

Hoist Finance

Risk, Liquidity and Capital Management Pillar 3 – 2020

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1 Introduction

1.1 Hoist Finance in brief

Hoist Finance AB (publ) is a pan-European financial group (“Hoist Finance” or the “Group”) active within debt purchasing and receivables management. Hoist Finance is a leading debt-restructuring partner to international banks. Present in twelve countries across Europe, Hoist Finance offers a broad spectrum of flexible and tailored solutions for the acquisition and management of non-performing loans and has since 2018 started investing in performing loans.

In Sweden and Germany, Hoist Finance offers a retail deposit service that is the major funding source for the Group. In December 2019, Hoist Finance completed its first securitisation transactions backed by portfolios of unsecured non-performing loans. The transaction involved the issuance of notes across three tranches to finance the transaction. The senior notes are retained by Hoist Finance and the mezzanine and junior notes have to 95 per cent been subscribed by a third party investor. Next phase of the Securitisation Programme was launched in February 2021 by signing a partnership agreement with alternative investment manager Magnetar Capital.

Hoist Finance’s share has since March 2015 been listed on Nasdaq Stockholm, with the largest single shareholder, holding 14 per cent of outstanding share as of 31 December 2020, being also the only individual shareholder holding more or 10 per cent of the capital and/or votes at that point in time.

Hoist Finance has established a shared service center in Wroclaw, Poland and a contact center in Bucharest, Romania. For the purpose of simplifying the structure of the Group, during 2020, these legal entities were transferred into branches of Hoist Finance. Hoist Finance AB (publ) is licensed and regulated as a credit market company under the supervision of the Swedish Financial Supervisory Authority (SFSA).

1.2 Pillar 3 report

This Pillar 3 report provides information about risk management, capital and liquidity adequacy. The report is in reference to the information that shall be disclosed on a yearly basis in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, Commission Implementing Regulation (EU) No 1423/2013 (“CRR”) as amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019 (“CRR 2”), the SFSA’s regulations regarding prudential requirements and capital buffers (FFFS 2014:12), the SFSA’s regulations regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7), EBA’s Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11) and other dedicated guidelines and regulations of EBA. The information is given on the basis of the consolidated situation of Hoist Finance group, see Annex I – Consolidated situation, as well as Hoist Finance AB (publ) on an institutional level, see Annex II – Hoist Finance AB (publ).

Additional information on corporate governance and remuneration is disclosed in the Annual Report and in the separate document “The remuneration policy and remuneration systems”. The information can be found on the Group’s website: <http://www.hoistfinance.com>.

1.3 Hoist Finance's risk profile

The table below describes the major risks Hoist Finance is exposed to and how they are managed.

Description	Risk profile	Risk management
Credit risk The risk to earnings and/or capital arising from a counterparty's failure to repay principal or interest at the stipulated time or failure to otherwise perform as agreed.	Credit risk refers mainly to acquired loan portfolios and the risk that collections will be lower than forecasted in case of non-performing loans. For acquired performing loans the risk refers to a loss if the borrower fails to meet their credit obligation. Other credit risk exposures are (i) cash deposits with banks, (ii) investments in fixed income instruments, and (iii) counterparty risk relating to hedging of FX and interest rate risk.	Credit risk in acquired loan portfolios is monitored, analysed and managed by the management in each country and by the Group's Business Control function. Other credit risks are analysed and managed by the Treasury function. The Group's Risk Control function analyses and controls all credit risk exposures.
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.	Large losses and negative incidents due to failures in operations are rare. Given the nature of Hoist Finance's operations, it is not possible or cost effective to try to eliminate all operational risk. The goal is rather to minimise operational risk.	Routines for group-wide incident reporting, tracking of key risk indicators and regular training courses. The "dual-control" is applied to critical decisions and is supported by back-up routines, e.g., in the form of ratified business continuity plans.
Market risk The risk to earnings, capital or liquidity arising from adverse movements in market prices. This includes FX risk and interest rate risk.	The main FX risks arise from the fact that the loan portfolios (the assets) are denominated in EUR, PLN and GBP, while the reporting currency is SEK and the majority of liabilities are denominated in SEK and EUR. Interest rate movements have an effect on net interest income.	Market risks are hedged continuously by the Group's Treasury function and independently analysed and controlled by the Group's Risk Control function.
Liquidity risk The risk of difficulties in obtaining funding and thus, not being able to meet payment obligations at maturity without encountering significantly higher financing costs.	Liquidity risk in Hoist Finance stems primarily from the risk of unexpected outflow of deposits, the risk of cash outflow due to mark-to-market of hedging derivatives and the re-financing risk of existing wholesale funding.	The Group has a significant liquidity reserve to cover potential outflows of liquidity. Liquidity risk monitored on daily and monthly basis by Group's Treasury function and independently analysed and controlled by the Group's Risk Control function.

1.4 Risk development 2020

Dealing with the pandemic has been priority since the outbreak in the beginning of the year. Full year acquisitions were limited, mainly as a result of Hoist Finance focusing on protecting the capital position, but also due to sellers being hesitant. The supply of portfolios in the market has been significantly lower due to the considerable global uncertainties.

Credit risk for Hoist Finance's loan portfolios is regularly monitored and during 2020 special attention has been put to assess how the challenging situation caused by Covid-19 is impacting the portfolios' valuation. The value of several loan portfolios was written down during the year due to lower collection rates in the wake of Covid-19. Due to the great uncertainty concerning the duration of the current situation, there is continued risk of additional loan portfolio write-downs.

In order to further diversify the existing stock of assets, Hoist Finance will continue to assess upcoming opportunities to acquire portfolios of non-performing secured loans as well as portfolios of performing loans.

Operational risk - Hoist Finance has an internal framework in place for identifying and monitoring operational risks in the Group. The Group works continuously to improve the quality of its internal processes in order to limit operational risks. As a consequence of the pandemic a significant number of Hoist Finance employees worked remotely during 2020. Our assessment is that this has not affected operational risks to any significant degree.

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

During the fourth quarter the SFSA communicated changes to the application of the Pillar 2 requirements for market risks in non-trading activities, which will have some impact on capital requirements. Hoist Finance is currently evaluating the effects of this and planning for introduction of the new requirements, which will be implemented in the 2021 ICAAP.

Liquidity risk remains low. Hoist Finance benefits from a liquidity reserve substantially larger than regulatory requirements. A shift to longer term deposits from on-demand deposits has decreased funding risk. The funding risk was lowered further during 2020, by issuance of EUR 200m of new debt under the company's EMTN program and by repurchase of EUR 102m of the outstanding bond maturing in 2021.

Capitalisation for Hoist Finance, expressed as CET1-ratio, amounts to 10.76 per cent by end of 2020, up from 9.94 per cent in 2019. The capital position has strengthened significantly during the year, partly due to limited amount of acquisitions and amortisation on the current book, partly by the exchange rate movements. AT1 instrument of EUR 40m issued in February 2020 strengthened the Tier 1 capital ratio and the Total capital ratio with 1.1 percentage points respectively. In the end of 2019 Hoist Finance successfully implemented the company's Securitisation Programme and achieved significant risk transfer in accordance with Article 244 of CRR. In February 2021 Hoist Finance launched the next phase of the Securitisation Programme by signing a partnership agreement with alternative investment manager Magnetar Capital. The partnership with Magnetar will run for two years and targets coming purchases of unsecured NPL portfolios, which will be securitised and structured to achieve significant risk transfer.

1.5 Significant risks and uncertainties

Hoist Finance is exposed to a number of uncertainties through its business operations. Due to its broad geographic presence, new and amended financial regulations may affect the Group directly (e.g. via Basel IV capital, liquidity regulations and New Capital Requirements for Swedish Banks) and indirectly through the impact of similar regulations on the market's supply of loan portfolios. Due to the Group's substantial deposits from the public, changes to the deposit guarantee scheme, for instance, may impact the Group. In other areas such as consumer protection, new regulations may require the Group to adjust the way in which it operates its collection activities. The Group's loan portfolios are valued based on anticipated future collection levels. Factors that affect the Group's capacity to achieve collection level forecasts sustainably and cost efficiently are therefore uncertainty factors.

In the second quarter 2019 changes to the CRR regarding minimum loss coverage for non-performing exposures came into effect ("the backstop regulation"). The regulation affects

Hoist Finance and will involve making a deduction from own funds for exposures classified as non-performing. The deduction will be gradually increased based on the amount of time elapsed since the exposure entered default, with full deduction required to be made after three years in case of unsecured exposures, after 9 years in case of exposures secured by immovable property and after 7 years in case of exposures secured by other CRR eligible collateral. The backstop regulations apply to loans issued after 25 April 2019 and, accordingly, affect Hoist Finance's current loan portfolios to a very limited extent. To mitigate the consequences of the backstop regulation on capitalisation in February 2021 (partnership with co-investor Magnetar Capital).

In January 2020, the United Kingdom left the European Union. At the end of 2020 the EU and the UK reached an agreement on their new partnership that apply from 2021. Our assessment is that there are no significant effects to the Hoist Finance's business.

Large part of CRR2 and CRD5 provisions applies from the 28th of June 2021. Among others, CRR2 introduces the minimum requirement of the Net Stable Funding Ratio (NSFR) – the limit is set to 100 per cent, Hoist Finance will meet the regulatory requirement (see 10.2). Additional changes coming from CRR2 i.e. calculation of Counterparty Credit Risk will not have significant impact on Hoist Finance due to limited derivatives transactions (see 7.1.3).

In terms of liquidity risk according to CRR the SFSA might set LCR and NSFR requirements in significant currencies for institutions. The SFSA has introduced the LCR requirement for level 1 and 2 institutions, Hoist Finance is classified as a level 3 institution why this does not impact Hoist Finance at the moment.

During 2020 the SFSA changed the methods of measuring and capital covering interest rate risk in the banking book. Following dialogue with the regulator the methodologies were adjusted, resulting in a marginal increase to the capital adequacy requirement.

In the fall 2020 and February 2021 SFSA has published new capital requirements regulation for Swedish banks comprising changes in Pillar 2 buffers. In the regulation SFSA introduced Pillar 2 guidance to be assessed on an individual basis for each bank. The proposed overall approach is based on stress test of different risk components. At the time of this report, it is too early to provide guidance on the magnitude of changes in capital requirements.

2 The Board of Directors' risk declaration and risk statement

The Board of Directors of Hoist Finance AB (publ) (the "Board of Directors") has approved the following risk declaration and risk statement.

Risk declaration

Hoist Finance has adequate risk management arrangements, which are adapted to the Group's business model, risk appetite and risk management strategy.

Risk statement

The Group's business strategy rests on four pillars: Market Leadership, Effective & Efficient, Digital Leader and Banking Platform. Hoist Finance limits its business to a few prioritised markets where the group is, or have the potential to become, one of the most important actors. The group has a diverse product and service offering in the markets where it operates. The products include unsecured and secured non-performing loans to individuals and SME's as well as performing loans.

Managing and exposing oneself to credit risk constitutes a central part of the Group's business and help the Group to reach its highly set goals.

Mitigating operational risk is one of the Group's primary areas of focus as it tries to limit it to an absolute minimum. The principle is that risk-minimising activities shall be implemented as long as it is economically justified. The Group is particularly concerned by the reputation risk and the damage it could do to the brand. Therefore, the Group strives to maintain its reputation with a business model that places amicable settlements at the centre of the relationship with debtors.

The Group's appetite for market risk is low and is reflected in that all exposures should be hedged as much as practically possible. Certain exposure to market risk is however inevitable. The Board of Directors has therefore approved certain market risks within strict limits.

Liquidity risk in Hoist Finance stems primarily from the risk of unexpected outflow of deposits, the risk of cash outflow due to mark-to-market of hedging derivatives and the re-financing risk of existing wholesale funding. Hoist Finance has a low appetite for assuming liquidity risk why potential outflows are covered by a generous liquidity reserve.

The Group aims to keep regulatory risk at an absolute minimum by continuous dialogue and transparency with relevant authorities as well as strong internal focus on compliance.

Detailed information and figures with regards to Hoist Finance's main risks (credit risk, operational risk, market risk and liquidity risk) and how these interact with the established risk appetite levels (limits) are presented in each section of this report.

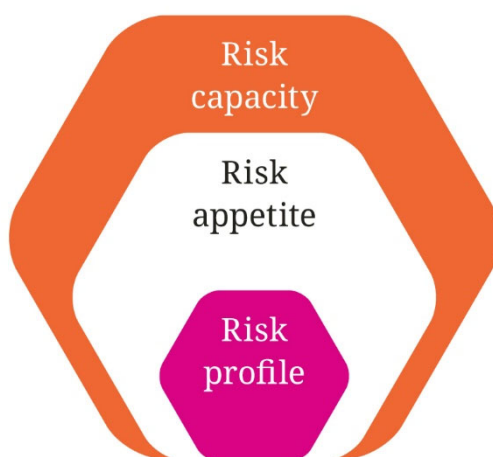
3 Risk Management

3.1 Introduction

Risk is an inherent part of any business operation. Without assuming risks, it is impossible for a business to achieve a reward and ensure long-term profitability. Ongoing risk management is a core activity in Hoist Finance and it is fundamental for long-term profitability and stability. Hoist Finance acquires and manages receivables and thereby actively exposes itself to credit risk. This is Hoist Finance's core business, in which the Group has been successful for the last 20 years.

Hoist Finance defines risk as the possibility of a negative deviation from what is expected. This could be a deviation from expected earnings, liquidity levels or capitalisation.

At any time, the company's risk profile must be within the risk appetite decided by the Board, which in turn must be within the risk capacity.



3.2 Risk management framework

The goal of Hoist Finance's risk management is to minimise negative variability in earnings and to secure the survival of the Group by maintaining sufficient capital and liquidity levels. This will create and maintain confidence in Hoist Finance amongst stakeholders, thereby achieving sustainable shareholder value.

To fulfil this goal, the Board of Directors has adopted a risk management framework comprised of policies and strategies for the Group's management, analysis, control and reporting of risks in day-to-day operations.

