent of total assets.

Credit-impaired loan portfolios are valued at amortised cost where the expected future cashflows are discounted using an effective interest rate to the gross carrying amount. When the estimates of future cash flows on acquired credit-impaired loans are revised, the carrying amount of the financial asset is adjusted to reflect the new estimate discounted using the effective interest rate determined at initial recognition. Any changes are recognised in profit or loss on the line item Derecognition gains and losses. The Group applies internal rules and a formalised decision-making process for the adjustment of previously adopted cash flow forecasts.

Due to the size of the balance sheet item in relation to total assets and that it requires the company to make estimates and assumptions to estimate future cashflows valuation of acquired credit-impaired loan portfolios is considered a key audit matter.

How our audit addressed this key audit matter

We have reviewed the revaluation process and design of key controls including decision mandate on forecast adjustments and identification and decision on portfolios for which the cashflows are to be reviewed.

We have tested that data from the supporting IT-systems used in the forecast assessment is complete and accurate. Furthermore, we have on a sample basis assessed the reasonableness in updates in cash flow forecasts and reviewed Management's assumptions and conclusion, including how expectations on future cash flows are impacted by Covid-19.

We have assessed whether the applied accounting principles using credit-adjusted effective interest rate are in accordance with IFRS 9.

We have also reviewed disclosures in the financial statements regarding acquired loan portfolios and estimates are appropriate.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-70 and 217-222. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director’s responsibilities and tasks in general, among other things oversee the company’s financial reporting process.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Hoist Finance AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company’s profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group’s type of operations, size and risks place on the size of the parent company's and the group’s equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company’s organization and the administration of the company’s affairs. This includes among other things continuous assessment of the company’s and the group’s financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company’s financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors’ guidelines and instructions and among other matters take measures that are necessary to fulfill the company’s accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor’s responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company’s profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company’s profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company’s profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company’s situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors’ proposed appropriations of the company’s profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Hoist Finance AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report dca0f81eb439f3295f1f6ad91bf55026a0d4655cf9367ba9171bf9b26a41bdf2 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Hoist Finance AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firms applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission’s Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor’s examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 79-100 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor ´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Hoist Finance AB (publ) by the general meeting of the shareholders on the 14 May 2020 and has been the company’s auditor since the 14 May 2020.

Stockholm 15 March 2022
Ernst & Young AB

Daniel Eriksson
Authorized Public Accountant

Auditor’s report on the statutory sustainability statement

To the general meeting of the shareholders of Hoist Finance AB (publ), corporate identity number 556012-8489

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2021 pages 46–70 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR’s auditing standard RevR 12 *The auditor’s opinion regarding the statutory sustainability statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 15 March 2022
Ernst & Young AB

Daniel Eriksson
Authorized Public Accountant

Five-year overview

Consolidated income statement in summary

SEK m	2021	2020	2019	2018	2017
Total operating income	2,255	2,368	3,038	2,829	2,365
of which net interest income	*2,430*	*2,726*	*2,863*	*2,435*	*2,329*
Total operating expenses	-2,355	-2,343	-2,352	-2,146	-1,860
Profit before tax	**-39**	**82**	**748**	**755**	**581**
Net profit for the year	**-117**	**41**	**605**	**590**	**453**

Consolidated balance sheet in summary

SEK m	2021	2020	2019	2018	2017
Cash and lending to credit institutions	2,480	2,526	3,075	1,187	1,681
Treasury bills and treasury bonds	1,576	2,411	2,729	2,653	1,490
Lending to the public	3	6	10	14	37
Acquired loan portfolios	21,337	21,075	24,303	20,605	14,766
Bonds and other securities	3,502	4,082	2,769	3,635	3,689
Shares and participations in joint ventures	155	160	201	215	238
Fixed assets	565	620	651	446	329
Other assets	754	984	649	500	307
Total assets	**30,372**	**31,864**	**34,387**	**29,255**	**22,537**
Deposits from the public	18,169	17,928	21,435	17,093	13,227
Other liabilities and provisions	7,262	8,778	8,054	7,749	6,082
Equity	4,941	5,158	4,898	4,413	3,228
Total liabilities and equity	**30,372**	**31,864**	**34,387**	**29,255**	**22,537**

