

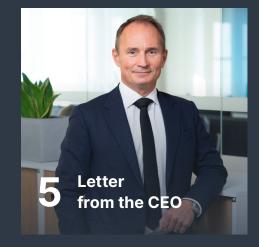


# **Annual and Sustainability Report** 2023

We contribute to a healthy and resilient financial system in Europe

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#### Reference to statutory Annual Report and Sustainability Report

Hoist Finance AB (publ) is a credit market company regulated by the Swedish Financial Supervisory Authority 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 statutory Annual Report comprises pages 38-154. The statutory Sustainability Report in accordance with the Swedish Annual Accounts Act (ÅRL) comprises pages 121-153.

The English text is a translation of the Swedish original. In case of discrepancies, the Swedish original shall prevail.



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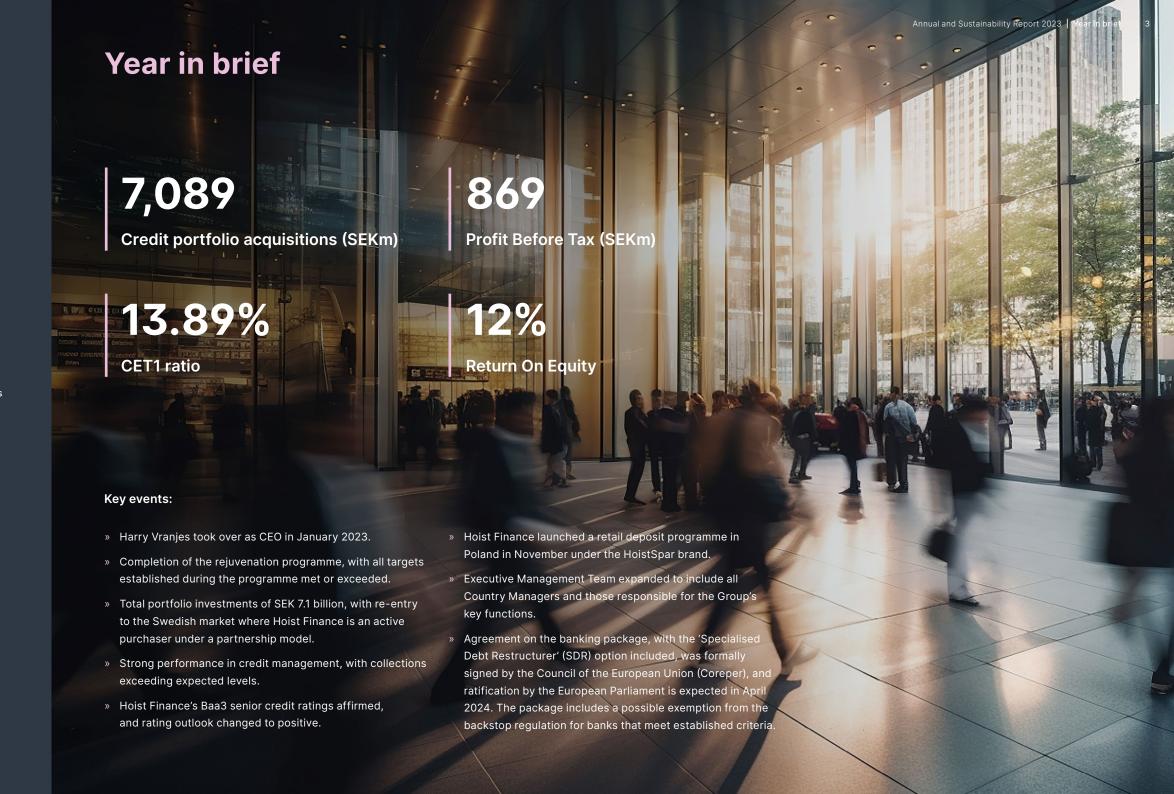
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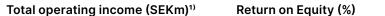
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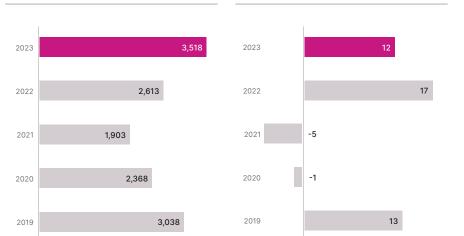
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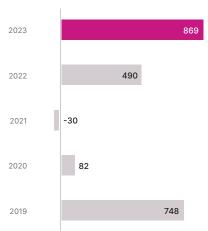
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#### **Key ratios**





#### Profit before tax (SEKm)1)



SEKm	2023	2022
Total operating income	3,518	2,613
Profit/loss before tax from continuing operations	869	490
Net profit/loss	711	801
Return on Equity, %	12	17
Normalised return on equity, % <sup>3)</sup>	17	7
Portfolio acquisitions	7,089	6,928
Basic and diluted earning per share from continuing operations (SEK)	6.26	3.55
Gross 180 month ERC <sup>4)</sup>	38,574	32,946
Total acquired portfolios 4)	24,288	21,624
CET1 ratio, % <sup>2)</sup>	13.89	15.85

- 1) Years prior to 2021 includes discontinued operations
- 2) 2022 including discontinued operations
- 3) See page 162
- 4) 2022 adjusted for discontinued operations



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#### Dear shareholders, customers, and colleagues,

Hoist Finance ends 2023 in a very strong position. Over the past year, we have completed our two-year rejuvenation programme, and we are now a more efficient and profitable company. During 2023, we continued to invest significant amounts in new credit portfolios while improving the credit quality of the overall portfolio.

Hoist Finance aims to become the leading European asset manager of portfolios containing non-performing unsecured and secured consumer loans (NPL loans). We provide banks and financial institutions with comprehensive support in debt restructuring solutions, contributing to financial health by assisting borrowers and businesses in resolving their debt situations. Overall, this contributes to stability in the financial system, which benefits society at large.



It is within the social aspect of the ESG framework that we have the greatest impact. We actively work to integrate sustainability and ESG as central components of our strategy, developing longterm sustainable solutions in our pursuit of industry leadership in consumer engagement, ethics, and regulatory compliance.

Hoist Finance distinguishes itself from other players in the sector by being a credit market company regulated by the Swedish Financial Supervisory Authority. At a time when many sector players aim to become less capital-intensive due to rising financing costs, we are moving in our own direction. We are and want to be capital-intensive, and thanks to our unique structure, we have clear competitive advantages regarding financing costs.

The return on equity in 2023 was 12 percent. Adjusting for the restructuring costs of the successfully completed rejuvenation programme during the year and for a normalised capitalisation<sup>1)</sup>, the return amounted to 17 percent. Profit before tax amounted to SEK 869m, and adjusted for restructuring costs, we delivered a full-year profit before tax of just over one billion SEK – a result we are very proud of.

Our financial position is strong, and our CET1 ratio amounted to 13.89 percent at the end of the year, significantly above regulatory requirements.

#### Investment management

During the year, we invested a total of SEK 7.1bn in new credit portfolios, and our total portfolio amounted to SEK 24,288m at the year-end, an increase of 12 percent compared to 2022. We are thus well on our way towards our long-term investment goal of a book

portfolio value of SEK 36bn by the end of 2026. We continue to see high activity in the portfolio market, both in the primary and secondary markets, and many constructive dialogues are ongoing in our markets.

Hoist Finance is growing, and during the year, we expanded our secured business in Spain through continued acquisitions of secured portfolios and the establishment of necessary credit management. Additionally, we expanded in Sweden through the acquisition of a large credit portfolio at the beginning of the year.

We also increased the quality of the portfolio overall by selling a non-performing portfolio in France and instead replacing it with new credit portfolios. We also divested our single largest exposure, a credit in Italy valued at SEK 300m, further reducing the risk in the portfolio.

Our focus is on consumer credits with or without collateral and SME credits where an individual has provided some form of collateral. These non-performing loans are acquired at a heavily discounted price reflecting both the inherent and specific risks of each asset and portfolio. Historically, the discount relative to the book values of the loans we have acquired over the years has been around 90 percent. Acquiring loans at this level means that Hoist Finance has a very high safety margin that drastically reduces the potential loss risk from the outset.

When we go back and compare the cash flow forecasts Hoist Finance made at the time of investment, we see that we have received collections amounting to 107 percent of the initial expectations. This illustrates the strength of our investment model, which is largely based on statistical valuation models and demonstrates a very high

1) See page 162 for the definition of normalised return on equity

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precision in assessing borrowers' collections capacity. Our long experience, geographical presence, and use of data-driven models make us a very professional buyer.

Our typical portfolio consists of a large number of borrowers where each person's share of the total portfolio is negligible. Today, the largest individual credit in Hoist Finance is no more than about SEK 26m. In addition, we acquire portfolios from many different banks, thereby also diversifying bank-specific risks. Unsecured loans and secured loans account for 70 and 30 percent of the portfolio, respectively, which is overall granular and diversified across 11 markets in Europe. As we continuously purchase new credit portfolios, we also achieve a highly diversified risk profile over time, gradually replacing older portfolios with lower returns with investments in new portfolios with higher returns. This is entirely in line with our investment strategy, where return on equity is the focus, and all purchases should support the goal of a return on equity exceeding 15 percent.

After each investment opportunity, we continuously analyse and monitor the risk profile and valuation of the loans associated with the borrower's situation, remaining debt amounts, payment history, et cetera. This meticulous analysis leads to a deep understanding and high quality of our portfolio. We continuously follow up on all portfolios with the support of data-driven bottom-up analysis where clear flagging criteria and valuation principles support the work of any revaluations. Following the precautionary principle, we require higher evidence and are more cautious with revaluations than devaluations. Over time, this leads to high quality in the credit portfolio.

#### **Credit management**

The global environment is still uncertain. 2023 was characterised by rising interest rates, high inflation, and households under pressure. Yet, we saw very little impact of this on collection capacity.

In uncertain times, we see that our work in investing wisely and continuously monitoring and adjusting the valuations in our credit portfolio has resulted in having more portfolios yielding higher than expected returns than portfolios yielding lower than expected returns. For the full year 2023, the collection rate amounted to 105 percent, meaning we generated five percent higher cash flows than forecasted from our portfolios.

During our rejuvenation programme, we developed our operational strategy for credit management. Nowadays, we more clearly divide it into a strategic and an operational part. The strategic credit management includes governance, monitoring, and evaluation. Operational credit management handles all borrower contacts. To the extent deemed advantageous, we can outsource the operational credit management to industry colleagues, but the majority of the work in managing our credit management will continue to be internal. The benefits of outsourcing operational credit management are a flexible cost base and opportunities to reach larger volumes of portfolios for sale.

#### Capital and funding

Hoist Finance continues to have a very strong capital and liquidity position, which gives us good opportunities to continue our growth journey. We finance our operations with 70 percent HoistSpar savings accounts. At the year-end, we had over 90,000 savings customers in Sweden, Germany, Poland, and the United Kingdom, distributed across four currencies – SEK, EUR, PLN, and GBP – over 99 percent of which are covered by the state deposit guarantee. The opportunity to offer savings accounts to individuals at an attractive interest rate gives Hoist Finance a favourable financing cost and a clear competitive advantage.

The remaining approximately 30 percent of financing consists of various types of bonds. Overall, we have steadily seen increased interest from debt investors after re-establishing ourselves in the SEK market over the past two years. In total, during 2023, we issued senior unsecured bonds of SEK 1,850m at increasingly better terms

During the fourth quarter, Moody's confirmed our industry-unique investment grade credit rating (Baa3) and changed the rating outlook from negative to positive, which we see as further confirmation of the improvement journey we have undertaken.

#### Regulatory update

The European Parliament, the European Commission, and the EU Council worked on the so-called updated banking package during 2023. The package aims to strengthen European banks' resilience.

The implementation timetable is set for 1 January, 2025. Part of the agreement includes the introduction of regulated specialised actors exempted from the backstop regime. Hoist Finance's view is that we can meet the criteria outlined, and we will continue to engage in discussions with relevant authorities. If we choose to become a 'Specialised Debt Restructurer' (SDR), we would be exempt from backstop regulations, simplifying our business model.

#### Outlook for the future

From a macro perspective, there is an expectation that interest rates and inflation will peak in 2024. If so, it will benefit Hoist Finance through lower financing costs at HoistSpar savings accounts. However, if interest rate and inflation concerns persist longer, we believe they will have the same limited impact as in 2023.

In 2024 and beyond, regardless of the global environment, we will continue to improve efficiency and profitability in all markets where we operate. This, combined with our continued focus on both central and local costs, high discipline regarding pricing, and good continued growth opportunities, make us at Hoist Finance optimistic about the future.

In last year's Annual Report, we ended with an anecdote about patiently waiting for a burger in London. When the exceptional burger finally arrived, we were rewarded for our patience. Once again, we would like to extend a special thank you to our shareholders for their continued patience during 2023. We have made progress, and the kitchen informs us that the burger is on the grill, but we will have to ask for a little more patience before it can be fully enjoyed.

Stockholm, March 2024

Yours sincerely,

Harry Vranjes
Chief Executive Officer

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#### We contribute to a healthy and resilient financial system in Europe

Hoist Finance invests in non-performing loans from European banks and financial institutions. After acquiring a credit portfolio, we establish sustainable repayment plans with individuals and companies, preferably through mutual agreement. Our extensive experience, knowledge of regulations, and local presence across several European markets enable us to offer comprehensive support to borrowers and small and medium-sized enterprises (SME) in debt situations.

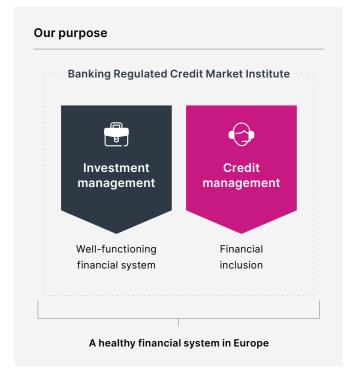


We contribute to a healthy and resilient financial system in Europe by providing support to both banks and borrowers. That is our purpose.

We serve as a partner to European banks and financial institutions looking to reduce their risk exposure and free up resources for their core activities. By acquiring non-performing loans, we help banks and financial institutions reduce their risk exposure and free up resources for their respective core activities. This enables them to optimise their balance sheets and reduce capital costs, thereby increasing their ability to generate new loans. In doing so, we promote a well-functioning financial system in which our partner banks can continue to finance both businesses and individuals, thus contributing to increased growth, for all. We offer banks and financial institutions debt restructuring solutions based on our extensive experience, knowledge of the regulatory environment, and presence across Europe.

We also support borrowers and SMEs in debt situations by assisting them in resolving their debt situations and being a reliable partner. Through individually tailored solutions, that helps borrowers pay off their debts, rebuild their creditworthiness, and thus their financial security, we contribute to financial inclusion.

Our credit management is handled either by our local offices or by some of the most reputable players in our industry on our behalf. Daily contact with borrowers is always local, whether credit



management is done internally or by a third party, to ensure that interactions are characterised by cultural awareness and local expertise. Regardless of the design of credit management, we strive to be industry-leading in consumer engagement, ethics, and regulatory compliance, which enables high-quality and cost-effective credit management.

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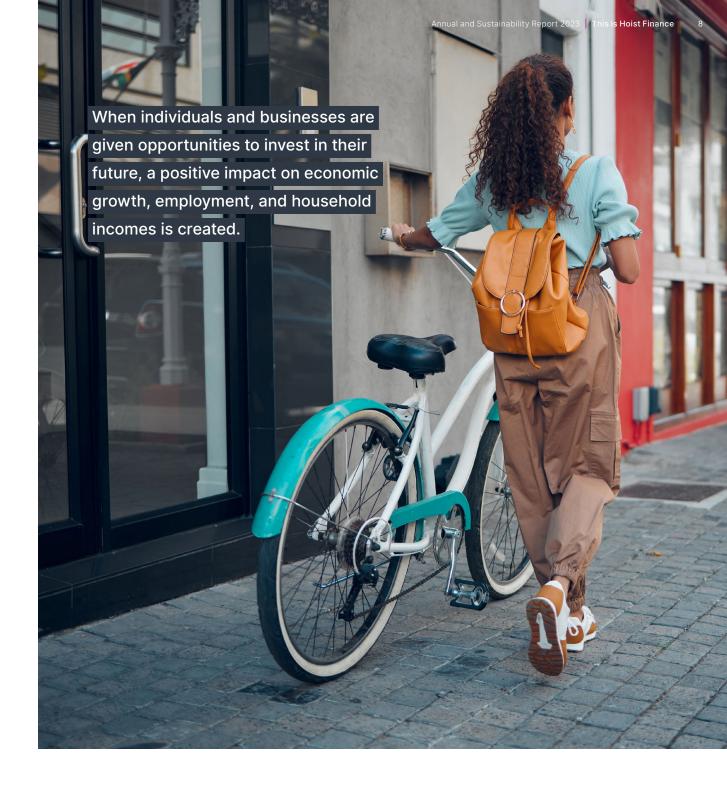
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A Europe characterised by a well-functioning financial system and inclusion is a prerequisite for prosperous societies and a growing economy. When individuals and businesses are given opportunities to invest in their future, a positive impact on economic growth, employment, and household incomes is created.

Being a regulated entity is at the core of our business model. As we are regulated by the Swedish Financial Supervisory Authority, we are subject to the same high regulatory requirements as banks and financial institutions. As a credit market company, we can better understand and anticipate the needs of our bank partners and provide solutions. We ensure that daily contact with borrowers is conducted in accordance with the high regulatory requirements of consumer engagement, ethics, and regulatory compliance that our regulated status requires. We are organised like a bank with three lines of defence, including functions in legal, finance, risk, regulatory compliance, security, and internal audit. Our balance sheet meets the strict capital and liquidity requirements placed on banks and enables a robust and well-diversified funding model with deposits as its base. This allows us to be an insightful, stable, and competitive partner to banks and offer attractive prices for the portfolios we purchase from them.

Hoist Finance has provided extensive support to banks and financial institutions in recent decades across large parts of Europe with debt restructuring solutions through our solid experience and knowledge of the regulatory environment. Hoist Finance shares are listed on Nasdaq Stockholm since 2015 and we have a presence in 13 European markets. Our credit portfolio exceeds SEK 24 billion.



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#### Strategy, business model and financial targets

Hoist Finance aims to become the leading European manager of portfolios of non-performing unsecured and secured consumer loans.

We invest in portfolios consisting of non-performing loans to borrowers and small and medium-sized enterprises, primarily in the asset classes of unsecured and secured loans. The processes within investment management are largely centralised and conducted at the group level, while credit management operations must be carefully adapted to local conditions and carried out locally in our markets. Within credit management, our core business is the collection of our own portfolios. Collections are handled in a mix of internal and third-party arrangements, with the majority occurring internally.

Hoist Finance is a regulated credit market company regulated by the Swedish Financial Supervisory Authority, which brings several advantages. This means that we are regulated by the same high regulatory standards as our partner banks, which ensures the highest standard of consumer protection. Additionally, it entails a regulated balance sheet with regulated capital and thus clear limits on the leverage ratio. It also entails a robust and well-diversified financing model.

Our business model rests on three pillars: investment management, credit management, and purposeful capital allocation and financing.

# Business partners Credit management Borrowers & Savings customers Capital and funding

#### Our financial targets



#### Profitability and return

By ensuring the right balance between growth, profitability and capital efficiency, we aim to achieve a return on equity exceeding 15 per cent.



#### Capital structure

Under normal conditions, the CET1 ratio should be **2.3–3.3 percentage** points above overall CET1 requirements specified by the Swedish Financial Supervisory Authority.



#### Growth

EPS (adjusted for AT1 costs) should grow by an average annual growth rate of 15 per cent over a business cycle.



#### Dividend policy

Hoist Finance dividend will in the long-term correspond to **25–30 per cent** of annual net profit of the group. The dividend will be determined annually, with respect to the company's capital target and the outlook for profitable growth.

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Hoist Finance aims to become the leading European manager of portfolios containing non-performing unsecured and secured consumer loans.

Investment management		Capital and funding
Purpose		
We are a partner to European credit institutions, assisting them in releasing resources for their respective core operations by relieving their balance sheets, reducing risk exposure, and capital costs.	We are a partner to borrowers and businesses in debt situations. We aim to be the most innovative organisation in helping individuals become debt-free and get them back on track financially.	Optimal capital allocation and financing structure.
Strategy		
<ul> <li>Allocate capital to the most profitable opportunities with the highest risk-ad- justed returns.</li> </ul>	<ul> <li>Excellent customer experiences through optimal utilisation of various communi- cation and payment channels.</li> </ul>	<ul> <li>Strategic capital and resource allocation to achieve attractive risk-adjusted returns.</li> </ul>
<ul> <li>Combine bilateral bank partnerships and auction-based acquisitions, striving for a balance between smaller and larger</li> </ul>	<ul> <li>Have a decentralised credit manage- ment model with strong central target- ing, monitoring and control.</li> </ul>	<ul> <li>Optimised financing structure designed to match the expected evolution of the balance sheet in a way that is long-term</li> </ul>
<ul> <li>Maintain a balanced geographic and asset class exposure.</li> </ul>	<ul> <li>Operational flexibility through a com- bination of internally and third-party managed collection.</li> </ul>	feasible while being cost-effective. It may involve partnerships when appropriate.
Actively utilise data to continuously monitor the loans we own to adjust collection strategies, to repackage loans	<ul> <li>Optimise the cost of collections using intelligent data algorithms and automa- tion.</li> </ul>	<ul> <li>To be a regulated credit market compa- ny regulated by the Swedish Financial Supervisory Authority.</li> </ul>
into new portfolios to be repaid by third	<ul> <li>Ensure flexible, efficient, and scalable platforms to enable profitable growth.</li> </ul>	Maintain investment-grade credit rating.
parties, or, when appropriate, consider sales.	<ul> <li>Stable, secure, and well-functioning technology platforms driven by the business strategy.</li> </ul>	
Target		
Become the preferred partner for European credit institutions regarding non-performing loans.	Become the most innovative organisation for resolving borrowers' debt situations.	Stable, well-diversified, competitive financing model.



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#### Value creation for our stakeholders

	Stakeholders	Value	in numbers	s
	Society	We support the community by acquiring non-performing loans from European banks, thereby contributing to	773,600	loans in balance sheet relief for partners
		economic growth and resilience in the financial system in Europe	SEK 56,671 m	in increased resilience in the financial system
	Banks	We enable banks to maintain strong balance sheets and sleed seed seed seed seed seed seed se	SEK 7,089 m	in portfolio acquisitions
	Juliks		28 years	as a credit market company regulated by the Swedish Financial Supervisory Authority
2	Shareholders	We offer shareholders a long-term investment with	76%	EPS-growth
	onarenoiders	attractive returns	17%	normalized ROE
	egnative and a second	We offer debt investors a unique business model with	13.89%	CET1
	Debt investors	investment-grade creditworthiness that supports a stable and predictable return	Baa3	senior unsecured credit rating with positive rating outlooks
		We support borrowers as well as small and mediumsized enterprises in regaining their creditworthiness by		
ľ	Borrowers	offering sustainable repayment plans to resolve their debt situation	SEK 7,394 m	the total collections of the borrowers amounted
		We aim to offer the industry's best workplace with a good	1000	
	Employees	balance between work and leisure and opportunities for professional and personal development	1,280	full-time equivalents (FTE)

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#### **Creating sustainable value**

Hoist Finance's sustainability strategy is integrated into our business strategy and aims to create long-term value for all stakeholders and manage and mitigate ESG (environmental, social and governance) related risk factors to our business. Our material sustainability impacts are embedded in our four strategic pillars, each connected to indicators and targets to track our performance. Our corporate governance structure enables us to monitor and advance the effectiveness of sustainability-related policies, strategy and targets.

#### Social

#### We contribute to an inclusive financial ecosystem

- · Financial inclusion and financial literacy
- Enable a financially healthy and resilient Europe
- Ethical and fair customer treatment
- Enhanced customer experience

#### We create a great place to work

- · Diversity, equity and inclusion
- · Fair remuneration and decent labour conditions
- Healthy and safe workplaces
- Professional development

#### Governance

#### We uphold the highest ethical standards

- Business ethics and anti-corruption
- Data protection and integrity
- Cybersecurity

#### Environmental

#### We reduce our environmental impact

Reduced climate impact

The social aspect of the ESG framework is where we have the largest impact, by contributing to a financially healthy and resilient Europe for partners, borrowers and society. We support partners to reduce their risk exposure, free-up resources for their core business and meet regulatory requirements, to contribute to a well-functioning financial system. We support borrowers by customising sustainable and affordable repayment plans, treating

them with empathy and care, developing channels and platforms adapted to their needs and providing an uncomplicated complaints procedure. Such activities are essential to eventually help them to get out of debt and get back on track financially.

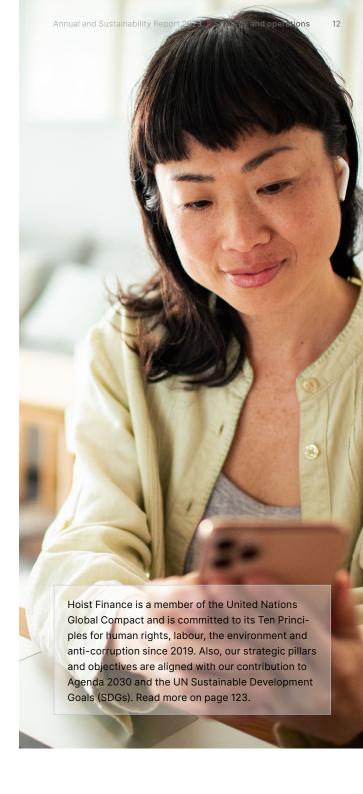
Even though our social responsibility is at the centre of our strategy, we recognise that all our material topics are essential for creating value and that all ESG risks factors are potential drivers for financial risk. See an overview of our strategic pillars and material topics to the left. Hoist Finance's status as a credit market company under the supervision of the Swedish Financial Supervisory Authority means we have high regulatory standards guiding our work, which improves our capacity to mitigate ESG risks and uphold the highest standards for ethical business conduct and governance.

#### A data-driven trajectory

Sustainability reporting and sustainability due diligence are subject to an increasing set of regulatory requirements over the coming years. For example, the effect of the Corporate Sustainability Reporting Directive goes beyond an increased scope of ESG disclosures. It also puts heavy emphasis on data quality and the integration of sustainability-related impacts, risks and opportunities into policies, governance, risk management processes and internal controls.

To develop our strategy and prepare for the new requirements, Hoist Finance performed its first Double Materiality Assessment (DMA) in 2023, covering our business and value chain. The DMA resulted in a new set of material topics which effectively adjusts our sustainability strategy from 1 January 2024.

Find more information about our governance of sustainability, current materiality assessment and the double materiality assessment, sustainability reporting principles, disclosures and targets, EU Taxonomy KPIs and tables, GRI Index and much more in our Sustainability Report on page 121–153. Find more information on ESG risk management on page 36.



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#### **Rejuvenation programme**

In the second half of 2021. Hoist Finance initiated a rejuvenation programme with the goal of restoring profitability and efficiency. The programme ran over two years and concluded in September 2023. It involved a review of our strategy and governance, establishment of a balanced business model with thoughtful processes throughout the group, to deliver the best experience for our partners and borrowers in a purposeful and cost-effective manner. This ensures that Hoist Finance will be a long-term profitable and growing company with a return on equity of at least 15 percent.

The rejuvenation programme entailed a holistic review and thorough examination of Hoist Finance based on a realistic assessment of where we stood as a company, clear long-term goals of what we wanted to achieve, and a detailed plan that we continuously monitored to ensure that we would meet our targets with the programme and build a strong foundation for the future.



#### Strategy

We are an active asset manager of NPL portfolios. Being an active asset manager means that we actively work with our portfolios to increase profitability. In addition to investing in new portfolios, we also divest portfolios if we believe it is the best option for our stakeholders. The rejuvenation programme has involved the development of our investment and sourcing strategy and active work on strategic capital and resource allocation to achieve attractive risk-adjusted returns.

» In 2023, we acquired portfolios with a total value of SEK 7.1 bn. At the same time, we divested portfolios under the program that did not meet our return thresholds, such as the British portfolio in 2022 and the French portfolio in 2023. We have also reinvested in these two markets in portfolios with higher returns.



#### Corporate governance

During the programme, we adjusted business focus, governance, goals, culture, and processes to support our strategic and financial goals. The operational model for credit management has been restructured and decentralised. Our performance management model has been fundamentally redesigned. Additionally, we have taken structural initiatives to optimise our balance sheet/CET1 and overall cost structure.

- » Return on equity is central and is the measure for everything we do and is used throughout the group as the primary performance indicator.
- » Divestment of our UK operations in 2022 and re-establishment of a new outsourced model in the UK with significantly higher return on equity.
- » Increase in CET1 capital during the programme so that by the end of 2023, our CET1 capital ratio was 13.89 percent, allowing capital returns to our shareholders without compromising the growth of our credit portfolio.



#### Investment strategy & model

We invest capital in portfolios where we can achieve the highest expected risk-adjusted returns. Local investment strategies have been tailored to the specific local conditions to exploit market strengths. We also actively work on risk management and asset management.

- » The reorganisation of our investment management has put us on track to double our book with significantly higher returns and quality in the debt portfolio.
- » Overall risk diversification has improved. We are now less dependent on one single country and asset class.
- » The proportion of outperforming portfolios is materially higher than underperforming portfolios, leading to a stable and resilient credit portfolio with a collection rate of over 100 percent.



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#### Collection performance

Good investments and active asset management drive collection performance together with good efficiency and flexibility in credit management. During the programme, we initiated work to continuously improve our operational credit management model and processes, which continues with a commitment to creating continuous improvement in our business. We have chosen to be able to outsource operational credit management to the most reputable players in our industry as an alternative to our own credit management with the aim of creating cost flexibility, learning from our partners, and expanding our network to find new portfolios through our partners.

- » Our collection rate, i.e., the outperformance against the current cash flow projections, continues with our unsecured portfolios at 105 percent in 2023, in line with 2022.
- » We changed the collection model in the UK from an in-house to an outsourced model in 2022.



#### Non-operational cost reduction

We aim to reduce indirect costs. The local operations are decentralised with the support of focused central functions. We have reduced non-operating costs, both through efficiency and structural initiatives.

- » Indirect FTE decreased from 480 to 300 (37 percent) during the programme.
- » This included a 56 percent reduction in FTE for central functions.
- » Total reduction of indirect costs by 23 percent in fixed exchange rates despite inflationary pressures.



#### Asset & liability management

Our balance sheet has been optimised and continuously adjusted from a cost, risk and return perspective to meet our targets for return on equity and growth.

- » The asset side has been repriced by selling more than 20 percent of the credit book and by investing in a more disciplined manner with the right return.
- » Creating alternatives to manage the backstop regulation.
- » Built an active and strong treasury function.
- » In 2023, the funding base was further strengthened with PLN financing through deposits in Poland, and we now have access to favourable financing in EUR, GBP, SEK, and PLN at different maturities.

The programme has resulted in outstanding improvements since it commenced in the fall of 2021:

#### Results

	Second quarter 2021	Fourth quarter 2023
Return on equity	-7%	12% (17%¹¹)
CET1 ratio	9.7%	13.89%
FTE	1,575	1,280
Booked portfolio value	SEK 17.7 billion <sup>2)</sup>	SEK 24.3 billion

- 1) Normalised, see page 162 for definition
- 2) Pro forma for the UK divestment



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#### **Transaction market for non-performing loans**

The European Commission has made it a high priority to prevent the future accumulation of non-performing loans (NPLs) across the European Union. The Commission's ambition includes further development of secondary markets, enabling banks to move NPLs off their balance sheets while ensuring further strengthened protection for debtors and reforming EU insolvency and debt recovery legislation. This will continue to contribute to converging the various frameworks across the EU while maintaining high standards of consumer protection.

In recent years, regulations and legislation have been developed to support the management of NPLs in our societies to both prevent these volumes from increasing too rapidly, and to support the promotion of an NPL market.

#### Activity in the NPL market

The primary European NPL market has been stable with high activity over the past 12 months. The volume on the primary market, i.e., the portfolios sold by originating banks, is expected to gradually increase due to backstop regulation and an uncertain economic environment. Despite forecasts, there has so far been limited evidence that the COVID-19 pandemic has led to a new generation of NPLs. The volume on the secondary market consisting of NPL portfolios, particularly held in securitisation systems and by larger hedge fund investors and industry peers, has increased. The increase is driven by the need for investment funds to repay their own investors, industry peers refinancing risks of outstanding loans and bonds, as well as regulations increasing transparency in transactions. In the current macroeconomic environment, including higher financing costs and continued higher inflation than historically, there are signs of specialisation among market participants, moving towards primarily debt collection or primarily asset management.

#### Impact of economic cycle on NPL market

Strong economic climate	Weak economic climate
Supply of NPLs	
More lending increases the general credit stock	Larger numbers and accumulated volumes of NPLs
Lower share of overdue loans	Regulatory requirements press banks to sell NPLs
Debt Collection	
Lower unemployment	Borrowers reduced payment capacity partly offset by larger
Borrowers have greater payment capacity	NPL volumes and outsourcing

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#### Actors in the NPL market

There are three main actors in the NPL market: financial investors, credit management services (CMS) companies, and regulated banks and financial institutions.



#### Financial investors

Financial investors, including private equity funds, hedge funds, and credit funds, often invest in NPL portfolios for a limited time before selling them on the secondary market to secure returns. They invest to increase the value in portfolios through rehabilitation or asset recovery before splitting parts of their non-performing loans to sell. They often let specialised credit management companies manage NPL portfolios and all contact with borrowers.



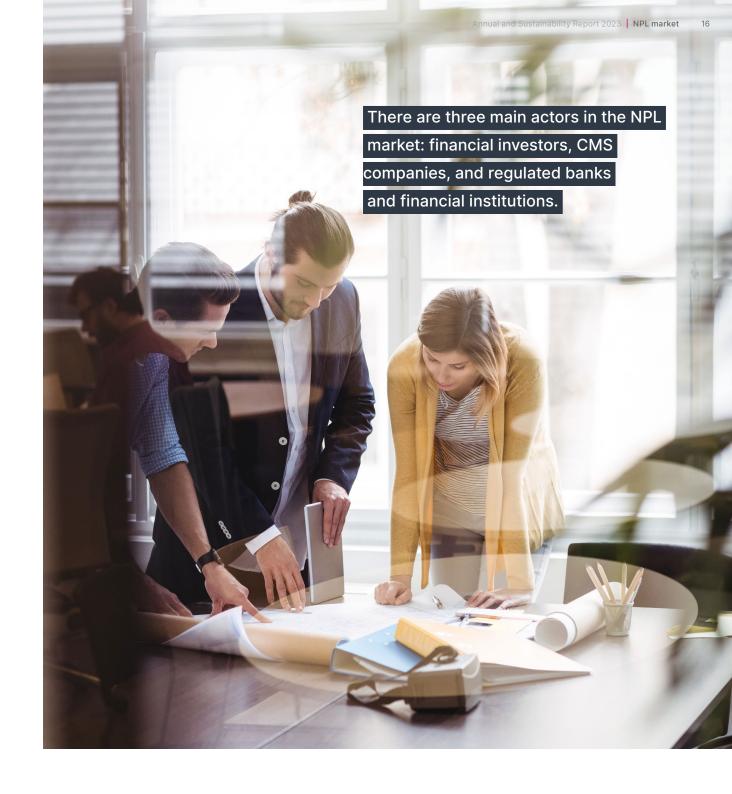
#### Credit management services companies

CMS companies are companies with expertise and experience in managing NPLs. Historically, these have often had a service focus. In some cases, these companies have expanded their operations by also actively purchasing and investing in their borrowers' portfolios on the primary NPL market. They aim to create value by working with their bank clients' borrowers and with their own borrowers in the portfolios they have invested in, to ensure collections on outstanding claims as much as possible for borrowers.



#### Well-capitalised banks and regulated financial institutions

Well-capitalised banks and regulated financial institutions such as Hoist Finance both invest in and work with borrowers. They are characterised by a higher degree of financial stability as highly regulated institutions subject to strict capital and liquidity requirements. They often have a long-term strategy to restructure debts and often hold them to maturity (unlike more financial actors that often have a more short-term perspective). Moreover, these shorter-term actors are generally not interested in smaller transactions, meaning smaller banks are more dependent on other banks and regulated financial institutions to meet their restructuring needs.



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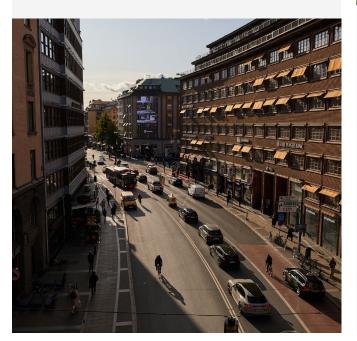
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#### Regulations

The financial sector is highly regulated, and changes in legislation have a significant impact on the industry. Regulations are being strengthened and updated for NPLs and NPL actors, such as stricter requirements for CMS companies operating within the EU, regarding, for example, authorisation processes and disclosure requirements. Changes to the European Banking Authority's (EBAs) rules for minimum coverage of non-performing loans, the so-called backstop, entered into force 2019. The backstop regulation requires an increase in capital requirements for NPLs held on the balance sheet following a predefined calendar. In January 2025, a new banking package will enter into force with the aim of implementing the final parts of the Basel III framework in the EU. The banking package includes a section on regulated special banks exempt from backstop regulation. Banks or credit market companies that meet all criteria can thus qualify for the title 'Specialised Debt Restructurer'.





#### **Specialisation**

In the current macroeconomic environment, including higher financing costs and continued high inflation, there are signs of specialisation and narrower business focus among participants in the NPL market. Managing NPL portfolios is capital- and people-intensive, and scale becomes an increasingly important factor for profitability. Companies in the sector are moving in two different directions, towards primarily debt collection or primarily asset management.

#### Competition

Investments in NPLs are made by different types of actors and structures such as financial investors, CMS companies, and regulated banks and financial institutions. The different actors may, for example, invest directly in NPL portfolios, indirectly through securitisation arrangements, or through funds. Financial actors tend to collaborate with large CMS companies providing local and specialist knowledge in NPLs. Financial investors historically often invested in larger portfolios while CMS companies and regulated banks and financial institutions tended to invest in slightly smaller portfolios. As a result, CMS companies and regulated banks and financial institutions are highly important for a liquid primary European NPL market as ongoing partners to the selling banks.



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#### Increased activity in the secondary market

Investors' desire to dispose of some, if not all, of their NPL investments will be an important driver for the trend towards increased activity in the secondary market. When funds want to repay their own investors, they must either move their NPL investments to new funds or sell the assets. Volumes are also likely to continue to be driven by industry actors that need to sell their portfolios to be able to pay off their outstanding loans and bonds. In addition, the secondary market may also receive a boost from the proposal from the EBA to standardise the requirements for the information that sellers of non-performing loans must provide to potential buyers. The EBA's standardisation proposal aims to improve transparency in the secondary market, enable comparisons between countries, and reduce information asymmetries between sellers and buyers.

#### New technology and data

Rapid technological development leads to more efficient risk management of portfolios and debt collection at lower costs. With deeper analysis and insights, CMS companies can develop more detailed customer profiles to evaluate NPLs, assess risks, optimise legal services, reduce costs, and add more suitable touchpoints to improve the customer journey. Artificial intelligence and automation can handle large amounts of data and quickly and efficiently recognise key patterns. This helps CMS companies gain greater insight knowledge of its borrowers and as a result significantly improve portfolio valuation and debt collection.



#### Increased focus on consumer protection

EU directives on credit servicers and credit investors aim to promote the development of NPL markets while protecting borrowers' rights. EU member states were supposed to have implemented the directive in their national legislation by the end of 2023. Some member states have not done so. Most of the remaining member states are expected to have implemented the directives by 2024. National legislation must include requirements for the fair treatment of borrowers, for example, by guaranteeing that communication does not constitute harassment in any way and that there are complaint handling processes. The legislation will be an important driver for the industry in improving borrower protection.



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#### **Acquisitions of NPL portfolios**

Investment management includes all activities to acquire portfolios. We invest in unsecured and secured NPL portfolios from financial institutions, where the underlying borrower are either consumers or smaller companies where there is normally a personal guarantee or security in the company.

Non-performing loans are part of the lending business. A nonperforming loan is a loan that is deemed to cause probable credit losses, including individually assessed impaired loans, loans that are more than 90 days past their due date and restructured assessed loans. The risk of non-repayment of loans is an inherent component of the lending business and that is included in the cost of borrowing. The probability that a loan will be repaid in full is substantially lower once the loan has been classified as non-performing. As a result, investors such as Hoist Finance can acquire NPL portfolios at a significant discount to the loans' nominal value. Hoist Finance primarily invests in loans that are credit-impaired on initial recognition and focus on the two assets classes unsecured and secured loans. In an effort to support the financial institutions in their strategic endeavours, e.g. to restructure, to exit certain markets or to reduce capital requirements, we will in some cases invest in performing loans.

Hoist Finance invests pan-Europeanly, continuously over time, and in portfolios consisting of small underlying receivables, which results in us having a credit portfolio with a very good risk profile. Our typical portfolio consists of a large number of borrowers where

each person's share of the total portfolio is negligible. At the end of 2023, our largest individual risk exposure was SEK 26m, and only five receivables were over SEK 10m. This can be related to our total portfolio, which has a book value of SEK 24bn. The portfolio consists of 70 percent unsecured loans and of 30 percent secured loans. We acquire portfolios from several different banks, thereby diversifying bank-specific risks. We also obtain a well-diversified risk profile over time because we continuously purchase new credit portfolios. Additionally, in recent years, we have gradually replaced older portfolios with lower returns with investments in new portfolios with higher returns, including through major sales such as the divestment of our UK operations. The result of this investment strategy is today a granular, well-diversified portfolio with low risk and higher returns, which can be analysed and managed based on robust data-driven and statistical methods.

After each investment opportunity, a thorough and continuous analysis and follow-up work is carried out centrally, including on the risk profile and valuation of the loans as well as the borrower's situation. Our extensive experience, supported by data-driven analysis, leads to a deep understanding of our portfolio and how we should actively manage it to create a stable and predictable collection profile. The result of investing well and continuously managing the risks of the credit portfolio is a high quality portfolio, which leads to more stable and higher collections in our credit management operations.



Unsecured	Secured
Borrower type Individuals, small and micro-sized enterprises	Individuals, small and medium-sized enterprises
Products  Personal loans, credit cards, overdrafts, consumer finance loans	Mortgage, leasing contracts, collateralised guaranteed business loans
Purchase price by claim (% Gross book 5–25%	value) 25–50%
Average book value per claim (EUR) < 1,000	30,000-50,000
Average time to collect 65–73 months	30-45 months
Average age at acquisition (years since 2–8 years	default origination) 0–4 years

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#### Secured and unsecured loans

Hoist Finance primarily invests in two asset classes, secured and unsecured loans:

#### Secured loan

A loan in which the borrower pledges some asset as collateral for the loan, which then becomes a secured debt owed to the creditor that issues the loan.

#### » Unsecured loan

A loan issued and supported solely by the borrower's creditworthiness without any form of collateral.

#### **Business partners**

Banks' ability to lend to the real economy is significantly affected by the quality of their lending portfolios. Non-performing loans negatively affect banks' ability to generate new lending into the real economy. Banks with high levels of non-performing loans on their balance sheets need to divert their resources away from profitable services to managing loans that provide no return. To manage their risks, banks also need to put capital aside as a safety net to compensate for the losses incurring from NPLs.

Through Hoist Finance's many years of experience and data accumulated from previous acquisitions over the years, we have honed our skills in investing in NPL portfolios. The investment process is based on long-term relationships with the company's partners, thereby ensuring mutual trust founded on open dialogue and ethical behaviour. The portfolios we acquire are mainly from well-reputed international banks, which means that they are responsibly originated.

We work closely with the banks and strive to be their best partner in optimising balance sheets and manage non-performing loans. Hoist Finance measures partner satisfaction annually through a standardized NPS survey. The 2023 survey shows a score of 75, which is a highly satisfactory result and demonstrates that we are succeeding in our efforts to be a good business partner. Banks' core operations are typically lending money and taking deposits

#### Advantages of divesting NPLs from a banking perspective:



#### Reduce risk

Reduces sellers' risk exposure, releases credit reserves, and strengthens capital ratios by decreasing risk-weighted assets.



#### Release capital

Selling non-performing loans involves direct cash payments that improve the liquidity positions of the selling banks.



#### Focus on core business

It takes time, resources, and specialised expertise to recover on non-performing receivables. By selling non-performing loans, banks avoidcosts and challenges associated with maintaining an internal repayment operation and can focus on their core businesses.



#### Return on equity

Contributes to improved return on equity, which is crucial for meeting shareholders' demands for continuously improved returns.

and they are generally not specialists in collecting defaulted claims. Debt collection agencies and debt investors with in-house collections specialise in such activities and can leverage significant scale benefits in collection to achieve higher returns on overdue debt than banks themselves. In addition, by selling overdue debt, banks avoid the costs of holding NPLs.