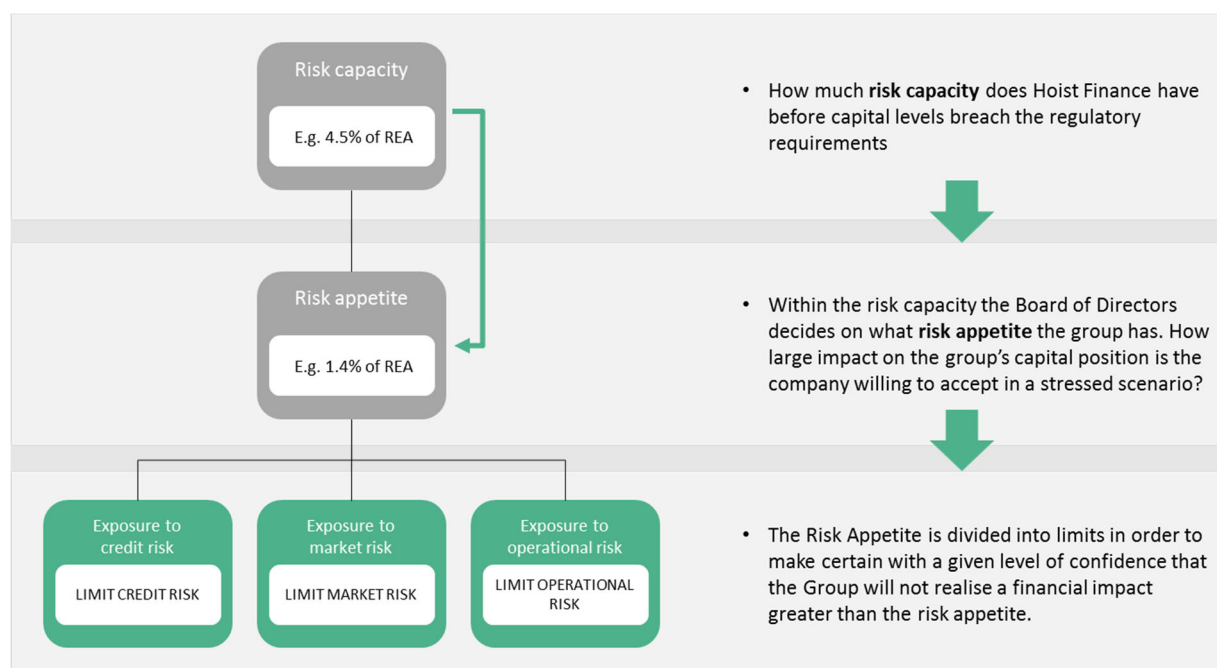
Hoist Finance's core business and risk strategy is to generate revenue through controlled exposures to credit risk in the form of purchased loan portfolios of various exposure classes (non-performing unsecured and secured, as well as performing portfolios). Other types of risk, such as operational risks and market risks are undesired but sometimes unavoidable. These risks are minimised as far as it is economically justifiable.

Risk capacity (capital and liquidity buffers in place before critical regulatory levels are reached) is quantified in order to understand the risk absorbing capacity of the Group. The capital risk capacity is the difference between actual capital levels and regulatory minimum levels and shows the capacity to absorb losses and unexpected events. Liquidity

risk capacity is the size of the liquidity outflows Hoist Finance can manage without breaching regulatory minimum requirements.

Given the Group's capacity to assume risk, the risk appetite is determined by the Board of Directors. By considering potential returns and potential risks in the business plan, the Board of Directors can decide on an appropriate risk and return level for the Group, the risk appetite. Hoist Finance's risk appetite is thereafter broken down into risk limits to be utilized in the day-to-day business activities and in the monitoring of risk development. The Group Risk Control function continuously monitors that the Group does not assume any risks, which are exceeding the Group's appetite and capacity to take on risk.

These principles are summarised in the figure below.



The method described above is used for both Risks to capital and Liquidity:

Risk Type	Risk Capacity	Risk Appetite	Limits
Risks to capital	The size of capital which can absorb losses without the Group breaching regulatory capital requirements	Risk Appetite is an expression of how much capital margin the Group need to the regulatory levels in order to be able to withstand a severe economic downturn	Limits for e.g. credit, market and operational risk
Risks to liquidity	The size of liquidity outflows the Group can withstand without breaching regulatory liquidity requirements	How large liquidity outflow is the Group willing to face in a stressed scenario?	Limits for e.g. minimum liquidity level

3.3 Governance and internal control

Hoist Finance's risk management is built on clearly defined goals, policies and guidelines, an efficient operating structure and transparent reporting and monitoring. The Group's risk management policy stipulates the framework, roles and responsibilities for risk management, Risk Appetite, Risk Strategy and the guidelines for ensuring that the objectives of risk management are reached.

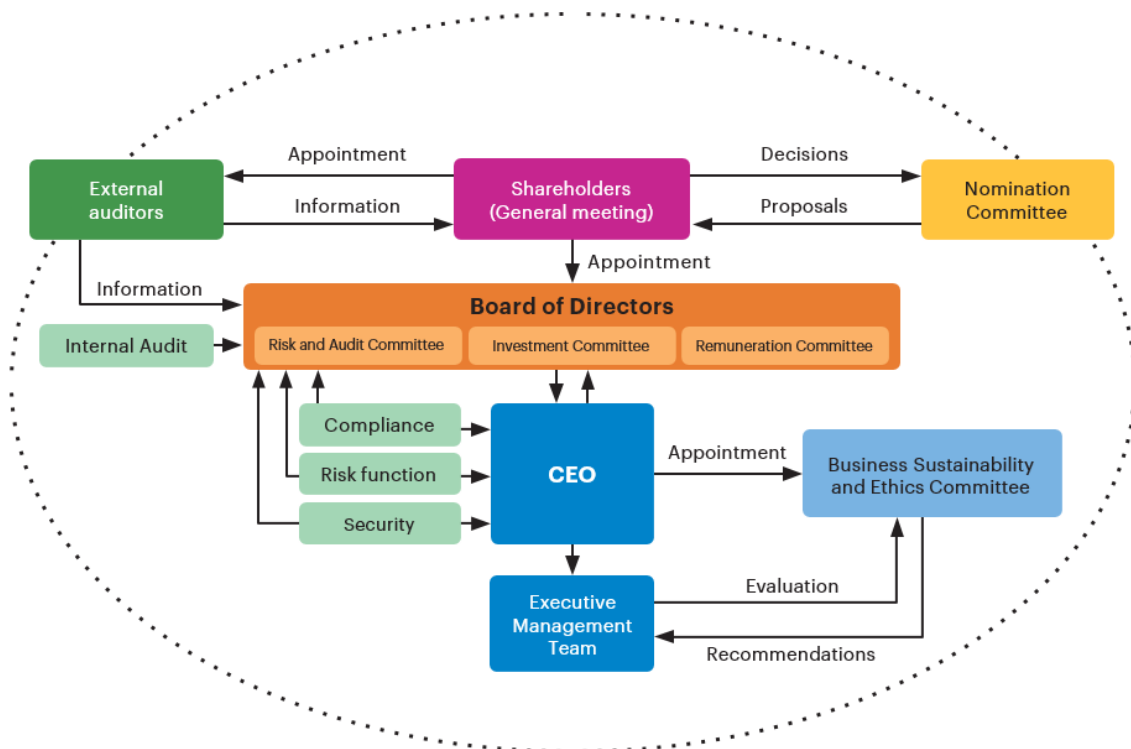
Hoist Finance’s risk management distributes roles and responsibilities in accordance with three lines of defence.

1st Line of Defence: The Board of Directors, the CEO and all business units. The business units and subsidiaries bear full responsibility for the risks that arise in day-to-day operations. The local offices have the best knowledge in any given situation, as they are closest to the customers and the various markets. The first line of defence is responsible for management of Hoist Finance’s risks and compliance with applicable rules and regulations.

2nd Line of Defence: The risk control, compliance and security functions are independent control functions. This means that they are not involved in the business operations and that they report independently to the Board of Directors and the CEO. The second line of defence is responsible for identification, quantification, analysis and reporting of all risks.

3rd Line of Defence: The internal audit function is responsible for conducting an independent review and evaluation of work done in both the first and second lines of defence. The internal audit function reports directly to the Board of Directors.

The figure below shows Hoist Finance’s governance structure.



The Finance function monitors the capital and liquidity adequacy and is responsible for the reporting to the SFSA. The Treasury function manages the credit risk stemming from lending to credit institutions and the liquidity portfolio while the credit risk stemming from the loan portfolios is managed and monitored by the management team in each jurisdiction. Furthermore, the performance of the loan portfolios is continuously monitored by the Group Business Control function and the CFO function together with the Investment team and management team in each jurisdiction. The Treasury function has

the overall responsibility for management of market-, liquidity- and counterparty credit risks in the first line of defence. All employees manage the operational risks that exist in their processes.

The Risk Control function continuously analyses, controls and reports on the Group's risk exposures (credit risk, operational risk, market risk and liquidity risk), capital and liquidity adequacy to the CEO and the Board of Directors. The Risk Control function also evaluates compliance with new internal and external regulations on the topic of risk management, capital adequacy and liquidity adequacy and assists in implementing the new regulations within the organisation. Strong emphasis is placed on reporting risk to the relevant interested parties in a clear and meaningful manner. Risks within the Group are handled according to set policies and instructions. Reports on risk exposures, liquidity and capital adequacy from Risk Control to the Board of Directors, the Risk and Audit Committee and the CEO are delivered in writing monthly and otherwise when necessary. The operations are also reviewed by the Group Compliance and Group Audit at central and local level. Group Compliance is responsible for the overall assessment of compliance risks.

For further information on corporate governance and the risk organisation, see the corporate governance section in the Annual Report disclosed on the Group's webpage: <http://www.hoistfinance.com>.

3.4 Risk Culture

Within Hoist Finance there is deep insight and understanding of how a sound risk culture is critical for efficient risk management. Therefore, structured efforts are ongoing to support and promote a sound risk culture within the company. Hoist Finance defines 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 failures.

Balance between risk/reward, where all decisions and considerations take into account both the risk and the reward that the decision entails. The company also believe that independent credible challenge and constructive discussions is critical for a sophisticated decision-making on risk and reward.

Sound incident management, where incidents are reported, analysed and actions taken to mitigate risks insofar as it is economically justifiable and where a sound, learning risk culture promotes learning from mistakes to continuously improve.

Harmonisation/Standardisation, where best practices are deployed both at Group and local levels whether this is related to the organisation, the processes or the systems. This allows Hoist Finance to increase efficiency, reduce potential for error and improve quality.

Promoting the risk culture is a long-term and continuous endeavour that permeates everything Hoist Finance does. 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. Hoist Finance strive to improve the risk culture further and have initiated work to broaden the risk management to ensure inclusion of risks outside the traditional risk types for a bank.



These risks include e.g. 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.

4 Own funds and own funds requirements

The information in this section regards the basis of the consolidated situation of Hoist Finance, which includes the regulated entity Hoist Finance AB (publ), its fully owned subsidiaries and joint ventures. For further information see Annex I – Consolidated situation. 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.

4.1 Own funds

The table below shows the Hoist Finance consolidated situation’s own funds which are used to cover the own funds requirements.

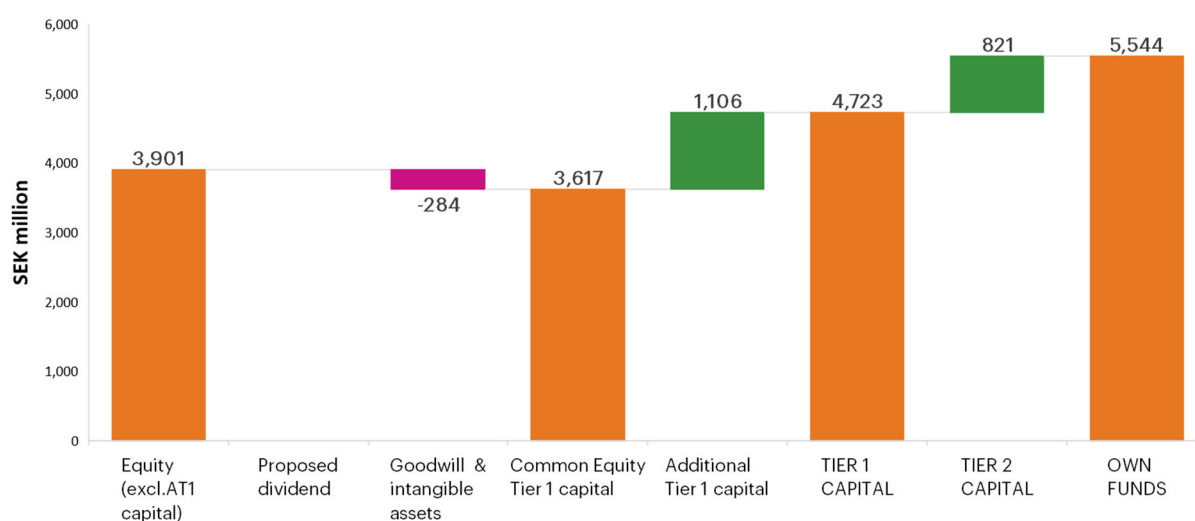
Own Funds, SEK m	Hoist Finance consolidated situation	
	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	1,913	1,913
Retained earnings	2,044	1,534
Accumulated comprehensive income (and other reserves)	-1	133
Independently reviewed interim profits net of any foreseeable charge or dividend ¹	50	605
CET1 capital before regulatory adjustments	4,006	4,185
Additional value adjustments	-7	0
Intangible assets (net of related tax liability)	-284	-382
Deferred tax assets that rely on future profitability	-93	-27
Exposure amount of securitisation positions which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-8	-9
Other transitional arrangements	3	4
Total regulatory adjustments to CET1	-389	-414
CET1 capital	3,617	3,771
Other transitional arrangements	1,106	690
AT1 capital	1,106	690
Tier 1 (T1) capital	4,723	4,461
Capital instruments and the related share premium accounts	821	852
T2 capital	821	852
Total capital (TC = T1 + T2)	5,544	5,313

¹ Dividend deduction is calculated based on the year’s proposed dividend. The board will propose to the annual general meeting not to pay any dividend for financial year 2020. Therefore no dividend deduction has been included.

Except any restrictions by legislation (e.g. restrictions in corporate law and capital adequacy requirements) the Group sees no material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

Common Equity Tier 1 capital mainly comprises equity after various adjustments, while Additional Tier 1 (AT1) capital and Tier 2 capital are mainly made up of perpetual AT1 notes and subordinated loans. A link between equity and the regulatory total capital at 31

December 2020 is presented below. Further information about the capital instruments included in total capital is disclosed in Annex IV – Capital instruments included in own funds.