Key ratios, Group[1)]

SEK m	2021	2020	2019	2018	2017
C/I ratio, %	102	97	76	74	76
Return on equity, %	-5	-1	13	16	15
Return on assets, %	-0.4	0.1	1.9	2.3	2.2
Collection performance, % [2)]	101	98	-	-	-
Portfolio acquisitions	3,558	1,761	5,952	8,048	4,253
Gross 180-month ERC [3)]	32,900	32,763	38,874	33,602	-
Total capital ratio, %	15.16	16.49	14.01	14.14	17.71
CET1 ratio, %	9.56	10.76	9.94	9.66	11.70
Liquidity reserve	7,119	8,652	8,024	7,399	6,800
Number of employees (FTEs)	1,544	1,631	1,575	1,556	1,335

1) See definitions.

2) Collection performance was introduced during 2021, comparative figures for 2020 has been calculated.

3) Estimated Remaining Collections, before 2019 this key ratio was calculated at 120 months.

Definitions – including 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, Collection performance and Adjusted EBITDA are alternative performance measures that provide information on Hoist Finance's profitability. "Estimated Remaining Collections" is Hoist Finance's estimate of the gross amount that can be collected on acquired loan portfolios. Definitions of alternative performance measures and other key figures are presented below. The financial fact book, available on hoistfinance.com/investors/financial-information, provides details on the calculation of key figures.

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

Performance measures according to IFRS and other regulations

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 and non-defaulted consumer loans and SME loans that arise from the same originator.

Adjusted EBITDA

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

C/I ratio

Total operating expenses in relation to Total operating income and Profit from shares and participations in joint ventures.

Collection performance

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

Direct contribution

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

Fee and commission income

Fees for providing debt management services to third parties.

Gross 180-months ERC

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

Internal funding

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

Items affecting comparability

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

Legal collection

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

Portfolio acquisitions

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

Portfolio revaluation

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

Return on equity

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

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

Additional Tier 1 capital

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

Capital requirements – Pillar 1

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

Capital requirements – Pillar 2

Capital requirements beyond those stipulated in Pillar 1.

Common Equity Tier 1

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

Common Equity Tier 1 ratio

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

Leverage ratio

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

Liquidity coverage ratio (LCR)

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

Liquidity reserve

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

Net stable funding ratio (NSFR)

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

Own funds

Sum of Tier 1 capital and Tier 2 capital.

Risk-weighted exposure amount

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

Tier 1 capital

The sum of CET1 capital and AT1 capital.

Tier 1 capital ratio

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

Tier 2 capital

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

Total capital ratio

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

Non-Financial Definitions

Non-performing loans (NPLs)

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

Number of employees (FTEs)

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

SME

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

Shareholder information

Annual General Meeting

The Annual General Meeting 2022 will be held on Wednesday 13 April 2022.

Right to attend

Shareholders who wish to attend the Annual General Meeting shall both be registered in the shareholders' register maintained by Euroclear Sweden AB (the Swedish Central Securities Depository) no later than on Tuesday 5 April 2022, and notify the company of their attendance no later than on Thursday 7 April 2022.

Notification shall be given in writing and sent to:

Hoist Finance AB (publ)
Annual General Meeting
Box 7848
SE-103 99 Stockholm, Sweden or
bolagsstamma@hoistfinance.com

Shareholders whose shares are registered in the name of a nominee must have their shares temporarily registered in their own names in the shareholders' register maintained by Euroclear Sweden AB in order to vote at the Annual General Meeting. This procedure, so-called voting rights registration, must have effect on Thursday 7 April 2022 and should be requested from the nominee well in advance of this date.

Annual report

Hoist Finance's annual reports and other financial information are available at www.hoistfinance.com

Every case has been taken in the translation of this annual report to English. However, in the event of discrepancies, the Swedish original will supersede the English translation.

Financial Calendar 2022

Interim Reports:	
January - March	28 April 2022
January - June	21 July 2022
January - September	26 October 2022
January - December	8 February 2023

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