When choosing which debt investors to sell to, a bank will take several factors into consideration. Selling price is a key factor, but reputation, regulatory compliance, governance and business ethics



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are of increasing importance. Debt investors will collect from borrowers who are past or current clients of the banks. Consequently, debt investors are often closely associated with the originating lender because they are considered the bank's 'extended arm' well past the transfer of ownership of the debt portfolio. The selling banks primarily engage well-known and well-respected debt investors who are fully compliant with all regulatory aspects and have substantiated metrics displaying their proper treatment of borrowers. Regulated financial institutions are often preferred partners. They can offer a broad range of debt restructuring services and work-out solutions which others cannot offer, e.g. taking over performing loans, other banking products or entire banking platforms ensuring contingency and a smooth restructuring process. Additionally, we are observing an increase in activity on the secondary market (where loans originated by financial institutions were historically traded). We intend to be active in this market, supporting competitors and other investors, who are assessing the sale of NPL assets on their balance sheets.

#### **Transactions**

The majority of NPLs for sale are offered to the market through competitive auction processes, but also in bilateral agreements. Hoist Finance's long-term focus and flexible and tailored product offering have allowed us to develop the expertise and know-how to structure and execute all sorts of transactions. We prefer bilateral and problem-solving situations where we can combine our skills in areas such as portfolio analysis, modelling, legal structuring, tax and risk management to create more value.

In 2023, we invested SEK 7.1bn (6.9) and the total portfolio increased to SEK 24.3bn at year-end 2023 (21.6). Secured assets currently make up 30 percent of our total book value (29). In 2023, we continued our focus on bilateral and larger deals. Bilateral deals represented around 15 percent of the deals observed and around 54 percent of the volume was deals exceeding SEK 500m. The focus on larger deals might entail volatility in the acquisition volumes between individual quarters.

There are several different models for investing credit portfolios, including spot agreements and forward flow agreements.



In spot agreements, debt purchasers buy portfolios of claims that are transferred in one transaction upon payment.



In forward flow agreements, debt purchasers agree to buy a predetermined volume (fixed or range) of claims at a predefined price during a certain time period.

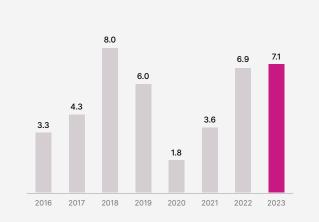
#### Valuation and pricing of acquired loans

Credit portfolio valuation and pricing is based on historical data and statistical modelling to derive future expected cash flows. Based on our exhaustive time-series database of portfolio acquisitions dating back to the year 2000, we have developed a powerful set of tools for examining and analysing potential acquisition opportunities. When evaluating a potential acquisition, our debt recovery, investment and analysis team can work closely with the financial institution to forecast future cash flows and debt recovery costs at an early stage. Historical outcome data from older portfolios is valuable information in the calculation of future cash flows, which is done on a 15-year horizon. This data facilitates the calculation of a reasonable price.

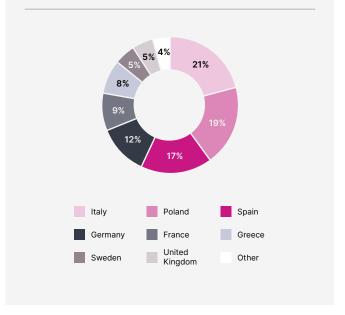
#### Active asset management

We actively and continuously follow the performance of our acquired portfolios. Underperforming portfolios are identified, as well as certain types of underperforming loans within a portfolio. Underperforming loans can be gathered into new portfolios or subsegments of an existing portfolio and specific collection strategy changes are developed including outsourcing. We also have the option to sell portfolios or subsegments, if we believe another investor is better suited to work with the borrowers and can create more value with the portfolio.

#### Credit portfolio acquisitions (bn SEK)



#### Book value per country



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#### **Stable and competitive financing model**

Hoist Finance's general financing strategy is to maintain a sustainable, cost-effective, and well-diversified financing structure while maintaining a sound structural risk level. Continuous access to our financing sources is also key. Assets and liabilities should be matched in the same currencies, to the extent possible. Diversification among different types of funding sources in different markets, currencies, and forms of financing instruments is an important part of the financing strategy, as is maintaining a high credit rating. Potential consequences for credit ratings are considered in financial and business strategic decisions. Our financing mainly occurs through public deposits in the form of savings accounts, via the capital markets through issuances of senior bonds, equity instruments, and equity. The outcome of our model is that we have continuous access to a variety of financing sources, each serving its specific purpose.

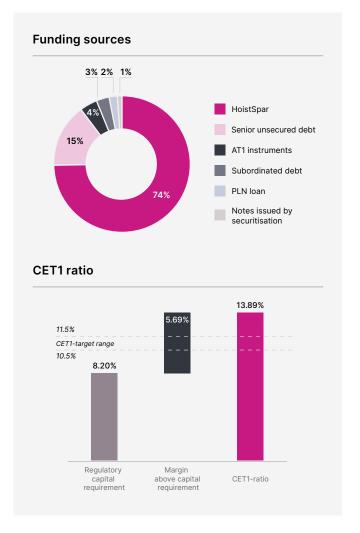
In December 2023, our total interest-bearing debt amounted to SEK 25.7bn (25.0). Public deposits accounted for 59 percent and amounted to SEK 20.2bn (18.6), and outstanding bond debt amounted to SEK 5.5bn (6.4). Approximately 56 percent of the deposits are tied, and about 44 percent are floating. Thanks to our status as a regulated credit market company regulated by the Swedish Financial Supervisory Authority, deposits are covered by the deposit guarantee, which in Sweden amounts to SEK 1,050,000. At year-end, more than 99 percent of all deposits were covered by the state deposit guarantee.

#### Liquidity buffer

Hoist Finance's liquidity buffer consists of interbank assets in other banks as well as highly liquid secured bonds and government bonds with high credit ratings and low risk. The total liquidity buffer amounted to SEK 7,792m at year-end. The breakdown between assets was 42 percent in interbank assets, 24 percent in secured bonds, 8 percent in municipal bonds, and 26 percent in government bonds. The entire liquidity buffer is classified in the accounts as trading assets, and therefore, all changes in market value are reflected directly in the income statement.

#### CET1

Hoist Finance's CET1 at the end of 2023 was 13.89 percent (15.85), exceeding our target range of 2.3–3.3 percentage points above the requirement set by the Swedish Financial Supervisory Authority for the CET1. At year-end 2023, the requirement was 8.20 percent. In 2023, Hoist Finance's capital position was mainly affected by the balance sheet's development and the contribution to earnings. The earnings contribution in 2023 increased the CET1 by 2.13 percent, while new portfolio acquisitions decreased the CET1 by 3.38 percent.



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#### Deposits from the general public

Thanks to Hoist Finance being a credit market company regulated by the Swedish Financial Supervisory Authority, we have access to financing through public deposits in the form of savings accounts. This funding is stable, flexible, and provides access to financing at relatively low costs. Under the brand HoistSpar, we offer savings accounts to individuals in Sweden via our own platform and in Germany, the UK, and Poland via third parties. These are savings accounts with both variable interest rates and deposits that are tied to longer maturities with fixed interest rates, up to five years.



Deposits are offered to the general public under the HoistSpar brand across four European markets, Sweden, Germany (HoistSparen), the UK (HoistSavings) and since the launch in Q4 2023 to savings customers in Poland.



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#### Managing our acquired portfolios

Hoist Finance has decentralised credit management organisations in all countries in which we operate. The organisation is divided into strategic and operational credit management. The strategic part focuses on portfolio segmentation, development of collection strategies per segment, and continuous monitoring of all portfolios. Strategic credit management is always carried out internally. Operational credit management, the daily handling of each individual loan, is carried out in a mix of internal collection units and outsourced to partners. In for example Greece, Sweden and the UK, the operational credit management is operated entirely by external partners. Regardless of operational set-up, we are at the forefront of borrower care, ethics, and compliance, ensuring industry-leading credit management with quality and cost efficiency at its core.

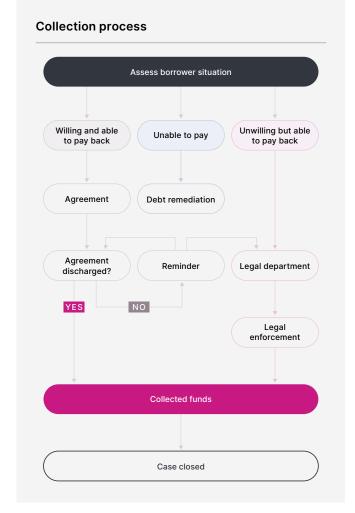
Regardless of if the collection is done in-house or by external partners, we actively monitor portfolio and loan performance and swiftly adjust collection strategies and compare and challenge different collection strategies. By measuring, gathering, and utilising large amounts of data to decide what to do with each loan in each situation, we achieve high effectiveness. We believe that the balance of having strong in-house collection operations and close local servicing partnerships provides us with the flexibility to adapt to local market practices and optimise collection strategies.

#### Focus on long-term sustainable repayment plans

Hoist Finance's understanding of the debt collection process is gained from over 25 years of acquiring and collecting debt. Permitting specialist banks like Hoist Finance to operate in the secondary markets helps ensure the highest standards of consumer protection for a number of reasons. Our experience is that selling banks prefer to sell to other regulated entities as a way of managing their reputational risk on the client side associated with selling the loans. We focus on creating long-term sustainable repayment plans with borrowers. The goal is for borrowers to become debt free and. given time, to be able to re-enter the financial ecosystem. Any repayment arrangements are structured in accordance with specific internal policy guidelines, as well as applicable legal requirements. Work methods vary across markets due to legal and regulatory differences between countries. The regulatory landscape tends to be more extensive in more mature markets. About 60 percent of the cases are settled through agreed-upon payment plans and 40 percent through legal proceedings.

#### Amicable and sustainable agreements

The amicable settlement model considers each borrower's individual circumstances. The aim is to establish a sustainable, voluntary, and affordable repayment plan in close dialogue with the borrower. In the initial stage of the collection process, Hoist Finance segments borrowers according to the likelihood that they will repay their debts. We plan the best way to contact and treat each borrower to achieve the best possible solution. The ultimate



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goal is to find a suitable and beneficial solution for all parties involved in the process. Settlements are often comprised of small payments over a longer period. In practice, this often means small monthly payments of around 20–25 euro. Our objective is for borrowers to become debt-free over time and thus able to return to and be part of the financial ecosystem.

#### Legal and enforcement actions

In cases where our primary solution-oriented tools are not effective, we are forced to turn to judicial enforcement procedures. While we aim to resolve claims by working with borrowers without relying on legal enforcement, we will direct a consumer to the legal and enforcement phase if we believe that this is the optimal strategy. A claim moves into the legal and enforcement phase if we determine that the borrower is unlikely to voluntarily pay. The legal and enforcement phase may involve turning to the court system to find a solution to the borrower's debt. Some examples of solutions we seek in the legal and enforcement phase include salary attachments, sale of collateral, bankruptcy proceedings and debt restructuring. It is of uttermost importance that these solutions are executed with strong consideration and respect for the borrower's situation and with full information transparency.

#### Good relationships

We are dependent upon maintaining trusted relationships with debt originators, authorities, and society at large. In order to achieve the necessary level of trust, we must act with professionalism, expertise and high ethical standards at all levels. Our internal standards are applicable to all employees and all employees are expected to become acquainted with and comply with these standards, including the third-party collection providers that we engage. These standards mandate that all employees and partners are expected to always work within the law, have sound moral principles and behave in an correct and sincere manner. We have implemented a robust and centrally coordinated compliance-monitoring programme, which evaluates and assesses compliance with legal, regulatory and industry best practices, as well as our own stringent internal standards to protect our information technology and data. Hoist Finance's borrowers are often in financially vulnerable situations, so the fair and ethical treatment of borrowers is essential.

Communicating with financially vulnerable borrower requires integrity, empathy, and a good understanding of the borrowers' situation. All employees who have any form of borrower contact, therefore, receive trainings in listening and asking the relevant questions to gain an understanding of the borrower's perspective and finances, with the aim of developing a realistic and appropriate repayment plan. Furthermore, borrowers are empowered with tools to file complaints and provide feedback when needed, ensuring that we adhere to their stipulated rights.

Our debt collection process is designed to yield financial results while protecting our reputation. We believe in:



Treating borrowers with respect and dignity.



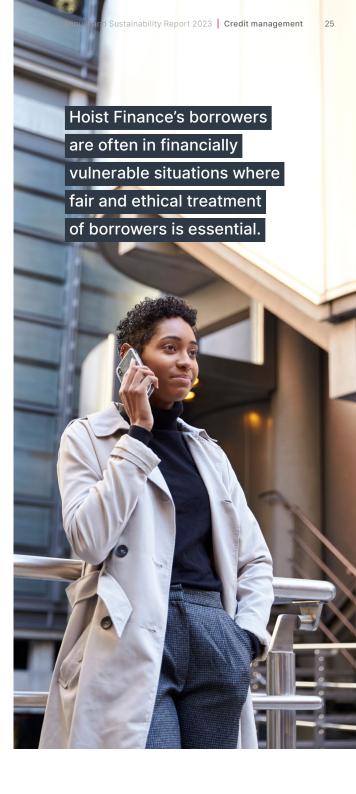
Polite persistence, where collection agents take a fair and reasonable stance when interacting with borrowers.



Ensuring a fair outcome for the borrowers, taking into account sustainability and affordability of payments.

#### Data analytics and collection strategy

Optimising borrower contact at each stage of the collection life cycle is key to the debt collection strategy. With over 25 years' experience in debt collection, Hoist Finance has developed its approach, improving collection methods and efficiency. Historical data on claims and debtors is used to tailor an optimal collection strategy for each debtor. Several automated processes are integrated into the debt collection strategy, such as for example automatic diallers. Borrowers' circumstances are regularly reviewed to monitor and determine enhanced options for initiating a payment process or to make changes to the payment plan.



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Methods and practices vary across markets due to various factors, including geographical market, claim size, applicable laws and regulations as well as individual borrower behaviour.

Our digital solutions also facilitate the capture and analysis of borrower data that helps us understand borrower behaviour and borrower needs. Our strategy engines make millions of decisions on what is the best move for each individual, considering their personal consumer journey. All data is secured through limited access, automatic monitoring, and sensitive data encryption in accordance with applicable data protection regulations.

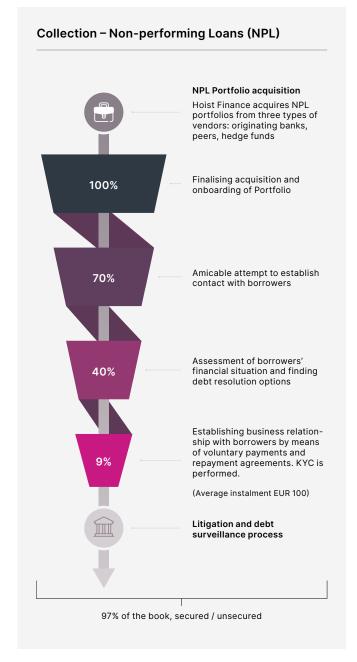
#### **Complaints management**

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

#### **Borrower experience measurements**

Understanding and creating trust with borrowers is a prerequisite to deliver on our credit management strategy. During 2023, we have implemented a Borrower Experience Measurement to manage borrower needs and monitor how experience change over time in relation to improvements in services, channels, and behaviours. The measurement will allow us to perform root cause analysis on borrower behaviour, improve transparency around the borrower dimension and ultimately enable us to build trust to improve our borrowers' propensity to pay.

The Borrower Experience Measurement has been implemented across our self-service platform and in service centres in Poland, Italy, Spain and France, with Germany, Belgium and Netherlands to follow in 2024. Amongst the 4,500 borrowers who had their say in 2023, they rated their experience with Hoist Finance with an average 4.22 score on a scale from one to five. Hoist Finance will continuously improve our ability to analyse results, as all markets with service centres implement the measurement. Read more in the Sustainability Report on page 121-153.



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#### **Case: Re-entering the Swedish market**

In March 2023, Hoist Finance acquired a Swedish non-performing portfolio from a well-renowned industry peer. Through the acquisition, we re-entered the Swedish market. Entering new or re-entering previous markets in a partnership model with industry peers or other third-party servicers is an essential part of Hoist Finance's journey on becoming the leading asset manager of NPLs in Europe.

As a result of the acquisition, Anna Anderén, Country Manager Sweden, joined the company in August 2023, and in September 2023 Enok Hanssen took on the position as Regional Manager Growth Markets and consequently joined the Executive Management Team, to fully leverage the benefits and growth potential for Hoist Finance to enter new markets.

#### Can you tell us more about what the re-entrance to the Swedish market means for Hoist Finance?

"There is high potential in the Swedish unsecured NPL market. The credit expansion of recent years has led to a need for banks to divest non-performing credit portfolios. This means a significant growth potential for a specialist like Hoist Finance. The Swedish market has stable flows with low volatility, meaning stable long-term portfolio performance due to a process-mature market and steady development of portfolios. In Sweden, due to higher financing costs, many debt collection agencies have strengthened their focus on third party collections while reducing their activity in investments. This is an opportunity for Hoist Finance as we can both benefit from lower competition in investments and lower prices for third party collections, which corresponds very well with Hoist Finance's business model in Sweden of acquiring portfolios and outsourcing the operational credit management. Through the acquisition, we are establishing a clear presence in the Swedish market, getting access to opportunities we have not had before due to lack of operational business with local knowledge," says Anna Anderén.

"Our model implies low entry costs to enter a new market and we can therefore be opportunistic. We consider the risks of entering the Swedish market to be relatively low and now that the competitive situation has improved, it has become more attractive to invest here. Hoist Finance's goal is to maximise risk-adjusted returns on invested capital, so we need to put ourselves in a situation where we look at as many potential deals as possible so we can choose the best ones from a pan-European perspective. This is another advantage of the launch in Sweden," Enok Hanssen explains.

"Regardless of operational set-up, we are at the forefront of customer care, ethics, and compliance, ensuring industry-leading credit management with quality and cost efficiency at its core. In Sweden, debt collection is highly regulated and characterised by The Debt Recovery Act and good lending practices, which is in line with Hoist Finance's ambitions to treat each borrower in an ethical and sound way. So, this was also a good reason to re-enter the Swedish market," Anna adds.

## Anna, in your role as Country Manager for Sweden, what does your team look like and what's your approach to strategic credit management? What does the partnership look like?

"My team consists of experts with local knowledge in credit management, operations, analytics, as well as commercial development to expand the market footprint. The borrower-intense part is outsourced to our servicing partner, and this is a perfect combination of working both cost-efficiently while generating growth, but without compromise on borrower centricity and debt collections ethics. By having a small expert team, we can focus on growing the portfolio and our presence in Sweden as well as the strategic part of credit management. We work with a highly data driven approach to understand borrower's behaviours and trends and support our partners in allocating resources and activities to improve collections. Our cooperation with our service partners is based on trust and proactiveness to ensure solutions that suit our borrowers' financial situation. We see a high potential to grow in Sweden and are also looking into expanding our partnerships," says Anna.



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Before the acquisition of the portfolio in Sweden, we also re-entered the UK market in a similar way during 2022. Can you describe the benefits for Hoist Finance of this set-up and outsourcing the operational credit management? And what are the challenges?

"This set-up has been successful for Hoist Finance. The main benefits are that with a local team comes industrial and operational insights so we know what works from a strategic point of view. Due to lower in-house costs there is no need to keep investing to just keep feeding the machine. We don't have to spend energy on staying afloat but can afford to be disciplined in terms of investments and markets, and thus a little more responsive to the competitive situation locally in each market. Even though we choose not to invest, we still have good profitability as the vast majority of the cost base is variable and follows the collections linearly. This allows us to be persistent in a different way than our competitors, who often have thousands of employees and very high indirect costs. The outsourced operational management besides offering cost-efficiency, also reduces time-to-market when entering new markets,

as we do not have to set-up an entire in-house collection unit and we can make use of the expertise in operational credit management already present in the markets that we enter, says Enok. This provides us with great flexibility when exploring the growth potential in new markets and offers the possibility of exiting certain local markets in case market conditions change without having dramatic consequences for the company as a whole. It is important to make sure we keep in-house expertise within these smaler local teams when it comes to operational excellence to be able to manage the strategic part of the partnership in the most efficient and best way. However, being a pan-European organisation means we have with a lot of expertise and knowledge, both locally and on group level," says Enok.

"The outsourced model also offers the opportunity for us to collect large amounts of data from many different partners which creates valuable insights and makes it possible for us to find the best ways to work with both operational and strategic credit management," concludes Anna.

#### Enok, as Regional Manager for Growth Markets, what do you see as the next steps?

"Next steps are all about stabilising and maturing on these new markets, and thereby increase markets share. Hoist Finance has a lot of tailwinds as the market conditions have come to to change and the ambition is of course that new markets can play a key role in achieving our growth targets. We are continuously looking at other potential markets and opportunities, both in more bilateral situations and in more traditional investment cases. One of Hoist Finance's advantages is that we combine the weight and muscle of a large regulated company with an entrepreneurial culture of high ceilings and straightforward decision-making. We have a business-oriented board and management team, and during the past year we have demonstrated our ability to execute transactions quickly, which I believe will become even more important in 2024 as the changing market conditions continue to have an impact," concludes Enok.



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#### A great place to work

#### Our commitment

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 organisation. We aim to offer the best work environments, with a culture based on equal opportunities. We strive for a culture in which our employees experience a sense of belonging, where their voice is heard and respected, they are offered opportunities for growth, they have a fair work-life balance and where the strategy and the core values of this organisation are incorporated into day-to-day tasks.

#### Our strategy

We firmly believe that our people will be the differentiator delivering on our business strategy to become the leading asset manager of non-performing loans in Europe. To support the organisation in reaching this goal, we have during 2023 further developed our People strategy with a focus on four key areas for the coming three years. The strategic priorities are executed group wide as well as in local markets.

#### Leadership

Guiding principle: "Our leaders are daring and prestigeless – with a mindset to inspire, communicate, listen and lead by example."

During 2023, we have completed a reorganisation to promote efficiency, autonomy and accountability for our markets.

To support the growth of our leaders, we have offered a training programme 'Learning to Lead' to cover areas such as communication and feedback, culture in a high-performance environment, as well as project and change management skills. Our leaders have also participated in management forums addressing relevant topics.

Our newly designed Employee Engagement Survey was launched in 2023 with the purpose of collecting feedback on areas such as leadership, culture and personal development. The survey provides us with both a leadership index and an eNPS score that will give us important insights on how to develop further.

We also gathered our leaders for the yearly Leadership Conference to align on strategy and direction.

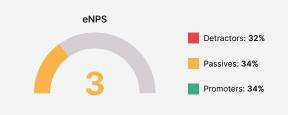
#### Number of employees (full-time equivalent)

2023	1,280
2022	1,304
2021	1,544

#### **Employees Net Promoter Score (eNPS)**

#### Feedback of employees and managers 2023

How likely are you to recommend Hoist Finance as an employer to others?



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#### Culture

We have a strong group company culture with local inputs. We think that defining who we are and how we do things is key to become a well-recognised employer of choice. Understanding why we do things is equally important, and during the year new initiatives were implemented to ensure everyone understands how they can contribute. In France and Poland, we created culture handbooks involving colleagues on all levels of the local organisations.

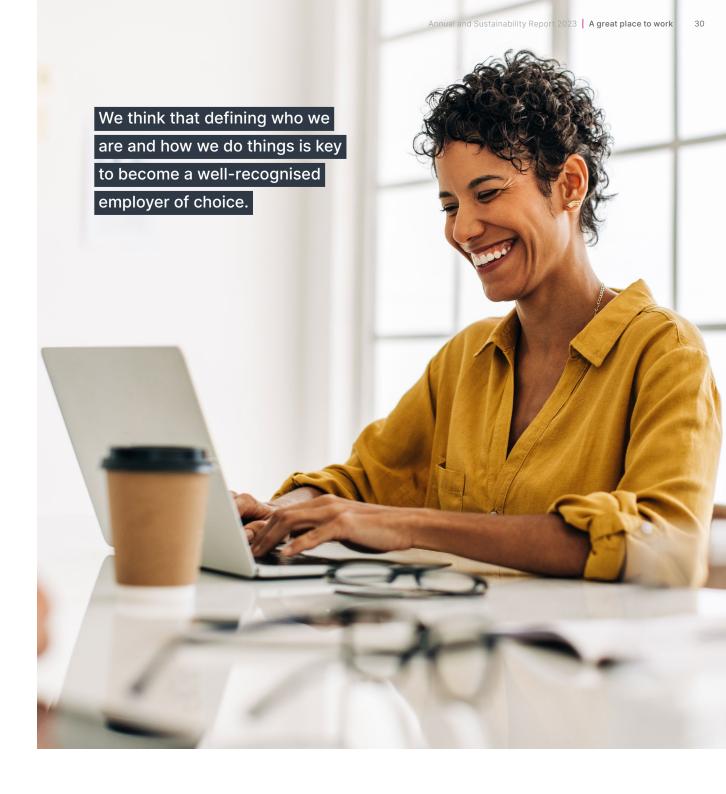
Our engagement survey is helping us to define our areas of improvement, which are followed up in the business reviews. In 2023, communication, on-/off-boarding, hybrid working and recognition have been in focus.

#### Talent & skills

Our identity allows us to differentiate ourselves and help us to develop a strong employee journey, open and performance-driven ways of working and increased pride in our purpose. In 2023, implemented initiatives to support the employee journey in the areas of attraction, onboarding, personal development and succession. The result has been new recruitment guidelines, talent reviews and more.

#### Data, KPIs & governance

By setting the right KPIs and measurements, we will continuously monitor and quickly respond to unpredicted challenges, drive initiatives and adapt to the ever-changing environment. To support management, the development of HR analytics and relevant dashboards were in focus during 2023.



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#### We build a culture that creates value

Our corporate culture is based on our vision, mission and values and is governed by our Code of Conduct. The Code of Conduct guides us to engage in continuous and open dialogue with external stakeholders and to treat colleagues with dignity, integrity, respect and fairness. Our corporate governance structure is fundamental in the efficient and effective governance and control of our operations and a well-balanced assignment of responsibilities, to ensure we have a systematic approach for upholding business ethics. We have implemented a robust and centrally coordinated compliance-monitoring programme, which evaluates and assesses compliance with legal, regulatory and industry best practices, as well as our own stringent internal standards. Read more about our corporate governance structure on page 42 and about sustainability governance on page 122.

#### Data protection and integrity

Data privacy is essential to protect the personal data of Hoist Finance borrowers and savings customers. This is especially important in our industry, where many of our borrowers are in difficult and vulnerable situations. Hoist is devoted to process personal data in accordance with all applicable data protection laws and regulations. To fulfil these regulatory requirements, Hoist has implemented a comprehensive privacy programme, which includes the implementation of necessary governance documents, regular trainings, monitoring reviews and the appointment of Data Protection Officers in all jurisdictions where Hoist Finance is present. Find 2022 disclosures related to data protection on page 132.

#### Cyber security

Managing cybersecurity is crucial to Hoist Finance, as we store and process large amounts of sensitive data. Successful attacks on the systems holding this data would have negative consequences for us, our consumers and our clients. Security is handled in all three layers of defence at Hoist Finance. Also, security awareness among employees is enhanced through regular training. For more information see page 132.

#### Anti-corruption and bribery

Corruption and money laundering are major challenges for society, and Hoist Finance is strongly committed to reducing risks along its value chain. We are determined to prevent, monitor, manage and enforce measures related to corruption and conflicts of interest and regularly carry out risk analyses related to corruption risk. We also regularly train colleagues on anti-corruption rules and their application. In 2023, 99.11 per cent of employees completed a conflicts of interest training and our Hoist Finance Anti-corruption Index, which measures knowledge and behaviours related to conflicts of interests and bribery, increased from 85 to 86 between 2022 and 2023.

#### Anti-money laundering and terrorist financing

We are continuously strengthening the company's defence against money laundering and terrorist financing by improving key processes. In 2023, preventative measures included continuous customer due diligence and transaction monitoring. In areas with

# Hoist Finance's anti-corruption index 84 85 86 2021 2022 2023

#### Per cent of employees who have completed training on:

**Trainings** 

Data protection	100%
Security awareness	100%
Conflicts of interest and anti-corruption	99%
Anti-money laundering	100%
Whistleblowing process	97%
Sustainability and ESG	99%

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increased exposure, and for high-risk customers, we have enhanced our KYC and monitoring processes in place to ensure that suspicious activities and transactions are reported to the relevant authorities.

Furthermore, all customers are screened against applicable sanction lists, and all employees receive anti-money laundering training annually. Find more information and disclosures on page 131.

#### Whistleblowing mechanism

Hoist Finance empowers all employees to anonymously report misconduct, unethical or illegal behaviour through a whistleblowing mechanism provided by an independent external supplier. All concerns are treated with strict confidentiality, which ensures that no one will be penalised or victimised. Access to whistleblowing messages is restricted to appointed individuals and reports are managed on a case-by-case basis. When an investigation needs to be initiated, necessary actions are taken internally or reported to external authorities if needed. In total, four whistleblowing cases were received, and managed internally by relevant functions. Read more on page 131.

#### Sourcing

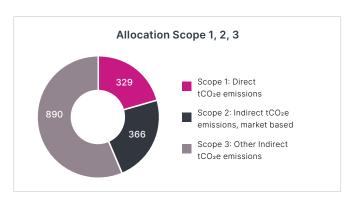
The sourcing process is decentralised within Hoist Finance and led by our Procurement Manager, and supported locally by Local Sourcing Officers. The main types of sourcing process are pure sourcing, outsourcing and resourcing supported by a P2P (Procure to Pay process). Hoist Finance's sourcing is based on its Sourcing Policy and Sourcing Instructions, supported by Hoist's Intranet Sourcing website, which includes all necessary documents, templates, tools and information about the process. The Hoist Finance Supplier Code of Conduct furthermore sets forth values and principles that are considered fundamental in commercial dealings and collaborative work with our supply chain partners.

We have also designated a central procurement entity – Hoist Finance Procurement AB – to be more efficient and cost-effective. All group contracts are handled by this entity. This means improved supply chain management, increased co-ordination, mitigation of sustainability risks in supply chain, and control over group contracts and costs and less local work.

#### **Climate impact**

As a leading European asset manager of non-performing loans with a dedicated focus on ethical business conduct, we have an important responsibility in to reduce our environmental impact and climate footprint.

During 2023, Hoist Finance focused on strengthening data quality of Greenhouse Gas (GHG)-reporting, including minimising gaps in our emissions inventory and ensuring accuracy by improving validation towards financial accounts.



Furthermore, we have defined short-term, medium-term and long-term targets for the Group, covering Scope 1, 2 and 3 emissions, aligning with the 1.5°C trajectory for Scope 1 and 2 and the well-below 2 °C (WB2C)-curve for Scope 3. Hoist Finance's medium-term target to reduce GHG emissions by 50 per cent from the base year 2022 to 2030. Our long-term target is to be climate neutral by 2040.

The diagram above shows Hoist Finance tCO2e emissions based on scopes for 2023. Read more about our results, targets and action plans in our Sustainability Report.



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The Hoist Finance share has been listed on Nasdag Stockholm's Mid Cap list since 25 March 2015. Hoist Finance's market capitalisation was SEK 3,318 million based on the last price paid on 29 December 2023, which was SEK 37.15 per share.

#### Trading

In all, 82 million (114) Hoist Finance shares were traded in 2023 with an average daily trading volume of 327,689 (450,989) shares. Nasdaq accounted for 53.8 percent (56.7) of the total trading in Hoist Finance shares. Hoist Finance's share price increased 26 percent in 2023, while the total OMX Stockholm PI index decreased 15 percent. The highest price quoted during the year was SEK 38.80 on 6 December 2023 and the lowest price was SEK 20.32, on 28 March 2023.

#### 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 is SEK 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 did it issue any shares in 2023. Hoist Finance is unaware of any agreement between shareholders that may entail restrictions on the right to transfer shares in the company.

#### Hoist Finance share data 2023

#### Ticker SE0006887063 ISIN code Total turnover, SEK Total turnover, number of shares Daily average turnover, MSEK Daily average turnover, number shares Average daily turnover velocity, % Stake of turnover number of shares on Nasdaq, % Lowest price, SEK Highest price, SEK Source: Modular Finance AB

#### Largest shareholders, 31 December 2023

	Share of capital and votes, %
Per Arwidsson with related parties	22.5
Erik Selin	19.9
Avanza Pension	9.4
Jofam	5.9
Svea Bank AB	5.1
Nordnet Pension Insurance	2.8
Dimensional Fund Advisors	1.8
BlackRock	1.8
Handelsbanken Fonder	0.9
Arbona AB	0.8
Total 10 largest shareholders	70.9
Others	29.1
Total	100.0

Source: Modular Finance AB.

HOFI

2,311

9.2

327,689

0.37

51.81%

20.32

38.80

82 250 099

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#### **Ownership structure**

As of 31 December 2023, Hoist Finance had 6,303 (7,075) share-holders. Approximately 13.5 percent (14.4) of the shares were registered to foreign accounts. The 15 largest individual shareholders represented 74.1 percent (71.6) of the share capital.

#### Dividend

Hoist Finance dividend will in the long-term correspond to 25–30 percent of the annual net profit of the group. The dividend will be determined annually, with respect to the company's and group's capital target and the outlook for profitable growth.

The Board of Directors has, by authorisation from the annual general meeting, decided to carry out a repurchase of shares until the Annual General Meeting in May 2024, corresponding to a maximum of SEK 100 million. In addition, to further enable continued growth, the Board of Directors will recommend to the Annual General Meeting that no dividend should be paid for the financial year 1 January - 31 December 2023

#### Ownership structure, 31 December 2023

Size	Number of shareholders	Capital
1 - 500	4,019	0.64%
501 - 1 000	814	0.75%
1,001 - 5,000	990	2.75%
5,001 - 10,000	212	1.79%
10,001 - 15,000	55	0.79%
15,001 - 20,000	38	0.80%
20,001 -	175	88.07%
Breakdown unknown	0	4.42%
Total	6,303	100.00%

Volume (number of shares)

Source: Modular Finance AB

Hoist Finance (SEK)

#### Share price development

	•		TIOIST THIAITCE (SERV)	Stockholliii	volume (number of shares)
100					35,000,000
90			^		30,000,000
80					
70					25,000,000
60				V \/	20,000,000
50					
40				^	15,000,000
30				$\sim$	10,000,000
20				1	
10					5,000,000
0	2019	2020	2021	2022	2023



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Hoist Finance's core business is to acquire and manage credit portfolios, which is why we are actively exposed to credit risk. Being a regulated credit market company under the supervision of 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 objectives at Hoist Finance is to:

- » support the achievement of strategic and tactical business objectives,
- » increase awareness around the company's complete risk picture through the identification, analysis, measurement, control and reporting of risks,
- » facilitate and ensure efficient and effective operations, and
- » secure the company's survival by maintaining adequate capital and liquidity levels.

This creates and maintains confidence in Hoist Finance among its borrowers, savings customers, clients, employees, investors and the overall society. To fulfil the risk management objectives, the Board of Directors has adopted policies and strategies for the identification, measurement, management, mitigation and reporting of risks in day-to-day operations, which together comprises a risk management framework.

Hoist Finance's core business strategy is to generate returns through controlled exposure to credit risk in the form of acquired credit portfolios. Therefore, we actively pursue 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 economically justifiable. Risk capacity, which consists of the capital and liquidity buffers in place, is set in order to ensure the survival of the company.

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 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 allocates roles and responsibilities in accordance with the three lines of defence model, 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, and
- » sound incident management, where incidents are reported, analysed and actions taken to mitigate risk of recurrence 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 endeavour 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 lack of social inclusion. This work is done in close collaboration with our Sustainability team and via active participation in the Business Ethics and Sustainability Committee.

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#### 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 prioritised part of the security work at Hoist Finance. In recent years, we have seen a considerable increase of cyber attacks on the finance sector as well as evolving attack methods. Hoist Finance has implemented security measures that are regularly evaluated for effectiveness in mitigating ICT and security risks. 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 KPIs within the field as well as follow-ups of any incidents or special projects. Security is handled in three lines of defence where the first layer is focused on operations, the second on reviews and monitoring and the third on internal audits. An important part of security management is having a high security awareness level among our employees; which involves regularly training our people. Besides from protecting our business and our borrowers as well as our savings customers, we also want to contribute to a stable and secure financial market.

### ESG risk factors according to the Task Force on Climate Related Financial Disclosures (TCFD) recommendations

We recognise that ESG (Environmental, Social and Governance) factors are drivers for risks and we continuously integrate ESG risk factors into current and upcoming risk management processes. Below we present disclosures according to the TCFD recommendations. General disclosures on governance and risk management cover all ESG factors due to their equal integration. Social and governance-related factors are more material than climate-related factors for Hoist Finance. Nevertheless, we recognise the importance of identifying, analysing and managing financial implications from climate-related transition and physical risk factors.

#### Governance

Hoist Finance's sustainability strategy is integrated into our business strategy and is a key part of our corporate governance structure. For a comprehensive description of our corporate governance structure, sustainability governance and assigned responsibilities, please see pages 42 and 122.

#### **Environmental and climate strategy**

Hoist Finance is committed to contribute to the 1.5 °C target. We aim to achieve climate neutrality by 2040. During 2023, we defined short-term, medium-term and long-term greenhouse gas (GHG) reduction targets. For more information, see page 133.

Hoist Finance is exposed to potential climate-related risk factors, as drivers for credit risk and operational risk. However, the impact on these risks is not deemed material for Hoist Finance. Potential transition<sup>1</sup> risk factors relate to indirect SME-exposures in our credit portfolio and increased energy prices. Potential physical acute<sup>2</sup> and chronic<sup>3</sup> risks relate to damage on offices and tangibles through extreme weather. These may have direct consequences on Hoist Finance's financial position in case of any impairment requirements of tangible assets and properties repossessed for protection of claims. There is also a potential direct impact on Hoist Finance's operational capabilities through interruptions in key service deliveries, primarily information and communication technology and electricity. Eventually, climate-related factors may have long-term geopolitical and macro-economic consequences that could potentially affect Hoist Finance indirectly. For example, potential impairment requirements due to the borrower's reduced repayment capacity and increased vulnerability of borrowers.

#### Integrating ESG into risk management

Potential ESG factors that may drive operational risks, as well as mitigation actions, are identified and prioritised through Hoist Finance's group-wide risk management framework and processes.

The ESG factors affect, or may affect, Hoist Finance risk profile in various ways. For example, environmental factors may cause macro-economic shocks that erode household disposable income and hence repayment capacity. However, our collection performance has proven resilient to normal macro-economic shocks. Environmental factors may also have adverse impact on Hoist Finance operating capacity, including services sourced by third-parties. Such scenarios are part of our business continuity and crisis management framework.

Also, ESG factors are integrated into our risk-incident reporting process to identify actual operational ESG factors, improve the ability to analyse the financial impact size and scope, and assess actions to prevent recurrence. In addition, a sustainability e-learning for all employees is conducted annually to raise awareness of ESG factors across the organisation. We are continuously developing our processes and frameworks to integrate climate and environmental risk factors into current processes.

#### Metrics and targets

On 31 December 2023, total secured credit portfolios amounted to SEK 7,168m of which the majority of credits collateralised by residential immovable property. The value of tangible assets amounted to SEK 175m, of which SEK 86m contained properties repossessed for protection of claims, comparable to total assets of SEK 34,023m. In addition, no incidents could be derived from environmental or climate-related risk facors in 2023. However, one incident could be indirectly derived from the degradation of tangibles due to the potential impact from environmental factors. This incident related to minor flooding in one of the group's offices, equal to an actual realised amount of 51,000 SEK. Hence, medium and long-term potential economic consequences from environmental factors are not assessed material. Find disclosures according to the EU Taxonomy Regulation on pages 140–148 and other environmental and climate-related disclosures on page 133.

According to the TCFD recommendations, transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address the mitigation and adaptation requirements related to climate change.

According to the TCFD Recommendations, an acute physical risk refers to those that are event-driven (e.g. extreme weather) with financial implications for an organisation such as direct damage to assets and indirect impacts from supply-chain disruption.

According to the TCFD Recommendations, a chronic physical risk refers to longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heat waves

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# 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.

Risk type	Risk profile	Risk management
Strategic risks		
Competition – The risk of increased competition in purchasing credit portfolios or in offering savings accounts to the public could result in lower earnings for Hoist Finance.	As regards the purchasing of credit portfolios, Hoist Finance operates in eleven countries within Europe and offers savings accounts in Sweden, Germany, the UK and Poland.	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		
<b>Credit risk</b> – The risk of loss arising from a borrower'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 credit 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.
<b>Market risk</b> – The risk arising from adverse movements in foreign exchange rates and interest rates.	The main FX risks arise from the fact that the credit 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.
<b>Liquidity risk</b> – 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.	The operational risk framework is implemented to analyse, control, report and mitigate operational risks Hoist Finance is exposed to.

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# **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 European asset manager of non-performing loans, with loan acquisition and management operations in thirteen countries across Europe. For over 20 years, the Group's core business has 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. Since 2018, the strategy has also included acquisition of secured NPLs and, to some extent, acquisition of performing loans. 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.

After purchasing an NPL portfolio, Hoist Finance's primary method of collecting from its borrowers is through sustainable payment plan agreements. Most of Hoist Finance's recovery activities for its acquired portfolios are managed through its own service 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.

#### The market

Hoist Finance's geographic focus is Europe. The Group has acquired credit portfolios in Belgium, Cyprus, France, Greece, Italy, the Netherlands, Poland, Spain, the UK, Sweden, 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 "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 29 December 2023, the number of shares totalled 89,303,000 and the share price closed at SEK 37.15, corresponding to a market capitalisation of SEK 3,318m. 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 credit 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 and UK branch offices provide services within the Hoist Finance Group. Note 20 "Shares and Participations in Subsidiaries" provides details on the Hoist Finance Group and its key subsidiaries and branch offices as of 31 December 2023.

# Proposed dividend

The Board of Directors has, by authorisation from the annual general meeting, decided to carry out a re-purchase of shares until the Annual General Meeting in May 2024, corresponding to a maximum of SEK 100 million. In addition, to further enable continued growth, the Board of Directors will recommend to the Annual General Meeting that no dividend should be paid for the financial year 1 January - 31 December 2023.

# 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	1,882,501,946
Reserves	6,097,554
Retained earnings	1,416,242,145
Profit/loss for the year	599,118,230
Fiorityloss for the year	399,116,230
Total	3,903,959,875
The Board of Directors proposes that unappropriated earnings be distributed as follows:	SEK
To be carried forward	3,903,959,875

# Key events during the year

- » Harry Vranjes took over as CEO 1 January 2023.
- » Completion of the rejuvenation programme, with all targets established during the programme met or exceeded.
- » Total portfolio investments of SEK 7.1 billion, with re-entry to the Swedish market where Hoist Finance is an active purchaser under a partnership model.
- » Strong performance in credit management during the year, with collections exceeding expected levels due to a high-quality book.
- » Hoist Finance's Baa3 senior credit ratings affirmed, and rating outlook changed to positive.
- » Hoist Finance launched a retail deposit programme in Poland in November under the HoistSpar brand.
- » Executive Management Team expanded to include all Country Managers and those responsible for the Group's key functions.
- » Agreement on the banking package, with the 'Specialised Debt Restructurer' option included, was formally signed by the Council of the European Union (Coreper), and ratification by the European Parliament is expected in April. The package includes a possible exemption from the backstop regulation for banks that meet established criteria.

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# Development during the financial year

Unless otherwise indicated, all comparative market, financial and operational information refers to 2022 financial year.

# Operating income

Operating income totalled SEK 3,518m (2,613) during the period. Net interest income increased to SEK 2,839m (2,166). The change is mainly attributable to interest income from the larger credit portfolio and a higher yield in the new credit portfolios compared with full-year 2022. Interest income from credit portfolios totalled SEK 3,469m (2,678) and interest expense amounted to SEK -806m (-562). Other interest income, which was positively impacted by returns on the liquidity portfolio due to higher interest rate levels, totalled SEK 176m (50).

Realised collections against active forecast totalled SEK 685m (543). Portfolio revaluations conducted during the period totalled SEK -322m (-490), of which timing effects<sup>1)</sup> of SEK -341m (-276) are due mainly to collections received earlier than planned. Collection performance was 105 percent for the period. Expected credit losses for the year amounted to SEK -6m, mainly attributable to secured performing portfolios in Poland.

Net result from financial transactions totalled SEK 117m (309). The change is attributable to the fact that Hoist Finance did not apply hedge accounting for interest rate hedging contracts during the comparative period, during which there was an increase in the market value of outstanding interest rate hedging contracts. Derecognition gains/losses totalled SEK 43m (0) during the period due to Hoist Finance's disposal of portfolios in France and Poland. Other operating income totalled 59m (19), where the increase is referred to servicing fees attributable to the divestment of the UK entities 2022.