Please refer to Annex III for a full reconciliation of own funds.

4.2 Risk exposure amounts and own funds requirements

The table below shows the risk exposure amounts per risk category for Hoist Finance.

Since Hoist Finance's core business is to acquire non-performing loan portfolios the risk exposure amount for "Exposures in default" is by far the largest.

Risk exposure amounts, SEK m	Hoist Finance consolidated situation	
	31 Dec 2020	31 Dec 2019
Exposures to central governments or central banks		
Exposures to regional governments or local authorities		
Exposures to institutions	670	752
of which counterparty credit risk	72	60
Exposures to corporates	462	319
Retail exposures	27	38
Secured by immovable property	352	368
Exposures in default	25,012	28,746
Exposures in the form of covered bonds	408	277
Equity exposures		
Other items	470	382
Credit risk (standardised approach)	27,401	30,882
Securitisation positions in the banking book (external ratings-based approach)	1,954	2,984
Market risk (foreign exchange risk - standardised approach)		78
Operational risk (standardised approach)	4,208	3,935
Credit valuation adjustment (standardised approach)	62	48
Total risk exposure amount	33,625	37,927

The table below shows the own funds requirements per risk category for Hoist Finance.

Own funds requirements, SEK m	Hoist Finance consolidated situation	
	31 Dec 2020	31 Dec 2019
Pillar 1		
Exposures to central governments or central banks		
Exposures to regional governments or local authorities		
Exposures to institutions	54	60
of which counterparty credit risk	6	5
Exposures to corporates	37	26
Retail exposures	2	3
Secured by immovable property	28	29
Exposures in default	2,001	2,300
Exposures in the form of covered bonds	33	22
Equity exposures		
Other items	38	31
Credit risk (standardised approach)	2,193	2,471
Securitisation positions in the banking book (external ratings-based approach)	156	239
Market risk (foreign exchange risk - standardised approach)		6
Operational risk (standardised approach)	337	315
Credit valuation adjustment (standardised approach)	5	4
Total own funds requirement - Pillar 1	2,691	3,035
Pillar 2	31 Dec 2020	31 Dec 2019
Concentration Risk	234	245
Interest Rate Risk in the Banking Book	96	129
Pension Risk		3
Other Pillar 2 Risks	27	37
Total own funds requirement - Pillar 2	357	414
Capital Buffers		
Capital conservation buffer	841	948
Countercyclical buffer		128
Total own funds requirement - Capital Buffers	841	1,076
Total own funds requirements	3,889	4,525

In 2020 total risk exposure amount decreased mainly due to limited volumes of new acquisitions. Exposures in default decreased by nearly 13 per cent. The volumes are expected to recover to the budgeted levels as the observed market activity is getting back to normal.

Pension risk does no longer apply to Hoist Finance. Previously there was a small pension liability (defined benefit plan) and a corresponding asset in Hoist Finance's German branch, which was an inheritance from companies acquired by Hoist Finance. No obligations remain here however, why Hoist Finance no longer have any pension risk.

Due to Covid-19 pandemic and its negative effect on the economy countercyclical buffer has been lowered to 0 per cent by the SFSA, British and French authorities (see more in chapter 4.3).

Finally, the Capital Conservation Buffer has decreased to SEK 841m from SEK 948m as a consequence of a decrease of Pillar 1 and Pillar 2 own fund requirements.

4.3 Capital ratios and 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 exposure amount) of 8 per cent. Credit institutions are also required to maintain specific capital buffers, pursuant to the Capital Buffer Act (SFSA 2014:966) and New Capital Requirements for Swedish Banks (FI Ref. 20-20990). Hoist Finance is currently required to maintain a capital conservation buffer of 2.5 per cent of the total risk exposure amount and an institution-specific countercyclical buffer of 0 per cent of the total risk exposure amount. The table below shows CET1 capital, Tier 1 capital and the total capital ratio for Hoist Finance. The table also shows the institution specific CET1 capital requirements. All capital ratios exceed the minimum requirements and capital buffer requirements by a healthy margin.

Capital ratios and buffers, %	Hoist Finance consolidated situation	
	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 Capital ratio, %	10.76	9.94
Tier 1 Capital ratio, %	14.05	11.76
Total Capital ratio, %	16.49	14.01
Institution specific CET1 buffer requirement	7.00	7.34
of which: capital conservation buffer requirement	2.50	2.50
of which: countercyclical buffer requirement	0.00	0.34
CET1 capital available to meet buffers¹	6.26	5.44

¹CET1 capital 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.

Countercyclical buffer

Hoist Finance is required to maintain an institution-specific countercyclical buffer as a percentage of the total risk exposure amount. The buffer is determined for each country by the countries' relevant authorities. In the course on the pandemic, in order to counteract the economic austerity the countercyclical buffer has been decreased to 0 per cent by the SFSA. The countercyclical buffer in UK and France has also been set to 0 per cent by the counties' authorities. An increase in countercyclical buffer is expected at the earliest March 2022.

The table below shows the geographical distribution of Hoist Finance's credit exposures relevant for the calculation of the countercyclical capital buffer.

Hoist Finance consolidated situation 31 Dec 2020, SEK m

	General credit exposures	Securitisation exposures	Own funds requirements			Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value for SEC-ERBA	Of which: general credit exposures	Of which: securitisation exposures	Total		
Sweden	721	0	58	0	58	2.52	0.00%
UK	7,508	0	601	0	601	26.17	0.00%
Italy	3,216	1,954	257	156	414	18.02	0.00%
Germany	3,796	0	304	0	304	13.23	0.00%
Poland	4,806	0	384	0	384	16.75	0.00%
Netherlands	1,328	0	106	0	106	4.63	0.00%
France	2,689	0	215	0	215	9.37	0.00%
Spain	1,133	0	91	0	91	3.95	0.00%
Belgium	295	0	24	0	24	1.03	0.00%
Austria	105	0	8	0	8	0.37	0.00%
Greece	1,030	0	82	0	82	3.59	0.00%
Romania	10	0	1	0	1	0.04	0.00%
Cyprus	94	0	8	0	8	0.33	0.00%
Total	26,731	1,954	2,139	156	2,295	100.00	0.00%

The table below shows Hoist Finance's amount of the institution-specific countercyclical capital buffer.

Hoist Finance consolidated situation 31 Dec 2020, SEK m

	31 Dec 2020
Total risk exposure amount	33,625
Institution specific countercyclical buffer rate	0.00%
Institution specific countercyclical buffer requirement	0

4.4 Leverage ratio

The leverage ratio is a monitoring tool, which allows competent authorities to assess the risk of excessive leverage. Detailed information about Hoist Finance's leverage ratio is illustrated in Annex V – Disclosure of Leverage Ratio.

The leverage ratio for Hoist Finance consolidated situation is 15.15 per cent as of 31 December 2020.

Although there is no target for the leverage ratio in the CRR, the Basel Committee on Banking Supervision (BCBS) has expressed the opinion that a minimum level of 3 per cent based on Tier 1 capital should apply. The CRR2 has, however determined a minimum level at the same 3 per cent that will apply starting June 2021. Hoist Finance has maintained a monthly leverage ratio above 12 per cent during 2020 which is significantly higher than the BCBS's and CRR2 target.

5 Funding

Hoist Finance has an effective and diversified funding structure through deposits from the public and through the capital markets.

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 950,000. A new deposit programme was established in Germany in 2017, with customers allowed to save up to EUR 100,000. The Swedish and German deposit products offer both current account and fixed-term deposits, with more than 99 per cent of all deposits covered by the Swedish deposit guarantee. The Swedish deposit guarantee amount has been increased to SEK 1,050,000 as from 1 January 2021, thus HoistSpar is increasing the maximum savings amount up to the same limit. At year-end 2020, Hoist Finance AB (publ) had SEK 5,160m and SEK 5,391m in current account and fixed-term deposits in SEK, respectively, and SEK 265m and SEK 7,112m in current account and fixed-term deposits in EUR, respectively.

With the establishment of a long-term debt programme in 2016, Hoist Finance has brought further diversification and flexibility to the funding base. Hoist Finance achieved investment grade rating from Moody's in May 2017 and as a consequence, debt issuance has become an increasingly attractive means of diversifying Hoist Finance's funding base.

During 2020, EUR 200m of new debt was issued under the company's EMTN program, and EUR 102m of the outstanding bond maturing in 2021 was repurchased. At year-end Hoist Finance AB (publ) had three senior unsecured bond loans totalling EUR 598m outstanding under the EMTN program. There were no outstanding issues under the commercial paper program at year-end.

Hoist Finance AB (publ) issued no subordinated debt in 2020. In February 2020 the company issued EUR 40m of Additional Tier 1 capital, the issue strengthened the Tier 1 capital ratio and the Total capital ratio with 1.1 percentage points respectively.

At year-end the external funding from securitisation was EUR 41m for the consolidated situation.

Funding, SEK m	Hoist Finance on a consolidated basis	
	31 Dec 2020	31 Dec 2019
Current account deposits	5,422	8,871
Fixed-term deposits	12,506	12,564
Debt securities issued	6,355	5,900
Additional Tier 1 capital	1,107	690
Subordinated debts	821	852
Equity	4,051	4,210
Other	1,603	1,302
Balance Sheet Total	31,865	34,389

For information about encumbered assets, see Annex VI – Disclosure of encumbered assets and unencumbered assets.

6 Internal capital and liquidity adequacy assessment process

The internal capital and liquidity adequacy assessment process (ICAAP and ILAAP) is an ongoing process carried out by the Management, Treasury and Risk Control, which review, evaluate and quantify 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, liquidity and financial margin to meet regulatory requirements.

The capital and liquidity assessment process is developed and reviewed at least once per year. The annual review focuses on ensuring that the process and Risk Appetite is always relevant to the current risk profile and the Group's operations. The Board of Directors decides on any changes to the process, and Internal Audit verifies that the process is carried out pursuant to the Board of Directors' instructions.

The processes start with the Management's business plan and budget for the coming three years. These are formalised into a forecast. The ICAAP and ILAAP use these forecasts as a starting point and, as a first step, evaluate the risks inherent in the forecasts.

6.1 ICAAP

ICAAP is Hoist Finance's internal evaluation to ensure that the Group has sufficient capital to meet the risks in both normal and stressed scenarios.

Credit and market risks are rigorously stress-tested to determine the amount of losses Hoist Finance is capable of incurring under extremely adverse circumstances. This loss figure is compared to the Pillar 1 capital requirement and, if the simulated losses exceed the Pillar 1 amount, the excess is covered with additional Pillar 2 capital.

The evaluation of operational risks is done in a series of workshops led by the Group's Risk Control function. Qualitative and quantitative methods are used in these workshops to evaluate and quantify all significant operational risks in the Group. Once the operational risks are quantified, the next step is calculation of the amount of capital required to cover all unexpected losses arising from the identified risks. Here as well, the calculated capital requirement is compared to the Pillar 1 capital requirement and any excess loss risk is covered with additional Pillar 2 capital.

This practice of validation of Pillar 1 risks for credit, market and operational risk has the sole purpose of checking the relevancy of the Pillar 1 own funds requirements, since they are calculated according to very standardised methods as stipulated by regulation. Pillar 2 own funds requirements can also result as a consequence of identification of risk categories that are not considered in Pillar 1. These risks are also stressed to a magnitude of what one could observe once in a 100 year period. Capital is thereafter reserved to cover the outcome of the test.

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 own funds requirements 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 day-to-day planning – before being made, strategic plans, future forecasts and immediate management decisions are always reviewed against the background of own funds requirements.

6.2 ILAAP

The Internal Liquidity Adequacy Assessment Process (“ILAAP”) is the framework by which Hoist Finance evaluates if it maintains liquidity and funding of sufficient volume, quality and duration to ensure its continued operations. The ILAAP is the tool, by which Hoist Finance identifies, validates, plans and stress tests its current and future liquidity needs.

Hoist Finance uses ILAAP to define the size of the liquidity buffer the Group needs to prevent identified liquidity risks from affecting the Group's capacity to achieve its business plan and meet regulatory requirements (LCR/ NSFR) and the limits set by the Board of Directors.

7 CREDIT RISK

Credit risk is the risk to earnings and/or capital arising from a counterparty's failure to repay principal or interest at the stipulated time or failure to otherwise perform as agreed.

7.1 The Group's credit risk profile

Credit risk in the Group stems mainly from:

- Acquired loan portfolios
- The liquidity reserve
- Counterparty credit risk as a result of hedging activities

7.1.1 Credit risk associated with acquired loan portfolios

Hoist Finance has a diverse product and service offering in the markets where it operates, including unsecured and secured non-performing loans to individuals and SME's as well as performing loans. The non-performing unsecured loan portfolios are acquired at prices that typically vary between 5 and 35 per cent of the face value (principal amount) outstanding at the time of acquisition. The non-performing secured loan portfolios are acquired at ca 30-50 per cent of the face value and performing at ca 75-95 per cent of the face value. The price depends on the portfolios' specific characteristics and composition in terms of e.g. loan size, age, the presence and type of collaterals, type of loans, as well as debtor age, location, type, etc. Credit risk in the 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 value of the assets. The year-end carrying amount of Hoist Finance's non-performing loan portfolios was SEK 20,322m (23,396). The majority of these loans are unsecured, although a number of portfolios have real estate properties as collateral. As at 31 December 2020, these portfolios had a carrying amount of SEK 3,458m (4,076).

The risk of loan portfolios failing to pay as expected is regularly monitored by the business operations and the Risk Control function, with yield outcome compared against forecasts. This analysis is also used to assess potential impairment requirements for portfolio values.

Forecast revisions are managed by the internal Revaluation Committee, which reports to the Board's Investment Committee. Decisions are duly taken by either the Revaluation Committee or Investment Committee pursuant to instructions issued by the 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.

7.1.2 Credit risk associated with the liquidity reserve

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 share that may be invested in assets issued by individual counterparties. Restrictions include limits on exposures given counterparty credit rating. Hoist Finance's liquidity reserve mainly consists of Swedish government and municipal bonds, German government bonds, covered bonds and also includes short-term lending to other banks.

The table to the right shows Standard & Poor's credit rating for exposures in Hoist Finance's liquidity reserve at 31 December 2020 as compared with 31 December 2019.

As at 31 December 2020, the weighted average maturity for liquidity portfolio assets

was 1.87 years (1.66) and the modified duration was 0.29 years (0.26). Maturity and modified duration are important measures for evaluating Hoist Finance's credit spread risks and interest rate risks.