# Operating expenses

Operating expenses totalled SEK -2,763m (-2,214) and include items affecting comparability of SEK -151m attributable to the rejuvenation programme. The change is otherwise mainly due to the larger total portfolio book, which increased revenue as well as direct costs. The total change in operating expenses also includes currency effects of SEK -170m. Personnel expenses totalled SEK -961m (-766), with SEK -80m attributable to non-recurring expenses related to the rejuvenation programme. The change is otherwise attributable to retained UK staff that were accounted for in the divested UK entity during the comparative period, to exchange rate fluctuations and to inflation-adjusted pay increases.

The larger portfolio is the main reason for the increased collection costs which amounted to SEK -1,018m (-764) for the period, of which legal collection costs accounted for SEK -403m (-322). These collection costs are expected to contribute positively to earnings in coming quarters. Administrative expenses increased during the year to SEK -688m (-575), of which SEK -71m is attributable to the rejuvenation programme. The increase is otherwise mainly attributable to costs to update and change of data systems.

# Net profit for the period

Net profit totalled SEK 711m (801). The comparative year includes profit of SEK 389m attributable to the divested UK entity. The Group has a related deferred profit amounting to SEK 78m posted against other receivables. Income tax expense for the period totalled SEK -158m (-78). The effective tax rate for the period was 18.17 percent (15.94).

# **Balance sheet**

Total asset increased by SEK 1,524m as compared with 31 December 2022 and totalled SEK 34,023m (32,499). The change is primarily attributable to an increase in credit portfolios of SEK 2,664m, where the portfolio book value amounted to SEK 24,288m (21,624). Other assets decreased by SEK 195m.

Total interest-bearing debt amounted to SEK 25,715m (25,029). The change is explained by a combination of an increase in deposit from the public by SEK 1,657m as well as a decrease of issued senior debt of SEK 968m.

SEK m	2023	2022	Change %
Cash and interest-bearing securities	8,066	9,241	-13
Portfolio book value	24,288	21,624	12
Value change of interest rate hedging items in portfolio hedging	239	9	>100
Other assets	1,430	1,625	-12
Total assets	34,023	32,499	5
Deposits from the public	20,238	18,581	9
Debt securities issued	4,577	5,545	<b>-17</b>
Subordinated debt	900	903	0
Total interest-bearing liabilities	25,715	25,029	3
Other liabilities 2)	2,261	1,726	31
Equity	6,047	5,744	5
Total liabilities and equity	34,023	32,499	5

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

Hoist Finance funds its operations through deposits in Sweden, Germany and Poland as well as through the international bond market and the Swedish money market. In Sweden, deposits from the public under the HoistSpar brand amounted to SEK 5,893m (6,687), of which SEK 2,054m (2,771) is attributable to fixed term deposits of one-, two and three-years durations. In Germany, deposits to retail customers are offered under the HoistSparen name. At 31 December 2023, deposits from the public in Germany were SEK 12,910m (10,854), of which SEK 9,200m (7,926) is attributable to fixed term deposits of one- to five-years duration. In Poland, deposits to retail customers are offered under the HoistSpar name. At 31 December 2023, deposits from the public in Germany were SEK 1m (-), of which SEK 1m (-) is attributable to fixed term deposits up to one year duration.

At 31 December 2023, the outstanding bond debt totalled SEK 5,477m (6,448), of which SEK 4,577m (5,545) was comprised of senior unsecured liabilities. The decrease is mainly attributable to matured securities during the period which has been partially replaced by deposits from the public.

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Other liabilities totalled SEK2,261m (1,726). Equity totalled SEK 6,047m (5,744) mainly attributable to the year's result and to payment of interest on Additional Tier 1 capital contributions.

# Portfolio book value

SEK	2023	2022	Change %
Portfolio acquisitions	7,089	6,928	2
Carrying amount, portfolio book value	24,288	21,624	12

In 2023, the acquisition level of credit portfolios has increased in comparison to 2022, driven by a focused acquisition and investment strategy that resulted in a larger size of investments, more bilateral transactions and a higher proportion of secured portfolios. The total acquisition volume in 2023 amounted to SEK 7,089 m (6,928). The portfolio book value amounted to SEK 24,288 m (21,624) as of December 31, 2023, an increase of SEK 2,664 m since 2022.

#### Cash flow

SEK m	2023	2022	Change %
Cash flow from operating activities	4,402	3,844	14
Cash flow from investing activities	-3,617	-7,129	-49
Cash flow from financing activities	572	4,330	-87
Cash flow for the year	1,357	1,045	29

Cash flow from operating activities totalled SEK 4,402m (3,844) during the year. Amortisation of credit portfolios decreased to SEK 4,101m (4,588). Cash flow from other assets and liabilities totalled SEK 296m (–1,318).

Cash flow from investing activities totalled SEK –3,617m (–7,129). Portfolio acquisitions increased year-on-year and amounted to SEK –7,089m (–6,928). Net cash flow from bonds and other securities totalled SEK 2,260m (–624) during the year.

Cash flow from financing activities totalled SEK 572m (4,330). Net outflow from deposits from the public totalled SEK 1,724m (–452), where the inflow is mainly driven by deposits in Germany. Issued securities totalled SEK 1,813m (880) and pertain to Tier 2 capital instruments. Repurchases and repayments of issued securities

totalled SEK –2,628m (–918) and pertain to early redemption of all outstanding bonds in Tier 2 capital instruments maturing in 2027. Other cash flows from financing activities are attributable to interest paid on Tier 1 capital contributions of SEK –152m (–95) and amortisation of lease liability of SEK –48m (–50).

Total cash flow for the year amounted to SEK 1,357m compared with SEK 1,045m in 2022.

# Capital adequacy

At the close of the year the CET1 ratio was 13.89 percent (15.85) for the Hoist Finance consolidated situation.

CET1 capital totalled SEK 4,119m (4,172). The risk-weighted exposure amount has increased to SEK 29,659m (26,313) since the turn of the year. The decrease in the CET1 ratio since the turn of the year was due mainly to new portfolio acquisitions, which reduced the ratio by 3.42 percent, while amortisation of existing NPL portfolios contributed to an increase of 1.50 percent.

The Group's positive result for the year, recognised in own funds, increased the CET1 ratio by 2.32 percent. Costs attributable to Hoist Finance's Tier 1 capital instruments reduced the ratio by –1.68 percent. The NPL backstop also had an impact of –0.74 percent on the CET1 ratio. Other events, including amortisation of Hoist Finance's existing securitisation structure, had a positive impact and increased the ratio by 0.38 percent.

All capital ratios meet regulatory requirements. An SEK 100m deduction for share repurchases has been taken from consolidated profit/loss.

Total capital amounts to SEK 6,129m (6,181) and the total capital ratio is 20.66 percent (23.49).

For Parent Company the CET1 ratio was 12.98 percent (14.62).

# 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 credit portfolios, which are managed by both the foreign branch offices together with the Parent Company. These foreign units also provide commission-based administration services to third parties. The Polish and UK branch offices provide services within the Hoist Finance Group.

The Parent Company's net interest income totalled SEK 1,177m (1,148m) during the year. The increase in net interest income is mainly attributable to higher interest rate market conditions. At the same time, intra-group interest income decreased due to fewer loans to subsidiaries. Interest expense was somewhat higher than last year, totalling SEK –750m (–513), due mainly to higher deposits. Total operating income amounted to SEK 1,827m (1,450m) and is attributable to dividends from subsidiaries in the UK and Cyprus and an SEK 91m profit realised upon the divestment of subsidiaries during the 2022 comparative year.

Net result from financial transactions totalled SEK –37m (42). This has been impacted primarily by a change in the market value of interest rate hedging contracts. Other operating income totalled SEK 231m (260) and is mainly attributable to group-wide services invoiced to subsidiaries. Total operating expenses amounted to SEK –1,689m (–1,362). The change is mainly due to impairment costs for projects and costs related to rejuvenation programme.

Net operating profit totalled SEK 583m (171) and was positively affected by the sale of portfolios in the Polish joint venture company. Impairment gains and losses of SEK 89m (54) are attributable to the difference between actual and projected repayments, to portfolio revaluations and to loss allowances for performing loans. During the year there was no write-down requirement for shares in subsidiaries (–36m). Net profit for the year totalled SEK 599m (245) and taxes totalled SEK –8m (14).

At 31 December 2023, the carrying value of portfolio book value totalled SEK 10,483m (9,107). The increase is mainly attributable to an increase in acquisition volumes over last year. Loans to subsidiaries totalled SEK 6,936m (7,455) and pertain mainly to the financing of subsidiaries' acquisitions of credit portfolios. Deposits from the public increased during the year to SEK 20,238m (18,581) due to increased market rates. Deposits from the public are offered in Sweden, Germany, the UK and Poland.

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# 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 1 January 2022 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 report" section in Hoist Finance Annual report 2023, pages 121-153. The auditor's report on the statutory sustainability statement can be found on page 159.

# Other disclosures

## Risks and uncertainties

The macroeconomic landscape continued to be defined by an economic uncertainty during the year. The economic downturn has persisted, with high interest rates still presenting challenges. Inflation rates declined during the period, which may have a stabilising effect on the economy. Although the labour market has shown signs of stability, there are indications that the growth rate may be slowing. Household finances continue to be under pressure, and global trade is contracting. The macroeconomic situation has a double-acting effect for Hoist Finance. While an increased number of acquired loans may present greater business opportunities, this may potentially reduce return on invested capital. The company has not seen any indication of this, however, as overall aggregate collection performance for credit portfolios exceeded forecast during the year.

When the company's internal capital adequacy and liquidity process (ICLAAP) is performed, the correlation of the historical repayment rate with macro variables is analyzed in order to capture risks in the forward-looking forecasts the company makes. So far, no strong correlations between, for example, variations in growth, inflation and unemployment and portfolio development/ability to repay have been established.

# **Development of risk**

Hoist Finance's overall risk profile was stable during the year. HoistSpar initiated deposit activities in Poland, which means that Hoist now accepts deposits in Polish zloty (PLN). The intention is to achieve a natural currency risk hedge and thereby reduce financing costs for Polish assets and activities. PLN deposits also help diversify the deposit base.

Hoist Finance's business activities involve various types of risk, primarily credit risk but also market risk, liquidity risk and operational risk. Credit in the NPL portfolios is low, with an aggregate collection performance well above the year's target. Credit risk in the liquidity portfolio remains low, as investments are made in government, municipal and covered bonds of high credit quality. Operational risk remains low. Hoist Finance continuously hedges interest rate and FX risks in the short and medium term and, accordingly, market risk remains low. Liquidity risk is also deemed to be low, with exposures well above risk appetite due to access to favourable borrowing rates via HoistSpar, particularly with the current interest rate situation.

#### Remuneration to senior executives

Information on the most recently approved guidelines for remuneration for senior executives is presented in Note 9 "Personnel expenses". Pursuant to Chapter 8, Section 51 of the Swedish Companies Act, the Board is required to prepare a proposal for new guidelines when material changes to the guidelines are required, but at least every four years. The Board has elected not to propose any material changes to the guidelines prior to the May 2024 AGM and, accordingly, the guidelines adopted by the 2023 AGM remain applicable.

# 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 2023 financial year is presented as a separate section in the Corporate Governance Report.

# **Subsequent events**

In connection with the finalised review and evaluation process of

Pillar 2 requirements and Pillar 2 guidance, Swedish FSA announced the following:

- » 0.50 percent of the group's total risk-weighted exposure amount.
- » 2.25 percent of the group's total leverage ratio exposure measure

In addition, Hoist Finance shall at group level meet a specific own funds requirement, Pillar 2 requirement, of 1.09 percent of the group's total risk-weighted exposure amount.

# Outlook

We see continued high activity in the credit portfolio market in Europe, with total volumes of portfolios of defaulted loans increasing steadily in our markets. The volume in the primary market, i.e. portfolios sold by the banks that originated the loans, is expected to increase given the back-stop regulation and uncertain economic environment.

We believe that higher financing costs and, high but for now declining, inflation will continue to drive specialisation among market participants who are moving towards a primary focus on credit management or primarily on asset management and volumes in the secondary market. These volumes, i.e. portfolios of non-performing loans held primarily through securitisation structures by major hedge fund investors and industry peers, remain high and will continue to contribute to overall market growth.

Hoist Finance will continue to have access to diversified and stable funding. This continues to be based on cost-effective retail deposits that tend to favour profitability in a higher interest rate environment supported by an investment grade rating from Moody's with a positive outlook.

The rejuvenation programme were completed in 2023 and Hoist Finance is well positioned for the future. In 2024 and beyond, regardless of the external environment, we will continue to improve efficiency and profitability in all markets where we operate. This, combined with our continued focus on central as well as local costs, high discipline in pricing and good continued growth opportunities, makes us at Hoist Finance very optimistic about the future.

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# **Corporate Governance Report**

Hoist Finance AB (publ) (the "Company" or "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.

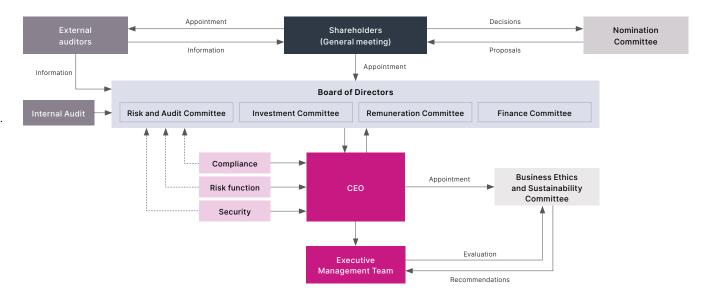
Good corporate governance aims to create favourable conditions for active shareholder engagement. This is achieved through a well-defined and well-balanced assignment of responsibilities between the company's executive and shareholder functions, which ensures that accurate information is being presented 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 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 currently applicable Code is available on the website of the Swedish Corporate Governance Board. A printed copy of the Code can also be ordered on the website. 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 2023 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.

# Governance structure



# 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
- » Instructions for the Finance Committee and
- » Order of Authorisation

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# **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.

# **Shareholders**

As of 31 December 2023, 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 6,302 shareholders at year-end. The 15 largest shareholders held an aggregate of approx. 75 per cent of the total share capital at the end of 2023. 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.

# 2023 Annual General Meeting

The most recent AGM was held on 10 May 2023 in Stockholm. 31 shareholders, representing 22.68 per cent of the shares and votes in the Company, were present 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 approve the Board's remuneration report
- » To discharge Board members and the CEO from liability
- » To re-elect Board members Bengt Edholm, Camilla Philipson Watz, Christopher Rees, Rickard Westlund, Lars Wollung and Peter Zonabend. The AGM elected Lars Wollung as Chairman of the Board.
- » 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 the guidelines for remuneration to senior executives
- » To authorise the Board to issue shares
- » To authorise the Board to acquire own shares

The minutes from the 2023 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 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), Carl Rydin (representing Jofam) and Lars Wollung (Chairman of the Board of Hoist Finance). The Committee has held [one] minuted meeting ahead of the 2024 AGM and maintained regular contact between meetings.

The Nomination Committee's proposals, its report on Committee work performed in preparation for the 2024 AGM, proposed Board members and auditors are published in connection with the AGM notice]

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# **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 2023 AGM resolved to re-elect Bengt Edholm, Camilla Philipson Watz, Christopher Rees, Rickard Westlund, Lars Wollung and Peter Zonabend as Board members. The 2023 AGM appointed Lars Wollung as Chairman of the Board.

At the end of the financial year, the Board had one female and five 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 2023, except for Lars Wollung, CEO of the Company from 15 March until 31 December 2022 and provider of consultancy services during the financial year, and Christopher Rees who provided the Company with consultancy services from 1 April until 30 September 2023. 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 2023.

#### 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 2023

A total of 35 minuted Board meetings were held in 2023, eight ordinary meetings, two statutory meetings and 25 extraordinary meetings. All Board members attended these meetings, except for the meetings on 17 May and 16 June when Christopher Rees did not participate, and the meetings on 4 and 17 July when Camilla Philipson Watz did not participate. The CEO, the CFO (during certain parts of several of the Board meetings) 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 September and the budget and business plan for the coming year in December. As a rule, governance documentation and instructions are adopted yearly, or if needed more frequently, at Board meetings. At ordinary meetings the Board receives regular reports from its Committees and the control functions.

The matters addressed by the Board in 2023 included, among other things, organisation, strategy, rejuvenation, and investments. 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 2023, including insider rules, data protection rules, information security, cyber security, transfer pricing and anti-money laundering.

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#### Work of the Board in 2023



#### **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 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. From 2024 and onwards, the Committee will also be responsible for monitoring and ensuring the quality of the Company's sustainability reporting. 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 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. The Committee is required to meet at least four times per financial year. In connection with the 2023 AGM3 it was resolved to re-elect Christopher Rees (Chair), Camilla Philipson Watz, and Bengt Edholm as members. The CEO, CFO and the Company's external auditors (during certain parts of the Committee meetings) 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 six meetings in 2023, with all members in attendance at these meetings, except for the meeting on 12 December when Bengt Edholm did not participate.

# 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

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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. Bengt Edholm (Chairman) and Peter Zonabend were re-elected and Camilla Philipson Watz was elected as members in connection with the 2023 AGM. The CEO and Chief People Officer also attend the Committee meetings. Company employees may be summoned to Committee meetings to provide details on specific reports or issues. Remuneration Committee meeting minutes are kept and made available to Board members. The Committee Chairman reports to the Board concerning the issues discussed and proposed at Committee meetings. The Committee held seven meetings in 2023, 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 50m or more, 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 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. Christopher Rees (Chairman), Lars Wollung and Rickard Westlund were elected as member in connection with the 2023 AGM.

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 15 meetings in 2023 with all members in attendance at these meetings.

For standard investments valued at less than EUR 50m, 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.

# Finance Committee

The Board resolved to establish the Board Finance Committee in January 2023. The Finance Committee's primary task is to assist the Board in its work related to finance matters and to prepare the Board's finance decisions. Such matters include inter alia regular reviews of capital allocation, composition of the liability side of the balance sheet, regulatory capital optimization, co-investments and other finance partnerships.

The Finance Committee is to have at least three members appointed by the Board on an annual basis. One member is elected Committee Chairman. The Finance Committee meets at least six times per financial year. Bengt Edholm (Chairman), Christopher Rees and Lars Wollung was elected as members in connection with the 2023 AGM. The Company's employees may be summoned to Committee meetings to provide details on specific reports or issues.

Committee meeting minutes are kept and are available to all Board members. The Committee Chairman reports to the Board at Board meetings concerning the issues discussed and proposed at Committee meetings. The Committee held six meetings in 2023 with all members in attendance at these meetings, except for the meeting on 11 December 2023 when Bengt Edholm did not participate.

#### Chairman of the Board

Lars Wollung is Chairman of the Board since 1 January 2023 (interim Chairman 1 January until 10 May 2023). Bengt Edholm resigned as Chairman of the Board with effect from 1 January 2023, whereby

the Board resolved to appoint Lars Wollung as interim Chairman of the Board.

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 2023 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.

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# **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.

Harry Vranjes is the Company's CEO since 1 January 2023. Lars Wollung was the Company's CEO from 15 March until 31 December 2022. For additional information on the CEO and the CEO's share-holding, 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 organisation and sustainability, and monitor the Company's financial performance.

The Asset and Liability Committee ("ALCO") 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 Investment and Head of Treasury. Head of Group Accounting, Head of Tax and Chief Risk Officer are non-voting members. 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 quidelines

The Company has set up a Business Ethics and Sustainability Committee composed of the CEO, Chief Operating Officer, Chief Investment Officer, Sustainability Manager 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 CEO is responsible for the Sustainability strategy with support from the Operational Management Team. 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 business 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 programme aimed at preventing money laundering and terrorist financing in place. The programme is continuously updated and includes inter alia ways of working, IT systems, policies, education and reporting routines.

# Auditors

The 2023 AGM re-elected registered public accounting firm EY 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 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

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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 to senior executives, etc.

Guidelines for remuneration to senior executives were adopted by the 2023 AGM. 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 risktaking 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 cash remuneration for senior executives 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 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 51 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. 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 quidelines 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. 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

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- » 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 Chief Information Security Officer 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 is 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.

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#### 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 environment 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 time-frame 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.

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# **Board of Directors**



**Lars Wollung** 

Chair of the board, Board member since Feb 2022

Born: 1961

#### Education

Civil engineer at KTH Royal Institute of Technology and Master of Science in Economics at Stockholm School of Economics.

#### Internal assignments

Chair of the Board Investment Committee, member Remuneration Committee, chair Finance Committee, member

#### Other significant external assignments

Chair of the Board of Implema.

#### Previous experience (selection)

Senior advisor to EQT and Litorina, board member and CEO of Intrum, CEO of Acando, consultant at McKinsey, board member of Nordea, TF Bank, Bluestep Bank, Tieto, Sigma and Connecta and chair of the board for IFS and RaySearch Laboratories.

Shareholding: 744,601 shares. Bonds with a purchase price of SEK 20,931,594.

Not independent in relation to the Company and management



# **Bengt Edholm**

Board member since February 2022

Born: 1956

#### Education

Master of Science in Economics, Uppsala University.

### Internal assignments

Board member Risk and Audit Committee, member Remuneration Committee, member Finance Committee, chair

# Other significant external assignments

Board member of Norion Bank and Chair of the Risk and Compliance Committee.

### Previous experience (selection)

Head of Group Treasury at Handelsbanken, Head of Treasury at Stadshypotek, Bond Trader/Portfolio Manager at Nordea and Danske Bank.

Shareholding: 18,341 shares.

**Independent** in relation to the company and management and to major shareholders.



# **Camilla Philipson Watz**

Board member since February 2022

**Born:** 1975

#### Education

Master of Laws, Stockholm University.

#### Internal assignments

Board member Risk and Audit Committee, member Remuneration Committee, member

# Other significant external assignments:

Chief Legal Officer at Borgo

# Previous experience (selection)

Legal Counsel at Nordnet Bank and Handelsbanken, Legal Counsellor at the Swedish Financial Supervisory Authority, Senior Legal Adviser at The Swedish Post and Telecom Authority and Legal Officer at the Swedish Government Offices.

Shareholding: 0 shares.

Independent in relation to the company and management and to major shareholders

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# **Christopher Rees**

Board member since February 2022

**Born:** 1972

# Education

Master of Science in Accounting and Finance and Bachelors of Science in Economics at London School of Economics.

# Internal assignments

Board member

Investment Committee, chair Risk and Audit Committee, chair Finance Committee, member

#### Other significant external assignments

Board member of Bluestep Bank, Director of Kalix Capital and Managing Director Seerave Enterprises.

#### Previous experience (selection)

Previous experience includes Nordea Bank - incl. Group CFO and Head of Finance and Treasury and Deputy Head of Wholesale Banking and Head of Markets, Barclays Bank - incl. Managing Director & Co-head of Debt Capital Markets and Risk Solutions Group for EMEA, board member of Greenergy International Ltd, Morgan Stanley - incl. Executive Director & Head of European Liability Management and Restructuring, Merrill Lynch - within the Strategic Solutions Group.

Shareholding: 74,000 shares.

**Independent** in relation to the company and management and to major shareholders.



# **Rickard Westlund**

Board member since February 2022

Born: 1966

# Education

Master of Science in Economics, Örebro University.

# Internal assignments

Board member

Investment Committee, member

# Other significant external assignments

Advisor for Ropo Capital

#### Previous experience (selection)

CEO of Ropo Capital (2023), CEO of Ludvig & Co, Regional Managing Director at Intrum, Head of Capital at Lindorff, CEO of Aktiv Kapital Sverige, and Swedbank in different positions, latest Head of Private and Corporate Market.

Shareholding: 19,794 shares.

**Independent** in relation to the company and management and to major shareholders.



# Peter Zonabend

Board member since 2021

Born: 1980

#### Education

: LL.M at Stockholm University, EMLE at Université Paul Cézanne Aix-Marseille III, bachelor's degree in Business and Economics at Stockholm University and DU EAED at Université Paul Cézanne Aix-Marseille III.

# Internal assignments

Board member

Remuneration Committee, member

# Other significant external assignments

**CEO of** Arwidsro Fastighets AB and chair of the board for Vivesto AB.

# Previous experience (selection)

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.

Shareholding: 61,000 shares.

Not Independent in relation to major shareholders.

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# **Executive Management Team**

# **Harry Vranjes**

Chief Executive Officer Hoist Finance employee since 2023

#### Education

Studies in Computer Science and Business at Lund's University (Sweden)

# Previous experience

Over 20 years of experience from the credit management industry and IT in various roles at Intrum, i.a. Chief Operating Officer, Regional Managing Director Western Europe and Chief Technology Officer. Consultant at WM-Data (now part of CGI) and Meteorit (now part of Sigma).

Shareholding: 199,366 shares.

# **Christian Wallentin**

Chief Financial Officer And Deputy CEO Hoist Finance employee since 2021

#### Education

MSc Economics and Business Administration. Stockholm School of Economics (Sweden), CEMS Master, International 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: 90,000 shares.

# **Fabien Klecha**

Chief Investment Officer Hoist Finance employee since 2012

# Education

Bachelor's degree in Business Administration, Università Commerciale L. Bocconi (Italy), Master's degree in Management (Entrepreneurs major), HEC Paris (France)

# Previous experience

Previous positions in Hoist Finance as Head of Secured Assets Business Line, Chief Sales Officer, Country Manager in France and Investment Manager. Experience in M&A at Rothschild & Co (Paris) and Lazard Frères (Milan), as well as entrepreneurship in AgroGeneration (part of the Private Equity fund Gravitation).

Shareholding: 105,000 shares.

# Katarina Meyer

Chief People Officer Hoist Finance employee since 2016

#### Education

Studies in Communication and Media at independent community college. Human Resources Management through various studies such as Labour Law, Talent Acquisition, Leadership Development and Communication.

# Previous experience

30+ years of experience from a broad spectrum of sectors, with competencies such as Talent Managagement, Employer Branding, Culture and GDPR for HR. Previously in various HR roles including Hoist Finance Head of People Sweden, HR Consultant at Boardtalk and Senior HR Business Partner at Sun-Gard.

Shareholding: 4,300 shares.

# **Enok Hanssen**

Regional Manager, Growth Markets Hoist Finance employee since 2023

# Education

Bachelor's degree in Business Administration, School of Business, Economics and Law at the University of Gothenburg; Executive MBA from Copenhagen Business School; Studies in Political Science at the University of Gothenburg

# Previous experience

Chief Commercial Officer at Morrow Bank, Oslo, Norway Managing Director Intrum Italy, Milan, Italy COO Buckaroo, Utrecht, the Netherlands Group IT Director Western Europe at Intrum, Stockholm, Sweden Business Development Manager CEU, Zürich, Switzerland

Shareholding: 0 shares.

# Simona Sankauskaite

Chief Risk Officer Hoist Finance employee since 2018

#### Education

MSc Finance and Business administration, Stockholm University (Sweden)

#### Previous experience:

Previous position in Hoist Finance as Senior Risk and Capital Analyst, experience from credit management industy as investment analyst at Intrum, over 10 years banking experience from various roles in Swedbank.

Shareholding: 3,400 shares.

# Cecilia Stråle

Chief Compliance Officer Hoist Finance employee since 2020

# Education

Master of Laws, University of Uppsala

### Previous experience

Close to 20 years experience in various legal and compliance roles; Nordic Head of Compliance at American Express, Senior Associate at Mannheimer Swartling law firm (member of the Swedish Bar Association), legal counsel Ericsson.

Shareholding: 1,601 shares.

# Mihails Mihailovs

Chief Operating Officer Hoist Finance employee since 2023

# Education

Bachelor of Computer Science, Transport and Telecommunications Institute, Riga, Latvia

# Previous experience

20 years of experience in technology and credit management in various roles within Exigen Group, Accenture and Intrum where he held Regional IT Director and IT Transformation Director positions.

Shareholding: 8,000 shares.

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# Makram Chebli

Country Manager France Hoist Finance employee since 2012

#### Education

Bachelor's degree in economics, Université Saint Joseph (Lebanon), master's degree in management, HEC Paris (France)

#### Previous experience

More than 17 years of financial services industry experience, including Head of Acquisitions for Hoist Finance France, Consultant at Stanwell Consulting and Exton Consulting (Paris) as well as M&A in the FIG team at Lehman Brothers (London).

Shareholding: 17,600 shares.

Miguel Sotomayor

Hoist Finance employee since 2019

Country Manager Spain

# Andrea Giovanelli

Country Manager Italy

#### Education

Industrial Engineer at Universidad Pontificia Comillas ICAI (Madrid, Spain), MBA at Kellogg School of Business, Northwestern University (Evanston, IL)

#### Previous experience

More than 20 years of experiences across a wide spectrum of industries and functions. Engagement Manager at McKinsey&Co specialising in M&A, Purchasing at Banco Santander, General Management at Optize, Bancassurance Manager and Director of Online Distribution at Aegon Insurance, Director of Strategy and Director of Operations at Haya Real Estate

Shareholding: 0 shares.

# Sarah Salmona

Country Manager Greece Hoist Finance employee since 2016

#### Education

BSc in Business Administration, Athens University of Economics and Business (Greece), MSc in Strategic Human Resources Managament, ALBA Graduate Business School (Greece)

#### Previous experience

Previous position in Hoist Finance as Deputy Country Manager Greece. Over 20 years of experience in financial services, i.a Transaction Services Senior Manager at EY Greece, CFO at a Real Estate Fund Manager in South eastern Europe, internal auditor at Steel company listed on the Athens Stock Market, as well as auditor in PwC, Greece.

Shareholding: 0 shares.

Hoist Finance employee since 2023

#### Education

Graduation in Economy and Management, University of Turin, Chartered Accountant, University of Turin, Diplome d'Etudes Approfondis in Financial Strategy, Ecole Superieure De Commerce De Lyon.

#### Previous experience

In doValue since June 2018, after a remarkable experience both in Corporate Finance and in Restructuring, which started in Mediobanca, HSBC e Capitalia, and consolidated in Unicredit as Head of Restructuring since 2008. Founder and CEO of Pillarstone and Head of Restructuring & Debt Advisory Services di Deloitte Italy.

Shareholding: 20,000 shares.

# Mateusz Poznański

Country Manager Poland Hoist Finance employee since 2020

## Education

MSc of Digital Management, Kozminski University Warsaw (Poland), BSc of Marketing and Management Economic School Poznan (Poland), Management education, Economic University of Wroclaw (Poland) / INSEAD (France)

# Previous experience

More than 25 years of experience from the financial sector in Poland in various strategic and leadership roles, including the position of Vice President of the Management Board at Alior Bank S.A., Executive Director at ING Bank Poland, Vice-Chairman Supervisory Board at the Polish Payment Standard (BLIK) and Visa Executive Committee Poland, as well as Director of the Sales Department at Credit Agricole Poland.

Shareholding: 0 shares.

# Changes in the Executive Management Team

Sofia Buhlin, Interim Cheif Communications officer. was part of the Group Executive Management between June 1 2023 and February 8 2024.

Johan Wigh, Interim Cheif Legal Officier, left Hoist Finance on Jan 28 2024 and was succeeded by Pontus Ericson as Cheif Legal Officier on Jan 29 2024. Pontus Ericson is a member of the Executive Management Team.

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# **Consolidated income statement**

SEK m	Note	2023	2022
Interest income acquired credit portfolios calculated using the effective	4	2.400	0.070
interest rate method	4	3,469	2,678
Other interest income <sup>1)</sup>	4	176	50
Interest expense	4	-806	-562
Net interest income	4	2,839	2,166
Impairment gains and losses	5	357	53
Fee and commission income	6	103	66
Net result from financial transactions	7	117	309
Derecognition gains and losses	7	43	-
Other operating income	8	59	19
Total operating income		3,518	2,613
Personnel expenses	9	-961	-766
Collection costs	10	-1,018	-764
Other administrative expenses	10	-688	-575
Depreciation and amortisation of tangible and intangible assets	21,22,23	-96	-109
Total operating expenses		-2,763	-2,214
Net operating profit/loss		755	399
Share of profit from joint ventures	11	114	91
Profit/loss before tax from continuing operations		869	490
Income tax expense	13	-158	-78
Net profit from discontinued operations	14	_	389
Net profit/loss		711	801
Profit/loss attributable to:			
Owners of Hoist Finance AB (publ)		558	706
Additional Tier 1 capital holders		152	95
Basic and diluted earnings per share continuing operations, SEK	15	6.26	3.55
Basic and diluted earnings per share discontinued operations, SEK		0.00	4.36
Basic and diluted earnings per share total, SEK		6.26	7.91

<sup>1)</sup> Of which interest income calculated using the effective interest method amount to SEK 48.5m (16.0).

# Condensed consolidated statement of comprehensive income

SEK m Not	2023	2022
Net profit/loss for the period	711	801
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of defined benefit pension plan	1	13
Tax attributable to items that will not be reclassified to profit or loss	-	_
Total items that will not be reclassified to profit or loss	1	13
Items that may be reclassified subsequently to profit or loss		
Translation difference, foreign operations	264	247
Hedging of currency risk in foreign operations	-528	-475
Transferred to the income statement during the yea <sup>1)</sup>	29	210
Tax attributable to items that may be reclassified to profit or loss	109	98
Total items that may be reclassified subsequently to profit or loss	-126	80
Other comprehensive income for the period	-125	93
Total comprehensive income for the period	586	894
Profit/loss attributable to:		
Owners of Hoist Finance AB (publ)	434	799
Additional Tier 1 capital holders	152	95

<sup>1)</sup> Due to discontinued operations SEK –206m has been transferred to the income statement during 2022. See Note 14 "Profit/loss from discontinued operations" and Annual report 2022.

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# **Consolidated balance sheet**

SEK m	Note	2023	2022
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	16, 18	2,675	2,789
Lending to credit institutions	16, 18	3,535	2,358
Lending to the public	16, 18	0	1
Portfolio book value	16, 18, 19	24,288	21,624
Value change of interest-hedged items in portfolio hedging	7	239	9
Bonds and other securities	16, 18	1,856	4,094
Shares and participations in joint ventures	11	5	188
Intangible assets	21	242	297
Tangible assets	22, 23	175	221
Other assets	17, 24	808	694
Deferred tax assets	13	71	116
Prepaid expenses and accrued income	25	129	108
Total assets		34,023	32,499

SEK m	Note	2023	2022
LIABILITIES AND EQUITY			
Liabilities			
Deposits from the public	16, 18, 29	20,238	18,581
Debt securities issued	16, 18, 29	4,577	5,545
Tax liabilities		122	107
Other liabilities	17, 23, 26	1,758	1,158
Deferred tax liabilities	13	30	85
Accrued expenses and deferred income	27	297	329
Provisions	28	54	47
Subordinated debts	16, 18, 29	900	903
Total liabilities		27,976	26,755
Equity	30		
• •	30	1.100	1100
Additional Tier 1 capital holders		1,109	1,106
Share capital		30	30
Other contributed equity		2,275	2,275
Reserves		-440	-314
Retained earnings including profit/loss for the period		3,073	2,647
Total equity		6,047	5,744
Total liabilities and equity		34,023	32,499

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# **Consolidated statement of changes in equity**

Equi	ty attributa	ble to share	eholders of	Hoist Finance	e AB (publ)

			Rese	rves				
SEK m	Share capital	Other contributed equity	Hedge reserve	Translation reserve	Retained earnings including profit/loss for the period	Total	Additional Tier 1 capital holders	Total equity
Opening balance 1 Jan 2023	30	2,275	-687	373	2,647	4,638	1,106	5,744
Comprehensive income for the period								
Profit/loss for the period					559	559	152	711
Other comprehensive income			-390	264	1	-125		-125
Total comprehensive income for the period			-390	264	560	434	152	586
Transactions reported directly in equity								
Additional Tier 1 capital instrument 1)							700	700
Called Additional Tier 1 capital instrument 1)					-128	-128	-701	-829
Transaction cost Tier 1 capital instrument					-13	-13	5	-8
Interest paid on capital contribution							-152	-152
Acquisition agreement for treasury shares 2)					8	8		8
Tax effect on items reported directly in equity					3	3	-1	2
Share-based payments 3)					-4	-4		-4
Total transactions reported directly in equity					-134	-134	-149	-283
Closing balance 31 Dec 2023	30	2,275	-1,077	637	3,073	4,938	1,109	6,047

<sup>1)</sup> Issued amount of SEK 700m, called amount of EUR 70m with a FX-effect of SEK 128m.

# Equity attributable to shareholders of Hoist Finance AB (publ)

			Reserves					
SEK m	Share capital con	Other tributed equity	Hedge reserve	Translation reserve	Retained earnings including profit/loss for the period	Total	Additional Tier 1 capital holders	Total equity
Opening balance 1 Jan 2022	30	2,275	-473	79	1,924	3,835	1,106	4,941
Comprehensive income for the period								
Profit/loss for the period <sup>1)</sup>					706	706	95	801
Other comprehensive income			-214	294	13	93		93
Total comprehensive income for the period			-214	294	719	799	95	894
Transactions reported directly in equity								
Interest paid on Additional Tier 1 capital							-95	-95
Share-based payments <sup>2)</sup>					4	4		4
Total transactions reported directly in equity					4	4	-95	-91
Closing balance 31 Dec 2022	30	2,275	-687	373	2,647	4,638	1,106	5,744

<sup>1)</sup> Net profit for the period includes reclassifications of hedging reserves and historical exchange rate effects that were realised in profit/loss upon the sale of the disposal group of operations in the UK, amounting to SEK –206m net after tax.

<sup>2)</sup> Called swap, issued 2020 to secure the delivery of treasury shares in the LTIP programme.

<sup>3)</sup> For more information on share-based payments, see Hoist Finance Annual report 2022.

<sup>2)</sup> For more information on share-based payments, see Hoist Finance Annual report 2022

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# **Condensed consolidated cash flow statement**

SEK m	Note	2023	2022
OPERATING ACTIVITIES			
Profit/loss before tax 1)		869	490
– of which, paid-in interest		3,649	2,727
– of which, interest paid		-678	-562
Adjustment for other items not included in cash flow	32	-798	30
Realised result from divestment of shares and participations in joint ventures		4	3
Net profit/loss for the period attributable to discontinued operations		-	164
Income tax paid/received		-70	-113
Amortisations on acquired credit portfolios		4,101	4,588
Increase/decrease in other assets and liabilities		296	-1,318
Cash flow from operating activities		4,402	3,84
INVESTING ACTIVITIES			
Acquired credit portfolios		-7,089	-6,928
Investments in bonds and other securities		884	_
Divestments of bonds and other securities		-	-1,878
Divested subsidiaries		2,260	1,254
Other cash flows from investing activities		-	500
Cash flow from investing activities		328	<del>-</del> 77
Cash flow from investing activities		-3,617	-7,129

<sup>1)</sup> For 2022 profit from divested subsidiaries are presented separately, compared to previous quarters.