Rating	31 Dec 2020	31 Dec 2019
AAA	62.8%	62.1%
AA+	12.2%	0.0%
AA	0.0%	6.5%
AA-	8.4%	10.4%
A+	0.0%	0.0%
A	12.1%	14.6%
A-	0.3%	0.5%
BBB+	3.0%	3.3%
BBB	0.0%	0.0%
BBB-	0.1%	0.0%
BB+	0.3%	0.2%
BB	0.0%	0.0%
BB-	0.2%	2.0%
B+	0.0%	0.0%
B	0.0%	0.0%
B-	0.5%	0.2%
N/A	0.0%	0.1%
Total, SEK m	8,653	8,024
of which liquidity portfolio	6,493	5,498

7.1.3 Counterparty credit risk as a result of hedging activities

The Group has counterparty credit risk towards the institutions with which it conducts derivative transactions, which are done solely for the purpose of reducing FX and interest rate risks in the Group.

The Group uses FX and interest rate derivatives to hedge its exchange rate and interest rate exposure. To avoid counterparty credit 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 credit 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 credit risk.

7.2 Additional information on credit risk

7.2.1 Past due loans and impairments

Hoist Finance specialises in acquiring portfolios of non-performing loans originated by large international banks and other financial institutions with whom Hoist Finance has strong and long-term relationships. These loan portfolios have been acquired at a significant discount relative to the face value. The price corresponds to the discounted

value of expected future collections. Many of the contracts in the portfolios that Hoist Finance acquires have been terminated for more than one year when the transactions are made.

A financial asset is recognised past due when any amount of principal, interest or fee has not been paid at the date it was due.

An impairment is recognised when estimated future cash flows are deemed to be lower than previously anticipated. Hoist Finance's portfolios are subject to revaluations and amortisation, and hence, excluded from impairment testing.

The Group monitors and evaluates actual collections in relation to forecasts, which are the basis for portfolio valuation. Should negative deviations occur, the Group first take additional operational measures in order to reduce the risk of deviations in the future. In the event that additional operational measures do not have, or is believed not to have, the intended effect a revised forecast is done for future collections. The forecast is also adjusted upwards in cases where the portfolios exhibit collections that are estimated to sustainably exceed the current forecast. Forecast adjustments are managed by the internal Revaluation Committee, which reports to the Board's Investment Committee.

The Risk Control function regularly performs independent assessments of the book values of Hoist Finance's acquired loan portfolios in order to verify how well the book values represent a fair and realistic valuation of the assets and to assess the risk of overvaluation of assets. Those reviews are part of the Risk Control function's duties as independent control function responsible for identification, control and reporting of all risks of the Hoist Finance Group.

7.2.2 Credit risk exposures

The tables below present Hoist Finance's credit risk exposures split in different ways.

Credit risk exposures by exposure class

Hoist Finance consolidated situation, SEK m							
31 Dec 2020	Original exposure	Exposure amount	of which: off-balance sheet items	Average exposure amount	Risk exposure amount after SME supporting factor	Average risk weight %	Capital requirement
Central governments or central banks	1,568	1,568		1,634			
Regional governments or local authorities	1,056	1,056		1,053			
Institutions	2,919	2,919		2,746	670	23%	54
Corporates	462	462		303	462	100%	37
<i>of which: SME</i>							
Retail	36	36		41	27	75%	2
<i>of which: SME</i>	0	0		1	0	57%	0
Secured by mortgages on immovable property	687	687		746	352	50%	28
Exposures in default	17,909	17,909	339	19,117	25,012	139%	2,001
<i>of which: SME</i>	776	776		869	1,304	150%	104
Equity exposures							
Other items	470	470		449	470	100%	38
Securitisation positions	1,987	1,987		2,347	1,954	99%	156
Total	31,176	31,176	339	32,367	29,355	96%	2,349

Hoist Finance consolidated situation, SEK m

31 Dec 2019	Original exposure	Exposure amount	of which: off-balance sheet items	Average exposure amount	Risk exposure amount after SME supporting factor	Average risk weight %	Capital requirement
Central governments or central banks	2,292	2,292		2,303			
Regional governments or local authorities	522	522		1,538			
Institutions	3,426	3,426		2,740	752	22%	60
Corporates	319	319		275	319	100%	26
<i>of which: SME</i>							
Retail	51	51		70	38	74%	3
<i>of which: SME</i>	2	1		5	1	57%	0
Secured by mortgages on immovable property	825	825		863	368	44%	29
Exposures in default	20,658	20,600	356	21,374	28,746	143%	2,300
<i>of which: SME</i>	944	944		1,001	1,502	150%	120
Covered bonds	2,769	2,769		3,155	277	10%	22
Other items	382	382		395	382	100%	31
Securitisation positions	3,007	3,007		752	2,984	99%	239
Total	34,251	34,193	356	33,465	33,866	100%	2,709

Geographical breakdown of exposure amount

Hoist Finance consolidated situation, SEK M

31 Dec 2020	Central governments or central banks	Regional governments or local authorities	Institutions	Corporates	Retail	Secured by immovable property	Exposures in default	Covered bonds	Securitisation positions	Other items	Total
Sweden	602	1,056	1,659	150	0	0	0	4,082	0	164	7,713
UK	3	0	174	219	23	222	4,816	0	0	93	5,550
Italy	4	0	411	60	0	0	2,656	0	1,987	20	5,138
Germany	4	0	289	7	6	465	3,064	0	0	14	3,849
Poland	755	0	173	6	7	0	2,519	0	0	73	3,533
France	194	0	118	9	0	0	2,141	0	0	48	2,510
Spain	3	0	25	9	0	0	887	0	0	11	935
Netherlands	2	0	22	2	0	0	820	0	0	4	850
Greece	0	0	44	0	0	0	680	0	0	9	733
Belgium	0	0	1	0	0	0	209	0	0	0	210
Austria	0	0	0	0	0	0	47	0	0	24	71
Cyprus	0	0	0	0	0	0	70	0	0	0	70
Romania	1	0	3	0	0	0	0	0	0	10	14
Total	1,568	1,056	2,919	462	36	687	17,909	4,082	1,987	470	31,176

Hoist Finance consolidated situation, SEK M

31 Dec 2019	Central governments or central banks	Regional governments or local authorities	Institutions	Corporates	Retail	Secured by immovable property	Exposures in default	Covered bonds	Securitisation positions	Other items	Total
Sweden	844	522	1,950	101	0	0	0	2,769	0	109	6,295
UK	1	0	126	16	26	272	6,005	0	0	60	6,506
Italy	4	0	883	169	0	0	2,848	0	3,007	25	6,936
Germany	1,362	0	59	3	18	0	2,313	0	0	94	3,849
Poland	1	0	217	5	7	553	3,507	0	0	22	4,312
Netherlands	3	0	10	21	0	0	955	0	0	11	1,000
France	55	0	126	4	0	0	2,812	0	0	26	3,023
Spain	22	0	33	0	0	0	1,007	0	0	11	1,073
Belgium	0	0	2	0	0	0	296	0	0	1	299
Austria	0	0	0	0	0	0	31	0	0	0	31
Greece	0	0	19	0	0	0	826	0	0	3	848
Romania	0	0	1	0	0	0	0	0	0	0	1
Cyprus	0	0	0	0	0	0	0	0	0	20	20
Total	2,292	522	3,426	319	51	825	20,600	2,769	3,007	382	34,193

Maturity analysis of exposure amount

Hoist Finance consolidated situation 31 Dec 2020, SEK m

31 Dec 2020	Payable on demand	< 1 year	1-5 years	> 5 years	Without fixed maturity	Total
Central governments or central banks	0	1,384	0	0	184	1,568
Regional governments or local authorities	0	790	266	0	0	1,056
Institutions	2,414	499	0	0	6	2,919
Corporates	0	462	0	0	0	462
Retail	0	4	9	23	0	36
Secured by mortgages on immovable property	0	8	39	640	0	687
Exposures in default	0	6	885	16,679	339	17,909
Covered bonds	0	578	3,504	0	0	4,082
Equity	0	0	0	0	0	0
Other items	0	134	7	186	143	470
Total standardised approach	2,414	3,865	4,710	17,528	671	29,189
Securitisation positions (SEC-ERBA)	0	0	1,987	0	0	1,987
Total	2,414	3,865	6,697	17,528	671	31,176

Hoist Finance consolidated situation 31 Dec 2019, SEK m

31 Dec 2019	Payable on demand	< 1 year	1-5 years	> 5 years	Without fixed maturity	Total
Central governments or central banks	0	2,244	0	0	48	2,292
Regional governments or local authorities	0	255	267	0	0	522
Institutions	2,996	424	0	0	6	3,426
Corporates	0	315	4	0	0	319
Retail	0	9	14	28	0	51
Secured by mortgages on immovable property	0	4	54	767	0	825
Exposures in default	0	8	934	19,302	414	20,658
Covered bonds	0	635	2,134	0	0	2,769
Equity	0	0	0	0	0	0
Other items	0	112	11	197	62	382
Total standardised approach	2,996	4,006	3,418	20,294	530	31,244
Securitisation positions (SEC-ERBA)	0	0	0	3,007	0	3,007
Total	2,996	4,006	3,418	23,301	530	34,251

Exposure values per credit quality step

To set the risk weight for rated counterparties according to the standardised approach Hoist Finance uses their external rating, which is translated to a credit quality step.

The External Credit Assessment Institutions (ECAIs) used by Hoist Finance are Standard & Poor's, Moody's and Fitch. Applicable information from these ECAIs is used for calculating risk weights. Hoist Finance uses external rating from the ECAIs for exposures to central governments, regional governments and institutions. The table below shows the exposure values per credit quality step where step 1 is the highest credit quality category and step 6 is the lowest. No deduction is made from own funds for exposures in the standardised approach with an external rating.

Hoist Finance consolidated situation 31 Dec 2020, SEK m

Credit quality step	Central	Regional	Institutions exposure value	Covered bonds exposure value	Securitisation positions exposure value	Total	% of Total
	governments or central banks exposure value	governments or local authorities exposure value					
1	1,568	1,056	881	4,082	0	7,588	80%
2	0	0	1,102	0	0	1,102	12%
3	0	0	703	0	1,976	703	7%
4	0	0	41	0	0	41	0%
5	0	0	45	0	12	0	0%
6	0	0	0	0	0	0	0%

Hoist Finance consolidated situation 31 Dec 2019, SEK m

Credit quality step	Central	Regional	Institutions exposure value	Covered bonds exposure value	Securitisation positions exposure value	Total	% of Total
	governments or central banks exposure value	governments or local authorities exposure value					
1	2,292	522	909	2,769	0	6,491	73%
2	0	0	1,811	0	0	1,811	20%
3	0	0	429	0	2,989	429	5%
4	0	0	174	0	0	174	2%
5	0	0	19	0	18	0	0%
6	0	0	0	0	0	0	0%

Credit quality of performing and non-performing exposures by past due days

Hoist Finance consolidated situation 31 Dec 2020, SEK m

Gross carrying amount/nominal amount	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
Loans and advances	1,233	1,233	0	20,470	221	149	452	1,239	8,368	2,943	7,098	20,470
Central banks												
General governments												
Credit institutions												
Other financial corporations				1	0	0	0	0	0	0	0	1
Non-financial corporations	556	556	0	785	13	6	17	47	319	112	271	785
Of which SMEs	47	47	0	785	13	6	17	47	319	112	271	785
Households	677	677	0	19,685	208	144	435	1,192	8,049	2,831	6,827	19,685
Debt securities	6,493	6,493										
Central banks												
General governments	2,411	2,411										
Credit institutions	4,082	4,082										
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures				339								339
Central banks												
General governments												
Credit institutions				182								182
Other financial corporations												
Non-financial corporations				157								157
Households												
Total	7,726	7,726	0	20,809	221	149	452	1,239	8,368	2,943	7,098	20,809

Hoist Finance consolidated situation 31 Dec 2019, SEK m

Gross carrying amount/nominal amount	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
Loans and advances	4,336	4,329	6	23,441	635	258	938	4,728	7,124	3,605	6,153	23,441
Central banks												
General governments												
Credit institutions	3,075	3,075										
Other financial corporations				1	0	0	0	0	0	0	0	1
Non-financial corporations	437	436	1	1,091	111	22	11	263	325	109	250	1,091
Of which SMEs	55	54	1	952	98	19	11	229	283	94	217	952
Households	824	818	5	22,350	523	236	927	4,465	6,798	3,497	5,904	22,350
Debt securities	5,498	5,498										
Central banks												
General governments	2,729	2,729										
Credit institutions	2,769	2,769										
Other financial corporations												
Non-financial corporations												
Off-balance-sheet exposures				414								414
Central banks												
General governments												
Credit institutions				333								333
Other financial corporations												
Non-financial corporations				81								81
Households												
Total	9,834	9,828	6	23,854	635	258	938	4,728	7,124	3,605	6,153	23,854

Performing and non-performing exposures and related provisions

Hoist Finance consolidated situation 31 Dec 2020, SEK m

	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures		Non-performing exposures		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 2	Of which stage 3				
Loans and advances	1,233	1,226	7	20,470	20,470	-1	-1	-1	-111	-111			
Central banks													
General governments													
Credit institutions													
Other financial corporations				1	1								
Non-financial corporations	556	555	1	785	785	0	0	0	-5	-5			
Of which SMEs	47	46	1	785	785	0	0	0	-5	-5			
Households	677	672	6	19,685	19,685	-1	-1	-1	-107	-107			
Debt securities	6,493	6,493											
Central banks													
General governments	2,411	2,411											
Credit institutions	4,082	4,082											
Other financial corporations													
Non-financial corporations													
Off-balance-sheet exposures				339	339								
Central banks													
General governments													
Credit institutions				182	182								
Other financial corporations													
Non-financial corporations				157	157								
Households													
Total	7,726	7,719	7	20,809	20,809	-1	-1	-1	-111	0	-111	0	0

Hoist Finance consolidated situation 31 Dec 2019, SEK m

	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures		Non-performing exposures		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 2	Of which stage 3				
Loans and advances	4,336	4,329	6	23,441	23,441	-2	-1	-1	-4	-4			
Central banks													
General governments													
Credit institutions	3,075	3,075											
Other financial corporations				1	1								
Non-financial corporations	437	436	1	1,091	1,091	0	0	0	-1	-1			
Of which SMEs	55	54	1	952	952	0	0	0	-1	-1			
Households	824	818	5	22,350	22,350	-2	-1	-1	-3	-3			
Debt securities	5,498	5,498											
Central banks													
General governments	2,729	2,729											
Credit institutions	2,769	2,769											
Other financial corporations													
Non-financial corporations													
Off-balance-sheet exposures				414	414								
Central banks													
General governments													
Credit institutions				333	333								
Other financial corporations													
Non-financial corporations				81	81								
Households													
Total	9,834	9,828	6	23,854	23,854	-2	-1	-1	-4	0	-4	0	0

Collateral obtained by taking possession and execution processes

Foreclosed assets are assets taken over to protect claims on counterparties and credit losses. Hoist Finance may waive a loan receivable and instead seize the asset that served as collateral for the loan. As of 31 December 2020 and 2019, seized assets in the Hoist Finance Group consist of real estate property in France. Seized assets are recognised on the same line item in the balance sheet as similar assets that have been acquired otherwise.