SEK m Note	2023	2022
FINANCING ACTIVITIES	2023	
Deposits from the public	1,724	-452
Settlement of net lending attributable to discontinued operations	-	4,965
Debt securities issued	1,813	880
Repurchase and repayment of Debt securities issued	-2,628	-918
Additional Tier 1 capital	692	_
Interest paid on Additional Tier 1 capital	-829	_
Acquisition agreement for treasury shares	-152	-95
Amortisation of lease liabilities	-48	-50
Cash flow from financing activities 32	572	4,330
Cash flow for the period	1,357	1,045
Cash at beginning of the period	4,809	3,625
Translation difference	-228	139
Cash at end of the period <sup>2)</sup>	5,938	4,809
2) Cash and cash equivalents in cash flow statement		
SEK m	2023	2022
Cash	0	0
Treasury bills and Treasury bonds	2,675	2,789
Lending to credit institutions	3,535	2,358
excl. lending to credit institutions in securitisation vehicles	-272	-338
Total cash and cash equivalents in cash flow statement	5,938	4,809

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# **Parent Company condensed income statement**

SEK m Not	e 2023	2022
Interest income	1,927	1,661
Interest expense	4 –750	-513
Net interest income	1,177	1,148
Fee and commission income	457	-
Net result from financial transactions	7 –37	42
Other operating income 6,	3 230	260
Total operating income	1,827	1,450
Personnel expenses	-588	-474
Other administrative expenses 1	-1,055	-833
Depreciation and amortisation of tangible and intangible assets 21, 2	2 -46	-55
Total operating expenses	-1,689	-1,362
Profit before credit losses	138	88
Impairment gains and losses on acquired credit portfolios	5 89	54
Amortisation of other financial fixed assets	-	-36
Share of profit from joint ventures 1	1 356	65
Profit/loss before tax	583	171
Appropriations 1	2 24	60
Taxes 1	3 -8	14
Net profit/loss	599	245

# **Parent company condensed statement** of comprehensive income

SEK m Note	2023	2022
Net profit/loss	599	245
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation difference, foreign operations	3	0
Tax attributable to items that may be reclassified to profit or loss	-	
Total items that may be reclassified subsequently to profit or loss	3	0
Other comprehensive income for the year	3	0
Total comprehensive income for the year	602	245
Profit/loss attributable to:		
Owners of Hoist Finance AB (publ)	537	150
Additional Tier 1 capital holders	65	95

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# **Parent Company condensed balance sheet**

SEK m	Note	2023	2022
ASSETS			
Cash		0	0
Treasury bills and Treasury bonds	16, 18	2,675	2,789
Lending to credit institutions	16, 18	2,678	1,447
Lending to the public	16, 18	0	1
Portfolio book value	16, 18, 19	10,483	9,107
Value change in interest-hedged items in portfolio hedge	7	163	-
Receivables, Group companies		6 936	7 455
Bonds and other securities	16, 18	1 856	4 094
Shares in subsidiaries	20	6 547	4 836
Shares and participations in joint ventures		0	5
Intangible assets	21	70	126
Tangible assets	22	9	20
Other assets	16, 17, 24	618	592
Deferred tax assets	13	67	32
Prepaid expenses and accrued income	25	52	66
Total assets		32.154	30.570

Debt securities issued         16, 18, 29         4,101         5,0           Tax liabilities         111         11         11           Other liabilities         17, 26         1,361         8           Deferred tax liabilities         13         0         0           Accrued expenses and deferred income         27         136         136           Provisions         44         4         4           Subordinated debts         16, 18, 29         900         9           Total liabilities and provisions         26,891         25,66           Untaxed reserves         12         201         2           Equity         30         8         8           Restricted equity         30         8         8           Statutory reserves         13         13         13         13         14 <td< th=""><th>SEK m</th><th>Note</th><th>2023</th><th>2022</th></td<>	SEK m	Note	2023	2022
Deposits from the public         16,18,29         20,238         18,8           Debt securities issued         16,18,29         4,101         5,0           Tax liabilities         111         11         11           Other liabilities         17,26         1,361         8           Deferred tax liabilities         13         0         4           Accrued expenses and deferred income         27         136         4           Provisions         44         4         4           Subordinated debts         16,18,29         900         9           Total liabilities and provisions         26,891         25,6           Untaxed reserves         12         201         2           Equity         30 <td< td=""><td>LIABILITIES AND EQUITY</td><td></td><td></td><td></td></td<>	LIABILITIES AND EQUITY			
Debt securities issued         16, 18, 29         4,101         5,00           Tax liabilities         111         11         11           Other liabilities         17, 26         1,361         8           Deferred tax liabilities         13         0         6           Accrued expenses and deferred income         27         136         7           Provisions         44         4         4         4         4           Subordinated debts         16, 18, 29         900         9	Liabilities			
Tax liabilities         111         1           Other liabilities         17, 26         1,361         8           Deferred tax liabilities         13         0           Accrued expenses and deferred income         27         136           Provisions         44         4           Subordinated debts         16, 18, 29         900         9           Total liabilities and provisions         26,891         25,6           Untaxed reserves         12         201         2           Equity         30         2         2           Restricted equity         30 </td <td>Deposits from the public</td> <td>16 ,18, 29</td> <td>20,238</td> <td>18,581</td>	Deposits from the public	16 ,18, 29	20,238	18,581
Other liabilities       17, 26       1,361       8         Deferred tax liabilities       13       0         Accrued expenses and deferred income       27       136         Provisions       44       4         Subordinated debts       16, 18, 29       900       9         Total liabilities and provisions       26,891       25,6         Untaxed reserves       12       201       2         Equity       30	Debt securities issued	16, 18, 29	4,101	5,053
Deferred tax liabilities         13         0           Accrued expenses and deferred income         27         136           Provisions         44         4           Subordinated debts         16, 18, 29         900         9           Total liabilities and provisions         26,891         25,6           Untaxed reserves         12         201         2           Equity         30         Restricted equity         Statutory reserves         13         Revaluation reserve         3         Development expenditure fund         2         Total restricted equity         48           Non-restricted equity         Additional Tier 1 capital holders         1,110         1,1           Share premium         1,883         1,8           Reserves         6         6           Retained earning         1,416         1,4           Profit for the year         599         2           Total unrestricted equity         5,014         4,6           Total equity         5,062         4,7	Tax liabilities		111	107
Accrued expenses and deferred income       27       136         Provisions       44         Subordinated debts       16, 18, 29       900       9         Total liabilities and provisions       26,891       25,6         Untaxed reserves       12       201       2         Equity       30       Equity       Share capital       30       Statutory reserves       13       Revaluation reserve       3       Development expenditure fund       2         Total restricted equity       Additional Tier 1 capital holders       1,110       1,1         Share premium       1,883       1,8         Reserves       6       Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Other liabilities	17, 26	1,361	831
Provisions         44           Subordinated debts         16, 18, 29         900         9           Total liabilities and provisions         26,891         25,6           Untaxed reserves         12         201         2           Equity         30         Restricted equity         Share capital         30         Statutory reserves         13         Revaluation reserve         3         Development expenditure fund         2         Total restricted equity         48         Non-restricted equity           Additional Tier 1 capital holders         1,110         1,1         1,883         1,8         1,883         1,8         1,883         1,8         1,8         1,8         1,8         1,8         1,8         1,8         1,4	Deferred tax liabilities	13	0	0
Subordinated debts         16, 18, 29         900         9           Total liabilities and provisions         26,891         25,6           Untaxed reserves         12         201         2           Equity         30         2         30	Accrued expenses and deferred income	27	136	91
Total liabilities and provisions         26,891         25,6           Untaxed reserves         12         201         2           Equity         30         Restricted equity         30         Statutory reserves         13         Revaluation reserve         3         Development expenditure fund         2         Total restricted equity         48         Non-restricted equity         Additional Tier 1 capital holders         1,110         1,1         1,1         1,1         1,1         1,883         1,88         Reserves         6         Retained earning         1,416         1,4         1	Provisions		44	36
Untaxed reserves         12         201         2           Equity         30 <td>Subordinated debts</td> <td>16, 18, 29</td> <td>900</td> <td>903</td>	Subordinated debts	16, 18, 29	900	903
Equity       30         Restricted equity       30         Share capital       30         Statutory reserves       13         Revaluation reserve       3         Development expenditure fund       2         Total restricted equity       48         Non-restricted equity       48         Nan-restricted equity       1,110       1,1         Share premium       1,883       1,8         Reserves       6       6         Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Total liabilities and provisions		26,891	25,603
Restricted equity       30         Share capital       30         Statutory reserves       13         Revaluation reserve       3         Development expenditure fund       2         Total restricted equity       48         Non-restricted equity       48         Additional Tier 1 capital holders       1,110       1,1         Share premium       1,883       1,8         Reserves       6       6         Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Untaxed reserves	12	201	225
Share capital       30         Statutory reserves       13         Revaluation reserve       3         Development expenditure fund       2         Total restricted equity         Additional Tier 1 capital holders       1,110       1,1         Share premium       1,883       1,8         Reserves       6       Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Equity	30		
Statutory reserves       13         Revaluation reserve       3         Development expenditure fund       2         Total restricted equity       48         Non-restricted equity       48         Additional Tier 1 capital holders       1,110       1,1         Share premium       1,883       1,8         Reserves       6       6         Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Restricted equity			
Revaluation reserve       3         Development expenditure fund       2         Total restricted equity       48         Non-restricted equity       48         Additional Tier 1 capital holders       1,110       1,1         Share premium       1,883       1,8         Reserves       6       6         Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Share capital		30	30
Development expenditure fund         2           Total restricted equity         48           Non-restricted equity	Statutory reserves		13	13
Total restricted equity         48           Non-restricted equity         48           Additional Tier 1 capital holders         1,110         1,1           Share premium         1,883         1,8           Reserves         6         6           Retained earning         1,416         1,4           Profit for the year         599         2           Total unrestricted equity         5,014         4,6           Total equity         5,062         4,7	Revaluation reserve		3	6
Non-restricted equity       1,110       1,1         Additional Tier 1 capital holders       1,110       1,1         Share premium       1,883       1,8         Reserves       6       Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Development expenditure fund		2	3
Additional Tier 1 capital holders       1,110       1,1         Share premium       1,883       1,8         Reserves       6       Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Total restricted equity		48	52
Share premium       1,883       1,8         Reserves       6         Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Non-restricted equity			
Reserves       6         Retained earning       1,416       1,4         Profit for the year       599       2         Total unrestricted equity       5,014       4,6         Total equity       5,062       4,7	Additional Tier 1 capital holders		1,110	1,106
Retained earning         1,416         1,4           Profit for the year         599         2           Total unrestricted equity         5,014         4,6           Total equity         5,062         4,7	Share premium		1,883	1,883
Profit for the year         599         2           Total unrestricted equity         5,014         4,6           Total equity         5,062         4,7	Reserves		6	3
Total unrestricted equity         5,014         4,6           Total equity         5,062         4,7	Retained earning		1,416	1,452
Total equity 5,062 4,7	Profit for the year		599	246
	Total unrestricted equity		5,014	4,690
Total liabilities and equity 32,154 30,5	Total equity		5,062	4,742
	Total liabilities and equity		32,154	30,570

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# **Parent Company statement of changes in equity**

		RESTRIC	TED 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 for the year	Total equity
Opening balance 1 Jan 2023	30	13	6	3	1,106	1,883	3	1,452	246	4,742
Transfer of previous year's net profit/loss								246	-246	0
Total comprehensive income for the year										
Profit/loss for the year									599	599
Other comprehensive income							3			3
Total comprehensive income for the year							3	0	599	602
Transactions reported directly in equity										
Transfer between restricted and non-restricted equity				-1				1		0
Additional Tier 1 capital instrument					700					700
Called Additional Tier 1 capital instrument					<del>-</del> 701			-128		-829
Transaction cost Tier 1 capital instrument					5			-13		-8
Interest paid on Additional Tier 1 capital								-152		-152
Acquisition agreement for treasury shares								8		8
Share-based payments								-4		-4
Portfolio revaluation reserve			-3					3		0
Tax effect on items reported directly in equity			0		-1			3		2
Total transactions reported directly in equity	0	0	-3	-1	3	0	0	-282	0	-282
Closing balance 31 Dec 2023	30	13	3	2	1,109	1,883	6	1,416	599	5,062

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		RESTRICT	FED EQUITY			NON-REST	RICTED EQUITY			
SEK m	Share capital	Statutory reserves	Revaluation reserve	Development expenditure fund	Additional Tier 1 capital holders	Share premium	Reserves	Retained earnings	Profit for the year	Total equity
Opening balance 1 Jan 2022	30	13	71	0	1,106	1,883	3	1,534	-53	4,587
Transfer of previous year's net profit/loss								-53	53	0
Total comprehensive income for the year										
Profit/loss for the year									246	246
Other comprehensive income							0			
Total comprehensive income for the year							0	0	246	246
Transactions reported directly in equity										
Transfer between restricted and non-restricted equity				3				-3		0
Interest paid on Additional Tier 1 capital								-95		-95
Share-based payments								4		4
Reclassification due to discontinued operations			-64					64		0
Portfolio revaluation reserve			-1					1		0
Tax effect on items reported directly in equity			0					0		0
Total transactions reported directly in equity			-66	3				-29		-91
Closing balance 31 Dec 2022	30	13	6	3	1,106	1,883	3	1,452	246	4,742

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# **Parent Company cash flow statement**

SEK m Note	2023	2022
OPERATING ACTIVITIES		
Profit before appropriations and taxes	583	171
of which, paid-in interest	1,947	1,674
of which, interest paid	-676	-497
Adjustment for other items not included in cash flow		
Depreciation and amortisation on tangible and intangible assets	46	55
Impairment of shares in subsidiaries	_	35
Sale of subsidiaries	_	-165
Unrealised component of net income from financial transactions	277	224
Impairment gains and losses	-90	-54
Increase/decrease in accrued interest income and interest expense	94	27
Increase/decrease in provisions	8	0
Derecognition gains and losses	_	1
Other items	3	21
Adjustment for items included in investing activities		
Dividend subsidiary	-457	-
Realised profit from divestment of shares and participations in joint ventures	-356	-66
Income tax paid	-66	-109
Amortisations on acquired credit portfolios	1,997	2,111
Increase/decrease in other assets and liabilities	571	-439
Cash flow from operating activities	2,610	1,812
INVESTING ACTIVITIES		
Acquired credit portfolios	-2,320	-4,021
Disposed credit portfolios	-550	-
Loans to Group companies	-1,535	-2,090
Repaid loans, Group companies	1,459	2,547
Investments in bonds and other securities	_	-1,818
Divestments of bonds and other securities	1,430	1,214
Divested subsidiaries		5,534
Dividend received from subsidiaries	457	-
Other cash flows from investing activities	-636	-1,172
Cash flow from investing activities	-1,695	194

SEK m Note	2023	2022
FINANCING ACTIVITIES		
Deposits from the public	1,135	-437
Debt securities issued	2,145	820
Repurchase and repayment of Debt securites issued	-2,545	-809
Interest paid on Additional Tier 1 capital	-204	-92
Cash flow from financing activities	531	-518
Cash flow for the year	1,446	1,488
Cash at beginning of the year	4,142	2,569
Translation difference	-251	85
Cash at end of the year <sup>1)</sup>	5,337	4,142
1) Cash and cash equivalents in cash flow statement		
Cash	0	0
Treasury bills and Treasury bonds	2,675	2,789
Lending to credit institutions	2,678	1,447
Liabilities to Group companies, group account	-16	-93
Total cash and cash equivalents in cash flow statement	5,337	4,142

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# Accounting principles

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# 1. Corporate information

The Annual Report is issued as of 31 December 2023 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 2023 were approved by the Board of Directors on 26 March 2024 and will be presented for adoption at the Annual General Meeting on 7 May 2024.

# 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 14.

# 3. Changed accounting principles

New and amended standards adopted in the financial statements

For group, hedge accounting has been extended from Q3 2022 to also be applied on the interest risk of NPL portfolios.

# Other amendments

The latest changes in IAS 1, Presentation of Financial Statements, have focused on improving the clarity and usefulness of financial reports for users. A significant change is the requirement for companies to present a summary of significant accounting policies used in preparing their financial reports. Additionally, the importance of reporting earnings per share in both the preliminary and final financial reports is emphasized. Further changes include clearer guidance on the presentation of other comprehensive income and requirements to compare periods in the report if there are significant changes in operations or accounting principles.

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

Changes in IAS 1 regarding the classification of liabilities as current or non-current come into effect on January 1, 2024. Amendments to IAS 1 clarify that only covenants that must be met before or on the balance sheet date affect the classification of liabilities as current or non-current. At the same time, new disclosure requirements regarding loans with covenants to be met in the next twelve months are introduced.

### 5. Critical estimates and assessments

Measurement of credit-impaired credit portfolios As described in Note 19 "Portfolio book value", 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 credit-impaired credit portfolios is based on the initial cash flow forecast specified at acquisition date.

While other macroeconomic factors such as inflation and higher

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

# Measurement of 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 forwardlooking scenarios for each market

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 21 "Intangible Assets".

Assessment of control in conjunction with securitisation Hoist Finance continued to conduct parts of its business through Special Purpose Vehicles (SPV). These companies acquire credit-impaired portfolios and issue bonds to investors, secured by the acquired assets. A securitisation programme is set up for each SPV, with pre-determined 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. 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 "Portfolio book value", 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 "Portfolio book value" 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

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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 credit 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 16 "Financial instruments".

# Financial assets and liabilities recognised at amortised cost Portfolio book value

"Portfolio book value" 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 credit 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 acguired 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 credit 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 borrowers. 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,

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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.

# 7. Hedge accounting

The Group applies hedge accounting in accordance with IFRS 9 and IAS 39.

Derivatives are used to economically hedge (with the aim of neutralising) the potential risks of interest rate and foreign exchange exposures that the group is exposed to.

The group applies hedge accounting according to IFRS 9 when currency derivatives or foreign currency liabilities hedge a net investment in a foreign operation, and according to IAS 39 for interest rate risks on unhedged receivable portfolios.

When hedge accounting for net investment in a foreign operation is applied, the change in fair value of the hedging instrument is recognized in other comprehensive income and accumulated (along with the translation effect of the net investments) in the translation reserve. The ineffective portion is recognized directly in the income statement under the item "Net result of financial transactions". For other derivatives for which hedge accounting is not applied, changes in fair value are recognized under the item "Net result of financial transactions". For qualitative disclosures regarding the group's management of market risk, see note 33 "Risk management". Quantitative disclosures of the group's derivative instruments for hedging purposes are in note 17 "Derivative instruments".

No change in accounting principles has been made. The note incorrectly stated hedge accounting only according to IAS 39 in previous financial reports, but hedge accounting for net investment in foreign operations has been implemented according to IFRS 9 since the beginning, while IAS 39 was chosen for portfolio hedging.

# 8. 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 normally expensed as incurred. However, expenditures for software development that can be attributed to identifiable assets where the group has significant influence and expected economic value are capitalized. Incremental value from previously developed software is also recognized as assets if it enhances its economic value by expanding its scope of use or extending its useful life.

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Capitalized IT development costs are amortized over their useful life, up to seven years, and recognized at cost less accumulated depreciation and impairment losses. Maintenance costs are expensed as incurred. If internally developed expenditures are capitalized, the corresponding amount is transferred from free to restricted equity in the parent company.

#### **Impairments**

Impairment testing is performed annually to assess any potential impairment of assets. Recoverable amount is calculated annually for goodwill and other intangible assets with indefinite useful lives. Impairments are recognized if the asset's value exceeds its recoverable amount and are booked through the income statement. Resale and utility value are used to calculate the recoverable amount, with utility value calculated by discounting future cash flows.

Goodwill impairments are not reversed, while other assets may be reversed if there are changes in the assumptions underlying the recoverable amount.

# 9. Income and expenses

#### Interest income

Interest income includes income from the effective interest method for acquired credit portfolios, lending to financial institutions. and investments in collateralizable government bonds, along with interest income and assets measured at fair value. For impaired credit portfolios, the original credit-adjusted effective interest rate and the accumulated acquisition value of the portfolio at the beginning of the period are used as the basis for interest income. Interest income for other financial instruments is based on the original effective interest rate and the instrument's gross value at the beginning of the period.

However, if an asset is impaired, interest income is calculated based on the accumulated acquisition value, which is the net amount of the gross value and the loss provision for expected credit losses.

#### Impairment gains and losses

The earnings item comprises loss allowance changes pertaining to "Portfolio book value". Where applicable, modification gains/ losses attributable to "Portfolio book value" 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.

# 10. Employee benefits

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

#### 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.

# 11. 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

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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".

# 12. 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.

# 13. 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 credit portfolios are reported in "Operating activities".

# 14. 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.

# 14.1 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.

#### 14.2 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.

# 14.3 Hedge accounting

The Parent Company applies both IFRS 9 and IAS 39 for hedge accounting.

The Parent Company applies hedge accounting according to IFRS 9 for the fair value of participations in foreign subsidiaries as well as participations in the Polish joint venture, where exchange rates influence the carrying value of shares and participations in subsidiaries shares and participations in joint ventures. Additionally, hedge accounting according to IAS 39 is applied for interest rate risk in NPL portfolios. This change in value is reported in "Net Result from Financial Transactions" as is the change in value of hedging instruments. Before hedge accounting was implemented, changes in the value of hedging instruments that were not matched by any reported changes in the value of stakes in subsidiaries and joint ventures were reported on separate lines in the income statement.

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# 14.4 Pensions

The Parent Company calculated 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.



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# 2 Exchange rates

SEK m	2023	2022
1 EUR = SEK		
Income statement (average)	11.4658	10.6232
Balance sheet (at end of the period)	11.0960	11.1283
1 GBP = SEK		
Income statement (average)	13.1818	12.4639
Balance sheet (at end of the period)	12.7680	12.5811
1 PLN = SEK		
Income statement (average)	2.5258	2.2684
Balance sheet (at end of the period)	2.5570	2.3741
1 RON = SEK		
Income statement (average)	2.3220	2.1541
Balance sheet (at end of the period)	2.2322	2.2484

# 3 Segment reporting

# Operating segments

Segment reporting has been prepared based on the manner in which executive management monitors operations. From the second guarter 2023, Hoist Finance has chosen to change the allocation of indirect costs in different segments that Hoist Finance monitors internally. For details previous quarters, please refer to the Financial Fact Book.

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

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

The business lines' income statements follow the statutory account preparation for the Group's income statement for Total operating income, with the exception of interest expense. Interest expense is included in Net interest income in Total operating income and is allocated to the business lines based on the portfolio book value in relation to a fixed internal monthly interest rate for each portfolio.

The difference between the external interest expense and internal funding cost is reported in Group items.

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

**Group items** pertains to revenue and expenses from:

- Platforms, which is the cost of the operations within the markets themselves.
- Asset management, which is the cost of our team which actively seeks to both acquire and divest portfolios.
- Central functions, which pertain to 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 portfolio book value are monitored. Other assets and liabilities are not monitored on a segment-by-segment basis.

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# Note 3 Segment reporting, cont.

MSEK 2023	Unsecured	Secured	Group items	Total continuing operations
Total operating income	2,571	639	308	3,518
Net interest income	1,983	719	137	2,839
of which, interest expense	-560	-205	-41	-806
Impairment gains and losses	437	-80	-	357
of which, realised collections against active forecast	416	269	-	685
of which, portfolio revaluation	27	-349	-	-322
of which, expected credit losses	-6	-	-	-6
Fee and commission income	103	-	-	103
Net income financial transactions	_	-	117	117
Derecognition gains and losses	43	0	59	103
Operating expenses				
Direct expenses 1)	-1,342	-251	-	-1,593
Indirect expenses 1)		_	-1,170	-1,170
Total operating expenses	-1,342	-251	-1,170	-2,763
Share of profit from joint venture	114	-	-	114
Profit/loss before tax	1,343	388	-862	869
Key ratios <sup>2)</sup>				
Direct contribution	17,120	7,168	-	24,288
Portfolio book value	5,919	1,475	-	7,394

<sup>1)</sup> Direct expenses are expenses directly attributable to the Business line. Indirect expenses are expenses related to support functions, including Credit- and Asset management.

MSEK 2022	Unsecured	Secured	Group items	Total continuing operations
Total operating income	1,803	352	458	2,613
Net interest income	1,650	386	130	2,166
of which, interest expense	-529	-112	79	-562
Impairment gains and losses	83	-34	_	53
of which, realised collections against active forecast	309	234	_	543
of which, portfolio revaluation	-222	-268	_	-490
Fee and commission income	66	_	0	66
Net income financial transactions	_	_	309	309
Derecognition gains and losses	-	-	19	19
Operating expenses				
Direct expenses 1)	-1,220	-150	_	-1,270
Indirect expenses 1)	_	-	-944	-944
Total operating expenses	-1,220	-150	-944	-2,214
Share of profit from joint venture	91			91
Profit/loss before tax	774	202	-486	490
Key ratios 2)				
Direct contribution	15,286	6,338	_	21,624
Portfolio book value	5,004	1,571	-	6,575

<sup>1)</sup> Direct expenses are expenses directly attributable to the Business line. Indirect expenses are expenses related to support functions, including Credit- and Asset management.

<sup>2)</sup> See Definitions

<sup>2)</sup> See Definitions

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# Segment reporting, cont.

### Income statement, 2023

SEK m	Italy	Germany	Poland	France	Greece	Spain	Sweden	Other countries 1)	Central Functions	Elimina- tions	Total continuing operations
Total operating income	746	323	633	247	423	484	125	256	740	-459	3,518
of which, internal funding	-135	-81	-236	-41	-46	-105	-38	-82	766	-	0
Total operating expenses	-504	-251	-294	-183	-215	-230	-22	-225	-839	0	-2,763
Impairment of shares in subsidiaries	-	_	-	-	_	_	-	-	_	_	0
Share of profit from joint venture	_	_	109	_	5	_	_	_	_	_	114
Profit before tax	242	72	448	64	213	254	103	31	-99	-459	869
Portfolio book value	5,029	2,895	4,579	2,245	2,009	4,209	1,104	2,218	_	-	24,288

<sup>1) &</sup>quot;Other countries" includes Netherlands, Belgium, Cyprus and the UK.

## Income statement, 2022

SEK m	Italy	Germany	Poland	France	Greece	Other countries 1)	Central Functions	Eliminations	continuing operations
Total operating income	726	272	427	195	285	261	447	0	2,613
of which, internal funding	-136	-61	-180	-36	-30	-199	642		0
Total operating expenses	-494	-228	-212	-158	-133	-279	-710	0	-2,214
Impairment of shares in subsidiaries	_	_	_	_	_	-	-35	35	0
Share of profit from joint venture	_	_	79		12	_	-	_	91
Profit before tax	232	44	294	37	164	-18	-298	35	490
Portfolio book value	5,611	2,666	3,979	2,111	1,837	5,420	-	-	21,624

<sup>1) &</sup>quot;Other countries" includes Netherlands, Belgium, Spain, Cyprus and the continuing operations in the UK following the sale of discontinued operations. For a specification of items in discontinued operations, see Note 14.

## **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 portfolio book value 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 portfolio book value are monitored. Other assets and liabilities are not monitored on a segment-by-segment basis.

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4 Net interest income

	Gro	ир	Parent Company			
SEK m	2023	2022	2023	2022		
Interest income/Net revenues						
Credit portfolios calculated using effective interest rate method 1)	3,469	2,678	1,494	1,168		
Total interest income/net revenues from credit portfolios	3,469	2,678	1,494	1,168		
Lending to credit institutions	48	16	32	14		
Bonds and other securities	128	34	128	34		
Receivables, Group companies	_	_	273	445		
Total other interest income	176	50	433	493		
of which, interest income from financial assets measured at amortized cost calculated using the effective interest rate method	3,517	2,694	1,798	1,627		
Interest expense						
Deposits from the public	-493	-229	-493	-229		
of which, deposit guarantee scheme expenses	-37	-37	-37	-37		
Debt securities issued	-254	-253	-197	-192		
Subordinated debts	-66	-54	-66	-54		
Derivatives	56	23	56	23		
Other interest expenses	-49	-49	-50	-61		
Total interest expenses	-806	-562	-750	-513		
of which, interest expense from financial liabilities not measured at fair value through profit and loss	-862	-585	-806	-536		
Net interest expenses	2,839	2,166	1,177	1,148		

# 5 Impairment gains and losses

SEK m	2023	2022	2023	2022
Portfolio revaluations LECL, credit-impaired portfolios <sup>1)</sup>	-322	-490	30	-186
Collection differences LECL,- credit-impaired portfolios <sup>2)</sup>	685	543	61	238
Impairment gains and losses, credit-impaired portfolios	363	53	91	52
Impairment gains and losses 12M ECL stage 1, performing credit portfolios	0	0	0	0
Impairment gains and losses LECL stage 2, performing credit portfolios	0	0	0	0
Impairment gains and losses LECL stage 3, performing credit portfolios	0	0	-2	1
Expected credit losses, other assets	-6	_	0	1
Impairment gains and losses, performing credit portfolios	-6	0	-2	2
Total impairment gains and losses	357	53	89	54

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## Fee and commission income

Revenues from fee and commission income relates to revenues from contracts with borrowers. The Group provides debt collection services through call centres 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 reach a certain level. A contract can also include a termination fee. The majority of the contracts have no fixed enddate but continue until further notice.

	Gro	up	Parent Company		
SEK m	2023	2022	2023	2022	
Revenues from servicing	103	66	27	2	
Total	103	66	27	2	

Service revenues for remaining performance obligations. Expected service revenues for residual maturity, per year.

SEK m	2024	2025	2026	2027
Revenues from servicing	90	99	102	105
Total	90	99	102	105

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

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# Net result from financial transactions

	Gro	up	Company		
SEK m	2023	2022	2023	2022	
Exchange rate fluctuations	-19	-5	-155	-263	
Profit/Loss from financial assets pertained to market value changes of bonds mandatorily at fair value through profit or loss, net	35	-35	35	-35	
Profit/Loss from financial liabilities pertained to interest rate swaps mandatorily at fair value through profit or loss, net	-225	55	-225	55	
Profit/Loss from financial assets pertained to fx- swaps mandatorily at fair value through profit or loss, net	118	32	118	32	
Profit/Loss from financial liabilities pertained fx-swaps mandatorily at fair value through profit or loss, net	-18	-23	-18	-23	
Profit/Loss from financial liabilities mandatorily at fair value through profit or loss, net	_	121	_	121	
Profit/Loss from financial assets at amortised cost	0	156	0	156	
Profit/Loss from value change of interest hedged items in portfolio hedge	231	9	163	_	
Profit/Loss from financial liabilities at amortised cost	-5	0	-5	0	
Net result from financial transactions	117	310	-87	43	
Derecognition gains and losses					
at amortised cost <sup>1)</sup>	43	-1	50	-1	
Sum of net result from financial transactions	160	309	-37	42	

1) Derecognition of performing loans where the debt is repaid but the amortisations does not correspond to book value.

# Other operating income

	Gro	up	Parent Company			
SEK m	2023	2022	2023	2022		
Intercompany transactions	-	_	153	157		
Other	59	19	77	103		
Total	59	19	230	260		

Intercompany transactions in the Parent company is mainly attributable to management fees invoiced to subsidiaries. Other income in the Parent Company pertains mainly to revenues from servicing totalling SEK 27m (2).

## Note

## Personnel expenses

## Total personnel expenses and remuneration<sup>1) 4)</sup>

	Gro	up	Parent Company			
SEK m	2023	2022	2023	2022		
Salaries and remuneration <sup>2)</sup>	-680	-561	-396	-344		
Of which, salaries and other compensation to senior executives <sup>3)4)</sup>	-60	-25	-36	-23		
Of which, salaries and other compensation to other employees	-620	-536	-360	-321		
Pension expenses	-27	-18	-27	-18		
Of which defined benefit plans	0	0	0	0		
Social fees	-164	-132	-100	-82		
Of which social fees for senior executives <sup>4)</sup>	-13	-8	-14	-10		
Of which social fees for other employees	-150	-124	-86	-72		
Other personnel-related expenses	-90	-55	-65	-30		
Total	-961	-766	-588	-474		

- 1) The table also includes costs for redundancy payments and similar items in connection with organisational changes.
- 2) The amount include fixed and variable remuneration.
- 3) Senior executives include Board members, the President/CEO and the Executive Management Team. Senior executives during the year included 16 (23) individuals, of which Board members accounted for 6 (13) and the CEO for 1 (2).
- 4) Personnel expense YE 2022 has been adjusted for discontinued operations in the UK at a total amount of SEK -94m specified as follows: salaries and remuneration SEK -71m, pension expenses SEK -6m, social fees SEK -10m and other personnel-related expenses SEK -7m.

## Remuneration to Members of the Board and the Executive Management Team

## Approved guidelines for remuneration for executive officers, resolved on by the AGM on 10 May 2023.

These guidelines cover senior executives in Hoist Finance AB (publ) ("Hoist Finance" or the "Company"). The term 'senior executives' shall in this context signify the CEO, 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 contractual remuneration, and amendments to previously contracted remuneration, following adoption of the guidelines by the 2023 Annual General Meeting. The guidelines do not apply to remuneration decided by the General Meeting.

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

Remuneration at Hoist Finance shall encourage senior executives to promote the Company's business strategy, long-term interests and sustainability, and a conduct in line with the Company's ethical code of conduct and values. Remuneration shall also be structured to enable Hoist Finance to attract, retain and motivate employees who have the requisite skills. 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 website, www.hoistfinance.com.

## Types of remuneration

Remuneration shall be on market terms and may comprise 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 may not 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, on prevailing market conditions and on individual perfor-

#### Variable cash remuneration

Variable cash remuneration for senior executives shall not exceed 100 percent of fixed annual cash salary. Variable remuneration is based on various financial and non-financial criteria, and is linked

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to the performance of Hoist Finance Group's respective business unit and to individual targets. It is therefore explicitly linked to the Company's business strategy, and hence its long-term value creation, including its sustainability.

Variable remuneration takes into account the risks involved in the Company's operations and is commensurate with 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 51 percent 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, the performance of the Group and the relevant business unit, and the senior executive's achievements.

Fulfilment of the criteria for payment of variable cash remuneration shall be measured over a one-year period. When this period has ended, the extent to which the criteria have been fulfilled shall be evaluated/determined. The Remuneration Committee, and the Board of Directors with respect to remuneration to the CEO, are responsible for this 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. Variable cash remuneration shall not qualify for pension benefits. Pension premiums for defined contribution pension plans shall amount to no more than 30 percent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance (Sw. siukvårdsförsäkring) 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 percent of the fixed annual cash salary.

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

### Sian-on bonus

Sign-on bonuses – i.e., remuneration for new hires – are 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 work. Decisions on exceptional cases are made in accordance with the decision-making process for variable remuneration.

#### Loan

The issuance of loans to senior executives is not permitted.

## Salary and employment conditions for employees

In preparing the Board of Directors' proposal for these remuneration guidelines, the decision-making documentation for the Remuneration Committee and Board of Directors has taken into account, when evaluating the reasonableness and consequent limitations of the guidelines, the salary and employment conditions for the Company's employees by including information on employees' total remuneration and the remuneration's components, increase and growth rate over time.

## Decision-making process to establish, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparation of the Board of Directors'

decision on proposed guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year for submission to the General Meeting. The guidelines shall remain in force until the General Meeting adopts new guidelines.

The Remuneration Committee shall also monitor and evaluate programmes for variable remuneration for executive management. application of the guidelines for executive remuneration, and the Company's current remuneration structures and compensation levels.

General Meeting-elected Committee members shall be independent in relation to the Company and the executive management. The CEO and other members of the Executive Management Team may not be a party to the Board of Directors' consideration of and decision-making process on remuneration-related issues, insofar as they are affected by these issues.

## Termination of employment

Upon the Group's termination of an employment contract, the maximum notice period is twelve months. Redundancy pay is not provided.

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

Directors elected by the General Meeting may, in special cases, receive remuneration for non-Board-related services performed within their respective areas of expertise. Compensation for these services shall be paid at market terms and be approved by the Board of Directors.

## Deviation from the guidelines

The Board of Directors may resolve to deviate temporarily from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the Company's long-term interest, including its sustainability, or to

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ensure the Company's financial viability. Since the Remuneration Committee's tasks include preparation of the Board of Directors' resolution in remuneration-related matters, the Committee shall also prepare any resolutions to deviate from the guidelines.

Parent Company

### Remuneration to the Board of Directors<sup>1)</sup>

	Gro	up	Parent Company		
SEK thousand	2023	2022	2023	2022	
Chair of the Board:					
Lars Wollung <sup>2) 3) 4)</sup>	1,511	123	1,511	123	
Bengt Edholm <sup>2)5)</sup>	_	1,480	_	1,480	
Mattias Carlsson <sup>6)</sup>	_	206	_	206	
Other Board members:					
Peter Zonabend	540	540	540	540	
Lars Wollung <sup>3) 4)</sup>	195	388	195	388	
Bengt Edholm <sup>3)</sup>	893	35	893	35	
Camilla Philipson Watz <sup>5)</sup>	647	538	647	538	
Christopher Rees <sup>5)</sup>	978	757	978	757	
Rickard Westlund <sup>5)</sup>	606	516	606	516	
Malin Eriksson <sup>6)</sup>	_	83	_	83	
Henrik Käll <sup>6)</sup>	_	72	-	72	
Fredrik Backman <sup>6)</sup>	_	61	_	61	
Per-Anders Fasth <sup>6)</sup>	_	61	_	61	
Niklas Johansson <sup>6)</sup>	_	86	_	86	
Helena Svancar <sup>6)</sup>	_	88	_	88	
Total	5,370	5,035	5,370	5,035	

- 1) Director and Committee member fees are paid as a fixed annual amount, exclusive of social fees. Pursuant to an AGM resolution, fees are not paid to subsidiary directors. As from the 16 May 2018 AGM, all director fees are paid as salary.
- 2) 1 January 2023: Lars Wolllung took up the position of Interim Chairman of the Board. Bengt Edholm stepped down as Chairman of the Board; on the same date he resumed his position as director.
- 3) 14 March 2022: Lars Wollung stepped down as Chairman of the Board; on the same date he took up the position of Acting CEO and resumed his position as director. Bengt Edholm took up the position of Chairman of the Board.
- 4) 10 May 2023: Lars Wollung took up the position of permanent Chairman of the Board.
- 5) 17 February 2022: Bengt Edholm, Camilla Philipson Watz, Christopher Rees and Rickard Westlund joined the Board and Lars Wollung was elected Chairman of the Board at an extraordinary general meeting.
- 6) 17 February 2022: Mattias Carlsson (Chairman), Malin Eriksson, Henrik Käll, Fredrik Backman, Per Anders Fasth, Niklas Johansson and Helena Svancar stepped down from the Board at an extraordinary general meeting.

#### Salaries and benefits1)

	Invoic	ed fee	Fixed s	alary <sup>8)</sup>	Perforr bas compen	sed		ed value IP <sup>5)</sup>	Bene	fits <sup>6)</sup>	Pen: bene		То	tal
SEK thousand	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Chief Executive Officer:														
Harry Vranjes <sup>2)</sup>	-	-	7,009	_	_	-	-	-	-	_	1,985	-	8,944	_
Lars Wollung <sup>3)</sup>	-	21,204	-	-	_	-	-	-	-	_	-	-	-	21,204
Per-Anders Fasth <sup>4)</sup>	-	-	_	3,070	_	-	-	-	-	_	_	10	-	3,080
Executive Management Team:														
15 (7) people exclusive of the CEO <sup>9)</sup>	3,405	553	49,285	14,691	_	661	16,180	11,509	5,750	824	2,381	2,356	76,981	30,594
Total	3,405	21,756	56,275	17,761	_	661	16,180	11,509	5,750	824	4,366	2,366	85,975	54,877

- 1) Exclusive of social fees.
- 2) 1 January 2023: Harry Vranies took up the position of CEO.
- 2) 1 January 2023: Lars Wollung stepped down as Acting CEO.
- 3) 15 March 2022: Lars Wollung took up the position of Acting CEO.
- 4) 31 March 2022: Per-Anders Fasth stepped down as CEO of Hoist Fi-
- 5) For year 2022, Hoist Finance took the decision that no bonuses, including under the LTIP programme, were to be paid.
- 6) Benefits have been included in the taxable benefit value, exclusive of social fees. Benefits primarily comprise company car, housing, health insurance and other benefits associated with foreign posting.
- 7) 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 as well as settlements, as defined by IAS 19). 100 percent of total pension costs is attributable to defined contribution pension plans.
- 8) The amount includes severance pay of SEK 7.3 million.
- 9) For 2022, salaries and benefits for the Executive Management Team exclusive of the CEO have been adjusted for discontinued operations in the UK: number of people -1, fixed salary SEK 0.9m, performance-based compensation SEK 0m, benefits SEK -0.2m, pension benefits SEK -0.1m.

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## Remuneration to Board of Directors and **Executive Management Team**

#### **Board of Directors**

Hoist Finance's Annual General Meeting held on 10 May 2023 resolved that annual directors' fees are to be paid as follows:1)

#### SEK thousand

Chairman of the Board	1,475,000
Director	490,000
Chair, Risk and Audit Committee	200,000
Member, Risk and Audit Committee	125,000
Chair, Remuneration Committee	100,000
Member, Remuneration Committee	50,000
Chair, Investment Committee	200,000
Member, Investment Committee	125,000
Chair, Finance Committee	250,000
Member, Finance Committee	150,000

1) For the period through the next AGM.

### **CEO 2023**

The CEO's fixed 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 CEO's salary/remuneration amounted to SEK 7,000k.

### **CEO 2022**

The outgoing CEO's salary was SEK 3,070k in 2022. The incoming Acting CEO invoiced his remuneration in 2022: SEK 21,204k. The CEO's salary/remuneration is paid in Swedish kronor. The Acting CEO was serving under a fixed-term contract and stepped down on 1 January 2023. There is no agreement in place on redundancy payments.

## CEO pension 2023

The pension premium for the CEO was SEK 1,985,000.

### CEO pension 2022

The pension premium for the outgoing CEO was SEK 10,000. The pension expense was included in the incoming Acting CEO's invoiced remuneration.

### **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 2023, four (4) EMT members had performance-based compensation agreements capped at 100 percent of fixed salary, one (4) member had an agreement under which performance-based compensation exceeded 70 percent of fixed salary, one (0) member had a performance-based compensation agreement capped at 68 percent of fixed salary, and six (0) members had such an agreement capped at 60 percent of fixed salary. Four EMT members are not eligible for bonuses. Benefits received include company car and health insurance benefits.

As of 31 December 2023, the EMT was comprised of 15 people (5), exclusive of the CEO.

## Notice period

As of 31 December 2023, the notice period for EMT members is as follows: 12 months for one member. 9 months for one member. 6 months for five members and 3 months for six members.

## Pension benefits, EMT

Of Executive Management Team members at year end, four followed Hoist Finance AB's pre-determined pension scheme.

Fixed salary is the pensionable remuneration amount. Three EMT members do not receive pension benefits due to receiving invoiced remuneration, three members have no pre-determined pension plan, and other EMT members have individual pension plans with pension provisions ranging from 6-30 percent.

## Incentive programme

Variable remuneration for senior executives is comprised of a long term cash-based incentive programme. 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.

The variable renumeration is based on results achieved during the performance year (calendar year 2023). Of the renumeration, 100 percent must be paid in cash, governed by th IAS 19 regulations. 49 percent is paid out after approval of the annual report for 2023, and the remaining parts are deferred so that 17 percent is paid out in 2025, 2026 and 2027.

Payment of deferred renumeration is conditional on the participant remaining employed by Hoist Finance at the time of payment, except in cases where the employee has left their employment due to retirement, death, long-term illness, or other customary exceptions, in which case the employee shall retain the right to receive the deferred compensation.

In 2023 the cost for the Group's incentive programme totalled SEK 16.2m (11.5), including social fees.

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

	Options	, value
SEK thousand	2023	2022
Outstanding at beginning of the period	11,509	-
+ Granted during the year	_	11,509
- Vested during the year	_	-
<ul> <li>Revoked options during the yea</li> </ul>	-11,509	
- Expired during the year	_	_
Outstanding at end of the period	-	11,509

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Outstanding share options at end of the period: weighted average remaining contractual duration

## Average number of employees during the year, Group

	2023			2022		
	Men	Women	Total	Men	Women	Total
Sweden	26	32	58	25	27	52
Germany	53	105	158	55	108	163
France	44	67	110	51	75	126
Belgium	0	2	2	2	1	3
Netherlands	22	15	37	19	15	34
UK <sup>1)</sup>	37	17	54	25	12	37
Italy	114	192	306	118	191	309
Poland	120	203	323	118	205	323
Spain	56	77	132	47	64	111
Greece	8	3	11	6	4	10
Romania	24	76	100	29	90	119
Cyprus	6	3	9	5	2	7
Total	509	792	1,301	499	795	1,294

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1) Average number of employees for 2022 has been adjusted for discontinued operations in the UK: Men -81 (-139) FTE and women -66 (-119) FTE.

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 2023 the Group had 1,280 FTEs (1,304).

## Gender distribution, senior executives

		:	31 Dec 2023			:	31 Dec 2022	
		Men Women			Men		Women	
	Number	%	Number	%	Number	%	Number	%
Senior executives	16	73	6	27	10	83	2	17
Board of Directors	37	82	8	18	38	79	10	21
of which, Parent Company	5	83	1	17	5	83	1	17

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# Note 10 Other operating expenses

	Group		Parent Company		
SEK m	2023	2022	2023	2022	
Legal collection costs	-403	-322	-91	-68	
Other collection costs	-615	-442	-417	-269	
Total collection cost	-1,018	-764	-508	-337	
Consultancy services	-214	-196	-132	-124	
Intra-Group consultancy services	_	-	-175	-134	
Other intra-Group expenses	_	_	-46	-55	
IT expenses	-310	-251	-86	-86	
Telecom expenses	-3	-4	-2	-2	
Premises costs	-42	-37	-52	-52	
Travel expenses	-15	-11	-12	-8	
Bank charges	-11	-19	-8	-14	
Sales and marketing expenses	-4	-4	-2	-3	
Other expenses	-89	-53	-32	-18	
Total administrative expenses <sup>1)</sup>	-688	-575	-547	-496	
Total operating expenses	-1,706	-1,339	-1,055	-833	

	Group		Parent Company	
SEK m	2023	2022	2023	2022
Audit assignments EY				
Audit assignments	-13	-11	-8	-6
Audit-related assignments	0	-1	0	-1
Tax services	-5	-3	-5	-3
Other non audit-related assignments	-		-	
Total	-18	-15	-13	-10

# 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 percent) and PQH Single Special Liquidation S.A (33 percent). BEST III is a Polish closed-end fund located in Gdynia and designated for the acquisition of individual credit portfolios. The initial investment was PLN 40m (SEK 90m). The Greek company "PQH" was acquired, along with Qualco S.A. and Pricewaterhouse Coopers Business solutions S.A. PQH is based in Athens and offers advisory services. All joint ventures are consolidated pursuant to the equity method.

BEST III sold a portfolio in Poland during the year. In conjunction with this, the share of profit from joint ventures has been reduced SEK –78m (–) as unrealised profit in the consolidated accounts.

	Gro	up
SEK m	2023	2022
Share of profit from joint ventures according to equity method	178	91
Performance-based compensation	15	1
Unrealised profit	-78	-
Exchange rate differences	-1	-1
Total profit	114	91

	Parent C	Parent Company		
SEK m	2023	2022		
Capital gain redemption of fund units	342	64		
Performance-based compensation	14	1		
Total profit	356	65		

	Gro	up	
SEK m	2023	2022	
Opening balance	188	155	
Redemption of fund units	-347	-68	
Share of profit from joint ventures according to equity method	178	91	
Reversal from shareholders' equity	-28	0	
Exchange rate differences	14	10	
Closing balance	5	188	

BES	ГШ
2023	2022
0	345
27	12
27	357
28	10
28	10
-1	347
152	236
321	_
-97	-77
375	159
	0 27 27 28 28 -1 152 321 -97

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

	PQ	PQH		
SEK m	2023	2022		
Assets				
Current assets	17	42		
Cash	3	9		
Total assets	20	51		
Liabilities				
Current liabilities	6	7		
Total liabilities	6	7		
Net assets	14	44		
Interest income	34	84		
Other expenses	-64	-50		
Net profit for the year	-30	34		

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

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# 12 Untaxed reserves

Tax allocation reserve	Parent Company	
SEK m	2023	2022
Provision to tax allocation reserve 2017	-	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	28
Closing balance 31 Dec	201	225

# Note 13 Tax

	Gro	up	Parent Company	
SEK m	2023	2022	2023	2022
Current tax expense/income				
Tax expense/income for the year	-76	-111	50	-12
Tax adjustment attributable to previous years	-91	1	-92	1
Total	-167	-110	-42	-11
Deferred tax expense/income				
Deferred tax attributable to temporary differences	9	32	34	25
Total	9	32	34	25
Total recognised tax expense	-158	-78	-8	14

	Gro	ир	Parent Company		
SEK m	2023	2022	2023	2022	
Profit before tax	869	490	607	231	
Tax calculated at 20.60% (Swedish) tax rate	-179	-101	-125	-48	
Effect of different tax rates in different countries	-10	-6	0	0	
Adjustment related to change in tax rate	-6	1	0	0	
Non-taxable revenues	130	159	166	77	
Non-deductible expenses	-63	-107	-15	-21	
Adjustments with reference to previous years	-91	0	-92	1	
Utilisation of previously uncapitalised loss carry-forwards	2	0	0	0	
Increase in loss carry-forwards without corresponding activation of deferred tax	-1	-19	-	-	
Tax related to tax matters 1)	64	_	64	_	
Other	-4	-5	-6	5	
Total tax expense	-158	-78	-8	14	

The Group's effective tax rate was 18 percent (16) at 31 December 2023.

In 2023 current tax was SEK 2m (0) on items recognised directly in equity in the Group. Other comprehensive income includes tax in an amount of SEK 109m (98) related to hedging of currency risk in foreign operations, a revaluation of defined benefit pension plans and a revalution of post-service remuneration.

Group

2023	
67	
0	
67	
	0

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

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Note 13 Tax, cont.

	Group 31 Dec 2023				Parent Company 31 Dec 2023					
	Opening balance Reclas	sification	Income statement	Translation differences	Closing balance	Opening balance Reclass	sification	Income statement	Translation differences	Closing balance
Change in deferred tax										
Loss carry-forwards	61	-	55	1	117	-	-	87	-	87
Joint ventures	-34	_	34	0	0	-	_	_	-	_
Portfolio book value	0	_	16	1	17	-	_	_	-	_
Untaxed reserves	-48	-	5	0	-43	-	-	_	-	_
Other	52	0	-101	-1	-50	32	1	-53	0	-20
Total	31	0	9	1	41	32	1	34	0	67

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		Group 31 Dec 2022				Parent Company 31 Dec 2022					
	Opening balance Recla	ssification	Income statement	Discontinued operations in the income statement	Translation differences	Closing balance	Opening balance	Reclassification	Income statement	Translation differences	Closing balance
Change in deferred tax											
Loss carry-forwards	130	-1	0	-74	6	61	-	-	_	-	_
Joint ventures	-29	_	-5	_	0	-34	-	_	_	-	_
Portfolio book value	-38	_	-	38	0	0	-	_	_	-	_
Untaxed reserves	-61	-	13	_	0	-48	-	_	_	-	_
Other	31	-2	26	-4	1	52	8	_	25	0	32
Total	33	-3	34	-40	7	31	7	_	25	0	32

The Group's deferred tax assets attributable to loss carry-forwards are expected to be fully utilised during the next six years.