Hoist Finance consolidated situation 31 Dec 2020, SEK m

Collateral obtained by taking possession	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	12	0
Other than PP&E		
Residential immovable property		
Commercial immovable property		
Movable property (auto, shipping, etc.)		
Equity and debt instruments		
Other		
Total	12	0

Hoist Finance consolidated situation 31 Dec 2019, SEK m

Collateral obtained by taking possession	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	12	0
Other than PP&E		
Residential immovable property		
Commercial immovable property		
Movable property (auto, shipping, etc.)		
Equity and debt instruments		
Other		
Total	12	0

7.3 Securitisation

In 2019 Hoist Finance started operating in the securitisation market. The main goal of the securitisation activity is the optimisation of Hoist Finance's funding requirement and capital position.

Hoist Finance conducts traditional securitisation with the purpose of significant risk transfer (SRT) of credit risk by securitising unsecured Non-Performing Loans (NPL) portfolios. Hoist Finance and subsidiaries operate in the following capacities: Originator, Special Servicer, Indemnity Provider (in respect of warranties given narrowly as to the existence of the receivables and related rights constituting the Portfolio) and as Investor by retaining 100 per cent of the Senior Notes and 5 per cent of Mezzanine and Junior Notes.

Hoist Finance entered into the first securitisation agreement in August 2019 and securitised part of its Italian unsecured NPL portfolios. The securitised exposures were transferred to Pinzolo SPV S.r.l., a limited liability company registered in Italy. In order to fund the purchase price of the securitised assets, the SPV issued Senior and Junior Notes.

In December 2019 the previous structure was dissolved and the assets held in it, along with additional portions of the additional loan portfolio, were transferred to the new structure, Marathon SPV S.r.l., a newly formed Securitisation Special Purpose Entity (SSPE) registered in Italy.

Securitisation exposures in the banking book (SEK m)	Hoist Finance consolidated situation					
	31 Dec 2020			31 Dec 2019		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
Retail	1,976	-	-	2,989	-	-
Total	1,976	-	-	2,989	-	-

To finance the purchase price of the assets, the SSPE issued bonds. The notes bear a fixed interest rate with 15 years maturity. Hoist Finance engaged the credit rating agencies DBRS Rating Limited, Moody's Italia S.r.l., and Scope Rating GMBH to assign ratings with respect to issued bonds.

Notes (rating DBRS/Moody's/Scope)	Amount	Status
Senior: Class A (BBB, Baa2, BBB+)	EUR 286.5m / 85.0%	100% retained
Mezzanine: Class B (B, B1, BB)	EUR 33.7m / 10.0%	5% retained
Junior: Class J (not rated)	EUR 16.9m / 5.0%	5% retained

The senior note is 100 per cent retained by Hoist Finance. 95 per cent of the class B and J Notes have been subscribed by an external investor through competitive market syndication. Therefore, Hoist Finance has transferred substantially all credit risk in relation to the securitised portfolio to external investors and recognised the significant risk transfer according to Art. 244 clause 1 of CRR. Moreover, pursuant to Art. 244 and 247 of CRR, Hoist has excluded the securitised exposures from calculations of amounts of risk-weighted assets (RWA).

Hoist Finance fulfils the requirement to maintain material net economic interest according to rules on risk retention requirements from CRR and CRD Regulation by applying a vertical 5 per cent risk retention of the nominal amounts of notes issued.

For the retained securitised positions that are externally rated Hoist Finance applies the External Ratings-Based Approach (SEC-ERBA) to assign risk weights. For the retained part of junior tranches Hoist Finance decreases its own funds according to Art. 36 clause 1 point k) of CRR. The transaction results in the reduction in the RWAs attributed to Hoist Finance's post-transaction exposure compared with the pre-securitisation RWAs.

Class	Rating	Nominal (SEK m)	Retention	RW	RWA (SEK m)	Deduction (SEK m)	RWA (equivalent)
Senior: Class A	BBB	1,976	100%	94%	1,857		1,857
Mezzanine: Class B	B+	235	5%	825%	97		97
Junior: Class J	n.a.	169	5%	n.a.		8	106
RWA (equivalent)							2,060

The Book value of the portfolios in the Marathon SPV S.r.l. amounted to SEK 2,774m as of 31 December 2020. If the risk weight of 150 per cent would be applied it would result in RWA of SEK 4,161m compared with RWA equivalent of the securitisation of SEK 2,060m as presented above.

Hoist Finance consolidated situation 31 Dec 2020, SEK m

Securitisation exposures in the banking book and associated regulatory capital requirements	Exposure values (by RW bands)					External ratings based approach		
	≤20% RW	>20% to 50% RW	>50% to 100% RW	100% to <1,250% RW	1,250% RW	Exposure values	RWA	Capital charge after cap
<i>Traditional securitisation</i>			1,976	12		1,987	1,954	156
Of which securitisation			1,976	12		1,987	1,954	156
Of which retail underlying			1,976	12		1,987	1,954	156
Of which wholesale								
Total exposures			1,976	12		1,987	1,954	156

Risks related to securitisation transactions include:

- Credit risk - the risk that collection from securitised portfolios will be lower than forecasted;
- Liquidity risk - the risk of insufficient funds received by the SPV and difficulties in paying to noteholders;
- Market risk - foreign exchange volatility on the value of the notes.

Hoist Finance does not perform trading activity, therefore, both securitisation positions and securitised portfolios are included in the banking book. Moreover, Hoist Finance does not use hedging and unfunded protection in order to mitigate the risk related to the maintained securitisation exposures.

When a financial asset is transferred, Hoist Finance needs to evaluate from an accounting perspective the degree to which it retains the risks and benefits associated with ownership of the asset. If Hoist Finance retains substantially all risks and benefits associated with ownership of the financial asset, Hoist Finance continues to report the asset in the statement of financial position.

The loan portfolios sold by Hoist Finance to securitisation vehicle Marathon SPV S.r.l. do not meet the requirements for removal from the statement of financial position – mainly because the credit risk was not transferred in its entirety – and, accordingly, the portfolios will continue to be reported in the Group.



The securitised portfolios are valued at amortised cost. In Marathon SPV S.r.l., the senior, mezzanine and junior notes are valued at amortised cost. The senior and mezzanine notes retained by Hoist Finance AB (publ) are valued at amortised cost, while the junior note retained by Hoist Finance AB (publ) is measured at fair value through profit and loss.

8 Operational risk

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

Hoist Finance's exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters.

Potential operational risks that can affect Hoist Finance are divided into the following categories:

- Clients, Products and Business practices
- Execution, Delivery and Process Management
- Business disruption and system failures
- External fraud
- Unauthorised activities and internal fraud
- Employment practices and workplace safety
- Damage to physical assets

Operational Risk, as part of the Risk Control function, has the primary responsibility for developing and implementing a formalised framework for assessing, monitoring and managing operational risk with the goal of maintaining the Group's exposure to operational risk at levels that are within its risk appetite.

Therefore, Hoist Finance manages operational risk by continuously improving its internal procedures and day-to-day control routines and by training employees in risk management and risk management techniques. The risk identification and assessment are at the core of the operational risk management framework, for that purpose the Risk Control function, through the operational risk officers in each country, has established the following routines:

- **Sound incident management**, where incidents are reported, analysed and actions taken to mitigate risks insofar as it is economically justifiable and where a sound, learning risk culture promotes learning from mistakes to continuously improve. Significant reported incidents are included in the risk report submitted to the Board and the management in the countries.
- **Risk Control Self-Assessment - RCSA**, the process to identify, quantify, analyse and thereby determine measures to reduce operational risks at Hoist Finance to an acceptable level. The analysis includes an assessment of a given risk's probability of occurrence and what its consequences (impact) would be, lists the steps taken by Hoist Finance to manage the risks, and details additional measures that need to be taken.
- **New Product Approval Process - NPAP**, the process for quality assurance of new and significantly amended products, services, markets, IT-systems and major changes in the Hoist Finance Group's operations and organisation. The purpose of the NPAP is to ensure that in launching or implementing a New/Amended Activity the applicable rules are followed, the associated risks are assessed and understood, and that adequate resources are available to manage the associated risks. The Group worked a lot during the year to improve the New Product Approval

Process (NPAP) as well, following a lean approach to make it as much efficient as effective.

- A new NPAP and Change Management policy has then adopted by the Board of Directors to ensure that any new, or significantly amended activity, after processed NPAP, go through the change management process that shall verify that there are, for example, sufficient staff resources, knowledge, and tools to manage a New/Amended Activity in a proper way.

- **Key Risk Indicators – KRIs** reported to the Management and the Board of Directors on a regular basis in order to follow up measurable operational risks and provide early warning when risks have increased.

- **Risk education** and training in operational risks through e-learning module, classroom and face to face especially addressed to the new employees.

- **Business continuity management cycle oversight** to ensure it is run according to the Business Continuity Management (BCM) policy, that provides a framework to plan for and respond to events and business disruptions in order to continue business operations at an acceptable predefined level. Hoist Finance's BCM is comprised of Disruption and Crisis Management where Disruptions are managed with Business Continuity Plans and Crises are managed by a predefined Crisis Management Team with risk control acting as administrator.

- **Monitoring**, with particular regard to the third parties in the collection business (i.e. Debt Collection Agency- DCA), ensuring that the Altman Z-Score is calculated to measure the financial health of a DCA to prevent outsourcing to a DCA that risk going bankrupt.

- **Reporting**, on a regular basis the risk report is provided to senior management and to the Board of Directors. Additionally, Hoist Finance has established a committee in each country where operates. The Committee is to be known as the quarterly Local/Group Compliance and Risk Committee, which shall manage and monitor compliance and risk at Country Level. The Local Compliance and Risk committee will report into Hoist Finance Compliance who will escalate major findings and risks to the Risk and Audit Committee (RACO) and the Board of Directors (the Board).

9 Market Risk

Market risk is the risk to earnings, capital or liquidity arising from adverse movements in market prices. This includes FX risk and interest rate risk.

9.1 Foreign exchange risk

Foreign exchange risk ("FX risk") is the risk to earnings or capital arising from adverse movements in FX-prices.

FX risk that has an adverse impact on the Group's income statement, balance sheet and/or cash flow arises primarily as a result of:

- Certain income and expense items arising in different currencies, resulting in a transaction risk.
- Any imbalance between the value of assets and liabilities in different currencies gives rise to a translation risk or balance-sheet risk.

Group Treasury has the 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 Group's operating profit in local currency. Income and expenses in national currency are also hedged in a natural way, which limits the transaction risk exposure. There is, however, a residual risk arising from the fact that Hoist Finance has some expenses in SEK, which are not offset by income in SEK.

Translation risk – The Group's presentation currency is SEK, while its three main functional currencies are EUR, GBP and PLN. The Group's loan portfolios (assets) are mainly denominated in foreign currency, while the Group's deposits from the public (liabilities) are denominated in SEK 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.

The Group has no significant positions in currencies other than EUR, GBP and PLN. The tables below show the Group's exposure per currency. The tables also present the translation risk expressed as sensitivity in a movement of 10 per cent in the exchange rate between SEK and each currency.

Group's FX risk in EUR

	31 Dec 2020	Impact on equity	31 Dec 2019	Impact on equity
Net assets on the balance sheet, EUR million	65		162	
Forward hedge, EUR million	-68		-167	
Net Exposure, EUR million	-3		-5	
If the EUR/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK million	-3	-0.06%	-6	-0.12%
If the EUR/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK million	3	0.06%	6	0.12%

Group's FX risk in PLN

	31 Dec 2020	Impact on equity	31 Dec 2019	Impact on equity
Net assets on the balance sheet, PLN million	1,818		1,839	
Forward hedge, PLN million	-1,814		-1,822	
Net Exposure, PLN million	4		17	
If the PLN/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK million	1	0.02%	4	0.09%
If the PLN/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK million	-1	-0.02%	-4	-0.09%

Group's FX risk in GBP

	31 Dec 2020	Impact on equity	31 Dec 2019	Impact on equity
Net assets on the balance sheet, GBP million	502		547	
Forward hedge, GBP million	-499		-545	
Net Exposure, GBP million	3		3	
If the GBP/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK million	4	0.07%	4	0.07%
If the GBP/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK million	-4	-0.07%	-4	-0.07%

Hoist Finance has strict limits for the net exposure to each currency. The limits are defined in the Group's Treasury Policy.

9.2 Interest rate risk

Interest rate risk is the risk that the net interest income or asset/liability values are negatively impacted as a result of fluctuations in the level of interest rates.

The Group's interest rate risk originates in changes in interest rates that may affect the company's revenues and expenses to varying extents. Changes in interest rates may affect Hoist Finance's revenues from loan portfolios as well as the liquidity reserve, while the cost of funding these assets may also change.

A sudden and permanent interest rate increase may adversely impact the Group's profit to the extent interest rates and interest expense for loans and deposits from the public are affected more by the increase than are revenues from loan portfolios and the liquidity reserve. To ensure that the exposure is within the Group's risk appetite, the Group's Treasury function 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.

Pursuant to accounting policies, however, the effects of interest rate changes are recognised as income at different times. For instance, the Group's liquidity reserve and interest derivatives are valued at fair value, so changes in interest rates have an instantaneous impact on Group results. Loan portfolios, on the other hand, are valued under the amortised cost principle, so changes in interest rates have an impact over time (rather than an instantaneous impact) on asset value and Group results. The Group's liabilities are not valued at market value (unless a derivative should have a negative value), so changes in interest rates have an impact over time (rather than an instantaneous impact) on Group results.