Tax loss carry-forwards are reported as deferred tax assets only 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.

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## Note 14 Profit/loss from discontinued operations

The profit/loss and cash flow information presented below as full year pertains to the nine months ending 30 September 2022 and the year ending 31 December 2021.

## Income, expenses and profit/loss for discontinued operations

SEK m	2023	2022
Interest income credit portfolios	-	413
Other interest income	-	0
Interest expense <sup>2)</sup>	_	0
Net interest income	-	413
Impairment gains and losses	_	-15
Fee and commission income	-	0
Net result from financial transactions	-	0
Other operating income	_	0
Total operating income	-	398
Personnel expenses	-	-94
Collection expenses	-	-88
Administrative expenses	-	-67
Depreciation and amortisation of tangible and intangible assets	_	-7
Total operating expenses	-	-256
Net operating profit	-	142

SEK m	2023	2022
Profit/loss before income tax attributable to discontinued operations		140
operations	_	142
Income tax expense <sup>1)</sup>	_	7
Net profit/loss attributable to discontinued		149
operations	_	149
Gain from sale of subsidiaries before tax	_	240
Net profit/loss attributable to discontinued operations	-	389
Significant internal transactions with continuing operations, which are eliminated and excluded from the above income statement items <sup>2)</sup> :		
Total income;	-	12
Total expenses;	-	-172
Net profit/loss for the period attributable to		
discontinued operations incl internal transactions	-	229

1) Income tax for 2022 refers to the adjustment of previous years' tax in UK subsidiaries, which were adjusted in connection with the sale. 2) Only external income and expenses are included in profit/loss for continuing and discontinued operations. The discontinued operation has significant internal transactions with continuing operations, which are accordingly eliminated in the accounts. The operation in the UK is financed through internal borrowing from Group Treasury. Interest expense attributable to internal borrowing is eliminated in the accounts and is therefore not included above in net interest income.

The disposal group of operations in the UK was sold 25 October 2022, effective as from 1 October 2022, and was reported as profit/ loss from discontinued operations during the period.

Financial information for the discontinued operations for the period up to the date of disposal is presented in full in the 2022 Annual Report, Note 14.

Since spring 2022, assets and liabilities in Hoist Finance's operations in the UK have comprised assets and liabilities held for sale, and are a disposal group pursuant to IFRS 5 "Assets held for sale". The disposal group of operations in the UK is comprised of the following

- Hoist Finance UK Limited
- Hoist Finance UK Holding 1 Limited
- · Hoist Finance UK Holding 2 Limited
- · Hoist Finance UK Holding 3 Limited
- · Robinson Way Ltd.
- C L Finance Ltd.
- MKDP LLP

The UK operations were sold inclusive of significant internal transactions. On the transaction date, the buyer settled all internal transactions the disposal group had with Hoist Finance AB and other Group subsidiaries, an amount of SEK 4,965m exclusive of internal cash.

As regards the UK operations, the Group's equity includes hedging reserves and historical exchange rate effects that were realised in profit/loss upon the sale of the disposal group. As at 1 October 2022, the amount realised in profit/loss from the Group's equity is SEK -206m net after tax.

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Note 15 Earnings per share

## Basic earnings per share

	Group			
SEK m	2023	2022		
Net profit/loss for the year	711	801		
Adjustment of net profit from discontinued operations	-	-389		
Profit/loss attributable to Parent Company shareholders, before dilution	559	317		
Net profit/loss for the year attributable to Additional Tier 1 capital holders	152	95		
Neighted average number of shares outstanding, before dilution	89,303,000	89,303,000		

## Diluted earnings per share

SEK m	2023	2022
Net profit/loss for the year attributable to Hoist Finance AB (publ) shareholders, after dilution		
Profit/loss attributable to Parent Company shareholders, before dilution	559	317
Profit/loss attributable to Parent Company shareholders, after dilution	559	317
Neighted 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	89,303,000
Basic earnings per share, SEK	6.26	3.55
Diluted earnings per share, SEK	6.26	3.55

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# Note 16 Financial instruments

## Carrying amount and fair value of financial instruments

	C10up 31 Dec 2023						
SEK m	Asset/ liabilities mandatorily recognised at fair value through profit or loss	Hedging instrument	Amortised cost	Total carrying amount	Fair value		
Cash	-	_	0	0	0		
Treasury bills and treasury bonds	2,675	_	_	2,675	2,675		
Lending to credit institutions	-	_	3,535	3,535	3,535		
Lending to the public	-	_	0	0	0		
Portfolio book value	-	-	24,288	24,288	24,166		
Bonds and other securities	1,856	_	_	1,856	1,856		
Derivatives	118	1711)	_	289	289		
Other financial assets		-	434	434	434		
Total	4,649	171	28,257	33,077	32,955		
Deposits from the public	_	_	20,238	20,238	20,385		
Derivatives	18	1821)	_	200	200		
Debt securities issued	-	-	4,577	4,577	4,585		
Subordinated debt	-	_	900	900	854		
Other financial liabilities		_	1,792	1,792	1,792		
Total	18	182	27,507	27,707	27,816		

Group 31 Dec 2023

## Carrying amount and fair value of financial instruments

	Group 31 Dec 2022						
SEK m	Asset/ liabilities mandatorily recognised at fair value through profit or loss	Hedging instrument	Amortised cost	Total carrying amount	Fair value		
Cash	_	-	0	0	0		
Treasury bills and treasury bonds	2,789	-	_	2,789	2,789		
Lending to credit institutions	_	-	2,358	2,358	2,358		
Lending to the public	_	-	1	1	1		
Portfolio book value	_	-	21,624	21,624	24,261		
Bonds and other securities	4,094	-	_	4,094	4,094		
Derivatives	32	1341)	_	166	166		
Other financial assets	_	-	504	504	504		
Total	6,915	134	24,487	31,536	34,173		
Deposits from the public	_	-	18,581	18,581	18,332		
Derivatives	23	151 <sup>1),</sup>	_	174	174		
Debt securities issued	_	-	5,545	5,545	5,372		
Subordinated debt	_	-	903	903	845		
Other financial liabilities	_	-	1,253	1,253	1,253		
Total	23	151	26,282	26,456	25,976		

<sup>1)</sup> Derivatives recognised as hedging instruments is valued at fair value through profit and loss and other comprehensive income to the extent that the hedge is effective.

<sup>1)</sup> Derivatives recognised as hedging instruments is valued at fair value through profit and loss and other comprehensive income to the extent that the hedge is effective.

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## Carrying amount and fair value of financial instruments

	Parent Company 31 Dec 2023					
SEK m	Asset/ liabilities mandatorily recognised at fair value through profit or loss	Hedging instrument	Amortised cost	Total carrying amount	Fair value	
Cash	-	-	0	0	0	
Treasury bills and treasury bonds	2,675	_	_	2,675	2,675	
Lending to credit institutions	-	_	2,678	2,678	2,678	
Lending to the public	-	_	0	0	0	
Portfolio book value	-	-	10,483	10,483	10,540	
Receivables, Group companies	27	-	6,863	6,890	6,879	
Bonds and other securities	1,856	-	-	1,856	1,856	
Derivatives	118	1711)	-	289	289	
Other financial assets			472	472	472	
Total	4,676	171	20,496	25,343	25,389	
Deposits from the public	-	_	20,238	20,238	20,385	
Derivatives	18	1821)	_	200	200	
Debt securities issued	-	_	4,101	4,101	4,050	
Subordinated debt	-	_	900	900	854	
Other financial debts	_	-	1,431	1,431	1,431	
Total	18	182	26,670	26,870	26,920	

## 1) Derivatives recognised as hedging instruments is valued at fair value through profit and loss.

## Carrying amount and fair value of financial instruments

	Parent Company 31 Dec 2022						
SEK m	Asset/ liabilities mandatorily recognised at fair value through profit or loss	Hedging instrument	Amortised cost	Total carrying amount	Fair value		
Cash	-	_	0	0	0		
Treasury bills and treasury bonds	2,789	-	-	2,789	2,789		
Lending to credit institutions	-	_	1,447	1,447	1,447		
Lending to the public	-	_	1	1	1		
Portfolio book value	-	_	9,107	9,107	9,767		
Receivables, Group companies	20	_	7,377	7,397	7,424		
Bonds and other securities	4,094	_	_	4,094	4,094		
Derivatives	32	1341)	_	166	166		
Other financial assets	_	_	542	542	542		
Total	6,935	134	18,474	25,542	26,229		
Deposits from the public	-	_	18,581	18,581	18,332		
Derivatives	23	151 <sup>1)</sup>	_	174	174		
Debt securities issued	-	-	5,053	5,053	4,861		
Subordinated debt	-	-	903	903	845		
Other financial debts	-	-	858	858	858		
Total	23	151	25,395	25,569	25,070		

<sup>1)</sup> Derivatives recognised as hedging instruments is valued at fair value through profit and loss.

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## Note 16 Financial instruments, cont

#### Fair value measurement

		Group 31 De	c 2023		Pai	31 Dec 2023		
SEK m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and treasury bonds	2,765	-	-	2,675	2,675	-	-	2,675
Portfolio book value	-	-	24,166	24,166	_	_	10,540	10,540
Bonds and other securities	1,856	-	-	1,856	1,856	_	-	1,856
Receivables, Group companies <sup>1)</sup>	_	-	-	_	_	-	27	27
Derivatives	_	289	-	289		289	-	289
Total assets	4,531	289	24,166	28,986	4,531	289	10,567	15,386
Deposits from the public	20,385	_	-	20,385	20,385	_	-	20,385
Derivatives	_	200	-	200	_	200	-	200
Debt securities issued	_	4,585	-	4,585	_	4,050	-	4,050
Subordinated debt		854	-	854		854	-	854
Total liabilities	20,385	5,639	-	26,024	20,385	5,104	-	25,489

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

		Group 31 De	c 2022		Parent Company 31 Dec 2022			
SEK m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasury bills and treasury bonds	2,789	_	-	2,789	2,789	-	-	2,789
Portfolio book value	-	-	24,261	24,261	_	-	9,767	9,767
Bonds and other securities	4,094	_	_	4,094	4,094	-	-	4,094
Receivables, Group companies <sup>1)</sup>	_	-	_	_	_	-	20	20
Derivatives	_	166	_	166	_	166	_	166
Total assets	6,883	166	24,261	31,310	6,883	166	9,787	16,836
Deposits from the public	18,332	_	_	18,332	18,332	_	_	18,332
Derivatives	_	174	_	174	_	174	_	174
Debt securities issued	_	5,372	_	5,372	_	4,861	_	4,861
Subordinated debt	_	845	_	845	_	845	_	845
Total liabilities	18,332	6,391	-	24,723	18,332	5,880	-	24,212

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

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

For portfolio book value, the valuation approach, key input data and valuation sensitivity to material changes are described in the Accounting Principles.

Derivatives used for hedging (see Note 17 "Derivatives") were modelvalued 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.

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# Note 17 Derivatives

## Derivatives held for trading

		Group 31 Dec 2023								
	Nomina	al amount/mat	urity							
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	4,688	_		4,688	127	-24				
Total	4,688	-	-	4,688	127	-24				
SEK m					Positive market values	Negative market values				
Currency breakdown of market values										
SEK					_	-25				
EUR					111	0				
GBP					16	_				
PLN					-	_				
RON						1				
Total					127	-24				

## Derivatives for hedge accounting

	Nomina	l amount/mat	urity		,	
SEK m	Up to 1 year	1-5 year	over 5 year	Nominal amount	Positive market values	Negative market values
Interest rate related contracts						
Swaps	_	1,376	3,495	4,871	52	-175
Currency related contracts						
Currency forwards	4,606	_		4,606	110	
Total	4,606	1,376	3,495	9,477	162	-175

#### Group 31 Dec 2023

Group 31 Dec 2023

	Avera	ge 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	13.13			1	0
SEK/PLN	2.61			109	0
Total				110	0

The Group continuously hedges its assets denominated in foreign currencies in order to reduce its exchange rate exposure. As per 31 December 2023, 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.

During 2022, Hoist Finance applied hedge accounting to interest rate hedging contracts in accordance with IAS 39's carveout methodology in order to reduce volatility in earnings. Hedged items are comprised of unsecured credit portfolios; hedging instruments are comprised of interest rate hedging contracts denominated in EUR, GBP, PLN and SEK.

Additional information on the Group's and the Parent Company's management of hedge accounting is presented in Accounting Policies sections 7 and 14.3 "Hedge accounting".

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Note 17 Derivatives, cont

## Derivatives held for trading

### Group 31 Dec 2022

	Nomina	l amount/mat	urity			
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	3,949	-	_	3,949	35	-17
Total	3,249	-	-	3,949	35	-17
SEK m					Positive market values	Negative market values
Currency breakdown of market values						
SEK					35	-4
EUR					-	-12
GBP					-	-1
PLN					-	-
RON					_	-0
Total					35	-17

## Derivatives for hedge accounting

## Group 31 Dec 2022

	Nomina	l amount/mat	urity				
SEK m	Up to 1 year	1-5 year	over 5 year	Nominal amount	Positive market values	Negative market values	
Interest rate related contracts				'	'		
Swaps	315	837	2,107	3,259	130	-3	
Currency related contracts							
Currency forwards	4,373			4,373	0	-154	
Total	4,688	837	2107	7,632	130	-157	

## Group 31 Dec 2022

	Avera	ge exchange i	rate	_	
SEK m	Up to 1 year	ar 1-5 years Over 5 yea		Positive market values	Negative market values
Currency breakdown of market values					
SEK/GBP	12.56	-	-	_	0
SEK/PLN	2.17	-	-	_	-154
Total					-154

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# Note 17 Derivatives, cont

## Hedging instruments and effectiveness in the hedge accounting 2023

					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 – Derivat, positive values	37	1	_	Other liabilities	3	3	0	Net result from financial transactions
PLN – Derivatives, negative values	4,523	109	_	Other liabilities	511	511	-	Net result from financial transactions
Total	4,559	110	-		514	514		
Interest rate related contracts								
Swaps, positive values	942	52	_	Other assets	-	-	-	Net result from financial transactions
Total	942	52	-		-	-	-	
Swaps, negative values	3,929	_	-175	Other liabilities	-123	-	0	Net result from financial transactions
Total			-175		-123	-	0	

## Hedging instruments and effectiveness in the hedge accounting 2022

					Group			
	Carr	ying 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 – Derivat, positive values	30	_	0	Other assets	2	2	0	Net result from financial transactions
Total	30	-	0		2	2	0	
GBP – Derivat, positive values	28	_	0	Other liabilities	-	-	-	Net result from financial transactions Net result from
PLN - Derivatives, negative values	4,285	_	154	Other liabilities	448	443	-4	financial transactions
Total	4,313	-	154		448	443	-4	
Interest rate related contracts								
Swaps, positive values	2,075	130	_	Other assets	127	-	1	Net result from financial transactions
Total	2,075	130	_		127	_	1	
Swaps, negative values	1,183	_	-3	Other liabilities	-	-	-	Net result from financial transactions
Total	1,183	-	-3		_	_	_	

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# Note 17 Derivatives, cont

## Hedged items 2023

_	Group								
SEK m	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	-2	-3	_						
PLN	-521	-1 203	_						
Total	-523	1355	-149						

## Hedged items 2023

		Отоир	
SEK m	Accumulated fair value adjustment included in the carrying amount of the hedged item	Balance sheet item in which the hedged item is included	Change in value of hedged items used to determine ineffeciency for the period
Portfolio Hedge of interest rate risk in NPL-portfolios		Value change in inte- rest-hedged items in port- folio hedging	
GBP	1		1
PLN	99		99
EUR	106		106
SEK	23		23
Total	229		229

## Hedged items 2023

Carrying	A		
amount hedged item	Accumulated fair value adjustment included in the carrying amount of the hedged item		
Assets	Liabilities	Balance sheet item in which the hedged item is included	Change in value of hedged items used to determine inefficiency for the period
3 276	520	Shares and participations in subsidiaries and joint ventures	356
· · · · · · · · · · · · · · · · · · ·		and joint ventures	356
	item	Assets Liabilities  3,276 520	item of the hedged item  Balance sheet item in which the hedged item is included  Shares and participations in subsidiaries and joint ventures

## Hedged items 2022

	Group						
SEK m	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	-2	-1	_				
PLN	-443	-713	51				
Total	-445	-863	-98				

## Hedged items 2022

			Parent Company	
	Carrying amount hedged item	in the carrying amount		
SEK m	Assets	Liabilities	Balance sheet item in which the hedged item is included	Change in value of hedged items used to determine inefficiency for the period
Fair value hedges				
PLN	3,242	164	Shares and participations in subsidiaries and joint ventures	164
Total	3,242	164		164

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Note 18 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 2023							
SEK m	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	_	947	1,266	455	-	-	2,688	455
Lending to credit institutions								
Swedish banks	1,398	-	-	_	_	_	1,398	-
foreign banks	2,135	2	-	-	-	_	2,137	-
Lending to the public	_	52	80	517	598	_	1,247	1,155
Bonds and other securities		131	257	1,468	_	_	1,856	1,468
Total assets with fixed/contractual maturities	3,533	1,132	1,603	2,440	598	_	9,306	3,098
Portfolio book value <sup>1)</sup>	_	1,726	5,571	20,485	9,722	-	37,504	30,207
Total assets with no fixed/ anticipated maturities	_	1,726	5,571	20,485	9,722	_	37,504	30,207
Liabilities								
Deposits from the public <sup>2)</sup>								
retail	-	9,420	7,703	3,109	-	-	20,232	3,109
corporate	5	_			_	_	5	
Total deposits from the public	5	9,420	7,703	3,109	-	-	20,237	3,109
Lease liabilities	_	_	49	96	15	_	160	111
Debt securities issued <sup>3)</sup>	_	73	2,598	2,563	-	-	5,234	2,563
Subordinated debt	_	_	59	1,049	_	_	1,108	1,049
Total liabilities with fixed/contractual maturities	5	9,493	10,409	6,817	15	-	26,739	6,832

<sup>1)</sup> Maturity analysis for portfolio book value 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.

<sup>2)</sup> Deposits in SEK, EUR, PLN & GBP and have a shorter term than 3 months, although a fee is assessed for premature withdrawals from fixed-term deposits.

<sup>3)</sup> The nominal value is SEK 2,219m for unsecured debt maturing in 2024 and SEK 500m for unsecured debt maturing in 2025 as per 31 December 2023. The nominal value is SEK 2,782m for unsecured debt maturing in 2023 and SEK 2,226m for unsecured debt maturing in 2024 as per 31 December 2022. See Note 29 "Funding" for additional information.

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	Group 31 Dec 2022							
SEK m	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	_	1,898	363	527	-	-	2,788	527
Lending to credit institutions								
Swedish banks	839	-	-	-	_	-	839	-
foreign banks	1,517	2	-	-	_	-	1,519	-
Lending to the public	-	57	71	465	565	-	1,158	1,031
Bonds and other securities	_	487	754	2,854	-	-	4,094	2,854
Total assets with fixed/contractual maturities	2,357	2,444	1,187	3,847	565	_	10,398	4,412
Portfolio book value 1)	_	1,517	4,836	18,081	8,031	_	32,465	26,112
Total assets with no fixed/ anticipated maturities	_	1,517	4,836	18,081	8,031	_	32,465	26,112
Liabilities								
Deposits from the public 2)								
retail	7,596	1,115	3,478	6,376	_	-	18,565	6,376
corporate	17	-	-	-	_	_	17	_
Total deposits from the public	7,613	1,115	3,478	6,376	_	-	18,582	6,736
Lease liabilities	_	_	49	96	15	_	160	111
Debt securities issued 3)	_	26	2,999	2,943	53	_	6,021	2,996
Subordinated debt	_	_	59	1,111	_	_	1,170	1,111
Total liabilities with fixed/contractual maturities	7,613	1,141	6,585	10,526	68	-	25,933	10,594

<sup>1)</sup> Maturity analysis for portfolio book value 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.

<sup>2)</sup> Deposits in SEK, EUR, PLN & GBP are payable on demand, although a fee is assessed for premature withdrawals from fixed-term deposits

<sup>3)</sup> The nominal value is SEK 2,782m for unsecured debt maturing in 2023 and SEK 2,226m for unsecured debt maturing in 2024 as per 31 December 2022. 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. See Note 29 "Funding" for additional information.

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	Parent Company 31 Dec 2023							
SEK m	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	-	947	1,266	455	-	-	2,688	455
Lending to credit institutions								
Swedish banks	1,398	-	-	_	_	_	1,398	-
foreign banks	1,280	-	-	_	_	_	1,280	-
Lending to the public	-	27	36	244	266	_	573	510
Receivables, Group companies	-	100	213	3,309	_	4,150	7,772	7,459
Bonds and other securities		131	257	1,468	_	_	1,856	1,468
Total assets with fixed/contractual maturities	2,678	1,205	1,772	5,476	266	4,150	15,547	9,892
Portfolio book value 1)	-	838	2,725	8,064	4,537	-	16,165	12,601
Total assets with no fixed/ anticipated maturities	-	838	2,725	8,064	4,537	4,150	20,314	12,601
Liabilities								
Deposit from public 2)								
retail	-	9,420	7,703	3,109	-	-	20,232	3,109
corporate	5	_		_		_	5	
Total deposits from the public	5	9,420	7,703	3,109	-		20,237	3,109
Lease liabilities	10	49	-	_	_	_	59	_
Debt securities issued 3)	-	51	2,383	2,081	_	_	4,515	2,081
Subordinated debt	_	-	59	1,049	_	-	1,108	1,049
Total liabilities with fixed/contractual maturities	15	9,520	10,146	6,239	_	-	25,919	6,239

<sup>1)</sup> Maturity analysis for portfolio book value 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.

<sup>2)</sup> Deposits in SEK, EUR, PLN & GBP and have a shorter term than 3 months, although a fee is assessed for premature withdrawals from fixed-term deposits.

<sup>3)</sup> The nominal value is SEK 2,219m for unsecured debt maturing in 2024 and SEK 500m for unsecured debt maturing in 2025 as per 31 December 2023. The nominal value is SEK 2,782m for unsecured debt maturing in 2023 and SEK 2,226m for unsecured debt maturing in 2024 as per 31 December 2022. See Note 29 "Funding" for additional information.

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

	Parent Company 31 Dec 2022								
SEK m	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	-	1,898	363	527	_	_	2,788	527	
Lending to credit institutions									
Swedish banks	839	-	_	-	_	_	839	-	
foreign banks	607	0	_	-	_	_	607	-	
Lending to the public	-	31	21	157	152	_	361	308	
Receivables, Group companies	-	88	181	3,022	_	4,091	7,382	7,113	
Bonds and other securities		487	753	2,854	_	_	4,094	2,854	
Total assets with fixed/contractual maturities	1,446	2,504	1,318	6,560	152	4,091	16,071	10,803	
Portfolio book value 1)	_	725	2,180	7,410	3,600	_	13,916	11,010	
Total assets with no fixed/ anticipated maturities	-	725	2,180	7,410	3,600	4,091	18,006	11,010	
Liabilities									
Deposit from public <sup>2)</sup>									
retail	7,596	1,115	3,478	6,736	_	_	18,565	6,376	
corporate	16	_	_	_	_	_	16		
Total deposits from the public	7,612	1,115	3,478	6,376	_	-	18,581	6,376	
Lease liabilities	93	86	_	-	_	_	179	-	
Debt securities issued <sup>3)</sup>	-	-	2,934	2,301	_	_	5,235	2,301	
Subordinated debt	_	-	59	1,111	_	-	1,170	1,111	
Total liabilities with fixed/contractual maturities	7,705	1,201	6,471	9,788	_	-	25,165	9,788	

<sup>1)</sup> Maturity analysis for portfolio book value 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.

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

<sup>3)</sup> The nominal value is SEK 2,782m for unsecured debt maturing in 2023 and SEK 2,226m for unsecured debt maturing in 2024 as per 31 December 2022. 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. See Note 29 "Funding" for additional information.

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Note 19 Portfolio book value

## Net carrying amount Group

## Portfolio book value, credit impaired

SEK m	31 Dec 2023	31 Dec 2022
Opening balance 1 Jan	20,990	16,477
Acquisitions	6,909	6,928
Interest income	3,396	2,615
Gross collections	-7,394	-6,575
Impairment losses and gains	363	53
of which, realised collections against active forecast	685	543
of which, portfolio revaluations	-322	-490
Disposal	-836	0
Translation differences	136	1,492
Closing balance	23,564	20,990

## Portfolio book value, performing

31 Dec 2023	31 Dec 2022
634	696
180	_
73	63
-176	-159
-1	0
0	-1
14	35
724	634
24,288	21,624
	2023 634 180 73 -176 -1 0 14

For additional information see Note 33 "Risk management"

## Undiscounted acquired loss allowances

As at 31 December 2023, the undiscounted acquired loss allowances at initial recognition totalled SEK 43,688m (52,481) for creditimpaired credit portfolios acquired by the Group during January to December, of which SEK 30,052m (42,583) is attributable to Parent Company acquisitions.

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# Note 19 Portfolio book value, cont.

# Net carrying amount Parent company

### Portfolio book value, credit impaired

SEK m	31 Dec 2023	31 Dec 2022
Opening balance 1 Jan	8,865	6,089
Acquisitions	3,649	2,972
Interest income	1,467	1,150
Gross collections	-3,409	-3,222
Impairment losses and gains	91	52
of which, realised collections against active forecast	61	238
of which, portfolio revaluations	30	-186
Disposal	-499	0
Translation differences	-44	1,824
Closing balance	10,120	8,865

### Portfolio book value, performing

SEK m	2023	2022
Opening balance 1 jan	242	271
Acquisitions	179	-
Interest income	27	18
Amortisations and interest payments	-82	-56
Changes in loss allowance	-2	1
Derecognitions	0	-1
Translation differences	-1	9
Closing balance	363	242
Total closing balance	10,483	9,107

#### 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 credit portfolios based on the updated forecasts and based on the principals set forth by the Effective Interest Rate method.

#### Revaluations

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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, especially 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.

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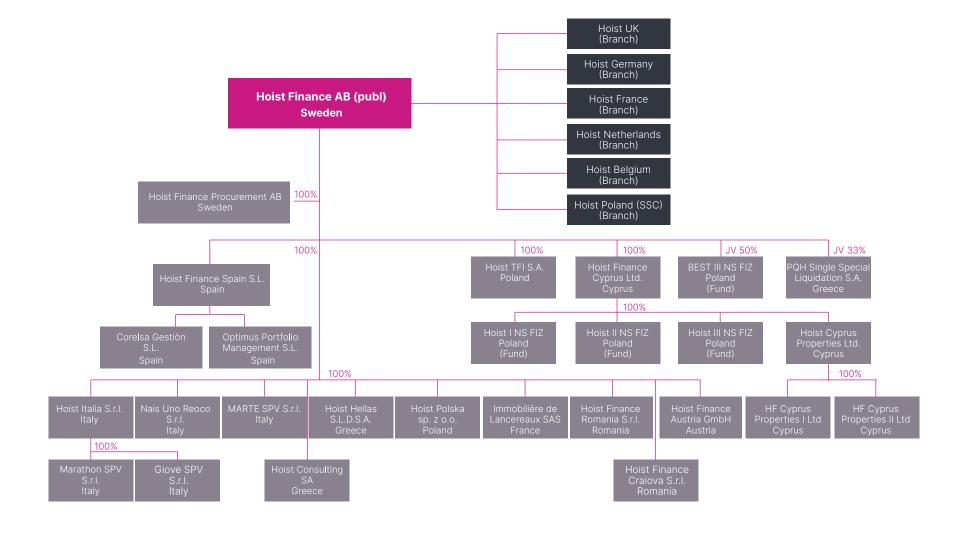
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## Note 20 Shares and participations in subsidiaries

## Legal structure

The Hoist Finance Group with its most important subsidiaries and branches as at 31 December 2023.



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# Note 20 Shares and participations in subsidiaries, cont.

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.

	Group							
SEK m	Corp. ID no.	Registered office	Ownership, %	Carrying value 31 Dec 2023				
Swedish								
Hoist Finance Procurement AB	5593337909	Stockholm	100	70				
Foreign								
HOIST I NS FIZ 2)	RFI702	Warsaw	100	-				
Hoist Kredit Ltd. 1)	7646691	London	100	0				
Marte SPV S.r.I.	4634710265	Conegliano	100	-				
Hoist Italia S.r.I.	12898671008	Rome	100	22				
Hoist Finance Cyprus Ltd.	HE 338570	Nicosia	100	3,091				
Hoist Polska SpZ.O.O	536257	Wroclaw	100	147				
Hoist Finance Spain S.L.	B87547659	Madrid	100	2,588				
Optimus Portfolio Management S.L.	B86959285	Madrid	100	-				
Hoist Hellas S.A	137777901000	Athens	100	11				
Nais Uno Reoco S.r.l.	14564684007	Rome	100	3				
Hoist III NS FIZ 2)	292229	Warsaw	100	-				
Immobilière de Lancereaux SAS	2018B20590	Paris	100	0				
Hoist II NS FIZ 2)	RFi1617	Warszawa	100	-				
Hoist Finance Romania S.r.I	41830400	Bucharest	100	9				
Marathon SPV S.r.I	5048650260	Conegliano	100	-				
Giove SPV S.r.I	05089700263	Coneglliano	100	-				
Hoist Finance Austria Gmbh	FN544345h	Mooslackengasse	100	-				
Hoist Cyprus Properties Ltd	HE 423727	Nicosia	100	_				
HF Cyprus Properties I Ltd	HE 424747	Nicosia	100	-				

Group				
Corp. ID no.	Registered office	Ownership, %	Carrying value 31 Dec 2023	
HE 424829	Nicosia	100	-	
937877	Wroclaw	100	38	
46632099	Bucharest	100	6	
B13822242	Madrid	100	-	
8021942921	Athens	100	41	
	HE 424829 937877 46632099 B13822242	Corp. ID no. Registered office  HE 424829 Nicosia 937877 Wroclaw 46632099 Bucharest B13822242 Madrid	HE 424829 Nicosia 100 937877 Wroclaw 100 46632099 Bucharest 100 B13822242 Madrid 100	

- 1) The company is being liquidated.
- 2) Polish Sec.fund.
- 3) Companies added during the year.

SEK m	2023	2022
Accumulated acquisition value		
Opening balance	5,031	1,268
Absorbed through merger	-	-
Acquired through merger	-	-
Acquisitions	-	-
Capital contribution	1,355	4,098
Disposal	_	-335
Closing balance	6,386	5,031
Accumulated depreciations	-	-
Opening balance	-195	-406
Amortisation	-	-
Hedge fair value <sup>1)</sup>	356	211
Closing balance	161	-195
Closing balance	6,547	4,836

<sup>1)</sup> For additional information see Accounting principles section 7 "Hedge accounting" and Note 17 "Derivatives".

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# Note 21 Intangible assets

	Group 31 Dec 2023				Parent Company 31 Dec 202					
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	159	13	546	34	752	0	14	437	25	476
Investments for the year	_	_	1	9	10	_	-	-2	4	2
Reclassification	_	_	-	-	_	-	-	-	-	-
Divestments and disposals	_	_	-6	-16	-22	-	-	-	-5	-5
Translation differences	11	_	1	0	12		-	_	-	-
Acquisition value	170	13	542	27	752	0	14	435	24	473
Opening balance	-6	-12	-417	-20	-455	0	-12	-318	-20	-350
Depreciation for the year	_	-1	-37	-	-38	_	-1	-37	-	-38
Divestments and disposals	_	_	-	-	_	_	-	-	-	-
Reclassification	_	_	-15	-	-15	-	-	-15	-	-15
Translation differences		_	-1	-	-1		-		-	_
Accumulated depreciation	-6	-13	-470	-20	-509	0	-13	-370	-20	-403
Carrying amount	164	0	72	7	243	0	1	65	4	70

		Group 31 Dec 2022			Parent Company 31 Dec 2022					
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	200	10	556	66	832	1	10	423	66	500
Investments for the year	_	-	27	23	50	-1	4	24	2	36
Reclassification	_	3	_	-4	-1	_	-	2	-4	1
Divestments and disposals	-54	-	-54	-51	-159	_	-	-20	-49	-69
Translation differences	13	_	17		30		-	8		8
Acquisition value	159	13	546	34	752	0	14	437	25	476
Opening balance	-55	-10	-387	-20	-472	-	-10	-275	-20	-305
Depreciation for the year	-3	-2	-50	-	-55	_	-2	-42	-	-44
Divestments and disposals	54	-	34	-	88	_	-	6	-	6
Reclassification	_	-	_	-	0	_	-	-1	-	-1
Translation differences	-2	-	-14		-16		-	-6		-6
Accumulated depreciation	-6	-12	-417	-20	-455	0	-12	-318	-20	-350
Carrying amount	153	1	129	14	297	0	2	119	5	126

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Note 21 Intangible assets, cont.

## Impairment test for goodwill

The Group's goodwill of SEK 164m (153) has been identified as belonging to the following cash-generating units: Poland, SEK 146m (136); Spain, SEK 11m (11) and Italy, SEK 6m (6). Goodwill was impairment tested in conjunction with the yearend accounts.

The Group's impairment test is carried out as follows. Cash flow forecasts are based on an as-sessment 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 percent 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 2023 is within the 5.51–7.34 percent range after tax.

In this year's Group impairment test, the value in use was deemed to exceed the carrying value for all cash-generating units. There is therefore no impairment requirement.

Tangible assets

	Group 31 Dec 2023					Parent Company 31 Dec 2023	
SEK m	Land and buildings	Equipment	Properties repossessed for protection of claims	Total	Equipment	Total	
Opening balance	220	241	93	554	157	157	
Investments for the year	19	11	-1	29	2	2	
Reclassifications	-	1	-	1	_	_	
Divestments and disposals	-20	-5	-6	-31	-5	-5	
Translation differences	2	1	-	3	_		
Acquisition value	221	248	86	555	154	154	

	Group 31 Dec 2023					y 31 Dec 2023
SEK m	Land and buildings	Equipment	Properties repossessed for protection of claims	Total	Equipment	Total
Opening balance	-128	-205	0	-333	-137	-137
Depreciation for the year	-34	-18	-	-52	-8	-8
Reclassifications	-	-	-	-	-	-
Divestments and disposals	5	_	-	5	-	-
Translation differences	-1		_	-1		_
Accumulated depreciation	-158	-223	0	-381	-145	-145
Carrying amount	62	25	86	175	9	9

		Group 31 Dec 2022					
SEK m	Land and buildings	Pr Equipment	operties repossessed for protection of claims	Total	Equipment	Total	
Opening balance	237	278	24	539	152	152	
Investments for the year	3	8	75	86	2	2	
Reclassifications	_	_	_	0	-4	-4	
Divestments and disposals	-33	-62	<del>-</del> 11	-106	-3	-3	
Translation differences	13	17	5	35	10	10	
Acquisition value	220	241	93	554	157	157	

		Group 31 Dec 2022					
SEK m	Land and buildings	Equipment	Properties repossessed for protection of claims	Total	Equipment	Total	
Opening balance	-108	-226	_	-334	-122	-122	
Depreciation for the year	-33	-21	-	-54	-11	-11	
Reclassifications	-	-	-	0	2	2	
Divestments and disposals	20	57	-	77	2	2	
Translation differences	<b>-7</b>	-15		-22	-8	-8	
Accumulated depreciation	-128	-205	0	-333	-137	-137	
Carrying amount	92	36	93	221	20	20	

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# Note 23 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.

	G	Group 31 Dec 2023					
SEK m	Leased premises	Other right-of-use assets	Total				
Opening balance	225	30	255				
Investments for the year	23	8	31				
Divestments and disposals	-20	0	-20				
Translation differences	2	0	3				
<b>Acquisition value</b>	230	38	268				
Opening balance	-133	-23	-156				
Depreciation for the year	-38	-6	-44				
Divestments and disposals	5	0	5				
Translation differences	-1	0	-1				
Accumulated depreciation	-167	-29	-196				
Carrying value	63	9	72				

The year's investments in right-of-use assets pertain to new acquisitions and to additional amounts resulting from reviewing existing lease liabilities when lease contracts are extended or prematurely terminated.

As at 31 December 2023 the Group has 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 77m (105) at 31 December 2023. A maturity analysis of lease liabilities is presented in Note 18, "Maturity analysis".

Total cash flow for lease liabilities during the year was SEK 48m.

## Amounts reported in the income statement

	Group		
SEK m	2023	2022	
Depreciation of right-of-use assets	-44	-44	
Interest expense related to lease liabilities	-3	-5	
Costs related to short-term leases	0	53	
Costs related to low-value leases	0	-1	
Total	-47	3	

#### Amounts reported in the income statement

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 obligations under operating lease agreements are presented below.

	Parent C	Parent Company			
SEK m	2023	2022			
Payment obligations under non-cancellable lease contracts					
Within 1 year	28	30			
Years 1–5	29	53			
Year 5 and thereafter	0	12			
Total	57	95			

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Note 24 Other assets

	Gro	up	Parent Company		
SEK m	2023	2022	2023	2022	
Derivatives 1)	289	165	288	165	
Financial assets	106	274	108	277	
Tax receivables	33	8	7	4	
VAT receivables	53	16	22	14	
Accounts receivables 2)	52	44	0	0	
Advance payments to customers	0	2	0	2	
Other short-term receivables	275	185	193	130	
Total	808	694	618	592	

<sup>1)</sup> See note 17 "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.

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te	<b>4</b> 3

Prepaid expenses and accrued income

	Gro	up	Parent Company		
SEK m	2023	2022	2023	2022	
Prepaid expenses	129	108	52	66	
Total	129	108	52	66	

Note 26 Other liabilities

	Gro	up	Parent Company		
SEK m	2023	2022	2023	2022	
Accounts payable	169	197	89	104	
Payables to Group companies	0	0	81	180	
Unpaid purchase consideration for portfolios	0	0	0	0	
Liabilities from service billing	2	34	2	2	
Derivatives 1)	200	174	200	174	
VAT payables	14	25	0	9	
Employee withholding tax on deposit interest	49	33	49	33	
Employee withholding tax	37	32	23	19	
Payables to employees	80	68	37	30	
Collateral received	194	252	194	252	
Lease liabilities	77	105	0	0	
Other liabilities	936	238	686	28	
Total	1758	1158	1 361	831	

1) S	ee note	17 "Deri	vatives".
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	27	Accrued expenses and
ote	21	deferred income

	Gro	up	Parent Company		
SEK m	2023	2022	2023	2022	
Accrued personnel expenses	50	42	38	29	
Accrued legal costs	42	56	0	0	
Accrued transaction costs	139	165	63	33	
Accrued commission costs	5	1	0	0	
Accrued collection costs	22	32	13	19	
Accrued consultancy expenses	6	8	5	4	
Accrued expenses for deposits from the public	4	0	4	0	
Deferred income	0	1	0	0	
Other accrued expenses	29	24	13	6	
Total	297	329	136	91	

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Note 28 Provisions

	Pension Restructuring Provision Reserve		Other noncurrent Employee Benefits		Other Provisions		Group			
SEK m	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Opening balance	20	27	2	6	13	15	12	11	47	59
Provision	-	0	26	0	-1	2	6	4	31	6
Amount released	0	-1	-17	-4	0	-1	-6	-3	-23	-9
Change in value	-1	-6	0	0	0	-3	0	0	-1	-9
Other	_	_	0	_	0	_	_	0	0	0
Closing balance	19	20	11	2	12	13	12	12	54	47

Group and

	Parent Company			
SEK m	31 Dec 2023	31 Dec 2022		
Net pension provision, recognised in the balance sheet				
Defined-benefit commitment	24	24		
Fair value of plan assets	4	4		
Net pension provision	20	20		
Pension commitments				
Opening balance	24	31		
Interest expense	1	0		
Pension payments	-1	-1		
Actuarial gains (–)/losses (+)	0	-9		
Currency effects, etc.	0	2		
Closing balance	24	24		
Assets under management				
Opening balance	4	4		
Interest income	0	0		
Employer-contributed funds	-	-		
Benefits paid	-	-		
Actuarial gains (-)/losses (+)	0	0		
Currency effects, etc.	0	0		
Closing balance	4	4		

All plan assets are invested in investment funds.

## **Restructuring costs**

Utilised costs during 2023 are related to restructuring costs in Germany, United Kingdom, France and the Netherlands. Remaining provisions are expected to be utilised in 2024.

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### **Pensions**

The Group has defined benefit pension schemes for Hoist Finance AB (publ), of which SEK 19m (20) is recognised in the German branch Hoist Finance AB (publ) Niederlassung and SEK 5 thousand (5) 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.

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Note 29 Funding

SEK m

Senior debt

Secured debt

Subordinated debt

Total interest-bearing liabilities

Deposits from the public

Deposits from the public

Deposits from the public

Deposits from the public

Nominal

interest rate

1.2% - 4.25%

0.35% - 3.95%

0.71% - 4.80%

4.00% - 6.70%

3.380%

8.250%

9.050%

8.840%

9.070%

2.275%

3.375%

6.625%

8.0% - 15.0%

	Group and Parent Company			
SEK m		31 Dec 2023	31 Dec 2022	
Deposits from the public		20,238	18,581	
Senior debt		4,102	5,053	
Secured debt		475	492	
Subordinated debt		900	903	
Total interest-bearing debt		25,715	25,029	

Currency

SEK

EUR

GBP

PLN

SEK

SEK

SEK

SEK

SEK

**EUR** 

**EUR** 

**EUR** 

EUR

## Retail funding

Deposits from the public

Maturity

2023-2026

2023-2027

2023-2027

2023-2027

2024

2025

2025

2026

2026

2023

2024

2034

2032

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. In November 2023, a new deposit programme was established in Po-

Carrying

amount

5,893

12.910

1,434

265

251

499

253

612

2,222

475

900

25,715

31 Dec 2023

Nominal

value

5,846

12.784

1,418

250

250

500

250

600

2,219

359

888

25,365

land, with customers allowed to save up to PLN 400,000. All deposit products offer both current account and fixed-term deposits, with the majority (99 percent) of all deposits covered by the Swedish deposit guarantee. At year-end 2023, Hoist Finance AB (publ) had SEK 3,839m and SEK 2,054m in current account and fixed-term deposits in SEK, respectively; SEK 3,709m and SEK 9,200m in current account and fixed-term deposits in EUR, respectively; SEK 1,324m and SEK 110m in current account and fixed-term deposits in GBP, respectively; and SEK 1,439m in fixed-term deposits in PLN.

## Wholesale funding

Senior debt

31 Dec 2022

Carrying

amount

6,687

10.854

1,040

2,829

2,224

492

903

25,029

**Nominal** 

value

6,642

10.797

1,036

2,782

2,226

361

890

24,734

Hoist Finance AB (publ) issued five senior bond loans, totalling SEK 1,850m, in 2023. At year's end Hoist Finance AB (publ) had six outstanding senior unsecured bond loans totalling SEK 1,850m and EUR 200m under the company's EMTN programme. There were no outstanding issues under the commercial paper programme as at year-end 2023.

#### Secured debt

The Italian special purpose vehicle Giove SPV S.r.I issued bonds totalling EUR 18m during the year in three tranches, secured by Italian unsecured NPLs. The two subordinated tranches in the transaction structure, corresponding to 17 percent of total issue amount, have been 85 percent subscribed by external investors.

#### Subordinated debt

Hoist Finance AB (publ) issued no unsubordinated debt under the company's EMTN programme in 2023. At year-end 2023 Hoist Finance AB (publ) had an outstanding subordinated bond loan totalling SEK 80m under the company's EMTN programme.

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# Note 30 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		2023	2022		
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 2023 and 2022 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 2023 financial year, the Board has decided to propose to the AGM not to pay a dividend for 2023.

The revaluation reserve in the Parent Company 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.

## Pledged assets, Contingent liabilities and Commitments

	Gro	up	Parent Company		
SEK m	2023	2022	2023	2022	
Restricted bank balances	2	2	-	_	
Credit portfolios, external loans	1,000	-	1,000	_	
Acquired portfolios in the securitisation structures	2 710	949	_		
Pledged assets	3,712	952	1,000	-	
Contingent liabilities	147	105	147	105	
Forward flow contracts	365	79	365	79	
Signed but not settled acquisitions	965	-	965		
Commitments	1,330	79	1,330	79	

Pledged assets in the Group pertain to restricted bank balances and the value of portfolios pledged as collateral for issued bonds in securitisation structures Marathon SPV S.r.l. and Giove SPV S.r.l. As from third quarter 2023, the entire portfolio value is recognised as a pledged asset.