The table below shows the effect on various assets and liabilities of a sudden and permanent parallel shift of 100 basis points in market interest rates.

Total impact on net interest rate over 3 years, SEK m	Impact on profit/loss 31 Dec 2020		Impact on equity	Impact on profit/loss 31 Dec 2019		Impact on equity
	-100 bps	+100 bps		-100 bps	+100 bps	
Impact on net interest income (over 3 years)	-29	31		168	-165	
Impact on derivatives (instantaneous impact)	-54	54		-79	79	
Total impact of change in short interest rate	-83	85	-1.61%	89	-86	-1.76%

The table below shows the instantaneous impact on profit/loss of a parallel shift of 100 basis points in market interest rates.

Total items measured at fair value incl. derivatives, SEK m	Impact on profit/loss 31 Dec 2020		Impact on equity	Impact on profit/loss 31 Dec 2019		Impact on equity
	-100 bps	+100 bps		-100 bps	+100 bps	
Liquidity portfolio	20	-20		8	-8	
Interest-rate swaps	-54	54		-79	79	
Total	-34	34	-0.65%	-71	71	-1.44%

Hoist Finance has strict limits for maximum allowed interest rate exposure. Limits are in place to reduce earnings risk and economic value risk.

To calculate the own funds requirement for the Interest rate risk in the Banking book Hoist Finance apply the economic value model. The model is based on the EBA's Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02). The guidelines define Interest rate risk in the banking book as the current or prospective risk to both the earnings and the economic value of an institution arising from adverse movements in the interest rates that affect interest rate sensitive instruments.

10 Liquidity Risk

Liquidity risk is the risk of difficulties in obtaining funding, and thus not being able to meet payment obligations at maturity without a significant increase in the cost of obtaining means of payment.

The Group's cash flow from acquired loan portfolios is in its nature positive. The group normally receive a cash flow of ca 1.8 times the invested amount, over time. Major cash outflows stem from a deliberate decision to invest in a new portfolio or from unexpected cash outflows. The latter can result from outflow of deposits or from outflow due to mark-to-market of hedging derivatives or from outflow of existing wholesale funding (re-financing risk).

The Group's overall liquidity strategy is to maintain a liquidity reserve of highly liquid assets designed to mitigate Hoist Finance's liquidity risks and, in addition, to make liquidity available for financial obligations related to loan portfolio acquisitions.

The Group's general funding strategy is to maintain a sustainable, cost-efficient and well diversified funding structure while at the same time upholding a sound structural risk level – including liquidity, interest rate and FX risk – which is appropriate, and proportionate to Hoist 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 funding strategy, and potential rating implications are taken into consideration in financial and business strategic decisions.

The Group has a diversified funding base with a diversified maturity structure. Funding is mainly raised in the form of deposits from the public and through the capital markets through the issuance of senior unsecured debts, own funds instruments and equity. Hoist Finance offers retail deposits in Sweden and Germany. 30 per cent (41) of deposits from the public are payable on demand (current account), while approximately 70 per cent (59) of the Group's deposits from the public are locked into longer maturities (fixed-term deposits) ranging from one to five years. More than 99 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 at relatively low cost.

In addition to having a diversified funding structure with respect to funding sources and maturity structure, the Group has taken a number of measures to minimise liquidity risk:

- Centralised liquidity management: Management of liquidity risk is centralised and handled by the 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 liquidity position and reduce liquidity risk. These forecasts are presented to the Management and the Board of Directors.
- Stress testing: The Group conducts stress tests of the liquidity situation. These tests vary in nature to demonstrate the risk from multiple angles and to preclude negative results due to defects in stress test methodology.

- Interest rate adjustment: The size of deposits from the public can be managed by adjusting offered interest rates.
- Well-diversified deposit portfolio with no concentration risks: The highest savings amount is SEK 950,000. The risk of large outflows is further reduced through the coverage of 99 per cent of deposits by the deposit guarantee scheme.
- Liquidity portfolio: Liquidity investments are made in low-risk, high-liquidity interest-bearing securities, which allows for swift cash conversion if needed.

Hoist Finance has a low appetite for assuming liquidity risk why potential future liquidity gaps are covered by generous liquidity reserves. Hoist Finance's liquidity reserve is largely made up of Swedish government and municipal bonds, German government bonds, covered bonds, and also includes short-term lending to other banks, see table below.

Liquidity reserve, SEK m	Total	Currency distribution			Total
	31 Dec 2020	SEK	EUR	Other	31 Dec 2019
Cash and holdings in central banks	0	0	0	0	0
Deposits in other banks available overnight	2,160	-783	1,908	1,035	2,526
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,354	600	754	0	2,207
Securities issued or guaranteed by municipalities or other public sector entities	1,056	1,056	0	0	522
Covered bonds	4,082	4,082	0	0	2,769
Securities issued by non-financial corporates	-	0	0	0	0
Securities issued by financial corporates	-	0	0	0	0
Other	-	0	0	0	0
Total	8,652	4,955	2,662	1,035	8,024

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity. Available liquidity was within target level as per 31 December 2020 and totalled SEK 8,652m (8,024).

Hoist Finance has a liquidity contingency plan for managing liquidity crises. This identifies specific events that may trigger the contingency plan and actions to be taken. These events may include:

- An outflow from deposits from the public of over 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.

10.1 Liquidity Coverage Ratio

The Group's Liquidity Coverage Ratio (LCR) was 1,130 per cent (755) at 31 December 2020, compared to the regulatory requirement of 100 per cent. The table below presents further information about LCR, on quantitative information of LCR which complements Article 435(1)(f) of Regulation (EU) No 575/2013 and the EBA Guidelines on LCR disclosure to complement the disclosure of liquidity risk management (EBA/GL/2017/01). Values in the table are presented as the averages of month-end observations over the twelve months.

Hoist Finance consolidated situation, SEK million

		Total unweighted value				Total weighted value			
Quarter ending on (DD Month YYYY)		31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					6,343	6,629	5,895	5,401
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	20,861	21,439	20,975	20,169	1,574	1,565	1,496	1,408
3	Stable deposits	10,654	12,009	12,461	12,572	533	600	623	629
4	Less stable deposits	10,208	9,431	8,515	7,597	1,041	965	873	779
5	Unsecured wholesale funding	91	71	71	32	91	71	71	32
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	0	0	0	0	0	0	0	0
8	Unsecured debt	91	71	71	32	91	71	71	32
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	635	655	672	693	635	655	672	693
11	Outflows related to derivative exposures and other collateral requirements	635	655	672	693	635	655	672	693
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	0	0	0	0	0	0	0	0
14	Other contractual funding obligations	544	531	455	247	357	347	275	58
15	Other contingent funding obligations	82	48	37	28	82	48	37	28
16	TOTAL CASH OUTFLOWS					2,740	2,687	2,551	2,220
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	105	107	17	20	52	54	8	10
19	Other cash inflows	2,424	2,486	2,316	2,256	2,424	2,486	2,316	2,256
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	2,528	2,593	2,333	2,276	2,476	2,540	2,325	2,266
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows Subject to 90% Cap	0	0	0	0	0	0	0	0
EU-20c	Inflows Subject to 75% Cap	2,528	2,593	2,333	2,276	2,476	2,540	2,325	2,266
21	LIQUIDITY BUFFER					6,327	6,613	5,879	5,385
22	TOTAL NET CASH OUTFLOWS					825	794	760	555
23	LIQUIDITY COVERAGE RATIO (%)					925%	1014%	949%	982%

Other items in the LCR calculation that are not captured in the LCR disclosure template, but that Hoist Finance considers relevant for its liquidity profile, is the cash inflow from non-performing loans. The non-performing loans contribute with a stable cash inflow and are a natural part of Hoist Finance's business.

10.2 Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) was 119 per cent (124) at year-end. Pursuant to CRR2, the regulatory requirement of 100 per cent NSFR will take effect as from 28 June 2021. Hoist Finance is well prepared to meet this requirement.

Definitions

Term	Definition
Additional Tier 1 capital (AT1)	All Tier 1 capital, which does not qualify as Common equity tier 1 capital, e.g. Tier 1 capital instruments.
Capital conservation buffer	A requirement for a capital buffer of 2.5 per cent of total risk exposure amount consisting of Common Equity Tier 1 capital. If the buffer is not complete, the bank must retain a portion of its profit to improve its capital ratio.
Common Equity Tier 1 capital (CET1)	Common shares issued by the institution, share premium, retained earnings, other comprehensive income, other disclosed reserves after deduction for deferred tax assets, intangible assets and goodwill.
Common Equity Tier 1 capital ratio	Common Equity Tier 1 capital in relation to total risk exposure amount.
Compliance risk	The current or prospective risk to earnings and/or capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards which can lead to fines, damages and/or the voiding of contracts and can diminish an institution's reputation.
Concentration risk	The vulnerability inherent in the concentration of exposures to a limited number of customers, suppliers, a particular sector or a geographic area.
Control function	An independent function for risk control, compliance or internal audit.
Countercyclical buffer	A buffer calculated as a percentage of total risk exposure amount and depends on the geographical distribution of the Group's credit exposures and the countercyclical values in these different countries as set by local regulators. The Countercyclical buffer shall regularly be updated and added to or deducted from the Group's capital limits.
Liquidity Coverage Ratio (LCR)	A regulatory measure defined as the ratio between liquidity assets and net outflows in a 30 days' period.
Legal risk	The risk that contracts or other legal documents cannot be executed according to specified terms or that legal proceedings are initiated which affect the Group's operations in a negative way.
Leverage ratio	Tier 1 capital divided by the total exposure measure calculated in accordance with proposed amendments to Regulation (EU) No 575/2013.
Limit	An established permitted level for a risk exposure.
Own funds	The sum of Tier 1 capital and Tier 2 capital.
Own funds requirements – Pillar 1	Minimum own funds requirements for credit, market and operational risk.
Own funds requirements – Pillar 2	Own funds requirements in addition to the ones in Pillar 1.
Risk Exposure Amount (REA)	The sum of risk weighted assets for credit risk, and risk exposure amounts for market and operational risk.
Risk management	Identifying, analysing, measuring, managing, controlling and reporting significant risks, which the Group is or may be exposed to.
Risk management framework	The Group's strategies, processes, procedures, internal rules, limits, controls and reporting procedures, which govern the Group's risk management processes.
Risk Strategy	A strategy for assuming, steering and exercising control of the risks to which the Group is or could become exposed.
Risks to capital	Risks that, should they materialise, will have a significant impact on the Group's own funds over the next 12 months.
Tier 1 capital (T1)	The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.
Tier 1 capital ratio	Tier 1 capital in relation to total risk exposure amount.
Tier 2 capital (T2)	Subordinated loans as well as fixed-term subordinated loans with certain conditions as set out in Regulation (EU) No 575/2013.
Total capital ratio	Own funds in relation to total risk exposure amount.

Annex I – Consolidated situation and balance sheet reconciliation

CONSOLIDATED SITUATION

Hoist Finance is a credit market company, licensed and under the supervision of the SFSA, and is the only regulated entity within the consolidated situation. Hoist Finance is the parent company in the Hoist Finance Group. All subsidiaries are fully consolidated and the joint venture BEST III NS FIZ and PQH Special Liquidation S.A. are consolidated using the proportional method. The table below presents companies included in Hoist Finance consolidated situation. For an overview of the complete legal structure, please see Hoist Finance's Annual Report 2020.

Holding company Swedish	Corp. Reg.no.	Domicile	Shareholding (fully diluted) (%)
Hoist Finance AB (publ)	556012-8489	Stockholm	
Swedish			
Hoist Finance Services AB*	556640-9941	Stockholm	100
Foreign			
Immobilière de Lancereaux SAS	2018B20590	Paris	100
HECTOR Sicherheiten-Verwaltungs GmbH	HRB 74561	Duisburg	100
Hoist Polska sp. z o.o.	536257	Wroclaw	100
Hoist Cyprus Ltd.	HE338 570	Nicosia	100
MARTE SPV S.r.l.	4634710265	Conegliano	100
Marathon SPV S.r.l.	5048650260	Conegliano	100
Giove SPV S.r.l.	5089700263	Conegliano	100
Hoist Italia S.r.l.	12898671008	Rome	100
Nais Uno Reoco S.r.l.	14564671007	Rome	100
Maran CSRO SRL	35910220	Bucharest	100
Hoist I NS FIZ**	RF1702	Warsaw	100
Hoist III NS FIZ**	292229	Warsaw	100
Hoist II NS FIZ**	RFi 1617	Warsaw	100
BEST III NS FIZ**	RFI623	Gdynia	50
Hoist Kredit Ltd.	7646691	London	100
Hoist Finance UK Ltd.	8303007	Salford	100
Robinson Way Ltd.	6976081	Salford	100
CL Finance Ltd.	1108021	West Yorkshire	100
MKDP LLP*	OC349372	Milton Keynes	100
Hoist Finance UK Holdings 1 Ltd.	11473838	Salford	100
Hoist Finance UK Holdings 2 Ltd.	11473850	Salford	100
Hoist Finance UK Holdings 3 Ltd.	11473909	Salford	100
Hoist Hellas S.L.D.S.A.	1.37778E+11	Athens	100
PQH Single Special Liquidation S.A. ***	1.38353E+11	Athens	33
Hoist Finance Spain S.L.	B87547659	Madrid	100
Optimus Portfolio Management S.L.	B86959285	Madrid	100
Hoist Finance Romania S.r.l.	41830400	Bucharest	100
Hoist Finance Austria GmbH	FNS44345h	Mooslackengasse	100

* Companies to be liquidated or disposed.

** Non-standardised securitisation funds of which Hoist Finance holds investment certificates.

*** The Company is a part of a consortium, consisting of Hoist Finance AB (publ), Qualco S.A. and PricewaterhouseCoopers Business Solutions S.A.

BALANCE SHEET RECONCILIATION

The table below shows a balance sheet reconciliation between Hoist Finance consolidated situation and the consolidated accounts (“Hoist Finance Group”) and the balance sheet in Hoist Finance AB (publ).

SEK m	Hoist Finance consolidated situation	Hoist Finance Group	Hoist Finance AB (publ)	Hoist Finance consolidated situation	Hoist Finance Group	Hoist Finance AB (publ)
	31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019	31 Dec 2019
ASSETS						
Cash	0	0	0	0	0	0
Treasury bills and treasury bonds	2,411	2,411	2,411	2,729	2,729	2,729
Lending to credit institutions	2,532	2,526	1,611	3,081	3,075	1,455
Lending to the public	6	6	6	10	10	13
Acquired loan portfolios	20,467	21,075	6,755	24,506	24,303	7,394
Receivables from Group companies	-	-	14,402	0	0	17,432
Bonds and other securities	4,082	4,082	4,082	2,769	2,769	2,769
Shares and participations in subsidiaries	-	-	816	0	0	807
Shares and participations in joint ventures	-	160	11	0	201	16
Intangible assets	358	358	187	382	382	186
Tangible assets	262	262	35	269	269	29
Other assets	763	763	462	512	511	290
Deferred tax assets	97	97	1	32	32	2
Prepayments and accrued income	131	124	55	107	106	55
Total assets	31,109	31,864	30,834	34,397	34,387	33,177
LIABILITIES AND EQUITY						
	31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019	31 Dec 2019
Liabilities						
Deposits from the public	17,928	17,928	17,928	21,435	21,435	21,435
Tax liabilities	133	132	96	87	86	33
Other liabilities	257	1,025	890	833	823	912
Deferred tax liabilities	141	141	3	150	150	2
Accrued expenses and deferred income	247	239	94	155	154	59
Provisions	65	65	37	89	89	53
Debt securities issued	6,355	6,355	5,959	5,900	5,900	5,431
Subordinated debts	821	821	821	852	852	852
Total liabilities	25,947	26,706	25,828	29,501	29,489	28,778
Untaxed reserves	0	0	277	0	0	268
Equity						
Additional Tier 1 capital holders	1,106	1,106	1,106	0	0	0
Share capital	30	30	30	30	30	30
Other contributed equity	1,883	1,883	1,955	2,965	2,965	2,965
Reserves	-394	-381	2	-258	-258	95
Retained earnings including profit/loss for the	2,537	2,520	1,637	2,159	2,161	1,041
Non-controlling interest	0	0	0	0	0	0
Total equity	5,162	5,158	4,729	4,896	4,898	4,131
Total liabilities and equity	31,109	31,864	30,834	34,397	34,387	33,177

Annex II – Hoist Finance AB (publ)

Hoist Finance AB (publ) is licensed and regulated as a credit market company under the supervision of the SFSA. The information disclosed in this Annex is in accordance with Article 13 of Regulation (EU) No 575/2013 (CRR).

Own funds

Own Funds, SEK m	Hoist Finance AB (publ)	
	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	1,913	1,913
Retained earnings	924	819
Accumulated comprehensive income (and other reserves)	698	694
Independently reviewed interim profits net of any foreseeable charge or dividend ¹	255	197
CET1 capital before regulatory adjustments	3,790	3,623
Additional value adjustments	-7	0
Intangible assets (net of related tax liability)	-113	-186
Deferred tax assets that rely on future profitability	-1	-2
Exposure amount of securitisation positions which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-8	-9
Other transitional arrangements	2	2
Total regulatory adjustments to CET1	-127	-195
CET1 capital	3,663	3,428
Other transitional arrangements	1,106	690
AT1 capital	1,106	690
Tier 1 (T1) capital	4,769	4,118
Capital instruments and the related share premium accounts	821	852
T2 capital	821	852
Total capital (TC = T1 + T2)	5,590	4,970

Risk exposure amounts and own funds requirements

Risk exposure amounts, SEK m	Hoist Finance AB (publ)	
	31 Dec 2020	31 Dec 2019
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	0	0
Exposures to institutions	411	363
of which counterparty credit risk	72	60
Exposures to corporates	12,594	14,565
Retail exposures	23	33
Secured by immovable property	83	101
Exposures in default	9,258	10,043
Exposures in the form of covered bonds	408	277
Equity exposures	816	807
Other items	164	84
Credit risk (standardised approach)	23,757	26,273
Securitisation positions in the banking book (external ratings-based approach)	1,954	2,984
Market risk (foreign exchange risk - standardised approach)	0	78
Operational risk (standardised approach)	2,213	1,916
Credit valuation adjustment (standardised approach)	62	48
Total risk exposure amount	27,987	31,299

Own funds requirements, SEK m	Hoist Finance AB (publ)	
	31 Dec 2020	31 Dec 2019
Pillar 1		
Exposures to central governments or central banks		
Exposures to regional governments or local authorities		
Exposures to institutions	33	29
of which counterparty credit risk	6	5
Exposures to corporates	1,007	1,165
Retail exposures	2	3
Secured by immovable property	7	8
Exposures in default	741	803
Exposures in the form of covered bonds	33	22
Equity exposures	65	65
Other items	13	7
Credit risk (standardised approach)	1,901	2,102
Securitisation positions in the banking book (external ratings-based approach)	156	239
Market risk (foreign exchange risk - standardised approach)		6
Operational risk (standardised approach)	177	153
Credit valuation adjustment (standardised approach)	5	4
Total own funds requirement - Pillar 1	2,239	2,504
Pillar 2	31 Dec 2020	31 Dec 2019
Concentration Risk	267	356
Interest Rate Risk in the Banking Book	41	129
Pension Risk		3
Other Pillar 2 Risks	27	37
Total own funds requirement - Pillar 2	335	525
Capital Buffers		
Capital conservation buffer	700	783
Countercyclical buffer		94
Total own funds requirement - Capital Buffers	700	877
Total own funds requirements	3,274	3,906

Capital ratios and buffers

Capital ratios and buffers, %	Hoist Finance AB (publ)	
	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 Capital ratio, %	13.09	10.95
Tier 1 Capital ratio, %	17.04	13.16
Total Capital ratio, %	19.97	15.88
Institution specific CET1 buffer requirement	7.00	7.30
of which: capital conservation buffer requirement	2.50	2.50
of which: countercyclical buffer requirement	0.00	0.30
CET1 capital available to meet buffers¹	8.59	6.45

¹CET1 capital 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.

Countercyclical buffer

Hoist Finance AB (publ) is currently required to maintain an institution-specific countercyclical buffer of 0 per cent (0.30) of the total risk exposure amount. The table below shows the geographical distribution of Hoist Finance AB (publ) credit exposures relevant for the calculation of the countercyclical capital buffer.

Hoist Finance AB (publ) 31 Dec 2020, SEK m

	General credit exposures	Securitisation exposures	Own funds requirements			Total	Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value for SEC-ERBA	Of which: general credit exposures	Of which: trading book exposures	Of which: securitisation exposures			
Sweden	653	0	52	0	0	52	2.58	0.00%
UK	5,577	0	447	0	0	447	22.08	0.00%
Italy	3,538	1,954	283	0	156	439	21.70	0.00%
Germany	3,743	0	299	0	0	299	14.79	0.00%
Poland	3,355	0	268	0	0	268	13.25	0.00%
Netherlands	1,321	0	106	0	0	106	5.22	0.00%
France	2,671	0	214	0	0	214	10.55	0.00%
Spain	964	0	77	0	0	77	3.81	0.00%
Belgium	295	0	24	0	0	24	1.17	0.00%
Austria	105	0	8	0	0	8	0.41	0.00%
Greece	1,043	0	83	0	0	83	4.12	0.00%
Romania	11	0	1	0	0	1	0.04	0.00%
Cyprus	70	0	6	0	0	6	0.28	0.00%
Total	23,346	1,954	1,868	0	156	2,024	100.00	0.00%

The table below shows Hoist Finance's amount of the institution-specific countercyclical capital buffer.

Hoist Finance AB (publ) 31 Dec 2020, SEK m

	31 Dec 2020
Total risk exposure amount	27,986
Institution specific countercyclical buffer rate	0.00%
Institution specific countercyclical buffer requirement	0

Leverage ratio

Detailed information about Hoist Finance's leverage ratio is disclosed in Annex V.

The leverage ratio for Hoist Finance is 13.04 per cent (12.29 per cent) as at 31 December 2020.

Credit risk exposures by exposure class

Hoist Finance AB (publ), SEK m

31 Dec 2020	Original exposure	Exposure amount	of which: off-balance sheet items	Average exposure amount	Risk exposure amount after SME supporting factor	Average risk weight %	Capital requirement
Central governments or central banks	1,555	1,555	0	1,620	0	0%	0
Regional governments or local authorities	1,056	1,056	0	1,053	0	0%	0
Institutions	1,998	1,998	0	1,810	411	20%	33
Corporates	12,594	12,594	0	13,451	12,594	100%	1,007
<i>of which: SME</i>	0	0	0	0	0	0%	0
Retail	30	30	0	35	23	75%	2
<i>of which: SME</i>	0	0	0	1	0	57%	0
Secured by mortgages on immovable property	222	222	0	241	83	37%	7
Exposures in default	6,663	6,663	337	6,888	9,258	137%	741
<i>of which: SME</i>	0	0	0	0	0	0%	0
Covered bonds	4,082	4,082	0	3,931	408	10%	33
Equity exposures	816	816	0	823	816	100%	65
Other items	164	164	0	107	164	99%	13
Securitisation positions	1,987	1,987	0	2,347	1,954	100%	156
Total	31,167	31,167	337	32,306	25,711	84%	2,057

Hoist Finance AB (publ), SEK m

31 Dec 2019	Original exposure	Exposure amount	of which: off-balance sheet items	Average exposure amount	Risk exposure amount after SME supporting factor	Average risk weight %	Capital requirement
Central governments or central banks	2,263	2,263	0	2,285	0	0%	0
Regional governments or local authorities	522	522	0	1,538	0	0%	0
Institutions	1,800	1,800	0	1,569	363	21%	29
Corporates	14,565	14,565	0	15,898	14,565	100%	1,165
<i>of which: SME</i>	0	0	0	0	0	0%	0
Retail	44	44	0	63	33	73%	3
<i>of which: SME</i>	2	1	0	5	1	57%	0
Secured by mortgages on immovable property	272	272	0	286	101	37%	8
Exposures in default	7,403	7,364	325	5,874	10,043	142%	803
<i>of which: SME</i>	0	0	0	0	0	0%	0
Covered bonds	2,769	2,769	0	3,155	277	10%	22
Equity exposures	807	807	0	772	807	100%	65
Other items	84	84	0	77	84	100%	7
Securitisation positions	3,007	3,007	0	752	2,984	99%	239
Total	33,536	33,497	325	32,269	29,257	83%	2,341

Geographical breakdown of exposure amount

Hoist Finance AB (publ), SEK m

31 Dec 2020	Central governments or central banks	Regional governments or local authorities	Institutions	Corporates	Retail	Secured by mortgages on immovable property	Exposures in default	Covered bonds	Securitisation positions	Equity	Other items	Total
Sweden	602	1,056	1,649	117	0	0	0	4,082	0	2	125	7,633
UK	0	0	0	5,044	23	222	97	0	0	335	0	5,721
Italy	0	0	0	3,515	0	0	0	0	1,987	23	0	5,525
Germany	755	0	172	10	7	0	2,519	0	0	0	17	3,480
Poland	1	0	5	3,187	0	0	13	0	0	147	0	3,353
France	194	0	113	26	0	0	2,141	0	0	0	14	2,488
Spain	0	0	0	673	0	0	0	0	0	292	0	965
Netherlands	3	0	25	9	0	0	887	0	0	0	4	928
Greece	0	0	33	12	0	0	680	0	0	11	0	736
Belgium	0	0	1	0	0	0	209	0	0	0	0	210
Austria	0	0	0	0	0	0	70	0	0	0	0	70
Cyprus	0	0	0	0	0	0	47	0	0	0	0	47
Romania	0	0	0	1	0	0	0	0	0	6	4	11
Total	1,555	1,056	1,998	12,594	30	222	6,663	4,082	1,987	816	164	31,167

Hoist Finance AB (publ), SEK m

31 Dec 2019	Sovereign and central banks	Municipalities	Institutions	Corporates	Retail	Secured by immovable property	Exposures in default	Covered bonds	Securitisation positions	Equity exposures	Other items	Total
Sweden	843	522	1,589	106	0	0	0	2,769	0	1	51	5,881
UK	0	0	0	6,197	26	272	113	0	0	335	0	6,943
Italy	0	0	0	3,523	0	0	0	0	3,007	58	0	6,588
Germany	1,362	0	59	7	18	0	2,313	0	0	0	26	3,785
Poland	0	0	0	3,854	0	0	18	0	0	176	0	4,048
Netherlands	3	0	10	21	0	0	955	0	0	0	2	991
France	55	0	121	17	0	0	2,812	0	0	0	5	3,010
Spain	0	0	8	831	0	0	0	0	0	216	0	1,055
Belgium	0	0	2	0	0	0	296	0	0	0	0	298
Austria	0	0	0	0	0	0	31	0	0	0	0	31
Greece	0	0	11	9	0	0	826	0	0	21	0	867
Romania	0	0	0	0	0	0	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0	0	0	0	0	0	0
Total	2,263	522	1,800	14,565	44	272	7,364	2,769	3,007	807	84	33,497

Securitisation exposures in the banking book and associated capital requirements – acting as investor

Hoist Finance AB (publ)

Securitisation exposures in the banking book (SEK m)	Acting as investor					
	31 Dec 2020			31 Dec 2019		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
Retail	1,976	-	-	2,989	-	-
Total	1,976	-	-	2,989	-	-

Hoist Finance AB (publ) 31 Dec 2020, SEK m

Securitisation exposures in the banking book and associated regulatory capital requirements	Exposure values (by RW bands)					External ratings based approach		
	≤20% RW	>20% to 50% RW	>50% to 100% RW	100% to <1,250% RW	1,250% RW	Exposure values	RWA	Capital charge after cap
<i>Traditional securitisation</i>			1,976	12		1,987	1,954	156
Of which securitisation			1,976	12		1,987	1,954	156
Of which retail underlying			1,976	12		1,987	1,954	156
Of which wholesale								
Total exposures			1,976	12		1,987	1,954	156

Liquidity Coverage Ratio

Hoist Finance AB (publ) Liquidity Coverage Ratio (LCR) was 1,117 per cent (461) at 31 December 2020, compared to the regulatory requirement of 100 per cent.

Annex III – Disclosure of transitional own funds

Disclosure according to Article 5 in Commission implementing regulation (EU) No 1423/2013 and according to SFSA's regulations (FFFS 2014:12).