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.

The Group has previously provided information about a contingent liability regarding two VAT cases. During fourth quarter 2023 the Group received decisions in two new VAT cases regarding the Swedish parent company's deduction for input VAT for years 2018–2020. Hoist Finance has appealed the decisions and expects it will take another 2-3 years before these are finally adjudicated. For all of these cases, Hoist Finance considers it more likely that Hoist Finance will prevail in court and, accordingly, no provision has been made.

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# Note 32 Specifications to the cash flow statement

## Reconciliation of liabilities from funding activities

	Non-cash changes							
SEK m	31 Dec 2022	Cash flow	Investments	Accrued expenses	Exchange rate fluctuations	31 Dec 2023		
Deposits from the public	18,581	1,724		-56	-11	20,238		
Issued and repurchased securities	5,545	-815		50	-203	4,577		
Subordinated debt	903			-3	0	900		
Lease liabilities	105	-48	16	2	2	77		
Total liabilities from funding activities	25,134	861	16	-7	-212	25,792		

## Specification of adjustments for other items not included in cash flow

SEK m	Group	
	31 Dec 2023	31 Dec 2022
Depreciation and amortisation on tangible and intangible assets	96	109
Realised component of net income from financial transactions	140	-
Unrealised component of net income from financial transactions	-	-34
Impairment gains and losses	-357	-53
Unrealised gains on shares and participations in joint ventures	-177	-90
Increase/decrease in accrued interest income and interest expense	133	62
Increase/decrease in provisions	8	-4
Derecognition gains and losses	-43	1
Other items	-598	39
Total	-798	30

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## Note 33 Risk management

#### Introduction

The Group's risk management is based on strategic and tactical business objectives, and the business plan and business model established to fulfil these objectives. Risk management is an iterative and dynamic process through which risks are identified, assessed, managed, monitored and reported on a continuous basis. To ensure effective and functional risk management, identified risks are defined and categorised in a Group-wide risk universe. The Board of Directors controls risk management through policies that specify clear roles and responsibilities, the Group's risk strategy and risk appetite, and limits for risk-taking.

Risk identification normally takes place prior to decision-making and, on a Group-wide level, in conjunction with the business planning process and internal capital and liquidity adequacy assessment processes (ICLAAP). For each identified risk deemed to be material, the Board of Directors establishes a risk appetite; i.e., the level of risk exposure it is willing to accept in pursuit of the strategic and tactical objectives. These risk appetites are calibrated based on stress tests and scenario analyses covered by the ICLAAP.

The Group's Risk Control function ensures that risks are managed within the relevant units' risk appetites and limits by monitoring risk exposures and reporting these to the CEO and Board of Directors on a monthly basis.

During 2023 the Group-wide risk universe was comprised of four main categories.

Four main categories of risk were identified during the most recent ICLAAP:

- (i) credit risk
- (ii) operational risk
- (iii) market risk
- (iv) 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 credit 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 credit 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 factors such as size, age, the existence of collateral and type of loan, as well as debtor age, location, type, etc.

Measuring credit risk in the non-performing credit portfolios Credit risk in the non-performing credit portfolios relates primarily to the Group overpaying for a portfolio — i.e., 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. At 31 December 2023, the carrying amount of Hoist Finance's non-performing credit portfolios was SEK 23,642m (20,990). The majority of these loans are unsecured, although a number of portfolios have real estate properties as collateral. As at 31 December 2023, these portfolios had a carrying amount of SEK 6,444m (5,705).

Information on the credit portfolios' geographical distribution is presented in Note 3. "Seament reporting". Other information on acquired non-performing credit portfolios is presented in Note 19, "Portfolio book value". Net cash flow forecast is an important parameter for Hoist Finance's credit risk management of non-performing credit portfolios, as described in Note 19, "Portfolio book value".

Impairment of non-performing credit portfolio values

The risk of credit 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 are reported under "Impairment gains and losses".

Expected credit loss measurement for acquired performing credit 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 credit portfolios. Non-performing credit 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 credit portfolios".

The IFRS 9 three-stage model is presented in the table below.

For Hoist Finance, initial recognition is the date on which a portfolio is acquired and subsequently recognised on the balance sheet. For acquired performing credit 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 respectively under "Significant increase in credit risk" and "Definition of default and credit-impaired assets".

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## Note 33 Risk management, cont.

The general approach applied by Hoist Finance for measuring Expected Credit Losses ("ECL") for acquired performing credit 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.

During the period there have been no changes in estimation techniques or significant assumptions in the ECL measurement process. Significant increase in credit risk

Credit portfolios 31 Dec 2023

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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 pursuant to 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 credit 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 EB's guidelines on default of an obligor (article 178), material amounts are amounts exceeding EUR 100 plus 1 percent of the outstanding amount.
- A concession is granted that 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 justifiable concerns about an obligor's future ability to generate stable and sufficient cash flow.

In terms of 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 credit portfolios.

#### Concentration risk

23.564

24.288

Hoist Finance has receivables from a large number of counterparties, most of who are private individuals. The portfolio is also well diversified, with receivables in 11 countries and no country accounting for more than 30 percent of total credit portfolios. Lim-

## Change in credit quality since initial recognition

Recognition of expected credit losses		
12 month expected credit loss	Lifetime expected credit losses	Lifetime expected credit losses
Interest revenue		
Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortised cost carrying amount (i.e. net of loss allowance)
Stage 1	Stage 2	Stage 3
Performing (Initial recognition <sup>1)</sup> )	Underperforming (Assets with significant increase in credit risk since initial recognition)	Non-performing (Credit Impaired assets <sup>1)</sup> )

<sup>1)</sup> Except for purchased or originated credit impaired assets.

Net carrying amount

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	504	=	-	-	504
Credit grade medium credit quality	144	_	_	-	144
Credit grade for low credit quality	2	19	_	-	21
Default	_	_	63	23,171	23,234
Gross carrying amount	650	19	63	23,171	23,903
Loss allowance	-1	-1	-6	393	385

A full reconciliation of gross carrying amount and ECL movements can be found in Note 19, "Portfolio book value".

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its 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 exposure and maximum exposure to credit risk For acquired non-performing and performing credit portfolios, the maximum exposure to credit risk is represented by the gross carrying amount of the loan. The table above presents an analysis of the credit risk exposure for acquired credit portfolios based on credit risk classes. The credit risk class for "high credit quality" corresponds to loans for which the exposure-weighted average 12-month probability of default (PD) is 0.15 per cent. The equivalent PD averages for "medium credit quality" and "low credit quality" are 0.791 per cent and 38.18 per cent, respectively.

## Credit risk for 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 due to the counterparty's credit rating.

The table shows Standard & Poor's credit rating for the Group's exposures in the liquidity reserve as per 31 December 2023 compared with 31 December 2022, with the exposure distribution stated as a percentage.

As per 31 December 2023, the weighted average maturity for liquidity portfolio assets was 1.17 years (1.37) and the modified duration was 0.27 years (0.28). 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; i.e., 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.

Information per type of financial instrument

Financial assets and liabilities subject to set-off and covered by legally binding netting or similar agreements are presented in the tables above.

%	31 Dec 2023	31 Dec 2022
AAA	48.2	70.0
AA+	8.5	8.5
AA	0.0	0.0
AA-	19.8	4.0
A+	0.0	0.0
A	15.1	12.3
A-	1.9	2.1
BBB+	5.4	2.0
BBB	0.2	0.2
BBB-	0.0	0.0
BB+	0.2	0.2
BB	0.0	0.0
BB-	0.0	0.0
B+	0.0	0.0
В	0.0	0.0
B-	0.5	0.8
N/A	0.0	0.0
Total SEK m	7,792	8,897
of which, in the liquidity portfolio	4,531	6,883

31 Dec 2023	_	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	289		289	-194	95	
Liabilities						
Derivatives	200		200	-88	112	
Total	89	0	89	-106	-17	

31 Dec 2022		Related amounts not	offset in the balance sheet			
MSEK	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	165		165	-165	0	
Liabilities						
Derivatives	174		174	-174	0	
Totalt	-9	0	-9	9	0	

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## Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, IT systems or external events, and includes legal and compliance risk.

The operational risks that Hoist Finance is mainly exposed to is divided into the following seven categories:

- Unauthorised activities and internal fraud
- External fraud and other criminal activity; e.g., money laundering and cybercrime
- Employment practices and workplace safety
- Clients, products and business practices
- Damage to physical assets
- Business disruption, systems failure and information and communications technology (ICT)
- Execution, delivery and process management

The Group manages operational risks using compensating controls, detection controls and corrective controls. Compensating controls, which reduce the likelihood of errors and discrepancies, include policies, procedures, training programmes, authorisation restrictions, customer due diligence, etc. Detection controls are designed to detect errors and discrepancies in the event they occur and include various types of reconciliation, monitoring systems, alarms, etc. Corrective controls are designed to limit negative consequences and/or restore operations as quickly as possible following an error or discrepancy; examples include backups, redundancies, contingency plans and, for serious disruptions, continuity and crisis planning.

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 Group-wide 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 Management in the relevant country.

- 2. Self-assessment of operational risks and controls. Under this method operational risks inherent in the organisation are identified and evaluated, and the effectiveness of existing control activities are then assessed. These analyses form the basis for an evaluation of the residual operational risks and whether these can and should be accepted. The assessment is done in a group format, as discussions and diverse perspectives are important in identifying and assessing risks and controls.
- 3. Process for approval and quality assurance of new and amended products, services, markets, processes, ICT assets 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 in place continuity plans for all critical operations and recovery plans for critical ICT assets
- Crises are managed by predefined crisis management teams.
- 5. Key risk indicators are monitored to provide early warning when risks have changed or may change.
- 6. Regular training in operational risks is conducted in key areas.

### 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 that 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 credit 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 is provided in Accounting Principles section 10, "Hedge accounting" and in Note 17, "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 translation risk expressed as sensitivity to a movement of 10 per cent in the exchange rate between SEK and each currency. The result of translation risk hedging is reported in "Other comprehensive income" in each annual report. The non-functional portion is reported in "Net result from financial transactions". Changes in the EUR hedges are reported in the income statement under "Net result from financial transactions". Hedges for other currencies are presented in "Other comprehensive income" and mitigate the direct impact of translation risk on equity.

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#### 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 may affect the company's revenues from credit 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 by the increase to a higher degree than are revenues from credit 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 also applies hedge accounting for interest derivatives.

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. Hoist Finance accordingly applies hedge accounting for interest derivatives.

Credit portfolios, on the other hand, are valued under the amortised cost principle, so changes in interest rates have an impact over time (rather than instantaneously) 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 instantaneously) on Group results. Hoist Finance has strict limits for maximum allowed interest rate

exposure. These regulate the maximum impact on earning that is tolerated given various shifts in the yield curve. Limits are in place to reduce earnings risk and economic value risk.

The tables below show the effect on various assets and liabilities of a sudden and permanent parallel shift of 300 basis points in market interest rates.

## 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 credit portfolios is in its nature positive. The group normally receive a cash flow of approximately 1.9 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).

Group FX risk in EUR m			npact on P&L Total							
· ·		Impact	on equity	P&L	Total		impac	t on equity	P&L	Iotai
Net assets on the balance sheet, EUR m	257.7					-67.2				
Currency forwards, EUR m	-266.0					67.4				
Net exposure, EUR m	-8.3					0.2				
A 10 per cent increase in the EUR/SEK FX rate impacts Group results by (SEK m)		286.0	4.73%	-295.2	-9.2		-74.8	-1.30%	75.0	0.2
A 10 per cent decrease in the EUR/SEK FX rate impacts Group results by (SEK m)		-286.0	-4.73%	295.2	9.2		74.8	1.30%	-75.0	-0.2
Group FX risk in PLN m										
Net assets on the balance sheet, PLN m	1,719.2					1,904.0				
Currency forwards, PLN m	-1,719.2					-1,881.1				
Net exposure, PLN m	0					22.9				
A 10 per cent increase in the PLN/SEK FX rate impacts Group results by (SEK m)		-0.0019	0.00%		0.0		5.4	0.09%		5.4
A 10 per cent decrease in the PLN/SEK FX rate impacts Group results by(SEK m)		0.0019	0.00%		0.0		-5.4	-0.09%		-5.4
Group FX risk in GBP m										
Net assets on the balance sheet, GBP m	42.4					84.0				
Currency forwards, GBP m	-42.4					-83.8				
Net exposure, GBP m	0					0.2				
A 10 per cent increase in the GBP/SEK FX rate impacts Group results by (SEK m)		0.0341	0.00%		0.0		0.2	0.00%		0.2
A 10 per cent decrease in the GBP/SEK FX rate impacts Group results by (SEK m)		0.0341	0.00%		0.0		-0.2	0.00%		0.2

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Note 33 Risk management, cont.

Total impact on net interest income over 1 year, TSEK	Impact on profit/loss 31 Dec 2023		Impact on equity	Impact on profit/loss 31 dec 2022		Impact on equity
	-300 bps	+300 bps		-300 bps	+300 bps	
Impact on net interest income (over 1 year)	159,263	-156,088		53,897	-52,249	
Impact on derivatives (instantaneous impact)	-956,570	956,570		-588,931	588,931	
Total impact of change in short term interest rate	-797,334	800,482	-13.19%	-535,034,	536,682	-9.31%

Total items measured at fair value including derivatives, TSEK		Impact on profit/loss 31 Dec 2023 Im		Impact on profit/loss 31 Dec 2022		Impact on equity
	-300 bps	+300 bps		- 300 bps	+300 bps	
Liquidity portfolio	52,292	-52,292		58,449	-58,449	
Interest-rate swaps	-956,570	956,570		-588,931	588,931	
Total	-904,278	904,278	-14.95%	-530,482	530,482	-9.23%

Details on the Group's funding base are presented in the table below.

Funding, SEK m	31 Dec 2023	31 Dec 2022
Current account deposits	8,873	7,810
Fixed-term deposits	11,365	10,772
Debt securities issued	4,577	5,545
Additional Tier 1 capital	1,110	1,106
Subordinated debts	900	903
Equity	4,938	4,639
Other	2,260	1,724
Balance sheet total	34,023	32,499

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 credit 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 Finance'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 Finance's 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 debt, own funds instruments and equity. Hoist Finance offers retail deposits in Sweden, Germany, Poland and Great Britain. Forty-four per cent (42) of deposits from the public are variable deposits, while 56 per cent (58) of the Group's deposits from the public are fixed-term deposits ranging from one to five years. More than 99 per cent 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 in various currencies at relatively low cost.

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 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 1,050,000. 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, interest-bearing securities with high credit quality and high market liquidity, which allows for rapid conversion to liquid funds 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 506 per cent (879) at year end, compared with its regulatory ratio of 100 per cent. The Net Stable Funding Ratio (NSFR) was 115 per cent (116) at year end.

As per 31 December 2023, Hoist Finance's liquidity reserve amounted to 23 per cent (27) of total assets. The liquidity portfolio is largely made up of Swedish government and municipal bonds, Finnish government bonds, covered bonds, and short-term lending to other banks.

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Note 33 Risk management, cont.

Liquidity reserve, SEK m	31 Dec 2023	31 Dec 2022
Cash and holdings in central banks	0	0
Deposits in other banks available overnight	3,261	2,014
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	2,047	1,644
Securities issued or guaranteed by municipalities or other public sector entities	628	1,145
Covered bonds	1,856	4,094
Securities issued by non-financial corporates	-	-
Securities issued by financial corporates	-	_
Other	-	-
Total	7,792	8,897

The Group's Treasury Policy specifies a limit and a target level for the liquidity reserve. As per 31 December 2023 the liquidity reserve exceeded both the limit and the target level by a significant margin, totalling SEK 7,792m (8,897).

Hoist Finance has a liquidity contingency plan for managing liquidity risk. This identifies specific events that may trigger the contingency plan and require that actions 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 regulatory reguirements and ensure a comfortable financial margin vis-à-vis the regulatory requirements in Hoist Finance's operations and business plan.

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 process starts with Management's business plan and budget for the coming three vears. 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 potential risks to Hoist Finance's business, 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 in the business and the business plan. The process identifies, verifies, plans and stress-tests Hoist Finance's future funding and liquidity require-

Hoist Finance uses ILAAP to define the size of the liquidity buffer 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 jeopardising Hoist Finance's operating activities and maintains a liquidity reserve aligned with the company's strategic business plan objectives.

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## 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 by 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.

## 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 fina consolidated		Hoist finance	ab (publ)
SEK m	2023	2022	2023	2022
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	2,160	1,801	988	1,008
Accumulated other comprehensive income and other reserves	-12	90	573	591
Independently reviewed interim profits net of any foreseeable charge or dividend <sup>1)</sup>	611	801	499	246
CET1 capital before regulatory adjustments	4,672	4,605	3,973	3,758
CET1 capital: regulatory adjustments				
Additional value adjustments	-5	-7	-5	-7
Intangible assets (net of related tax liability)	-223	-247	-49	-74
Deferred tax assets that rely on future profitability	-71	-116	-67	-32
Exposure amount of securitisation positions which qualify for a RW of 1,250 $\%$ , where the institution opts for the deduction alternative	-9	-14	-9	-14
Transitional rules regarding IFRS9	-	1	-	1
Adjustment NPL Backstop	-245	-51	-140	-22
Total regulatory adjustments to CET1	-553	-434	-270	-148
CET1 capital	4,119	4,171	3,703	3,610
Additional Tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts	1,110	1,107	1,110	1,107
AT1 capital	1,110	1,107	1,110	1,107
Tier 1 (T1) capital	5,229	5,278	4,813	4,717
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts	900	903	900	903
T2 capital	900	903	900	903
Total capital (TC = T1+ T2)	6,129	6,181	5,713	5,620

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## Note 34 Capital adequacy, cont.

As presented in the 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, issued as part of Hoist Finance's capital planning, is comprised of write-down instruments. At year end the company had two outstanding instruments with nominal amounts of SEK 700m and EUR 40m respectively, the former with a coupon rate of 3-month STIBOR plus a margin (SEK) of 1,000 basis points and the latter with a coupon rate of 7.75 per cent. The issued additional Tier 1 capital instruments have no scheduled maturity date. The first possible redemption dates are 24 May 2028 for the SEK-denominated instrument and 26 February 2025 for the EUR-denominated instrument.

## Tier 2 capital instruments

As at 31 December 2023, Hoist Finance had a subordinated loan of EUR 80m outstanding, which is included as Tier 2 capital in Hoist Finance's own funds. The subordinated loan matures on 4 August 2032 with possibility for early redemption after five years and carries a fixed coupon rate of 6.625 per cent. The instrument is listed on the Dublin Stock Exchange.

#### Revaluation reserve

Hoist Finance's own funds include a revaluation reserve of SEK 3m which pertains to revaluation of acquired credit 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 Fina consolidated		Hoist Finance AB (publ)		
Risk-weighted exposure amounts, SEK m	2023	2022	2023	2022	
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	1,069	770	827	533	
of which, counterparty credit risk	266	174	266	174	
Exposures to corporates	150	244	6,189	6,094	
Retail exposures	14	13	10	10	
Exposures secured by mortgages on immovable property	320	292	111	74	
Exposures in default	21,950	18,275	11,157	8,783	
Exposures in the form of covered bonds	186	409	186	409	
Equity exposures	_	-	6,547	4,836	
Other items	329	398	83	138	
Credit risk (standardised approach)	24,018	20,401	25,110	20,877	
Securitisation positions in the banking book	786	1,408	786	1,408	
Market risk (foreign exchange risk – standardised approach)	-	_	-	-	
Operational risk (standardised approach)	4,470	4,375	2,256	2,281	
Credit valuation adjustment (standardised approach)	385	129	385	129	
Total risk-weighted exposure amount	29,659	26,313	28,537	24,695	

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Note 34 Capital adequacy, cont.

	consolidate		Hoist Finance AB (publ)	
Capital adequacy, SEK m	2023	2022	2023	2022
Pillar 1				
Risk-weighted exposure amounts, SEK m	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	85	62	66	43
of which, counterparty credit risk	21	14	21	14
Exposures to corporates	12	19	495	487
Retail exposures	1	1	1	1
Exposures secured by mortgages on immovable property	26	23	9	6
Exposures in default	1,756	1,462	893	702
Exposures in the form of covered bonds	15	33	15	33
Equity exposures	_	_	524	387
Other items	26	32	7	11
Credit risk (standardised approach)	1,921	1,632	2,009	1,670
Securitisation positions in the banking book	63	113	63	113
Market risk (foreign exchange risk – standardised approach)	-		-	_
Operational risk (standardised approach)	358	350	180	182
Credit valuation adjustment (standardised approach)	31	10	31	10
Total own funds requirement – Pillar 1	2,373	2,105	2,283	1,975
Pillar 2				
Concentration risk	170	146	261	218
Interest-rate risk in the banking book	188	217	191	59
Market risk	9	75	9	75
Pension risk	-	-	_	-
Other Pillar 2 risks	59	26	59	26
Total own funds requirement – Pillar 2	426	464	520	378
Capital buffers				
Capital conservation buffer	741	658	713	617
Countercyclical buffer	117	25	126	23
Total own funds requirement – Capital buffers	858	683	839	640
Total capital requirements	3,657	3,252	3,642	2,993

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## Note 34 Capital adequacy, cont.

Capital ratios and capital buffers, %		Hoist finance consolidated situation		Hoist Finance AB (Publ)	
		2022	2023	2022	
CET1 ratio	13.89	15.85	12.98	14.62	
Risk-weighted exposure amounts, SEK m	17.63	20.06	16.87	19.10	
Total capital ratio	20.66	23.49	20.02	22.75	
Institution-specific CET1 requirements	2.90	2.60	2.90	7.00	
of which, capital conservation buffer requirement	2.50	2.50	2.50	2.50	
of which, countercyclical buffer requirement	0.40	0.10	0.40	0.10	
CET1 capital available to meet buffers (as a percentage of risk exposure amount) <sup>1)</sup>	9.39	11.35	8.48	10.12	

<sup>1)</sup> 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 2023, the internally assessed capital requirement for Hoist Finance was SEK 2,799m (2,569), of which SEK 426m (464) is attributable to Pillar 2.

	consolidated		Hoist Finance AB (Publ)	
Leverage ratio	2023	2022	2023	2022
Exposure measure for leverage ratio calculation	33,845	31,433	33,893	31,072
Tier 1 capital	5,229	5,278	4,813	4,716
Leverage ratio, %	15.45	16.79	14.20	15.18

## 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 institution-specific countercyclical buffer. The countercyclical buffer is 0.40% and is calculated on 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.

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## 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 balance sheet date, Hoist Finance AB (publ) Parent Company had receivables from these companies totalling SEK 0m (6). Revenues from joint ventures totalled SEK 356m (66) for the Parent Company and SEK 114m (91) for the Group. No costs were recognised for joint ventures during the year, and no liabilities to joint ventures were recognised as at balance sheet date. For additional information on these companies, please refer to Note 11, "Shares and participations in Joint Ventures".

During the year, Lars Wollung received 9,7m (0) by means of Wollung & Partners, and Christopher Rees received 3,9m (0) by means of 4Cadvisory Ltd, through their consulting agreements for work beyond board duties. Apart from that, there have been no transactions with executive officers and the board during the year, except for salary and other remuneration. Information regarding remuneration and benefits for these individuals can be found in Note 9 'Personnel Costs'.

Furthermore, there have been no transactions 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 20, "Shares and participations in subsidiaries". The following related party transactions were conducted during the year between the Parent Company and other Group companies.

EK m	31 Dec 2023	31 Dec 2022
Receivables on balance sheet date	6,879	7,382
iabilities on balance sheet date	81	180
nterest income	273	445
nterest expenses	-4	-14
Dividend received	457	0
Other operating income	152	167
Other operating expenses	-88	-115

## Reconciliation of alternative performance measures

## Cash EBITDA

SEK m	31 Dec 2023	31 Dec 2022
Profit for the year	711	801
+ Income tax expense	158	71
+/- Net result from financial transactions	-117	-310
+ Interest expense	806	563
+/- Interest income (excl. interest from run-off performing portfolio)	-176	-50
+/- Portfolio revaluations	322	486
+ Depreciation and amortisation of tangible and intangible assets	96	116
EBITDA	1,800	1,678
+ Gross cash collections on acquired credit portfolios	7,394	7,520
- Interest income on acquired credit portfolios	-3,469	-3,092
Cash EBITDA	5,725	6,106

## Return on equity

SEK m	31 Dec 2023	31 Dec 2022
Equity	6,047	5,744
Additional Tier 1 capital	-1,109	-1,,106
Reversal of interest expense paid for AT1 capital	152	95
Total equity	5,090	4,733
Total equity (quarterly average)	4,891	4,213
Profit for the year	711	801
Adjustment of interest on AT1 capital	-133	-99
Adjusted annual profit	578	702
Return on equity, %	12	17

## Return on equity, adjusted for items affecting comparability

SEK m	31 Dec 2023	31 Dec 2022
Equity	6 047	5 744
Additional Tier 1 capital	-1 109	-1 106
Reversal of interest expense paid or AT1 capital	152	95
Reversal of items affecting comparability <sup>1)</sup>	120	_
Fotal equity	5 210	4 733
Fotal equity (quarterly average)	4 956	4 234
Profit for the year	711	801
Reversal of items affecting comparability <sup>1)</sup>	120	_
Estimated annual profit	831	801
Adjustment of interest on AT1 capital	-133	-99
Adjusted annual profit	698	702
Return on equity, adjusted for items affecting comparability, %	14	17

1) Items affecting comparability 2023 is distributed between personnel and administrative expenses, and is a part of Hoist Finance rejuvenation programme.

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## Subsequent events

In connection with the finalised review and evaluation process of Pillar 2 requirements and Pillar 2 guidance, Swedish FSA announced the following:

- 0.50 per cent of the group's total risk-weighted exposure
- 2.25 per cent of the group's total leverage ratio exposure measure.

In addition, Hoist Finance shall at group level meet a specific own funds requirement, Pillar 2 requirement, of 1.09 per cent of the group's total risk-weighted exposure amount.

## 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

Summa 1)	3,903,959,875
Net profit for the year	599,118,230
Retained earnings	1,416,242,145
Reserves	6,097,554
Share premium	1,882,501,946

1) Unrealised changes in assets and liabilities at fair value have had a net impact on equity of SEK -70m 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:

## To be carried forward

3,903,959,875

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The Board of Directors has, by authorisation from the annual general meeting, decided to carry out a re-purchase of shares until the Annual General Meeting in May 2024, corresponding to a maximum of SEK 100 million. In addition, to further enable continued growth, the Board of Directors will recommend to the Annual General Meeting that no dividend should be paid for the financial year 1 January - 31 December 2023.

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# **Sustainability Report**

## **Accounting fundamentals**

This is Hoist Finance's seventh consolidated sustainability report, covering the reporting period from 1 January 2023–31 December 2023. The sustainability report is presented each financial year and covers all companies were Hoist Finance has operational control, unless otherwise stated. The most recent sustainability report was issued on 29 March 2023. The sustainability report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and is developed in accordance with the Global Reporting Initiative Sustainability Reporting standards (GRI Standards, GRI 1: Foundation 2021), the UN Global Compact (UNGC) Ten Principles, and the Sustainable Development Goals (SDGs). Furthermore, this report includes our EU Taxonomy disclosures and our second consequential reporting according to the Task Force of Climate-Related Financial Disclosures (TCFD) Recommendations. Hoist Finance is a certified NASDAQ ESG Transparency Partner, and the report includes disclosures based on that framework.

The structure of the Sustainability Report is listed in the content overview on the left-hand side. References in relation to statutory obligations on our commitment to the environment, social conditions, employees, human rights and anti-corruption are presented on the right-hand side. The scope for how we provide disclosures related to our material topics is presented in the GRI Content Index of this report.

## Signatories

The Head of Sustainability is responsible for preparing the Sustainability Report. The Board of Directors are responsible for approving the Sustainability Report.

### Contact

For questions about sustainability, please contact: ir@hoistinance.com

## Updates and changes

A number of updates have been made since the 2022 Sustainability Report. The Definitions and Notions section has been added to the Sustainability Report to provide the reader insight into methodologies applied. In addition, a value chain analysis, conducted in 2023, has been added to the report. A double materiality analysis has been conducted in 2023 with active implementation from 2024, as reflected in the Sustainability Targets for 2024 on page 137. Results for the 2023 sustainability targets are presented on page 135-136. The topic Vulnerable customer treatment, presented under Sustainability Disclosures, is this year presented under the material topic Financial inclusion and financial literacy, as the topics are stirctly interconnected.

Employee data is this year presented by the categories of employees, managers, Country Management Teams, Executive Management Team, and the Parent company's Board of directors. In 2022, the level Management was presented as our General Management Team (GMT), which includes local country managers, the Executive Management Team and other high-level managers totalling 30 people. This segment has been replaced by the groups Country Management Teams and Executive Management team.

The base year for GHG emissions reporting has been adjusted to 2022. Calculations of Scope 2 emissions in 2022 have been adjusted with a weighted estimate of full-year data for electricity consumption in BeNe, Greece and Cyprus corresponding to 22 tCO<sub>2</sub>e. In addition, a correction of electricity consumption in Italy 2022 corresponding to 23 tCO<sub>2</sub>e has been made. In scope 3, a correction in 2022 has been made regarding letters of discontinued UK operations, corresponding to -27 tCO<sub>2</sub>e. In 2023, the calculation method was updated with inclusion of Well-to-tank (WTT) in scope 3, which has been adjusted for the current year and comparative years. From 2023, scope 1 includes emissions for the company's cars in BeNe, corresponding to 26 tCO<sub>2</sub>e, and emissions for direct fossil energy from heat in Romania and BeNe, corresponding to 20 tCO<sub>2</sub>e.

## **Definitions and notions**

See list of definitions, methodologies and notions related to performance measurements and disclosures on page 138-139.

## Structure of report according to the Annual Accounts Act

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## **Sustainability governance**

## Our Governance

Our corporate governance structure enables us to monitor and advance the effectiveness of sustainability-related policies, strategy and targets. It ensures that sustainability and ESG-related decision-making is managed on executive and board level and facilitates that ESG- related risk factors are increasingly integrated into the organisation's risk management framework.

The right-hand model and the list below demonstrates the corporate governance structure and how it interacts with our governance for sustainability matters and ESG risk factors, including assigned responsibilities. Find more information on internal governance and control on page 42. Read more on our Sustainability strategy on page 12.

## Sustainability governance model

Board of Directors (BoD) – The Board of Directors is the highest governing body for sustainability and ESG matters and decides on our sustainability strategy and its progress, materiality assessment, indicators and targets at least annually. Its Risk and Audit Committee (RACO) provides advice, counsel and recommendations on principal ESG matters. From 1 January 2024, RACO are responsible for supervising sustainability reporting matters.

Chief Executive Officer (CEO) – The primary responsibility for managing and executing the sustainability strategy rests with the CEO with the support from the Executive Management Team (EMT).

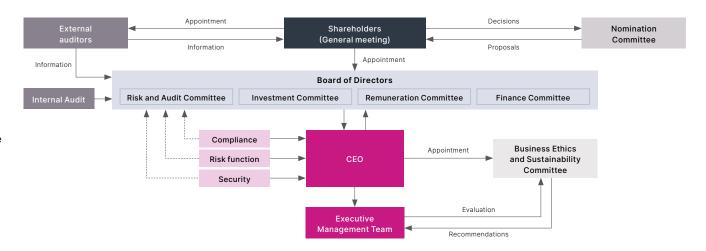
Business Ethics and Sustainability Committee (BESC) —A forum providing recommendations to the EMT and the organisation on matters relating to ethics, environmental-, social-, human rights-, human resources- and consumer matters. Headed by the CEO and includes our Chief Operating Officer, Chief Investment Officer, Chief People Officer and certain other managers that the CEO nominates.

**Sustainability function** – Responsible for developing the sustainability strategy and supporting the delivery of set KPIs in collaboration with operational and functional units.

**Sustainability ambassadors** – Elected representatives from all markets across functions, enabling the sustainability function to be better aligned with local and functional agendas.

**Country management** – Responsible for developing local activity plans and delivering on the strategy and KPIs.

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



## Policies

Our Code of Conduct (CoC) is governing our commitment for responsible, sustainable and ethical business conduct. The CoC includes commitments to the UN Global Compact principles and the Supplier Code of Conduct, which governs our suppliers' adherence to sustainability and ethical business conduct. It includes commitments to 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. The precautionary principle is stipulated by committing to managing sustainability impacts that we may cause, meaning cause-and-effect must not be established for us to take responsibility.

Our Sustainability Policy, which should be read together with our Code of Conduct, governs our sustainability and ESG efforts. The policy includes principles for principal stakeholder groups in our value chain and demonstrates our commitment to integrate sustainability aspects in all areas of our daily business, including environmental matters, human rights, social matters, employee matters, and anti-corruption. The specific policy commitment to human rights refers to the same internationally proclaimed rights as the CoC, and gives particular attention to colleagues, borrowers, shareholders, suppliers and communities.

Other Hoist Finance corporate policies and instructions that govern our material topics are listed in the table below. Note that also other policies, for example our Risk Management Policy and Communication Policy are essential for governing ESG issues. The review procedures for these policies vary depending on the policy and includes for example progress measurement according to sustainability KPIs, e-learning completion rates and other internal follow-up mechanisms.

All policies shall be reviewed annually and approved by the Board of Directors. Many of these also constitute e-learnings and knowledge tests for all employees on an annual basis and during on-boarding, including the Sustainability e-learning.

- » AML Policy (Policy on measures against money laundering and financing of Terrorism)
- » Code of Conduct Policy
- » Conflicts of Interest Policy and Anti-Corruption Instruction
- » Diversity Policy
- » ICT Instruction for Employees
- » Information Classification Instruction
- » Investment Policy

- » Personal Data Breach Guideline
- » Personal Data Retention Guideline
- » Privacy Policy
- » Remuneration Policy
- » Security Policy
- » Sourcing Policy
- » Supplier Code of Conduct
- » Sustainability Policy
- » Whistleblowing Policy

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## **Our contribution to Agenda 2030**

The 2030 Agenda for Sustainable Development and the UN's 17 Sustainable Development Goals (SDGs) provide a common framework for peace and prosperity for people and the planet. Contributing to the SDGs is of uttermost importance to us. We see it as both an obligation and an opportunity. In 2019, Hoist Finance prioritised the six SDGs to which we can contribute to the most given our business model and activities. The right-hand table outlines which goals and targets we have prioritised and how our work supports these SDGs. Each goal is clearly connected to our sustainability goals and targets, as shown on page 135-137.

SDGs		Target	How we contribute to the goal
3 GOOD HEALTH AND WILLESTING	3-4	Reduce mortality from non-communicable diseases and promote mental health	To ensure employee health, we offer access to preventative health care programmes and access to tools to minimise mental health issues and stress. We also offer hybrid working opportunities for a flexible work-life balance. Furthermore, supporting borrowers to pay off their debts, has the potential of reducing mental health issues.
9 ROUTETY AND	9-3	Increase the access to financial services and markets	Our objective is to contribute to a financially healthy and resilient Europe and help borrowers become debt free and increase financial inclusion. We do this through amicable solutions, ethical and fair borrower treatment, supporting borrowers in creating sustainable and affordable payment plans, and enhancing our borrowers' experience.
10 MINISTER SECONDARY	10-2 10-3	Reduce income inequalities  Promote universal social, economic and political inclusion  Ensure equal opportunities and end discrimination  Improved regulation of global financial markets and institutions	We work for promoting equal opportunities and fair remuneration for all employees, with defined targets in place for DEI. We respect human rights and non-discrimination, stated in policies applicable for the group and our suppliers. By helping borrowers pay off their debts, we contribute to financial inclusion which in the long-term also influence social inclusion.
13 direction of the control of the c		Strengthen resilience and adaptive capacity to climate related disasters Integrate climate change measures into policies and planning	We are committed to support the transition towards a clean and energy-efficient global economy by reducing our environmental impact and climate footprint. We report identified climate change risks and GHG emissions data, fundamental for future decisions on business strategy and targets. We continuously work to improve data quality and tools, to assess and quantify climate change risks.
16 POSE AND ARTHUR PREMISER PRINTED TO THE PRINTED	16-4	Protect children from abuse, exploitation, trafficking and violence Combat organized crime and illicit financial arms flow Substantially reduce corruption and bribery	Human rights and strong ethical standards are hygiene factors for us. Through robust procurement-processes we take active measures to abolish risks of forced labour and child exploitation. We also develop effective measures against money laundering and terrorist financing. Through controls, training and escalation procedures we are working to prevent and detect acts of corruption and bribery.
17 PARTIMENSIONS TO THE GOALS		Knowledge sharing and cooperation for access to science, technology and innovation Encourage effective partnerships	We contribute to knowledge sharing through, for example, engaging with stakeholders and external parties, by partnering up around financial inclusion and through our commitment to the principles of the UN Global Compact. We also contribute to increased transparency through the application of reporting initiatives as TCFD and GRI.

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## Stakeholder engagement

Hoist Finance's stakeholders are those whose interests can affect or be affected by our business activities throughout our value chain, as well as primary users of sustainability statements. For Hoist Finance, the principal stakeholders in our value chain are suppliers, partners, employees, borrowers and deposit customers, society, shareholders and debt investors. It is worth noting that multiple additional stakeholder groups are essential to running our business sustainably and effectively, such as legislators and regulators. We engage frequently with all stakeholders through a multitude of channels, and the interaction with principal stakeholders is demonstrated in the right-hand table.

# Stakeholder dialogues, materiality and sustainability due diligence

The purpose of engaging with our stakeholders is, amongst other things, to understand their expectations so that we can deliver long-term value creation. Furthermore, stakeholder engagement is central to informing our materiality assessment. Although Hoist Finance have yet to formalise our sustainability due diligence process, sub-segments of this process are included as basis for the materiality assessments, such as the identification and assessment of negative impacts through its severity and likelihood.

Hoist Finance 2023 stakeholder dialogues were carried out through a set of external qualitative interviews with suppliers, treasury and debt repayment partners as well as a quantitative partner satisfaction survey. Internal stakeholder dialogues were conducted with an internal expert group and through both qualitative and quantitative interaction with the Executive Management Team and the board. The results of these dialogues informed the double materiality assessment conducted in 2023, which was enforced from 1 January 2024.

Furthermore, in order to collaborate and contribute on a more healthy and stable financial system, Hoist Finance are members of the Federation of European National Collection Association (FENCA) and active participants of local industry associations. We are also participating in a quarterly peer forum with other industry participants, focused on sustainability reporting, legislation and the development of common standards to drive standardization in our industry.

Stakeholder	Communication and callaboration	Evenning of prioritized quatringhility imposts
Shareholders and debt investors Current and future shareholders.	AGM     Q-report call/presentation     Road shows for debt investors     General investor meetings/conferences	Business ethics and anti-corruption     Enable financially healthy and resilient Europe     Ethical and fair borrower treatment     Reduced climate impact
Society  Regulators, authorities, policy makers, companies, NGOs, organisations and associations, etc.	<ul> <li>Frequent dialogues with all parties in daily / weekly / monthly / quarterly meetings, calls, emails, etc. Set-ups depending on market and actor.</li> <li>For example, contact with regulators, EU, national and local authorities, local courts, credit services associations and consumer associations, NGOs, media, researchers and universities, debt charity organisations, peer companies, etc.</li> </ul>	<ul> <li>Climate change</li> <li>Diversity, equality and inclusion</li> <li>Enable financially healthy and resilient Europe</li> <li>Ethical and fair borrower treatment</li> <li>Financial inclusion and financial literacy</li> </ul>
Partners  Our partners are banks and financial institutions, who we support in freeing up resources for their core business.	<ul> <li>Regular interaction prior to- and during investment process (e.g. face to face meetings, conferences, tenders)</li> <li>Daily interaction via phone, email, SMS</li> <li>Q&amp;As</li> <li>Due diligence</li> <li>Post acquisition interaction</li> <li>Partner satisfaction survey</li> </ul>	<ul> <li>» Business ethics and anti-corruption</li> <li>» Data protection and integrity</li> <li>» Diversity, equality and inclusion</li> <li>» Enable financially healthy and resilient Europe</li> <li>» Ethical and fair borrower treatment</li> </ul>
Borrowers and deposit customers  Our borrowers are individuals and SME's who we support by helping them to resolve their debt and get back to the financial ecosystem.  Our deposit customers are mainly individuals who are holding deposit accounts with us.	<ul> <li>Customer service (phone)</li> <li>Website</li> <li>Self-service portal</li> <li>Letters</li> <li>Emails</li> <li>Home visits</li> <li>Borrower experience surveys</li> <li>Complaints procedures</li> <li>Social media, WhatsApp &amp; SMS</li> <li>Secure messages</li> </ul>	<ul> <li>» Business ethics and anti-corruption</li> <li>» Data protection and integrity</li> <li>» Ethical and fair borrower treatment</li> <li>» Enhanced borrower experience</li> <li>» Financial inclusion and financial literacy</li> </ul>
Our people Our employees.	<ul> <li>» Group-wide employee survey</li> <li>» Other surveys, e.g. Pulse surveys, etc.</li> <li>» E-learnings and related questionnaires</li> <li>» Intranet and social network</li> <li>» Town halls</li> <li>» Team events and team meetings</li> <li>» Leadership and function conferences</li> <li>» Personal Development Dialogue (PDD)</li> </ul>	<ul> <li>Diversity, equality and inclusion</li> <li>Business ethics and anti-corruption</li> <li>Data protection and integrity</li> <li>Ethical and fair borrower treatment</li> <li>Professional development</li> <li>Healthy and safe workplaces</li> </ul>
Our suppliers  Our suppliers are third parties who we source and procure goods and services from.	<ul> <li>» Frequent dialogues in daily / weekly / monthly / quarterly meetings, calls, emails, etc. Set-ups depending on market and actor.</li> <li>» Risk impact assessments</li> <li>» Due diligence</li> <li>» Supplier Code of Conduct approval</li> </ul>	<ul> <li>» Business ethics and anti-corruption</li> <li>» Diversity, equality and inclusion</li> <li>» Ethical and fair borrower treatment</li> <li>» Climate change</li> </ul>

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## **Materiality assessment**

## From materiality to double materiality

Hoist Finance's process for determining material topics was updated in 2022 to reflect the Global Reporting Initiative's (GRI) Standards 2021 requirements. The outcome of this materiality assessment is a list of material topics and related disclosures.

During 2023, Hoist Finance conducted its first Double Materiality Assessment (DMA) according to the Corporate Sustainability Reporting Directive's European Sustainability Reporting Standards. This assessment builds on the impact materiality assessment from 2022 and is complemented by ESRS-aligned reassessments, a financial materiality assessment, new stakeholder dialogues as well as updated thresholds.

This report reflects the GRI-based 2022 materiality assessment that has guided Hoist Finance work throughout 2023. The steps of Hoist Finance's materiality assessment are described to the right. Find indicators, targets and results for 2023 on page 135-136. Find targets for 2024 based on the Double Materiality assessment on page 137.

## Step 1) Understanding the organisation's context

To ensure the assessment adheres to the organisation's current context, we reviewed the mapping of key stakeholders for the Group. The mapping builds on our business model, strategy, value chain and core business activities. We also continuously reassess the sustainability context which we operate in, including sectoral and market developments, compliance with laws and regulations and relevant intergovernmental instruments.

## Step 2) Identifying actual and potential impacts

A gross list of identified actual and potential impacts on the economy, environment, people and human rights was identified. The list included both positive and negative impacts. Besides stakeholder interaction, multiple sources such as the GRI Standards, the SDGs, and the UN Guiding Principles (UNGPs) on Business and Human Rights, our internal anti-corruption index and information from operational risk processes provided input to the assessment. No GRI Sector Standard is yet developed for our industry.

## Step 3) Assessing the significance of the impacts

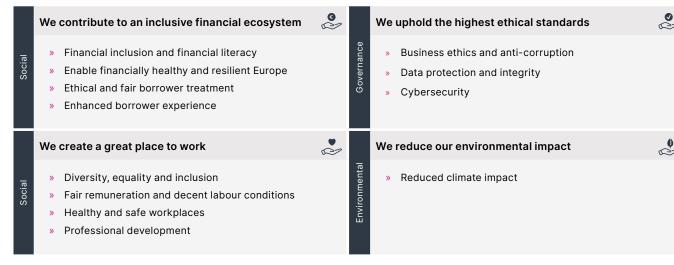
The significance of material impacts from step 2 was assessed by internal and external stakeholders. The negative impacts were assessed based on severity (scale, scope and irremediable character) and likelihood. The positive impacts were assessed based on scale, scope and likelihood. Each material impact received a quantitative scoring for each of the assessment variables which were summarised into a Sustainability Impact Score for each material impact.

## Step 4) Prioritising the most significant impacts for reporting

Built on the significance of assessed impacts in step 3, we set a threshold for grouping impacts based on the criteria of the 30 material impacts with the highest Sustainability Impact Score. The 30 material impacts were thereafter grouped into 12 material topics. The material topics were tested with an internal expert group and approved by the Business Ethics and Sustainability Committee and the Board of Directors.

## List of material topics

The right-hand side visual demonstrates a list of the material topics resulting from the materiality assessment conducted in 2022. It demonstrates that social responsibility is where we have the largest impact. Our material sustainability impacts are embedded in our four strategic pillars, each connected to indicators and targets to track our performance, as seen on page 135-136. Hoist Finance's sustainability strategy is integrated into our business strategy and aims to create long-term value for all stakeholders and manage and mitigate ESG-related risk factors to our business. Read more about our strategy on page 12.



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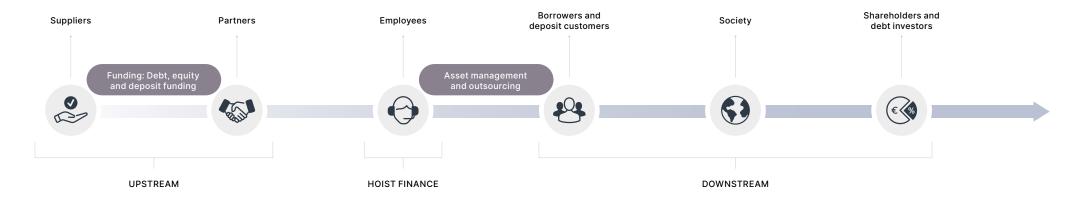
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## Value chain responsibility



Hoist Finance's purpose is to contribute to a financially healthy and resilient Europe by being the leading European asset manager of non-performing loans. Given our purpose and vision, our presence in 13 markets, our business activities and unique funding model, it is clear that Hoist Finance has impacts beyond our operational control.

Hoist Finance contributes to sustainability-related impacts both upstream and downstream, directly and indirectly, throughout our value chain. We are furthermore exposed to ESG-related risk factors throughout the value chain. During 2023, we conducted an analysis to determine the main stages in our value chain as well as where in our value chain our most material impacts occur. The results are presented on the right-hand side. The results of the value chain will guide our future strategy development and reporting endeavours.

	UPSTREAM	HOIST FINANCE	DOWNSTREAM
Material topics:			
Business ethics and anti-corruption	<b>~</b>	<b>~</b>	<b>~</b>
Cybersecurity	~	<b>~</b>	~
Data protection and integrity	~	<b>~</b>	~
Diversity, equality and inclusion		~	
Enable financially healthy and resilient Europe	~	<b>~</b>	~
Enhanced borrower experience	~	~	~
Ethical and fair borrower treatment	~	<b>~</b>	~
Fair remuneration and decent labour conditions		~	
Financial inclusion and financial literacy	~	~	~
Healthy and safe workplaces		~	
Professional development		~	
Reduced climate impact	~	~	<b>~</b>

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## **Sustainability disclosures**

Overview of Material Topics



## We contribute to an inclusive financial ecosystem

## Financial inclusion and financial literacy

Links to SDG: <b>3, 9, 10, 17</b>	UNGC principle: 1, 2, 10				
Nature of impact: <b>Positive actual</b>	Impact occurrence: Activities and business relationship				
Selection of governing documents: Code of Conduct, Sust	ainability Policy				

Hoist Finance's borrowers are often in financially vulnerable situations. With an increasingly challenging economic situation in Europe following rising inflation and increased cost-of-living, more individuals are likely to end up in financial exclusion.

Our objective is to support individuals and SMEs to resolve their debt in default and get them back on track financially, and towards financial inclusion. By treating them with respect and dignity and supporting them to pay off their debts with sustainable repayment plans, we contribute to reducing the risk of borrowers getting stuck in financial exclusion, vulnerability and over-indebtedness.

Hoist Finance defines a vulnerable borrower as "someone who, due to their financial and other circumstances, are more susceptible to harm when not treated with appropriate levels of care". Vulnerability can result from various drivers such as financial shock, unexpected life events or lack of financial literacy and can have minimal or severe impact on a person's ability to communicate or pay their debts. Hoist Finance are dedicated to always listen, communicate clearly and customise the borrower's repayment plan in order to assess their affordability.

To create greater value for financial inclusion and financial literacy we collaborate with stakeholders across our markets. A selection of figures related to partnerships for financial inclusion is presented below, with explanation of organisations in the Definitions and Notions section.

	2023	2022	2021
Total borrower repayments, SEK m	7,394	-	-
Borrowers repaying a debt in full	87,399	157,100	137,400
Visitors Appjobs	374	969	1,086
Signups Appjobs	24	119	166
Team U: Companies saved from bankruptcy with support via the Hoist Finance-financed online portal	350	135	32
Team U: Financial damage prevented for debtors and entrepreneurs	943	414	81
Team U: Improved reach to people in financial distress via online platform	17,300	11,500	-
Individuals supported through ONSbank Foundation partnership	3	4	-

## **Enable financially healthy and resilient Europe**

(GRI 2-28, 3-3, 201-1)

	Links to SDG: 9, 10, 17	UNGC principle: 1, 2, 10			
	Nature of impact: Positive actual	Impact occurrence: Activities and business relationships			
Selection of governing documents: Code of Conduct, Investment Policy, Sustainability Policy					

Our business contributes to a financially healthy and resilient Europe. By acquiring and responsibly managing non-performing loans, we support banks and financial institutions to reduce their risk exposure, free-up resources for their core business and meet regulatory requirements. This enables them to optimise their balance sheets, lower the cost of capital and increase their ability to generate new lending. This has many advantages for society and the economy, including a positive impact on economic growth, job opportunities, household income and increased government revenues.

To deliver on our investment management strategy and contribute to a financially healthy Europe, it is essential to build trust in our relationship with banks, financial institutions and other partners. Consequently, Hoist Finance measures partner satisfaction through an annual survey, to ensure a systematic feed-back loop to continuously improve our services. Out of 101 surveyed partners in 2023, 28 per cent responded. In 2023, we applied a standardised NPS measurement to our satisfaction survey, as presented below.

It is important to responsibly select portfolios and partners to minimise ESG-related risk factors. Hoist Finance has committed to not purchasing debt from institutions offering short-term loans with high inherent risk of default at high interest rates.

	2023	2022	2021
Balance sheet alleviation for partners by number of claims	773,600	-	-
Increased financial system resilience, SEK m	56,671	-	_
Partner satisfaction, NPS <sup>1)</sup>	75 (93%)	(82%)	(86%)
Number of banks which we acquired portfolios from	41	34	40
Portfolio acquisitions, SEK m	7,089	6,928	3,558

<sup>1)</sup> Comparison data presented in parentheses build on a previous methodology for partner satisfaction measurement.

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## We contribute to an inclusive financial ecosystem

To ensure an active voice in our local markets, we are members of local trade associations in most markets under our operational control, as demonstrated below. We also continuously engage with stakeholders such as regulators, partners, shareholders and investors. Read more on stakeholder engagement on page 124. Read more on applied methodologies for data collection on page 138.

Country	Name of organisation
Group	FENCA (Federation of European National Collection Associations)
Poland	ZPF (Związek Przedsiębiorstw Finansowych w Polsce)
Germany	BDIU (Bundesverband Deutscher Inkassounternehmen); BKS (Bundesvereinigung Kreditankauf und Servicing e. V.); Bankenfachverband
Spain	ANGECO (Asociación Nacional de Entidades de Gestión de Cobro)
France	FIGEC (National Federation of Business Information, Debt collection and Civil Investigation); ASF (Association française des sociétés financières)
Italy	UNIREC; Forum Unirec Consumatori
Greece	EEDADP (Association of Loan and Credit Claims Management Companies)
The Netherlands	NVI (Netherlands Collections Association);VFN (Association for Financing companies Netherlands)

#### Ethical and fair borrower treatment

Links to SDG: 3, 9, 10	UNGC principle: 1, 2, 10				
Nature of impact: Negative potential	Impact occurrence: Activities and business relationships				
Selection of governing documents: Code of Conduct, Sustainability Policy					

Treating our borrowers ethically and fairly is essential for us to create long-term positive value for borrowers, debt originators, and society at large. To achieve trust, we must act with professionalism, expertise and high ethical standards at all levels. All employees and third-party collection providers are expected to comply with our internal standards, mandating that they always work within the law, have sound moral principles and behave in an upright and sincere manner. Employees who have any form of borrower contact receive trainings and coaching in listening and communicating with borrowers to understand their perspective and finances. The aim is to develop realistic and affordable repayment plans. Furthermore, borrowers are empowered with tools to file complaints and provide feedback through our Borrower Experience Measurement when needed, ensuring that we adhere to their stipulated rights.

	2023	2022	2021
Per cent of service centre agents completing training on ethical and fair borrower treatment	74%	82%	-
Average monthly repayment, SEK	2,100	1,223	974

## **Enhanced borrower experience**

(GRI 3-3)

Links to SDG: 9, 10	UNGC principle: 1, 2, 9, 10				
Nature of impact: Positive actual	Impact occurrence: Activities and business relationships				
Selection of governing documents: Code of Conduct, Sustainability Policy					

Understanding and creating trust with borrowers is a prerequisite to deliver on our credit management strategy. During 2023, we have implemented a harmonised quality assurance framework across the group, which includes a Borrower Experience Measurement. The Borrower Experience Measurement improves Hoist Finance ability to better manage borrower needs and monitor how experience change over time in relation to improvements in services, channels, and behaviours. The borrower experience measurement will allow us to perform root cause analysis on borrowers' behaviour, improve transparency around the borrower dimension and ultimately enable us to build trust to improve our borrowers' propensity to pay.

The Borrower Experience Measurement is designed to measure how we are perceived throughout the borrower journey and measures experience levels in three touch points: After on-boarding once we have a payment plan agreement in place, after a payment has been made and after the borrower has paid off his/her debt. In addition, a fourth segment related to instant payments is added to our self-service platform, meaning when the borrower instantly pays

The Borrower Experience Measurement has been implemented across our self-service platform and in service centres in Poland, Italy, Spain and France, with Germany, Belgium and Netherlands to follow in 2024. Amongst the 4,500 borrowers requested in 2023, borrowers rated Hoist Finance with an average 4.22 score on a scale from one to five. Hoist Finance will continuously improve our ability to analyse results, as all markets with service centres implement the measurement, which also includes an in-depth assessment of the different touch points of the measurement.

	2023	2022	2021
Average Borrower Experience Score	4.22	_	_

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## We create a great place to work

## Diversity, equality and inclusion

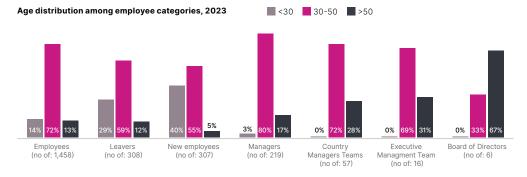
(GRI 2-7, 2-8, 3-3, 401-1, 405-1)

Links to SDG: 10	UNGC principle: 1, 2, 3, 4, 5, 6			
Nature of impact: Positive potential	Impact occurrence: Activities and business relationships			
Selection of governing documents: Code of Conduct, Sustainability Policy, Diversity Policy, Whistleblowing Policy				

We are committed to foster, cultivate and preserve a culture of diversity, equality and inclusion (DEI) and a work environment free from harassment built on dignity and respect across all our markets. Beyond the direct value for our employees, we see clear business value in working actively with DEI to retain and attract talent and improve performance.

Our commitments are supported by our Diversity Policy. During 2023 a recruitment policy has been developed and rolled out group wide. Furthermore, a recruitment training has been conducted within the framework of our leadership training. Female leadership has been particularly highlighted during the year. Although we still have a lot of work ahead of us, we have taken steps in the right direction during the year by, among other things, equalising the gender balance in our Executive Management Team.

During 2023, 52 (57) per cent of new employees were women and 48 (43) per cent were men. Divided on age, 40 (38) per cent were under 30 years old, 55 (55) per cent were between 30-50 years old, and 5 (7) per cent were over 50 years old. Amongst people leaving the organisation, 50 (54) per cent were women and 50 (46) per cent were men. Of the leavers, 29 per cent were under 30 years old, 59 per cent were between 30-50 years old, and 12 per cent were over 50 years old.



At 31 December 2023, Hoist Finance had 1,458 employees in 12 countries. The organisation has 11 working languages represented: Polish, English, Italian, Romanian, French, Dutch, German, Greek, Polish, Spanish and Swedish. All 11 local country managers are locally positioned, which means that they represent and work in the country whose operations they run. Most of our people are full-time employees with permanent contracts, but numerous part-time employees work in our service centres and combine work and studies, while a minority hold consultant roles. All employee data presented in the right-hand side table is based on the total number of full-time equivalents (FTEs), if not stated otherwise.

Information on employees and other workers	Total 2023	Women 2023	Men 2023	Total 2022	Women 2022	Men 2022	Total 2021	Women 2021	Men 2021
Total number of employees (FTEs)	1,280	782	498	1,304	790	514	1,544	905	639
of which permanent contract	1,170	715	455	1,175	714	461	1,349	793	556
of which temporary contract	110	67	43	129	76	53	195	113	82
of which full-time contract	1,027	568	459	1,048	573	475	1,219	650	569
of which part-time contract	253	214	39	256	217	39	325	255	70
Total number of employees in consult- ant roles/agency workers, FTEs	34	23	11	40	21	19	52	-	-
Average number of employees (FTEs)	1,301	792	509	1,442	861	581	1,586	942	644
Total number of employees (Headcount)	1,458	936	522	1,464	930	534	1,733	1069	664
Total number of new employees (Headcount)	307	160	147	364	207	157	-	-	-
Total number of leavers (Headcount)	308	155	153	462	248	214	-	-	-

The table below demonstrates the diversity among employee categories based on headcounts. In 2023, 64 (64) percent of employees were women. Furthermore, 46 (48) percent of managers, 28 percent of Country Management Teams, 31 (17) percent of the Executive Management Team and 17 (17) percent of the Parent company Board of Directors were women. Supplementary information about the division and diversity of employees per market and of Parent Company Board of Directors can be found in Note 9.

Diversity, among employee categories (Headcount)	2023 in %	2023 number of	2022 in %	2022 number of	2021 in %	2021 number of	
Employees, women	64%	936	64%	930	62%	1,069	
Managers, women	46%	101	48%	111	48%	123	
Country Management Teams, women	28%	16	_	_	-	_	
Executive Management Team (EMT), women	31%	5	17%	1	13%	1	
Parent company Board of Directors, women	17%	1	17%	1	25%	2	

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## We create a great place to work

## Fair remuneration and decent labour conditions

(GRI 2-21, 2-30, 3-3, 201-3, 401-3, 405-2)

Links to SDG: 10	UNGC principle: 1, 2, 3, 4, 5, 6	
Nature of impact: Positive actual	Impact occurrence: Activities and business relationships	
Selection of governing documents: Code of Conduct, Sustainability Policy, Diversity Policy, Remuneration Policy		

Our industry is dominated by a young and flexible workforce and a fast-paced environment, and we are just like many others affected by the increased movement in the labour market. To retain and attract talent, Hoist Finance seeks to offer best in class labour conditions in terms of benefits and contributions and a strong focus on talent acquisition and internal promotion opportunities. To mitigate consequences of the high inflation environment, Hoist Finance has made extraordinary efforts in the annual salary review in 2023 and prioritised salary increases and one-off payments for employees mostly affected.

	2023	2022	2021
Parental leave			
Total number of employees entitled to parental leave	1,458	1,434	1,645
of which Women	936	917	-
of which Men	522	517	-
Total number of employees that did take out parental leave	121	63	100
of which Women	100	49	80
of which Men	21	14	20
Remuneration ratios			
Ratio of basic salary and remuneration of women to men	0.97:1	0.91:1	0.85:1
Annual total compensation ratio, the highest paid individual	23.6:1	-	-
Collective bargaining & labour conditions			
Markets with a collective bargaining agreement in place, percent	17%	_	-
Markets aligned with a National Bargaining agreement, percent	8%	_	-
Markets with no bargaining agreement, percent	75%	_	-

## Healthy and safe workplaces

(GRI 3-3, 401-1, 403-10, 406-1)

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	Links to SDG: 3, 10	UNGC principle: 1, 2, 3, 4, 5, 6
	Nature of impact: <b>Negative potential</b>	Impact occurrence: Activities and business relationships
Selection of governing documents: Code of Conduct, Sustainability Policy, Diversity Policy, Whistleb		

Many of our employees are in daily contact with customers in difficult situations which can be stressful, and the health and well-being of our employees is highly prioritised across the group. To prevent workplace-related stress and other mental health issues, a set of tools and solutions have been provided to employees during 2023, such as stress management and health leadership trainings and various local initiatives covering meetings with counsellors and psychologist, health checks, and sports and culture activities. Furthermore, our hybrid working model enables our employees to have more flexibility in how they manage their work-life balance.

In 2023 the number of terminations amounts to 308, of which 50 per cent were women and 50 per cent were men. Compared to the overall distribution of employees based on headcounts, an overweight of leavers were located in the age category under 30, which was expected, as younger individuals are over-represented amongst employees in service centres, which is a more flexible segment than amongst certain other roles.

The Group's levels of staff turnover and sick leave have decreased over the past year. In addition to active measures, this can be attributed to the divestment of our UK operations in 2022. Furthermore, zero cases of discrimination and two workplace injuries have been registered in 2023.

	2023	2022	2021
Healthy and safe workplaces			
Result in Hoist Finance Index	4.08	-	-
Health and well-being score, %	78%	73%	82%
Staff Turnover and Sick leave			
Number of Leavers	308	462	-
of which voluntary	194	-	-
Staff Turnover, %	21.21%	28.50%	25.50%
of which voluntary	13.30%	-	_
Sick leave, %	3.01%	3.26%	2.85%

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## We create a great place to work

## Professional development

(GRI 3-3, 404-1, 404-2, 404-3)

Links to SDG: 10	UNGC principle: 1, 2, 3, 4, 5, 6
Nature of impact: Positive actual	Impact occurrence: Activities
Selection of governing documents: Code of Conduct, Sustainability Policy, Diversity Policy	

It is essential for the success of our business to provide our people with the right skills to treat our customers with empathy and care, remain compliant and meet their development goals.

Hoist Finance Learning & Development team provides a variety of development opportunities, including career development, skills enhancement and technical trainings, all underpinned by our performance development routines, The Best Version of Me. Furthermore, our annual Personal Development Dialogue (PDD) provides opportunities for regular performance and development reviews.

To support the growth of our leaders, we have during 2023 offered a training programme "Learning to Lead", covering areas such as communication and feedback, culture in a high-performance environment, as well as project and management skills. Read more on page 29.

	Total 2023	Total 2022
eNPS''	3	69%
Average hours of training, Employees	8 h	21 h
Average hours of training, Managers	11 h	23 h
Average hours of training, Country management team	8 h	-
Average hours of training, Executive Management Team	5 h	-
Average hours of training, Men	7 h	19 h
Average hours of training, Women	8 h	22 h
Per cent of total employees who completed a PDD review, Employees	96%	89%
Per cent of total employees who completed a PDD review, Managers	93%	98%
Per cent of total employees who completed a PDD review, Country management team	89%	-
Per cent of total employees who completed a PDD review, Executive Management Team	85%	-
Per cent of total employees who completed a PDD review, Men	95%	93%
Per cent of total employees who completed a PDD review, Women	97%	89%

<sup>1)</sup> The methodology was updated to a standardized eNPS-measurement during 2023. Read more on page 138.



## We uphold the highest ethical standards

## **Business ethics and anti-corruption**

(GRI 2-15, 2-16, 2-25, 2-26, 2-27, 3-3, 205-1/2/3)

Links to SDG: 16	UNGC principle: 1, 2, 10	
Nature of impact: Negative potential	Impact occurrence: Activities and business relationships	
Selection of governing documents: Code of Conduct, Sustainability Policy, Conflict of interest Policy, Whistleblowing policy, AML Policy		

Corruption and money laundering are causing grand challenges for society, and Hoist Finance is strongly committed to reducing risks along our value chain. We are determined to prevent, monitor, manage and enforce measures related to corruption and conflicts of interest and regularly carry out risk analyses related to corruption risk. As part of our process to prevent and manage conflicts of interest, we conduct regular workshops with the board of directors and local management. We also regularly train all colleagues on anti-corruption rules and their application. Our annual anti-corruption survey aims to assess corruption risk in all operations of the Group. No significant risks where identified in 2023. Our Anti-Corruption Index measures knowledge and behaviours related to conflicts and interest and bribery.

Furthermore, we are actively working on strengthening the company's defence against money laundering and terrorist financing by improving key processes. In 2023, preventative measures include continuous customer due diligence and transaction monitoring. In areas with increased exposure, and for high risk customers, we have enhanced KYC and monitoring processes in place ensuring that potential suspicious activities and transactions are reported to relevant authorities. Furthermore, all customers are screened against applicable sanction lists, and all employees receive anti-money laundering training annually.

Hoist Finance empowers all employees to anonymously report misconduct, unethical or illegal behaviours through a whistleblowing mechanism provided by an independent external supplier. All concerns are treated with strict confidentiality. Read more on page 32.

During 2023, Hoist Finance was not subject to any warnings or sanctions for compliance breach by any supervisory

authority.			
	2023	2022	2021
Hoist Finance anti-corruption index	86	85	84
Per cent of employees completing training on:			
Anti-money laundering	100%	100%	99%
Conflicts of interest and anti-corruption	99%	100%	98%
Sustainability and ESG	99%	96%	-
Whistleblowing process	97%	-	-
Total number of whistleblowing concerns raised	4	131)	7
of which, number of confirmed incidents of corruption reported	0	-	-
Total number of whistleblowing concerns that were managed	4 (100%)	13 (100%)	7 (100%)
Employees who stated they know how to use our Whistleblowing mechanism	4.3 2)	_	_

<sup>1)</sup> Reported as 14 concerned raised in 2022, which of one concern was a test.

<sup>2)</sup> Average result on a scale from 1-5 + Don't know.

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## We uphold the highest ethical standards

## Data protection and integrity

Links to SDG: 16	UNGC principle: 1, 2, 10		
Nature of impact: Negative potential	Impact occurrence: Activities and business relationships		
Selection of governing documents: Code of Conduct, Sustainability Policy, Privacy Policy, Personal Data Retention Guideline, Personal Data Breach Guideline			

Data privacy is essential for protecting personal data of Hoist Finance's borrowers and deposit customers. This is especially important in our industry, where many of our customers are in difficult and vulnerable situations. Hoist Finance is devoted to process personal data in accordance with all applicable data protection laws and regulations. To fulfil these regulatory requirements, Hoist Finance has implemented a comprehensive privacy programme which includes the implementation of necessary governance documents, regular trainings, monitoring reviews and the appointment of Data Protection Officers in all jurisdictions where Hoist is present.

During 2023, Hoist Finance has received 560 data subjects rights requests (DSSRs) related to processing of personal data of its customers. We have responded to all of them during the reporting cycle. Most of these DSRRs concerned exercising the right to deletion and objection to processing. Several contacts with data protection supervisory authorities regarding processing of personal data took place in 2023. No contact with national data protection supervisory authorities resulted in any form of enforcement, such as administrative or monetary fines. In some cases, we have been instructed to amend or strengthen the processes around personal data processing, which has consequently been carried out. All cases where authorities had inquiries have been closed. Hoist will continue to develop its data protection programme and strengthen cooperation with relevant authorities in cases of any inquiries or investigations.

	2023	2022	2021
Total number of data subject rights requests	560	978	1,007
Total number of data subject rights requests that we responded to	560	-	-
Per cent of employees completing training on data protection	100%	100%	98%

<sup>\*</sup>Belgium and Netherlands excluded

## (GRI 2-27, 3-3, 418-1) **Cybersecurity**

(GRI 3-3)

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	Links to SDG: 16	UNGC principle: 1, 2, 10	
	Nature of impact: Negative potential	Impact occurrence: Activities and business relationships	
Selection of governing documents: Code of Conduct, Sustainability Policy, Privacy Policy, ICT Instruct Employees, Information Classification			

Managing cybersecurity is crucial to Hoist Finance, and successful attacks on our systems would have negative consequences for us, our borrowers, deposit customers and our partners. Consequences could include harm through the disclosure of our borrowers and deposit customers' personal data and the disruption of customer platforms. Ultimately, cyber attacks could prevent us from achieving our mission to contribute to a healthy financial system in Europe.

The Cyber Security team oversees the implementation of technologies and technical processes, known as safeguards, that are designed to protect our systems from cyber attacks. Following best practices, this work is undertaken in line with well-established standards and frameworks such as the National Institute for Standards and Technology (NIST) and the Center for Internet Security (CIS). Information security is handled in all three layers of defence at Hoist Finance. Also, security awareness among employees is tested through trainings on a regular basis.

	2023	2022	2021
Per cent of employees completing training on security awareness	100%	100%	97%

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## We reduce our environmental impact

## Reduced climate impact

(GRI 3-3, 201-2, 302-1/3/4, 305-1/2/3/4/5)

Links to SDG: 13	UNGC principle: 7, 8, 9					
Nature of impact: Negative actual	Impact occurrence: Activities and business relationships					
Selection of governing documents: Code of Conduct, Inve	stment Policy, Sustainability Policy					

As a leading European asset manager of non-performing loans with dedicated focus on ethical business conduct, we have an important responsibility in reducing our environmental impact and climate footprint. Hoist Finance's emissions are mainly originating from energy use in offices, business travel and company cars. Greenhouse gas emissions are calculated according to the Greenhouse Gas (GHG) Protocol and are measured and followed up on a quarterly basis. Read more about calculations, emissions factors, base year calculations, and other methodological approaches on page 138. The following variables are included in our GHG emissions reporting for 2023:

Scope 1: Company cars and direct energy.

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.

During 2023, Hoist Finance has been focused on reviewing data quality, including completeness and accuracy of GHG-reporting. This includes building new structures for GHG-reporting with improved process design, internal controls and validation to financial information. Furthermore, we have defined short-term, medium-term and long-term targets for the Group, covering Scope 1, 2 and 3. Hoist Finance has not set net zero targets according to the Science Based Targets initiative. However, our targets align with the 1.5 degree trajectory for Scope 1 and 2 and the well-below 2 degrees Celsius (WB2C)-curve for Scope 3, in similarity to methodologies recognized by the Science Based Target Initiative. Targets are based on scenario analyses on 2022 as base year.

Hoist Finance medium-term target is reducing GHG emissions by 50 per cent from the base year level to 2030. To fulfil the 2030 target, we aim for an average seven per cent reduction of GHG emissions annually. Our long-term target is being climate neutral by 2040. Our targets are reliant on continuously improving data quality, and working actively to develop and communicate our Environmental Instruction, Climate change-related reporting instruction and local action plans during 2024.

In 2023 total emissions amounted to 1,586 tCO<sub>2</sub>e (market-based) and increased by 11 per cent compared to the adjusted value for the base year 2022. The change is driven by increased emissions in scope 1 and 2, mainly due to improved data quality and completeness. In scope 1, the increase is explained by included emissions for the company's cars in BeNe, equivalent to 26 tCO<sub>2</sub>e, and emissions for direct fossil energy from heat in Romania and BeNe, equivalent to 20 tCO<sub>2</sub>e, where data was previously not reported. Remaining increase is attributable to the use of company cars in the business. An assessment of reported Scope 2 emissions in 2023 provided insights that emissions of kilograms of carbon dioxide per square meter (kgCO<sub>2</sub>/m²) were considered to be lower than average, indicating that gaps existed for reported heating and cooling. The increase in scope 2 emissions is partly explained by the improved data quality prompted by this assessment and partly by the continued return of employees to the office after the pandemic, which is driving increased electricity consumption. Improved data quality corresponds to five percent of the change in 2023 and does not require an adjustment of the base year, read more about our methodology on page 138.





#### Total tCO₂e emissions



	2023	20221)	2021	Δ% 22-23
	2023	2022	2021	Д/8 22-23
Total tCO₂e emissions, market based <sup>6)</sup>	1,586	1,431	1,336	11%
Scope 1: Direct tCO₂e emissions	329	266	239	24%
Scope 2: Indirect tCO₂e emissions, market-based⁴)	366	305	468	20%
Scope 3: Other indirect tCO₂e emsissions <sup>5)</sup>	890	860	629	3%
Total energy consumption, kWh <sup>2)</sup>	1,448,952	1,751,558	2,161,364	-17%
Renewable Energy Consumption	339,099	983,397	1,112,794	-66%
of which purchased or acquired electricity	230,384	885,638	1,003,681	-74%
of which Solar cell production	108,715	97,759	109,113	11%
Nuclear Energy Consumption	121,361	122,026	105,582	-1%
Fossil Energy Consumption	988,492	646,135	942,988	53%
of which purchased or acquired electricity	913,671	646,135	942,988	41%
of which direct energy (fuels) <sup>3)</sup>	74,821	0	0	
Intensity measures				
Total energy consumption within the organisation per sq.m. office space, kWh	85	91	107	
Indirect emissions per sq.m. office space, tCO₂e	0.021	0.016	0.023	
Other indirect emissions per employee (FTE), tCO₂e	0.70	0.66	0.41	

- Base yea
- Total energy consumption within the organisation, out of which 24% Renewable, 8% Nuclear and 68% Fossil.
- 3) No Renewable direct energy (fuel consumption) exist
- 2022 has been adjusted for a weighted estimation of full year data for BENE, Greece and Cyprus corresponding to 22 tCO<sub>2</sub>e. A correction of electricity consumption in Italy in 2022, corresponding to 23 tCO<sub>2</sub>e. 2021 excluding BENE. Greece and Cyprus.
- Current year and comparative figures have been adjusted for the inclusion of Well-to-tank (WTT). A correction of emissions in 2022 from letters in discontinued UK operations amounts to -27 tCO<sub>2</sub>e
- 6) Total tCO₂e emissions, location-based, equals 1,562 tCO₂e in 2023 and 1.608 tCO₂e in 2022.

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## We reduce our environmental impact

Energy consumption within the organisation has decreased by a total of 17 per cent compared to previous period, which is driven by a decrease in consumption of renewable acquired electricity, mainly attributable to discontinued operations in UK in 2022 and reduced office space in offices with green electricity contracts in 2023. The decline is offset by an increase in consumption of fossil energy, partly due to increased availability of data on direct energy and partly due to increased acquired electricity consumption. Increased fossil energy consumption corresponds to increased emissions in scope 2, as described above. Although energy consumption per square metre of office space has decreased, it is clear that the transition to green electricity contracts is essential for achieving our goals. We work actively to review our agreements in each market, as well as in close dialogue with our landlords.

Hoist Finance also significantly reduced the number of letters sent to borrowers in 2023 with impact on reported scope 3 emissions, mainly due to the divestment of the UK business in 2022.

	2023	2022
Letters		
Total number of sent letters to borrowers	3,510,111	7,122,548
Other disclosures relating to ESG factors		
Collateral obtained by taking possession (EU Taxonomy), SEK m	86	93
Financial value derived from environmentally-related incidents reported, SEK thousand	51	0

## Financial disclosures

Hoist Finance is continuously improving our ability to identify, analyse and manage financial implications from climate-related transition and physical risk factors. Disclosures related to climate-derived financial impacts are presented to the left.

Hoist Finance is exposed to potential climate-related risk factors, as drivers for credit risk and operational risk. However, the impact on these risks is not deemed material for Hoist Finance. Potential ESG factors that may drive operational risks, as well as mitigation actions, are identified and prioritised through Hoist Finance's group wide risk management framework and processes. Also, ESG factors are integrated into our risk-incident reporting process to identify actual operational ESG factors, improve the ability to analyse the financial impact, and assess actions to prevent recurrence.

On 31 December 2023, total secured credit portfolios amounted to SEK 7,168m of which the majority of credits collateralised by residential immovable property. The value of tangible assets amounted to SEK 175m, of which SEK 86m contained properties repossessed for protection of claims, comparable to total assets of SEK 34,023m. In addition, no incidents could be derived from environmental or climate-related risk factors in 2023. However, one incident could be indirectly derived from the degradation of tangibles due to the potential impact from environmental factors. This incident relates to a limited flooding in one of the Group's offices, equal to an actual realised amount of 51 thousand SEK. Hence, medium and long-term potential economic consequences from environmental factors are not assessed material.

Read more about our disclosures according to the EU Taxonomy on page 140-148 and our disclosure according to the Task Force on Climate-Related Financial Disclosures (TCFD) on page 36.

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## **Sustainability disclosures**

Sustainability objectives, performance and targets 2023

To ensure that we are tracking our progress related to objectives and targets, we measure performance according to defined KPIs, which are in turn aligned with our value creation, material topics, and our four strategic sustainability pillars. Below you find a summary of our KPIs and performance in 20231. The targets are structured according to the strategic pillars and aligns with our contribution to the UN Sustainability Development Goals. Find methodologies and updates from previous fiscal years on page 136. See future targets on page 137.

Fulfilled
Partially fulfilled
Not fulfilled

	Pillar	Objective	Indicator	Target 2023	Performance 2023		Comments on selected results		
	We contribute to an inclusive financial ecosystem <sup>1)</sup>	Create trust	Average Borrower	Standardised Borrower Experience Measurement implemented in all markets with service centres.	Implementation completed in France, Italy, Poland and Spain and in the self-service platform in Germany, the Netherlands and Belgium.		Full-scale implementation ongoing in Germany, the Netherlands and Belgium.		
SOCIAL	This pillar defines how we contribute to an inclusive	in customer interactions	Experience score <sup>2)</sup>	Baseline defined for the average Borrower Experience Measurement score.	Baseline defined based on average Borrower Experience score in implemented markets and our self-service platform.  Average Borrower Experience score: 4.22 on a scale from one to five.				
OS		Partner satisfaction	Partner NPS	85%	NPS: 75 (93%)	•	Transfer from Hoist Finance specific methodology to standardized NPS methodology in 2023, which is reflected in the results.		
	We create a great	Employee	Health and well-being score in Hoist Finance's employee survey	80%	78% (73%)		Yellow label as performance improved from 73% to 78% despite not reaching 80% target.		
	place to work  This pillar defines how we contribute to a great place to	well-being & satisfaction	eNPS	Remain high eNPS with new baseline	New baseline implemented. eNPS: 3		Yellow label as new baseline was implemented with eNPS methodology during 2023. Results are considered good but not high/excellent according to eNPS methodology.		
IAL	work for current and future employees and other workers and how we evaluate related performance.	Diversity improvements in recruitment	Per cent of managers completing unconscious	Conduct unconscious bias training for leaders <sup>21</sup> and set baseline of completion rate.	No training conducted.		The project management team for the Diversity working group was downsized as part of a reorganisation in 2023, pushing implementation times for the Diversity project.		
SOCIAL	3 merces 10 merce  W^	processes	bias training <sup>3)</sup>	Define Group Recruitment Policy ]with inclusion of DEI aspects.	Group Recruitment Instruction defined.				
		Equality in	Per cent of female representation	Closing the gender division gap between management and all employees.	Executive Management Team (EMT): 31% (17%) 4)  Per cent of female representation in Management: 27% (23%) 5)		Gap between EMT, management and all employees has been reduced.		
		management	in management	Implementation of Reverse mentoring programme & Identification of 10 participants and 10 mentors to the Reverse Mentoring Programme.	<u> </u>		The project management team for the Diversity working group was downsized as part of a re-organisation in 2023, pushing implementation times for the Diversity project.		

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	Pillar	Objective	Indicator	Target 2023	Performance 2023		Comments on selected results
	We uphold the highest ethical	Strong customer integrity processes	Percent of employees who have completed training on data protection	100%	100%		
	standards		HOFI anti corruption index	86	86		
ANCE	This pillar defines how we uphold the highest ethical standards within our business and value chain	Robust framework on AML and anti- corruption practices	Percent of employees who have completed training on conflicts of interest and anti-corruption	100%	99%		Yellow label due to +/- 1 %
GOVERNANC	and how we monitor progress and compliance with these values.		Percent of employees who have completed training on anti-money laundering	100%	100%		
	3 matrix  -//  13 200  16 matrix  17 200  18 200  19 10 matrix  10	Strong cybersecurity processes	Percent of employees who have completed training on security awareness	100%	100%		
	<b>❷</b> ¥	Strong sustainability awareness	Percent of employees who have completed training on sustainability and ESG	98%	99%		
MENTAL	We reduce our environmental impact  This pillar defines how we contribute to society by reducing our environmental impact and climate footprint	Reduce direct		Reduce total $tCO_2$ e emissions by five pre cent compared with 2022.	Total tCO₂e emissions increased by 11 per cent from 2022 to 2023.		Read more on performance on page 138.
ENVIRONMENTAL	and we evaluate related performance.	and indirect CO₂ emissions	Total tCO₂e emissions <sup>6)</sup>	Set and define medium-term and long-term targets (2030/2050).  Define roadmap to net zero in line with climate science (1.5 °C-target), including local action plans.	Medium and long-term targets were defined in line with 1.5 °C-target.	•	

<sup>1)</sup> The per cent of active customers paying off on their debt with Hoist Finance was removed from targets during 2023 and was rephrased for target inclusion for 2024. The reason for why the target was removed was a decentralisation of the organisation during 2023, which affected certain harmonisations of underlying definitions and processes.

<sup>2)</sup> The per cent of customers with high customer experience is rephrased as average Borrower Experience score

<sup>3)</sup> Leaders are defined as the top 180 executives and managers in our organisation.

<sup>4)</sup> The Executive Management Team (EMT) is defined as Hoist Finance 16 highest leaders.

<sup>5)</sup> Management here defined as Hoist Finance highest leaders, our General Management Team (GMT).

<sup>6)</sup> Tonnes are defined as metric tonnes.

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Sustainability objectives, performance and targets 2024

In 2023, Hoist Finance conducted a Double Materiality Assessment. This page demonstrates our indicators and targets for 2024 based on the double materiality assessment and its results. For certain material topics, medium-term and long-term targets have been defined. This is highlighted in the comments section.

Pillar	European Sustainability Reporting Standard	Relevant Sub-Topics	Indicator	2023 actual	2024 target	Comments / Clarifications
SOCIAL						
We conti	ribute to an inclusive financia	al ecosystem				
			Balance sheet alleviation for partners by number of claims	773,600	-	Disclosure, no target
		Well-functioning financial system	Increased financial system resilience in the financial system, SEK m	56,671	_	Disclosure, no target
	CONSUMERS		Partner satisfaction, NPS	75	≥75	
	AND END-USERS		Total borrower repayments, SEK m	7,394	-	Disclosure, no target
		Financial inclusion of borrowers	Hoist Finance repayment plan ratio	-	Define baseline	Disclosure, no target
			Borrower Experience Measurement score	4.22	≥4.22	
GOVERNA	ANCE					
We upho	ld the highest ethical standa	rds				
	CONSUMERS AND END-USERS	Privacy	Percent of employees completing data protection training 100%		100%	
	BUOINEGO	Corruption and bribery	Percent of employees completing anti-corruption and anti-bribery training, all employees	99%	100%	
	BUSINESS CONDUCT	Management of relationship with suppliers including payment practices	Percent of suppliers screened and evaluated of social and environmental performance of suppliers	-	Define baseline	Evaluation based on social and environmental factors have been implemented. The baseline is however defined for full year 2024.
SOCIAL						
Ne creat	te a great place to work					
		Adequate wages	Percent of employees paid below the applicable adequate wage benchmark	0%	0%	
		Health and safety	Sick leave	3.01%	<3%	Based on average result over three years
	OWN WORKFORCE	Training and skills development	Percent of employees that participated in regular performance and career development reviews	96%	>93%	Based on average result over two years
		Training and skins development	eNPS	3	2025: 10	
		Diversity and equality 1)	Percent of women and men among final candidates for managerial positions	-	50%	Objective to ensure female internal recruitment base for higher management positions.
		Diversity and equality 1)	Percent of women and men represented in managerial positions	46%	50%	2023 actual refers to the proportion of women represented in managerial positions.
ENVIRON	MENTAL					
We redu	ce our environmental impact					
	CLIMATE CHANGE	Climate change	Total GHG emissions (market-based)	1,586 tCO <sub>2</sub> e	-7% <sup>2)</sup>	Target 2030: -50% tCO2e from baseline measurement Target 2040: Climate neutrality

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## **Definitions and notions**

The following inventory of definitions and notions describes definitions, explanations, methodologies for performance measures and disclosures as well as frequently applied abbreviations. It further highlights relevant updates in methodologies from previous financial years, when relevant. Potential exclusions in markets under our operational control is highlighted in relation to tables continuously throughout the Sustainability Report.

#### The FX rate

applied to the Sustainability report is per the 31 December 2023 and is presented in Note 2.

#### Definitions

#### Annual total compensation ratio, the highest paid individual

Defined as the ratio of the annual salary level of the organisation's highest-paid individual to the median annual salary level of all employees (excluding the organisation's highest-paid individual).

#### **AppJobs**

AppJobs is an online platform for Gig job opportunities which we collaborate with to connect our borrowers in France, Spain and Italy to job opportunities when needed. UK was included in 2022 numbers but excluded in 2023 figures due to the UK divestment.

#### Average hours of training

Total number of training hours during the year, including training hours in the Human Resource system and other registered training hours, divided by the number of employees who have been assigned to the training.

#### Average monthly repayment

The average monthly repayment include repayments related to unsecured and secured non-performing loans. Disclosed values are reflecting the average repayment and not the median repayment.

### Average number of employees

Average number of employees during the year is calculated:

- 1. Based on the number of employees converted to full-time equivalents (FTEs). Calculated as the total number of FTEs per month divided by the twelve months of the year.
- 2. Based on the number of employees (headcount). Calculated as the total number of headcount per month divided by the twelve months of the year.

#### Average Borrower Experience score

Hoist Finance measures the Borrower experience in service centres and our self-service platform. The Borrower experience is measured on a scale from 1-5, and the average Borrower Experience score represents an average of results, expressed with two decimals. 4,500 borrowers has their say in the 2023 measurement. The Borrower experience is measured across four segments, which are presented on page 128. The measurement has been implemented in Poland, France, Spain, and Italy in all channels as well as for Germany, Belgium and the Netherlands in our self-service platform.

## Balance sheet alleviation for partners by number of claims

Number of claims acquired during the financial year.

#### Employees who completed a PDD review

Number of completed PDD reviews attributable to the year, divided by the number of registered employees in the Human Resource system. Registered employees are adjusted for newly hired employees, sick leave, parental leave, or other long-term absences.

#### eNPS

The Employee Net Promoter Score (eNPS) is an NPS measurement of whether employees would recommend Hoist Finance as an employer to friends or family. The survey was active during December 2023 and the response rate was 84 per cent. The scores are based on a standardised NPS measurement, meaning a scale between 0-10, where 0-6 are considered detractors, 7-8 are neutrals and 9-10 are considered promoters. The per cent of promoters minus the per cent of detractors is the eNPS.

### Guarantees of Origin (GoO/GO)

Guarantees of origin is a renewable energy credit guaranteeing that one Mwh of energy has been produced from renewable energy sources.

#### Greenhouse Gas emissions calculations

Greenhouse gas emissions are calculated according to the Greenhouse Gas (GHG) Protocol and are measured and followed up on a quarterly basis based on an operational control approach. Greenhouse gas emissions are presented as metric tonnes of carbon dioxide equivalent (CO₂e) and Global Warming Potential (GWP) values are based on the GWP (100) from The Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment Report. Other GHG gases such as methane, nitrous oxides, chlorofluorocarbons, hydrofluorocarbons, perfluorocarbons, sulphur hexaflouride and nitrogen trifluoride have not been identified within Hoist Finance's control approach.

The emission factors used for the calculation of carbon dioxide equivalents of purchased electricity in scope 2 originate from the Association of Issuing

Bodies (AIB) European residual mix 2021 and 2022, and emission factors for district heating from Energiföretagen Sverige. For scope 1 and 3, emission factors mainly originate from the Department of Environment, Food and Rural Affairs (DEFRA) 2023 and 2022, as well as 2021 for WTT. For the calculation of WTT for electricity, the proportion of transmission losses originate from the International Energy Agency (IEA). Finally, emission factors for letters are retrieved from Pitney Bowes Inc.'s report "The Environmental Impact of Mail".

Information for GHG calculations is based on activity data. Information for GHG calculations is collected based on invoices, information provided by landlords from electricity meters, our travel management platform, and to some extent estimates based on square meters.

In 2023, we adjusted the base year to 2022 based on an assessment of emission factors, reported emissions and applicable reporting gaps. In order to track progress to defined targets, Hoist Finance adjusts the base year for very significant changes. A very significant change should be understood as a very significant change in either the emissions inventory, structural changes, data errors or time line, ensuring a like-for-like comparability of metrics. If such a change leads to an increase or decrease in emissions of more than 10 per cent, the base year shall be adjusted.

An assessment of reported Scope 2 emissions in 2023 provided information that emissions of kilograms of carbon dioxide per square meter  $(kgCO_2/m^2)$  were considered to be lower than average, demonstrating that gaps exist for reported heating and cooling. We are continuously working actively to close these gaps.