		31 Dec 2020	
SEK million		Hoist Finance consolidated situation	Hoist Finance AB (publ)
1	Capital instruments and the related share premium accounts	1,913	1,913
	<i>Of which: Instrument type 1</i>	30	30
	<i>Of which: Instrument type 2</i>	1,883	1,883
	<i>Of which: Instrument type 3</i>		
2	Retained earnings	2,044	924
3	Accumulated other comprehensive income (and other reserves)	-1	698
3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	50	255
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	4,006	3,791
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)		
8	Intangible assets (net of related tax liability) (negative amount)	-284	-113
9	Empty Set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-93	-1
11	Fair value reserves related to gains or losses on cash flow hedges		
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
15	Defined benefit pension fund assets (negative amount)		
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-8	-8
20b	Of which: qualifying holdings outside the financial sector (negative amount)		
20c	Of which: securitisation positions (negative amount)	-8	-8
20d	Of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
22	Amount exceeding the 15% threshold (negative amount)		
24	Empty set in the EU		
25	Of which: deferred tax assets arising from temporary differences		
25a	Losses for the current financial year (negative amount)		
25b	Foreseeable tax charges relating to CET1 items (negative amount)		
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	3	2
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-382	-121
29	Common Equity Tier 1 (CET1) capital	3,624	3,670

31 Dec 2020

SEK million		Hoist Finance consolidated situation	Hoist Finance AB (publ)
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	1,107	1,107
31	Of which: classified as equity under applicable accounting standards	1,107	1,107
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		
35	Of which: instruments issued by subsidiaries subject to phase out		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	1,107	1,107
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
44	Additional Tier 1 (AT1) capital	1,107	1,107
45	Tier 1 capital (T1 = CET1 + AT1)	4,730	4,775
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	821	821
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		
49	Of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	Tier 2 (T2) capital before regulatory adjustment	821	821
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		
56	Empty set in the EU		
57	Total regulatory adjustments to Tier 2 (T2) capital	0	0
58	Tier 2 (T2) capital	821	821
59	Total capital (TC = T1 + T2)	5,551	5,596
60	Total risk weighted assets	33,625	27,984

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SEK million		Hoist Finance consolidated situation	Hoist Finance AB (publ)
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	10.78%	13.11%
62	Tier 1 (as a percentage of risk exposure amount)	14.07%	17.06%
63	Total capital (as a percentage of risk exposure amount)	16.51%	20.00%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	7.00%	4.50%
65	of which: capital conservation buffer requirement	2.50%	0.00%
66	of which: countercyclical buffer requirement	0.00%	0.00%
67	of which: systemic risk buffer requirement		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0.00%	0.00%
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
	Amounts below the thresholds for deduction (before risk-weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold , net of related tax liability where the conditions in Article 38 (3) are met)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase-out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Annex IV – Capital instruments included in own funds

CAPITAL INSTRUMENTS MAIN FEATURES

	SHARE CAPITAL	PERPETUAL AT1 NOTES	PERPETUAL AT1 NOTES	PERPETUAL AT1 NOTES	FIXED TERM SUBORDINATED LOAN
1 Issuer	Hoist Finance AB (publ)	Hoist Finance AB (publ)	Hoist Finance AB (publ)	Hoist Finance AB (publ)	Hoist Finance AB (publ)
2 Unique identifier	SE0006887063	XS1538294890	XS1833088237	XS2121223353	XS1617700197
3 Governing law(s)	Swedish law	English and Swedish law	English and Swedish law	English and Swedish law	English and Swedish law
Regulatory treatment					
4 Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
5 Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
6 Eligible at solo/(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7 Instrument type	Share capital	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8 Amount recognised in regulatory capital	SEK 1,913 million	SEK 285 million	SEK 405 million	SEK 416 million	SEK 821 million
9 Nominal amount of instrument	SEK 30 million	EUR 30 million	EUR 40 million	EUR 40 million	EUR 80 million
9a Issue price	SEK 1,913 million	100 per cent	100 per cent	100 per cent	100 per cent
9b Redemption price	N/a	100 per cent of nominal amount	100 per cent of nominal amount	100 per cent of nominal amount	100 per cent of nominal amount
10 Accounting classification	Equity	Equity	Equity	Equity	Liability – amortised cost
11 Original date of issuance	21 August 1915	21 December 2016	7 June 2018	26 February 2020	19 May 2017
12 Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Dated
13 Original maturity date	N/a	Perpetual	Perpetual	Perpetual	19 May 2027
14 Issuer call subject to prior supervisory approval	N/a	Yes	Yes	Yes	No
15 Optional call date, contingent call dates, and redemption amount	N/a	21 June 2023 100 per cent of nominal amount	1 September 2023 100 per cent of nominal amount	26 February 2025 100 per cent of nominal amount	Optional redemption date 19 May 2022 Optional redemption amount 100 per cent of nominal amount Early Redemption amount - for taxation reasons or a capital event - 100 per cent of nominal amount
16 Subsequent call dates, if applicable	N/a	Any interest payment date after the First Call Date; or at any time upon the occurrence of a Tax Event or a Capital Event	Any interest payment date after the First Call Date; or at any time upon the occurrence of a Tax Event or a Capital Event	Any interest payment date after the First Call Date; or at any time upon the occurrence of a Tax Event or a Capital Event	N/A
Coupons / dividends					
17 Fixed or floating dividend/coupon	N/a	Fixed	Fixed	Fixed	Fixed
18 Coupon rate and any related index	N/a	Fixed 8.625 per cent to the first call date, and thereafter at a rate which will be reset on the first call date and on each fifth anniversary of the first call date as the sum of the 5 year Mid-Swap Rate plus the initial credit spread of 8.326 per cent.	Fixed 8.00 per cent to the first call date, and thereafter at a rate which will be reset on the first call date and on each fifth anniversary of the first call date as the sum of the 5 year Mid-Swap Rate plus the initial credit spread of 7.685 per cent.	Fixed 7,75 per cent to the first call date, and thereafter at a rate which will be reset on the first call date and on each fifth anniversary of the first call date as the sum of the 5 year Mid-Swap Rate plus the initial credit spread of 8.053 per cent.	Fixed 3.875% per cent p.a. until first call date, thereafter 6M EURIBOR plus a margin equal to 3.657% per cent
19 Existence of a dividend stopper	N/a	No	No	No	No
20a Fully/partially discretionary or mandatory (in terms of timing)	N/a	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory
20b Fully/partially discretionary or mandatory (in terms of amount)	N/a	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory
21 Existence of step up or other incentive to redeem	N/a	No	No	No	No
22 Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23 Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24 If convertible, conversion trigger(s)	N/a	N/a	N/a	N/a	N/a
25 If convertible, fully or partially	N/a	N/a	N/a	N/a	N/a
26 If convertible, conversion rate	N/a	N/a	N/a	N/a	N/a
27 If convertible, mandatory or optional conversion	N/a	N/a	N/a	N/a	N/a
28 If convertible, instrument type convertible into	N/a	N/a	N/a	N/a	N/a
29 If convertible, issuer of instrument it converts into	N/a	N/a	N/a	N/a	N/a
30 Write-down features	No	Yes	Yes	Yes	No
31 If write-down, write-down trigger(s)	N/a	If CET1 Ratio falls below 5.125	If CET1 Ratio falls below 5.125	If CET1 Ratio falls below 5.125	N/a
32 If write-down, full or partial	N/a	Partial	Partial	Partial	N/a
33 If write down, permanent or temporary	N/a	Temporary	Temporary	Temporary	N/a
34 If temporary write-down, description of write-down mechanism	N/a	If at any time the CET1 Ratio of the Issuer and/or the Group falls below 5.125 per cent, the Outstanding Principal Amount of the Notes will be written down by the Write-Down Amount. The Outstanding Principal Amount may, in the sole and absolute discretion of the Issuer and subject to certain conditions, be subsequently reinstated (in whole or in part) out of the profits generated by the Issuer or the Group	If at any time the CET1 Ratio of the Issuer and/or the Group falls below 5.125 per cent, the Outstanding Principal Amount of the Notes will be written down by the Write-Down Amount. The Outstanding Principal Amount may, in the sole and absolute discretion of the Issuer and subject to certain conditions, be subsequently reinstated (in whole or in part) out of the profits generated by the Issuer or the Group	If at any time the CET1 Ratio of the Issuer and/or the Group falls below 5.125 per cent, the Outstanding Principal Amount of the Notes will be written down by the Write-Down Amount. The Outstanding Principal Amount may, in the sole and absolute discretion of the Issuer and subject to certain conditions, be subsequently reinstated (in whole or in part) out of the profits generated by the Issuer or the Group	N/a
35 Position in subordination hierarchy in liquidation	Lowest and parri passu to all classes of share capital.	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Subordinated notes
36 Non-compliant transitioned features	No	No	No	No	No
37 If yes, non-compliant features					

Annex V – Disclosure of Leverage Ratio

Disclosure according to EBA Implementing Technical Standards of the leverage ratio under Article 451(2) of Regulation (EU) No 575/2013.

Additional information		
1	Description of the processes used to manage the risk of excessive leverage	Although there is no target for the leverage ratio in the CRR, the BCBS has expressed the opinion that a minimum level of 3 per cent based on Tier 1 capital should apply. Hoist Finance has maintained a monthly leverage ratio above 12 per cent during 2020 which is significantly higher than the BCBS's target.
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	The leverage ratio was stable during 2020

Summary reconciliation of accounting assets and leverage ratio exposures

SEK million		31 Dec 2020		31 Dec 2019	
		Hoist Finance consolidated situation	Hoist Finance AB (publ)	Hoist Finance consolidated situation	Hoist Finance AB (publ)
		Applicable Amount		Applicable Amount	
1	Total assets as per published financial statements	31,864	30,834	34,389	33,176
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-755			
3					
4	Adjustments for derivative financial instruments	359	359	300	300
5	Adjustments for securities financing transactions (SFTs)				
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	339	337	361	329
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)				
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)				
7	Other adjustments	-630	-363	-853	-304
8	Total leverage ratio exposure measure	31,177	31,167	34,198	33,501

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

SEK Million		31 Dec 2020		31 Dec 2019	
		Hoist Finance consolidated situation	Hoist Finance AB (publ)	Hoist Finance consolidated situation	Hoist Finance AB (publ)
		CRR leverage ratio exposures		CRR leverage ratio exposures	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	31,109	30,834	34,389	33,176
EU-2	Trading book exposures				
EU-3	Banking book exposures, of which:	31,109	30,834	34,389	33,176
EU-4	Covered bonds	4,082	4,082	2,769	2,769
EU-5	Exposures treated as sovereigns	2,624	2,611	2,814	2,785
EU-6	Exposures to regional governments, MDB, international organisations and				
EU-7	Institutions	2,560	2,455	3,125	2,307
EU-8	Secured by mortgages of immovable properties	687	222	825	272
EU-9	Retail exposures	36	30	51	44
EU-10	Corporate	462	12,594	319	14,565
EU-11	Exposures in default	17,570	6,325	20,244	7,039
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,088	2,515	4,241	3,395

Leverage ratio common disclosure

SEK million		31 Dec 2020		31 Dec 2019	
		Hoist Finance consolidated situation	Hoist Finance AB (publ)	Hoist Finance consolidated situation	Hoist Finance AB (publ)
		CRR leverage ratio exposures		CRR leverage ratio exposures	
On-balance sheet exposures (excluding derivatives and SFTs)					
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	31,109	30,834	34,389	33,176
2	(Asset amounts deducted in determining Tier 1 capital)	-630	-363	-853	-304
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	30,479	30,471	33,536	32,872
Derivative exposures					
4	Replacement cost associated with <i>all</i> derivatives transactions (ie net of eligible cash variation margin)	118	118	193	193
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-ma	241	241	107	107
EU-5a	Exposure determined under Original Exposure Method				
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework				
7	(Deductions of receivables assets for cash variation margin provided in derivativ				
8	(Exempted CCP leg of client-cleared trade exposures)				
9	Adjusted effective notional amount of written credit derivatives				
10	(Adjusted effective notional offsets and add-on deductions for written credit deri				
11	Total derivative exposures (sum of lines 4 to 10)	359	359	300	300
Securities financing transaction exposures					
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions				
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)				
14	Counterparty credit risk exposure for SFT assets				
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b(4) and 222 of Regulation (EU) No 575/2013				
15	Agent transaction exposures				
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)				
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	0	0	0	0
Other off-balance sheet exposures					
17	Off-balance sheet exposures at gross notional amount	339	337	414	364
18	(Adjustments for conversion to credit equivalent amounts)			-52	-35
19	Other off-balance sheet exposures (sum of lines 17 to 18)	339	337	361	329
Exempted exposures in accordance with CRR Article 429(7) and (14) (on and off balance sheet)					
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))				
EU-19b	(Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on and off balance sheet))				
Capital and total exposure measure					
20	Tier 1 capital	4,723	4,768	4,461	4,118
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	31,177	31,168	34,198	33,501
Leverage ratio					
22	Leverage ratio	15.15%	15.30%	13.04%	12.29%
Choice on transitional arrangements and amount of derecognised fiduciary items					
EU-23	Choice on transitional arrangements for the definition of the capital measure				
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013				

Annex VI – Disclosure of encumbered assets and unencumbered assets

The table below presents encumbered and unencumbered assets for Hoist Finance consolidated situation in accordance with Article 443 of Regulation (EU) No 575/2013 (CRR). According to EBA definition, an asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

Hoist Finance consolidated situation, 31 Dec 2020, SEK m

Template A - Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	826	0	31,813	0
Equity instruments	0	0	0	0
Debt securities	0	0	6,390	6,390
Loans and advances other than loans on demand	0	0	0	0
Other assets	826	0	25,422	0

Template B - Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received by the reporting institution	179	0	0
Loans on demand	0	0	0
Equity instruments	0	0	0
Debt securities	0	0	0
Loans and advances other than loans on demand	0	0	0
Other collateral received	179	0	0
Own debt securities issued other than own covered bonds or ABSs	0	0	0
Own covered bonds and asset-backed securities issued and not yet pledged	2,610	2,336	2,336
Total assets, collateral received and own debt securities issued	1,005	0	0

Template C - Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	0	1,013
Derivatives	0	0
Deposits	0	580
Debt securities issued	0	434
Other sources of encumbrance	0	0

D - Information on importance of encumbrance

Hoist Group has pledged some of its assets as collateral as a result of its hedging activities. Such encumbered assets are not transferrable within the Group.