Current report cover Scope 1, 2 and certain Scope 3 emissions. 2023 data covers Scope 3.1, 3.4, 3.6 and 3.9. Scope 3.2 and 3.15 emissions are outstanding. Scope 3.8, 3.10, 3.11, 3.12, 3.12, 2.13 and 3.14 are excluded due to not driving any or material emissions. All offices below 5 employees and 100 square meter office space are excluded based on materiality. Hoist Finance does not participate in any compensation schemes or activities.

## Health and well-being score

Hoist Finance well-being is score is a sub-segment from our annual Group-wide employee survey. The score is an average score of the response to three questions; whether employees consider Hoist Finance a physically safe place to work, if they are encouraged to balance work and personal life, and if they are able to take time off from work when deemed necessary. The survey was active during December 2023 and the response rate was 84 per cent. The scores are based on a 1-5 scale + Don't know alternative.

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#### Hoist Finance anti-corruption index

Hoist Finance anti-corruption index is based on an annual survey purposed to examine behaviours and trends related to corruption and bribery. The 2023 survey was active from January to February 2024. The response rate was 48 per cent of all employees. The index consists of an indexation of 13 out of 20 questions in the survey.

#### Location-based method

The location-based method for calculating emissions, calculates such emissions based on the carbon intensity of the grid in the specific location of operations.

## Market-based method

The market-based method for calculating emissions, calculates such emission based on the electricity that organisations have chosen to purchase. In other words, it reflects active choices.

#### ONSbank Foundation partnership

Through our ONSbank Foundation partnership in the Netherlands we advise young people in financial difficulty on how to get back on track by individual guidance from our employees, including contacts with financial institutions and municipality debt counsellors.

#### Partner Satisfaction

Hoist Finance measures partner satisfaction through an annual survey. Out of 101 surveyed partners in 2023, 28 per cent responded. In 2023, we applied a standardised NPS measurement to our satisfaction survey. Previous to 2023, the partner satisfaction score has been calculated as the sum of surveyed partners who rated Hoist Finance amongst the top three participant on the market. In 2023, two segments of partners have been surveyed; partners who we acquired portfolios from before 2023 and partners who we signed agreements with in 2023.

## Per cent of service centre agents completing training on ethical and fair borrower treatment

The per cent of service centre agents completing training on ethical and fair borrower treatment. The trainings focus on communication skills, affordable and customised repayment plans, complaints procedures and skills to evaluate the borrower's situation.

## Ratio of basic salary and remuneration of women to men

Defined as the ratio of annual median salary between women and men.

#### Result in Hoist Finance Index

Hoist Finance Index is an overall score from our annual Group-wide employee survey. The Index builds on an average of the total survey, which consists of

multiple questions across nine segments concerning for example the team, manager, leadership and organisation, sustainability and diversity, psychological well-being and remuneration. The survey was active during December 2023 and the response rate was 84 per cent. The scores are based on a 1-5 scale + Don't know alternative.

#### Scope 1

Direct emissions that occur from sources that are controlled or owned by an organisation.

#### Scope 2

Indirect emissions from the generation of purchased energy from a utility provider.

#### Scope 3

Other indirect emissions, excluding Scope 2, that occur in the value chain of an organisation.

#### Sick leave

Sick leave is calculated based on the total number of sick days during the year, divided with average number of employees (headcount) and average number of working days.

#### Staff Turnover

The number of terminated employments during the year divided by the average number of employees (headcount). The average number of employees (headcount) is calculated as the total number of headcount per month divided by the twelve months of the year. "of which voluntary" is defined as those who have chosen to terminate their employment at their own request.

## Team U

Team U is a German actor supporting SMEs and individuals in financial difficulties through preventative care, crisis support and recovery, to whom we refer eligible customers and who we supported in creating a digital platform to achieve nationwide reach.

## Total number of employees (FTE)

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

## Total number of employees (Headcounts)

Number of employees at the end of the period.

## Increased financial system resilience in the financial system

Gross book value of claims acquired during the financial year.

# Notions Abbreviation

Notion

Appreviation	Notion
CoC	Code of Conduct
CSRD	Corporate Sustainability Reporting Directive
DEI	Diversity, equality and inclusion
DMA	Double Materiality Assessment
eNPS	Employee Net Promoter Score
ESG	Environmental, Social & Governance
ESRS	European Sustainability Reporting Standards
FENCA	Federation of European National Collection Associations
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
ILO	International Labour Organization
NPS	Net Promoter Score
PAIA	Product Attribute to Impact Algorithm
PDD	Personal Development Dialogue
SCoC	Supplier Code of Conduct
SDGs	Sustainability Development Goals
TCFD	Task Force of Climate-Related Financial Disclosures
tCO2e	Metric tonnes of carbon dioxide equivalents
UNGC	United Nations Global Compact
UNGPs	The United Nations Guiding Principles on Business and Human Rights

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## **Disclosures according to the EU Taxonomy Regulation**

## Background

As part of the EU's Green Deal and objective of being climate neutral by 2050, investments need to be directed towards sustainable activities. As part of this, the EU Taxonomy Regulation was adopted in 2020 and has since been implemented gradually. The EU Taxonomy is a classification system based on common definitions to identify and compare environmentally sustainable activities. To be classified as Taxonomy-aligned, a given economic activity must:

- » Contribute substantially to one or more of the six environmental objectives;
- » Not cause significant harm to any of the other objectives;
- » Meet certain minimum social safeguards, and
- » Comply with the technical screening criteria.

## Scope and applicability

The following chapter covers Hoist Finance disclosures under the EU Taxonomy and related delegated acts, in accordance with reporting requirements under Article 8 of the Taxonomy Regulation and the EU Non-Financial Reporting Directive (NFRD). Hoist Finance is not subject to the Sustainable Finance Disclosures Regulation (SFRD).

As of the 2023 financial year, credit institutions report complete disclosures regarding the KPI; Green Asset Ratio (GAR). In other words, the proportion of assets that finance and are invested in Taxonomy-aligned economic activities. The information has been prepared in accordance with Annex V and presented in accordance with the templates set out in Annex VI, from the delegated act under Article 8. In the reported templates, we present disclosures regarding the two environmental objectives; Climate Change Mitigation and Climate Change Adaptation. Since Hoist Finance has not identified any exposures to the other four environmental objectives, we have chosen to exclude these columns from the presented templates. In addition, the reporting presents the qualitative table under the EU Commission Delegated Regulation 2022/1214 as regards economic activities in certain energy sectors. Since no such activity has been identified, we do not present the following quantitative tables under the Delegated Regulation.

## Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets SEK m	KPI ¹)	<b>KPI</b> <sup>2)</sup>	% coverage (over total assets) <sup>3)</sup>	% of assets excluded from the numerator of the GAR	% of assets excluded from the denominator of the GAR
Main KPI	Green asset ratio (GAR) stock	5,6	0,02%	0,02%	92%	23%	8%
	GAR (flow) 4)	-	-	-	-	-	-
SIC	Trading book <sup>5)</sup>	-	-	-			
Additional KPIs	Financial guarantees	-	-	-			
Ad	Assets under management	-	-	-			
	Fees and commissions income <sup>6)</sup>	-	-	-			

<sup>1)</sup> based on the Turnover KPI of the counterparty

<sup>2)</sup> based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used

<sup>3) %</sup> of assets covered by the KPI over banks' total assets.

<sup>4)</sup> GAR (flow) will be reported from financial year 2024.

<sup>5)</sup> For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR. Reported from 2025.

<sup>6)</sup> Fees and commissions income from services other than lending and AuM. Reported from 2025.

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On 21st of December 2023, EU published guidance and clarifications on interpretation of reporting requirements and implementation. Hoist Finance has not had the opportunity to fully consider and implement the guidance due to the late publication. The implementation will continue in 2024.

Hoist Finance's assessment of eligibility and alignment is based on public information from counterparties as well as internal databases, collection systems and portfolio databases.

## Covered Assets

The Green asset ratio is calculated through assets that are aligned with the EU Taxonomy (in the numerator) divided by total covered assets (in the denominator). According to the delegated act, there are assets that are excluded from the numerator and assets that are completely excluded from the calculation of the GAR. Examples of assets excluded from the numerator are exposures to non-NFRD companies, derivatives and cash. Assets that are completely excluded from the calculation include, for example, exposures to Central governments.

Hoist Finance's covered assets in the numerator consist mainly of credit portfolios with retail exposures, where loans to households collateralised by residential immovable property or granted for house renovation purposes are Taxonomy-eligible. In addition, covered assets in the numerator consist of exposures to financial corporations, mainly bonds and debt securities, as well as loans and advances, and exposures to non-financial corporations, mainly other loans and advances. We do not trade with financial instruments and hold no trading book, and therefore trading portfolio disclosures are out of scope.

## Limitations

The reporting requirements under the EU Taxonomy are under ongoing implementation and interpretations of the regulatory framework are under development, which entails limitations in the availability and quality of data. For example, 2023 is the first fiscal year in which financial undertakings report on Taxonomy alignment. In addition, we have noted some differences in the application and presentation of published data, which means that Hoist Finance has not always been able to consolidate and calculate indirect

exposures in a uniform and comparable way. Hoist Finance does not generate new lending, whereby the assessment of taxonomy alignment is dependent on information about the credit portfolios provided by from credit issuers. We continuously work in dialogue with Partners to improve data quality. The completeness of Hoist Finance's taxonomy reporting, in terms of eligibility and alignment, will thus increase going forward based on data availability.

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## Assets for the calculation of GAR - Based on Turnover

2023			Climate Change Mitigation (CCM)					Climate Chan	ge Adaptation (CC	A)	TOTAL (CCM + CCA)					
	Total		relevant se	ich towards ta ectors (Taxon	omy-eligible)			relevant secto	owards taxonomy rs (Taxonomy-eligi			relevant		nomy-eligible)		
	[gross] carrying		Of wh	nich environme (Taxonom)	entally sustaina r-aligned)	able			environmentally su Taxonomy-aligned)			Of w		nentally sustain ny-aligned)	able	
SEK m	amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling	
GAR - Covered assets in both numerator and denominator																
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	26,161	7,339	5.6	-	_	_	_	_	_	-	7,339	5.6	-	_	_	
Financial undertakings	1,967	280	5.6	-	-	-	_	-	-	-	280	5.6	_	-	-	
Credit institutions	1,949	280	5.6	-	-	-	_	-	-	-	280	5.6	-	-	_	
Loans and advances	88	88	1.8	_	_	-	_	_	_	-	88	1.8	_	-	_	
Debt securities, including UoP	1,856	192	3.8	_	-	-	_	_	_	-	192	3.8	_	_	_	
Equity instruments	5	_	_		_	-	-	_		-	-	-		_	_	
Other financial corporations	18	_	-	_	_	_	_	_	_	-	_	-	_	_	_	
of which investment firms	_	_	_	_	_	-	_	_	-	-	-	-	_	_	_	
Loans and advances	_	-	-	_	-	_	_	_	_	_	-	_	_	_	_	
Debt securities, including UoP	_	-	-	_	-	-	_	-	_	-	-	_	_	_	_	
Equity instruments	_	_	-		-	-	_	_		-	_	-		_	_	
of which management companies	_	_	-	-	_	_	_	-	_	_	_	_	-	_	_	
Loans and advances	_	_	-	_	-	-	_	-	_	_	-	_	_	_	_	
Debt securities, including UoP	_	_	-	_	-	-	_	_	_	-	-	_	_	_	_	
Equity instruments	_	_	-		-	-	_	_		-	_	-		_	_	
of which insurance undertakings	_	-	-	-	_	_	-	-	_	-	-	-	-	_	_	
Loans and advances	_	_	-	_	-	_	_	-	_	_	_	_	_	_	_	
Debt securities, including UoP	_	_	-	_	-	-	_	_	_	-	-	_	_	_	_	
Equity instruments	_	-	-		-	-	_	-		_	-	_		_	_	
Non-financial undertakings	211	-	-	-	-	-	-	-	-	-	-	-	-	-	_	
Loans and advances	211	_	-	_	-	_	_	-	_	_	_	_	_	_	_	
Debt securities, including UoP	_	-	-	_	-	-	_	-	_	-	-	_	_	_	_	
Equity instruments	_	-	-		-	-	_	-		-	-	_		_	_	
Households	23,896	6,973	-	-	-	-	_	_	_	-	6,973	-	-	_	_	
of which loans collateralised by residential immovable property	6,973	6,973	_	_	_	-	-	-	-	-	6,973	_	_	-	_	
of which building renovation loans	_	_	_	_	_	_	_	_	_	_	_	_	_	_	-	
of which motor vehicle loans	0	0	_	_	_	-	_	-	_	-	0	-	_	-	-	
Local governments financing	_	-	-	_	-	-	-	-	_	-	-	-	_	-	-	
Housing financing	-	-	-	-	-	-	-	-	_	_	-	-	-	-	-	
Other local government financing	_	-	-	-	-	-	-	-	_	_	-	-	_	-	_	
Collateral obtained by taking possession: residential and commercial immovable properties	86	86	_	_	_	_	_	_	_	-	86	_	_	_	_	

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## Continued, Assets for the calculation of GAR - Based on Turnover

2023			Climate C	hange Mitigat	ion (CCM)		Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)								
	Total		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible) relevant sectors (Taxonomy-eligible)								Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
	[gross] carrying		Of wh	nich environme (Taxonomy	entally sustain /-aligned)	able			nvironmentally s axonomy-aligne			Of which environmentally sustainab (Taxonomy-aligned)			ole				
SEK m	amount			of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds		of which enabling				
Assets excluded from the numerator for GAR calculation (covered in the denominator)	4,984																		
Financial and Non-financial undertakings	392																		
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	392																		
Loans and advances	392																		
of which loans collateralised by commercial immovable property	43																		
of which building renovation loans																			
Debt securities																			
Equity instruments																			
Non-EU country counterparties not subject to NFRD disclosure obligations																			
Loans and advances																			
Debt securities																			
Equity instruments																			
Derivatives	528																		
On demand interbank loans	3,534																		
Cash and cash-related assets	0																		
Other categories of assets (e.g. Goodwill, commodities etc.)	530																		
Total GAR assets	31,146	7,339	5.6	-	-	-	_	-	-	-	7,339	5.6	. –	-	-				
Assets not covered for GAR calculation	2,877																		
Central governments and Supranational issuers	2,877																		
Central banks exposure																			
Trading book																			
Total assets	34,023	7,339	5.6	_	_	-	_	_	_	_	7,339	5.6	-	-	-				

## **GAR** sector information – Based on Turnover

2023		Climate Change	Mitigat	ion (CCM)		Climate Change	Adapta	ation (CCA)	Total (CCM + CCA)				
	Non-Financial corporates (Subject to NFRD) [Gross] carrying amount				No	Non-Financial corporates (Subject to NFRD) [Gross] carrying amount		SMEs and other NFC not subject to NFRD [Gross] carrying amount		Non-Financial corporates (Subject to NFRD) [Gross] carrying amount		and other NFC not subject to NFRD	
			[G	[Gross] carrying amount								Gross] carrying amount	
Breakdown by sector - NACE 4 digits level (code and label)	SEK m	Of which environmentally sustainable (CCM)	SEK m	Of which environmentally sustainable (CCM)	SEK m	Of which environmentally sustainable (CCA)	SEK n	Of which environmentally sustainable (CCA)		Of which environmentally sustainable (CCM + CCA)		Of which environmentally sustainable (CCM + CCA)	
K64.9.9 - Other financial service activities, except insurance and pension funding n.e.c.	_	_				_			211	_			

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## GAR KPI stock - Based on Turnover

2023	Climate Change Mitigation (CCM)  Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)  Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				TOTAL (CCM + CCA)  Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
%	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)									Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total assets	
(compared to total covered assets in the denominator)			of which Use of Proceeds t	of which	of which enabling		-	of which Use of Proceeds	of which enabling		•	of which Use of Proceeds	of which	of which enabling	covered
GAR - Covered assets in both numerator and denominator									9						
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	23.6	0.02	_	_	_	_	_	_	_	23.6	0.02	_	_	_	84
Financial undertakings	0.9	0.02	-	-	-	-	_	_	-	0.9	0.02	-	-	-	6.3
Credit institutions	0.9	0.02	_	_	-	-	_	_	_	0.9	0.02	_	_	_	6.3
Loans and advances	0.3	0.01	_	_	_	-	_	_	_	0.3	0.01	_	_	_	0.3
Debt securities, including UoP	0.6	0.01	_	_	-	-	_	_	_	0.6	0.01	_	_	_	6
Equity instruments	_	-		_	-	-	_		_	_	-		_	_	0
Other financial corporations	_	-	_	_	-	-	-	_	_	_	_	_	_	-	0.1
of which investment firms	-	-	_	-	-	-	-	_	_	_	_	_	_	-	_
Loans and advances	-	-	_	-	_	-	_	_	_	_	-	_	_	_	_
Debt securities, including UoP	_	-	_	-	_	-	_	_	_	_	-	_	-	_	_
Equity instruments	_	-		_	-	-	_		_	-	-		_	_	_
of which management companies	-	-	-	-	-	-	-	_	_	_	_	_	_	-	_
Loans and advances	-	_	_	_	-	-	_	_	_	-	-	_	_	_	_
Debt securities, including UoP	-	_	_	-	-	-	_	_	_	_	-	_	_	-	_
Equity instruments	-	-		_	-	_	-		_	_	_		_	-	_
of which insurance undertakings	-	-	-	-	-	-	_	_	_	_	_	_	_	-	_
Loans and advances	-	-	_	-	_	-	_	_	_	_	-	_	_	-	_
Debt securities, including UoP	-	_	_	-	-	-	_	_	_	_	-	_	_	-	_
Equity instruments	-	-		_	-	-	-		_	_	_		_	-	_
Non-financial undertakings	-	-	-	-	-	_	_	-	_	_	_	_	_	-	0.7
Loans and advances	-	-	_	-	_	-	_	_	_	_	-	_	_	_	0.7
Debt securities, including UoP	-	_	-	-	-	-	_	_	_	_	-	_	_	-	_
Equity instruments	-	-		_	-	-	-		_	_	_		_	-	_
Households	22.4	-	-	-	-	-	_	_	-	22.4	-	-	-	-	76.7
of which loans collateralised by residential immovable property	22.4	-	_	-	_	-	_	-	_	22.4	_	_	-	_	22.4
of which building renovation loans	-	-	-	-	-	-	_	-	-	_	-	-	_	-	_
of which motor vehicle loans	0	-	-	-	-										
Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	_
Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	_
Other local government financing	-	-	-	-	-	-	_	_	-	-	-	-	-	-	_
Collateral obtained by taking possession: residential and commercial immovable properties	0.3	_	_	_	_	_	_	_	_	0.03	_	_	_	_	0.3
Total GAR assets	23.6	0.02			_	_	_	_		23.6	0.02	_	_	_	100.0
Total Only added	23.6	0.02	_	_	-	_	_	_	_	23.6	0.02	-	-	_	100.0

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### Assets for the calculation of GAR - Based on CapEx

2023			Climate Ch	ange Mitiga	ation (CCM)		Clir	nate Change	Adaptation (Co	CA)		T	OTAL (CCM + C	CA)	
	Total		Of which relevant sect	n towards ta					ards taxonomy Taxonomy-elig				nich towards tax ectors (Taxono		
	[gross] carrying		Of which	h environm (Taxonom)	entally sustaina y-aligned)	able			nvironmentally :			Of v	which environm (Taxonom	entally sustaina y-aligned)	able
SEK m	amount			vhich Use Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling
GAR - Covered assets in both numerator and denominator			·			9								`	J
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	26,161	7,339	6.4	_	-	_	-	-	_	_	7,339	6.4	-	-	_
Financial undertakings	1,967	280	6.4	-	-	-	-	-	-	-	280	6.4	-	-	-
Credit institutions	1,949	280	6.4	-	-	-	-	-	-	-	280	6.4	-	-	-
Loans and advances	88	88	1.8	-	_	_	-	_	_	_	88	1.8	_	_	_
Debt securities, including UoP	1,856	192	4.6	-	_	_	-	_	_	_	192	4.6	_	_	_
Equity instruments	5	-	-		-	_	_	_		_	-	-		_	_
Other financial corporations	18	-	-	-	_	_	_	_	-	_	-	_	-	_	_
of which investment firms	-	-	_	-	_	_	-	_	_	_	-	-	_	_	_
Loans and advances	-	-	_	-	_	_	-	_	_	_	-	-	_	_	_
Debt securities, including UoP	-	-	_	-	_	_	-	_	_	_	-	-	-	_	_
Equity instruments	_	-	-		_	_	-	_		_	-	-		_	_
of which management companies	-	-	_	-	_	_	-	_	_	_	-	-	-	_	_
Loans and advances	-	-	_	-	_	_	-	_	_	_	-	-	-	_	_
Debt securities, including UoP	_	-	_	-	_	_	-	_	_	_	-	-	-	_	_
Equity instruments	-	-	-		_	_	_	_		_	_	_		_	_
of which insurance undertakings	_	-	_	-	_	_	-	_	_	_	-	-	-	_	_
Loans and advances	-	-	_	-	_	_	-	_	_	_	-	-	_	_	_
Debt securities, including UoP	-	-	_	-	_	_	-	_	_	_	-	_	_	_	_
Equity instruments	-	_	-		_	_	-	_		_	_	_		-	_
Non-financial undertakings	211	-	_	-	_	-	-	-	_	-	-	-	_	_	-
Loans and advances	211	-	_	-	_	_	-	_	_	_	-	-	_	_	_
Debt securities, including UoP	-	_	-	-	_	_	-	_	_	_	_	_	_	_	_
Equity instruments	_	-	_		_	_	-	_		_	-	-		_	_
Households	23,896	6,973	_	-	_	-	-	-	_	-	6,973	-	-	_	-
of which loans collateralised by residential immovable property	6,973	6,973	_	_	_	_	-	_	_	_	6,973	_	-	_	_
of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which motor vehicle loans	0	0	-	-	-	-	-	-	-	-	0	-	-	-	-
Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing financing	-	-	-	-	-	_	-	-	-	-	-	-	-	-	-
Other local government financing	-	-	-	-	-	-	_	-	-	-	_	-	-	_	-
Collateral obtained by taking possession: residential and commercial immovable properties	86	86	_	-	-	-	-	-	_	_	86	_	-	_	_

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### Continued, Assets for the calculation of GAR - Based on CapEx

2023			Climate	Change Mitigati	on (CCM)		Climate C	hange Adaptation	(CCA)			Т	OTAL (CCM + C	CA)	
	Total			nich towards taxo ectors (Taxonon				ich towards taxono ectors (Taxonomy-					hich towards ta sectors (Taxono		
	[gross] carrying	arrying		Of which environmentally sustainable (Taxonomy-aligned)		Of v	vhich environment (Taxonomy-a		inable		Of which environmentally sustain (Taxonomy-aligned)		nentally sustain ny-aligned)	able	
SEK m	amount			of which Use of Proceeds	of which transitional	of which enabling		of which of Proce		of which			of which Use of Proceeds	of which transitional	of which enabling
Assets excluded from the numerator for GAR calculation (covered in the denominator)	4,984														
Financial and Non-financial undertakings	392														
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	392														
Loans and advances	392														
of which loans collateralised by commercial immovable property	43														
of which building renovation loans															
Debt securities															
Equity instruments															
Non-EU country counterparties not subject to NFRD disclosure obligations															
Loans and advances															
Debt securities															
Equity instruments															
Derivatives	528														
On demand interbank loans	3,534														
Cash and cash-related assets	0														
Other categories of assets (e.g. Goodwill, commodities etc.)	530														
Total GAR assets	31,146	7,339	6.4	_	-	-	-	-	-	-	7,339	6.4	- ا	-	-
Assets not covered by GAR calculation	2,877														
Central governments and Supranational issuers	2,877														
Central banks exposure															
Trading book															
Total assets	34,023	7,339	6.4	_	-	-	_	-	-	-	7,339	6.4		-	_

### **GAR** sector information – Based on CapEx

2023	Climate Change Mitigation (CCM)			Climate Change Adaptation (CCA)				Total (CCM + CCA)			A)	
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)			SMEs and other NFC not subject to NFRD
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
Breakdown by sector - NACE 4 digits level (code and label)	SEK m	Of which environmentally sustainable (CCM)	SEK m	Of which environmentally sustainable (CCM)	SEK m	Of which environmentally sustainable (CCA)	SEK n	Of which environmentally sustainable (CCA)		Of which environmentally sustainable (CCM + CCA)		Of which environmentally sustainable (CCM + CCA)
K64.9.9 - Other financial service activities, except insurance and pension funding n.e.c.	_	_			_	_			211	_		

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### GAR KPI – Based on CapEx

2023		Climate Cl	nange Mitigat	tion (CCM)		Cli	mate Change /	daptation (CC	(A)		TO	OTAL (CCM + C	CA)		
	Propoi		overed asset ctors (Taxono	ts funding taxo my-eligible)	nomy		of total covered			Propo		l covered asset ectors (Taxono		nomy	
%				vered assets fors (Taxonomy			funding tax	of total covere conomy relevar conomy-aligne	nt sectors			rtion of total co y relevant sect			Proportion of total assets covered
(compared to total covered assets in the denominator)			f which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling	
GAR - Covered assets in both numerator and denominator															
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	23.7	0.02	_	_	_	_	_	_	_	23.6	0.02	_	_	_	84
Financial undertakings	0.9	0.02	-	-	-	-	-	-	-	0.9	0.02	-	-	-	6.3
Credit institutions	0.9	0.02	_	_	_	_	-	-	_	0.9	0.02	_	-	_	6.3
Loans and advances	0.3	0.01	_	_	_	_	_	_	_	0.3	0.01	_	_	_	0.3
Debt securities, including UoP	0.6	0.01	_	_	_	_	-	-	_	0.6	0.01	_	-	_	6
Equity instruments	_	-		_	_	_	_		_	_	_		-	-	0
Other financial corporations	-	_	_	-	-	_	-	-	_	_	-	_	-	-	0.1
of which investment firms	-	_	_	_	-	_	_	_	_	_	-	_	-	-	-
Loans and advances	-	_	_	_	-	_	_	_	_	_	-	_	_	-	-
Debt securities, including UoP	-	-	_	-	_	_	_	_	_	_	-	-	_	_	-
Equity instruments	-	-		-	_	_	-		_	_	-		_	_	-
of which management companies	_	-	-	_	_	_	-	_	_	_	_	-	_	_	-
Loans and advances	-	_	_	_	_	_	_	_	_	_	_	_	_	_	-
Debt securities, including UoP	-	_	_	_	_	_	_	_	_	_	_	_	_	-	_
Equity instruments	-	-		-	_	_	-		_	_	-		_	_	-
of which insurance undertakings	_	_	_	_	_	_	-	_	_	_	_	_	_	_	_
Loans and advances	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Debt securities, including UoP	-	_	_	_	_	_	_	_	_	_	_	_	_	-	_
Equity instruments	-	-		_	_	_	_		_	_	_		_	_	_
Non-financial undertakings	_	-	-	_	_	_	-	-	_	_	-	-	_	_	0.7
Loans and advances	_	_	_	_	_	_	_	_	_	_	_	_	_	_	0.7
Debt securities, including UoP	-	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Equity instruments	-	-		_	_	_	_		_	_	_		_	_	_
Households	22.4	-	_	-	_	_	-	_	_	22.4	-	-	-	_	76.7
of which loans collateralised by residential immovable property	22.4	_	_	_	-	_	_	_	-	22.4	-	_	_	-	22.4
of which building renovation loans	_	-	_	_	_	_	_	_	-	-	_	_	_	-	-
of which motor vehicle loans	0	-	-	-	-										
Local governments financing	-	-	-	-	-	-	_	-	-	-	-	-	-	-	_
Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other local government financing	-	-	-	-	-	-	-	-	-	_	-	-	-	-	_
Collateral obtained by taking possession: residential and commercial immovable properties	0.3	_	_	_	_	_	_	_	_	0.03	_	_	_	_	0.3
Total GAR assets	23.6	0.02	_		_	_	_		_	23.6	0.02	_	_	_	100.0

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### KPI off-balance-sheet exposures – Based on Turnover and CapEx

2023	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
%		tion of total covered relevant sectors (Ta					n of total covered asset levant sectors (Taxono				n of total covered a levant sectors (Tax		
(compared to total eligible off-balance sheet assets)		of which Use of Proceeds	of which transitional	of which enabling			of which Use of Proceeds	of which enabling			of which Use of Proceeds	of which transitional	of which enabling
Financial guarantees (FinGuar KPI)	_		_	-	_			-	_	_	_	_	_
Assets under management (AuM KPI)	_		_	_	-			-	-	-	_	_	_

### Nuclear energy- and Fossil gas related activities, Turnover- and Capital expenditures-based

Rad	Nuclear energy related- and Fossil gas related activities, Turnover- and Capital expenditures-based	
	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

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### **GRI content index**

Statement of use	Hoist Finance AB has reported in accordance with the GRI Standards for the period 2023-01-01 – 2023-12-31.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	No applicable GRI Sector Standards

			Omission
GRI Standard/Other Source	Disclosure	Location	Requirements Omitted / Reason / Explanation
GENERAL DISCLOSURES			
GRI 2: General Disclosures 2021	2-1 Organisational details	Administration report	
	2-2 Entities included in the organisation's sustainability reporting	Accounting fundamentals, Note 20 Shares and participations in subsidiaries	
	2-3 Reporting period, frequency and contact point	Accounting fundamentals, Contact, Certification of the Board of Directors	
	2-4 Restatements of information	Updates and changes, Overview Material Topics	
	2-5 External assurance	Sustainability Governance, Auditor's report on the statutory sustainability statement	
	2-6 Activities, value chain and other business relationships	This is Hoist Finance, Strategy and operations, NPL market, Investment Management, Credit Management, Stakeholder Engagement, Value chain responsibility	
	2-7 Employees	Note 9 Personnel expenses, Overview Material Topics	
	2-8 Workers who are not employees	Overview Material Topics	
	2-9 Governance structure and composition	Corporate Governance Report, Board of Directors, Sustainability Governance	2-9 c.vi / unavailable or incomplete information / information is unavailable, continuous data collection improvements during 2024.
	2-10 Nomination and selection of the highest governance body	Corporate Governance Report, Board of Directors	
	2-11 Chair of the highest governance body	Board of Directors, Executive Management Team	
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance Report, Sustainability Governance, Stakeholder engagement	
	2-13 Delegation of responsibility for managing impacts	Corporate Governance Report, Sustainability Governance	
	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance Report, Sustainability Governance, Materiality Assessment	
	2-15 Conflicts of interest	Corporate Governance Report, Board of Directors, Note 35 Related-party transactions, Sustainability Governance, Overview Material Topics	
	2-16 Communication of critical concerns	Corporate Governance Report, Sustainability Governance, Overview Material Topics	2-16 b / Confidentiality constraints / omission of "nature" due confidentiality constraints.
	2-17 Collective knowledge of the highest governance body	Corporate Governance Report, Board of Directors, Sustainability Governance	
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance Report	
	2-19 Remuneration policies	Note 9 Personnel expenses	
	2-20 Process to determine remuneration	Corporate Governance Report, Note 9 Personnel expenses	

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			Omission
GRI Standard/Other Source	Disclosure	Location	Requirements Omitted / Reason / Explanation
	2-21 Annual total compensation ratio	Overview Material Topics, Definitions and notions	2-21 a / unavailable or incomplete information / Consolidated annual total compensation incomplete, why ratio is calculated based on annual fixed salary. continuous data collection improvements during 2024. 2-21 b / unavailable or incomplete information / The percentage increase is unavailable for 2023 due to substantially changed agreed remuneration for the highest paid individual, due to acting CEO with invoiced fee in 2022, why data is not comparable. Continuous improvements of calculations during 2024.
	2-22 Statement on sustainable development strategy	CEO Comments	
	2-23 Policy commitments	Corporate Governance Report, Sustainability Governance	2-23 c / Confidentiality constraints / A selection of relevant policies are named on the organisation's website as well as references to the left. However, the policy document or content is not externally published due to confidentiality constraints within the organisation.
	2-24 Embedding policy commitments	Corporate Governance Report, Sustainability Governance, Overview Material Topics	
	2-25 Processes to remediate negative impacts	Business Ethics, Overview Material Topics, Sustainability Objectives Performance and targets	
	2-26 Mechanisms for seeking advice and raising concerns	Business Ethics, Sustainability Governance, Overview Material Topics	
	2-27 Compliance with laws and regulations	Overview Material Topics, Overview Material Topics	
	2-28 Membership associations	Overview Material Topics	
	2-29 Approach to stakeholder engagement	Stakeholder Engagement	
	2-30 Collective bargaining agreements	Overview Material Topics	2-30 a / unavailable or incomplete information / information on percentage of total employees is unavailable, why percentage of our markets are disclosed, continuous data collection improvements during 2024.
MATERIAL TOPICS			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality Assessment	
	3-2 List of material topics	Materiality Assessment	
We contribute to an inclusive financia	al ecosystem		
Financial inclusion and financial litera	асу		
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Credit Management, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
Internal disclosures	Total borrower repayments	Overview Material Topics	
	Borrowers repaying a debt in full	Overview Material Topics	
	Partnerships for financial inclusion and financial literacy	Overview Material Topics	

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			Omission
GRI Standard/Other Source	Disclosure	Location	Requirements Omitted / Reason / Explanation
Enable financially healthy and resilient Euro	ppe		
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Investment Management, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Consolidated income statement, Condensed consolidated cash flow statement, Note 4 Net interest income, Note 38 Appropriation of profits	201-1 a ii. and iii. / unavailable or incomplete information / information on payments to governments split by country unavailable. Economic value retained unavailable. Continuous data collection improvements during 2024.
Internal disclosures	Balance sheet alleviation for partners by number of claims	Overview Material Topics	
	Increased financial system resilience	Overview Material Topics	
	Partner satisfaction	Overview Material Topics	
	Scope and size of portfolio acquisitions	Overview Material Topics	
Ethical and fair borrower treatment			
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Credit Management, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
Internal disclosures	Percent of service centre agents completing training on ethical and fair customer treatment	Overview Material Topics	
	Average monthly repayment	Overview Material Topics	
Enhanced borrower experience			
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Credit Management, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
Internal disclosures	Average borrower Experience Score	Overview Material Topics	
We create a great place to work			
Diversity, equality and inclusion			
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Our People, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Overview Material Topics	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Overview Material Topics	405-1 a iii and b iii. / unavailable or incomplete information / information on other indicators of diversity is unavailable, continuous data collection improvements during 2024.
Fair remuneration and decent labour condit	tions		
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Our People, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
GRI 201: Economic Performance 2016	201-3 Defined benefit plan obligations and other retirement plans	Note 1 Accounting principles, Note 28 Provisions	201-3 d and e / unavailable or incomplete information / information is unavailable, continuous data collection improvements during 2024.
GRI 401: Employment 2016	401-3 Parental leave	Overview Material Topics	401-3 c, d and e / unavailable or incomplete information / information is not collected within the organisation, continuous data collection improvements during 2024.
GRI 405: Diversity and Equal Opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	Overview Material Topics	405-2 a / unavailable or incomplete information / Data is presented as a total for all employees, not available per employee category. Continuous data collection improvements during 2024.

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			Omission
GRI Standard/Other Source	Disclosure	Location	Requirements Omitted / Reason / Explanation
Healthy and safe workplaces			
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Our People, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Overview Material Topics	
GRI 403: Occupational Health and Safety 2018	403-10 Work-related ill health	Overview Material Topics	403-10 / unavailable or incomplete information / information is not collected within the organisation, we assess that internal information such as sick leave, injuries, and other internal control function complements and captures this topic.
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Overview Material Topics	
Internal disclosures	Result in Hoist Finance Index	Overview Material Topics	
	Health and wellbeing score	Overview Material Topics	
	Sick leave	Overview Material Topics	
Professional development			
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Our People, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Overview Material Topics	
	404-2 Programs for upgrading employee skills and transition assistance programs	Overview Material Topics	
	404-3 Per cent of employees receiving regular performance and career development reviews	Overview Material Topics	
Internal disclosures	eNPS	Overview Material Topics	
We uphold the highest ethical standards			
Business ethics and anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Business Ethics, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Overview Material Topics	
	205-2 Communication and training about anti-corruption policies and procedures	Corporate Governance Report, Policies, Overview Material Topics	205-2 c / unavailable or incomplete information / information is unavailable, continuous data collection improvements during 2024.
	205-3 Confirmed incidents of corruption and actions taken	Overview Material Topics	
Internal disclosures	Hoist Finance anti-corruption index	Overview Material Topics	
	Per cent of employees completing training on: anti-money laundering, conflicts of interest and anti-corruption, Sustainability and ESG, Whistleblowing process	Overview Material Topics	
	Raised and managed whistleblowing cases	Overview Material Topics	

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GRI Standard/Other Source	Disclosure	Location	Requirements Omitted / Reason / Explanation
Data protection and integrity			
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Business Ethics, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Overview Material Topics	418-1 a. / unavailable or incomplete information / Number of substantiated complaints are not tracked within organisation in 2023 due to fact that GRI standard definition does not align with organisations definition of substantiated complaints. Organisation tracks number of data subject rights requests which cover all requests from data subject in relation to processing of their personal data. Improvements to data collection will be made in 2024 to be able to disclose number of substantiated complaints from public authorities and third parties in next year's annual report. 418-1 b. / Confidentiality constraints / Confidentiality constraints within the organisation.
Internal disclosures	Total number of data subject rights request	Overview Material Topics	
	Total number of data subject rights request that we responded to	Overview Material Topics	
	Per cent of employees completing training on data protection	Overview Material Topics	
Cybersecurity			
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Business Ethics, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
Internal disclosures	Per cent of employees completing training on security awareness	Overview Material Topics	
We reduce our environmental impact			
Reduced climate impact			
GRI 3: Material Topics 2021	3-3 Management of material topics	Creating Sustainable value, Business Ethics, Stakeholder Engagement, Overview Material Topics, Sustainability objectives performance and targets	
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	ESG risk factors according to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations,  Overview Material Topics	201-2 a iii. and a v. and compilation requirement 2.2 / unavailable or incomplete information / information is unavailable, continuous data collection improvements during 2024.
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Overview Material Topics, Definitions and notions	302-1 c / unavailable or incomplete information / Split between electricity, heating and cooling not complete due to level of details received from suppliers. Continuous dialogue with suppliers to improve data quality and details during 2024.
	302-3 Energy intensity	Overview Material Topics, Definitions and notions	
	302-4 Reduction of energy consumption	Overview Material Topics, Definitions and notions	302-4 b / unavailable or incomplete information / Split between electricity, heating and cooling not available due to level of details recevied from suppliers. Continuous dialouge with suppliers to improve data quality and details during 2024.
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Overview Material Topics, Definitions and notions	305-1 c / unavailable or incomplete information / Omission Biogenics not available, will be included in calculations during 2024
	305-2 Energy indirect (Scope 2) GHG emissions	Overview Material Topics, Definitions and notions	
	305-3 Other indirect (Scope 3) GHG emissions	Overview Material Topics, Definitions and notions	305-3 c / unavailable or incomplete information / Biogenic CO2e not available, will be included in calculations during 2024
	305-4 GHG emissions intensity	Overview Material Topics, Definitions and notions	
	305-5 Reduction of GHG emissions	Overview Material Topics, Definitions and notions	
Internal disclosures	Total number of sent letters to borrowers	Overview Material Topics	

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# **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.

> The annual report was signed by all in Stockholm on 21 March 2024.

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** 

**Harry Vranjes** CEO

Our audit report was submitted on 25 March, 2024.

Ernst & Young AB

**Daniel Eriksson** 

**Authorised Public Accountant** Auditor in charge

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# **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 2023 except for the corporate governance statement on pages 42-54. The annual accounts and consolidated accounts of the company are included on pages 38-41, 55-120 and 160 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 2023 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 2023 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 19 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 14 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, 2023, acquired loan portfolios amounts to 24 288 (21 624) MSEK on Group (Parent) level where as 23 564 (20 990) MSEK are credit-impaired loan portfolios and 724 (634) non-impaired loan portfolios. Acquired loan portfolios makes up 69 (66) % 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.

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.

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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 1-37, 42-54, 121-153 and 161-163. 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 skepticism 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.

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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.

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

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

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

### 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 2023 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 2023.

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Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 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 firm applies ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable 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 validation that the Esef report has been prepared in a valid XHTML format 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 consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 42-54 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 10 May 2023 and has been the company's auditor since 14 May 2020.

Stockholm 25 March 2024 Ernst & Young AB

### **Daniel Eriksson**

Authorized Public Accountant

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# 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 2023 pages 121–153 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 25 March 2024 Ernst & Young AB

### **Daniel Eriksson**

**Authorized Public Accountant** 

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# **Five-year overview**

### Consolidated income statement in summary<sup>1)</sup>

SEK m	2023	2022	2021	2020	2019
Total operating income	3,518	2,613	2,255	2,368	3,038
of which net interest income	2,839	2,166	2,430	2,726	2,863
Total operating expenses	-2,763	-2,214	-2,355	-2,343	-2,352
Profit before tax	869	490	-39	82	748
Net profit for the year	711	801	-117	41	605

<sup>1)</sup> Years prior to 2021 includes discontinued operations

### Consolidated balance sheet in summary<sup>1)</sup>

SEK m	2023	2022	2021	2020	2019
Cash and lending to credit institutions	3,535	2,358	2,480	2,526	3,075
Treasury bills and treasury bonds	2,675	2,789	1,576	2,411	2,729
Lending to the public	0	1	3	6	10
Portfolio book value	24,288	21,624	21,337	21,075	24,303
Value change of interest-hedged items in portfolio hedge	239	9	-	-	-
Bonds and other securities	1,856	4,094	3,502	4,082	2,769
Shares and participations in joint ventures	5	188	155	160	201
Fixed assets	417	518	565	620	651
Other assets	1,008	918	754	984	649
Total assets	34,023	32,499	30,372	31,864	34,387
Deposits from the public	20,238	18,581	18,169	17,928	21,435
Other liabilities and provisions	7,738	8,174	7,262	8,778	8,054
Equity	6,047	5,744	4,941	5,158	4,898
Total liabilities and equity	34,023	32,499	30,372	31,864	34,387

<sup>1)</sup> Years prior to 2022 includes discontinued operations.

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

SEK m	2023	2022	2021	2020	2019
C/I ratio, %	72	99	102	97	76
Return on equity, %	12	17	-5	-1	13
Return on assets, %	4,2	2,5	-0,4	0,1	1,9
Portfolio acquisitions	7 089	6 928	3 558	1 761	5 952
Gross 180-month ERC	38 574	32 946	32 900	32 763	38 874
Total capital ratio, %	20,66	23,49	15,16	16,49	14,01
CET1 ratio, %	13,89	15,85	9,56	10,76	9,94
Liquidity reserve	7 792	8 897	7 119	8 652	8 024
Number of employees (FTEs)	1 280	1 304	1 544	1 631	1 575

<sup>1)</sup> See definitions

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### 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 portfolio book value. 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 only monitors "Portfolio book value" and not "Book value". This reflects Hoist Finance internal monitoring process, as items that are not included in "Portfolio book value" are immaterial. 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 equivalents (FTEs). The calculation is based on the total number of FTEs per month divided by the twelve months of the year.

### 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

#### Portfolio book value

An portfolio book value 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 portfolio book value.

#### 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 credit portfolios currently owned by the company. The assessment is based on estimates for each credit portfolio and extends from the following month through the coming 180 months. The estimate for each credit 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 borrowers' solvency and follows regulatory and legal requirements.

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### Normalised return on equity

A normalised return on equity is shown to illustrate the return on equity adjusted for rejuvenation costs/ IACs and normalised capitalisation levels. Normalised capitalisation represents capitalisation in line with the financial target regarding capital structure, i.e. in the middle of the target range of the CET1 ratio 2.3–3.3 percentage points above overall CET1 requirements specified by the Swedish Financial Supervisory Authority. The normalised return on equity for comparative periods is adjusted for the Income Statement impact of the divested UK operations and as if hedge accounting for all interest rate swaps would have been implemented in comparative periods.

### Portfolio acquisitions

Portfolio book value 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.

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# 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 credit 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 equivalents (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.

#### Timing effect

A revaluation driven by changing the cash forecast to reflect cash already received and/or changes to when assets still expected to be collected are amortised.

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### **Annual General Meeting**

The Annual General Meeting 2024 will be held on Tuesday 7 May 2024.

### 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 26 April 2024, and notify the company of their attendance no later than on 30 April 2024.

Notification shall be given in writing and sent to:

### Hoist Finance AB (publ)

**Annual General Meeting** Box 7848 103 99 Stockholm or to 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 Tuesday 30 April 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 calender 2024

#### **Interim Reports:**

January – March	3 May 2024
January – June	26 July 2024
January – September	25 October 2024
January – December	7 February 2025

Production: Hoist Finance in collaboration with Addira

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# Addresses

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### Sweden

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