



# Hoist Finance

## A Leading European NPL Asset Manager

Debt Investor Presentation

September 2024



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# Agenda

- » **Business overview**
- » Market update
- » Financial update
- » Capital, funding and liquidity
- » The Transaction
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# Hoist Finance

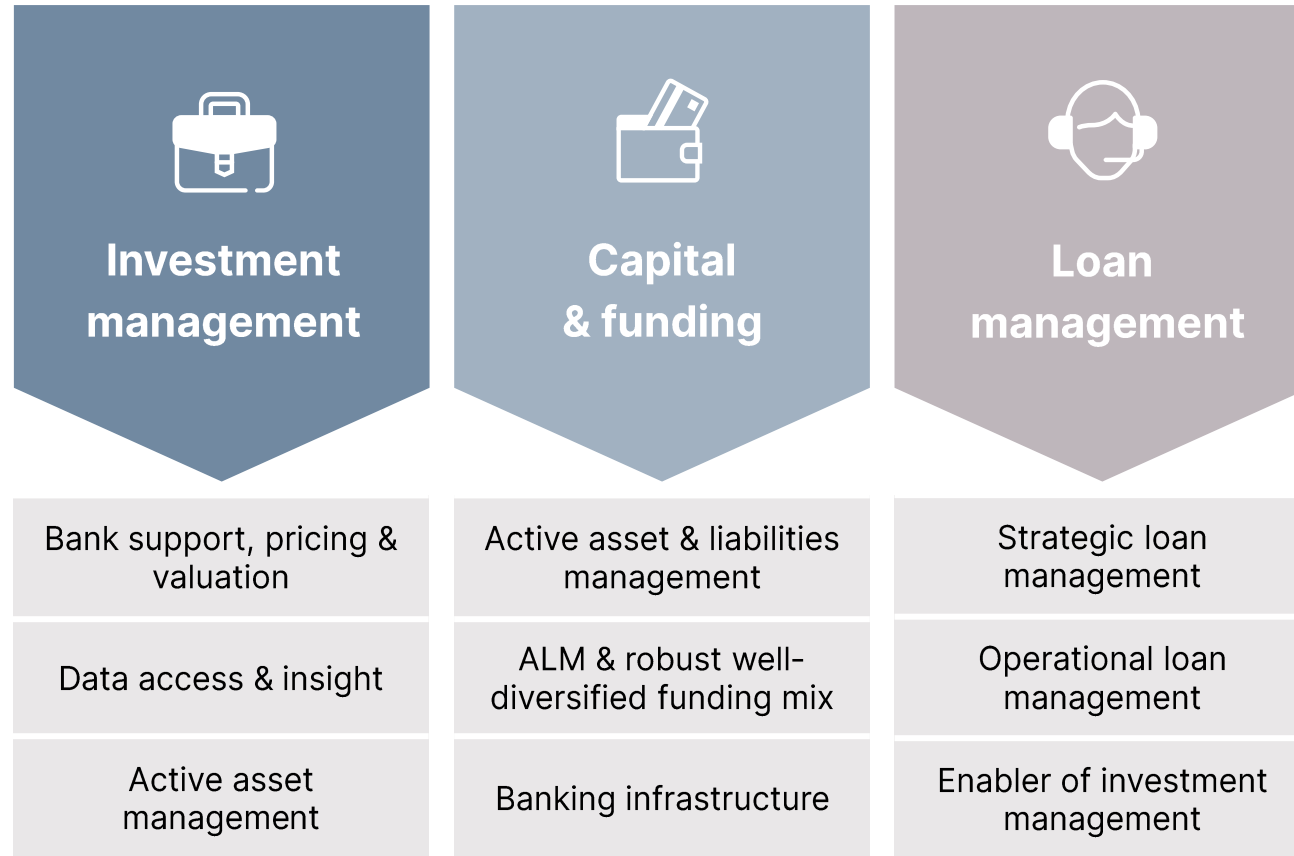
## An asset manager specialised in European non-performing loans

- » Hoist Finance, rated BBB-/pos by Moody's, is a credit market company for non-performing loans (NPLs). We have embarked on a journey to become the leading NPL asset management company in Europe for consumer secured and unsecured loans. We add value to society by contributing to a financially healthy and resilient Europe, supporting our banks and consumers. This is our purpose.
- » We are a partner to European banks and financial institutions, supporting them to free up resources for their respective core business by reducing complexity, costs, and required capital. This is how we promote a well-functioning financial system in which banks can continue to finance our societies, contribute to growth and higher level of prosperity. We offer banks and financial institutions extensive support with debt restructuring solutions based on reliable experience, knowledge of the regulatory environment and presence across Europe.
- » We are a partner to people and companies in a debt situation and strive to be the most trusted organisation to resolve people's debt in default and get them back on track financially. This is how we support financial inclusion. We apply individual solutions to support solving people's debt in default and to ensure they can be included in the financial system going forward.
- » We believe we serve our society and partners best by being regulated by the same and high regulatory standards as our partner banks and financial institutions. This is why we are a regulated credit market institute. Consequently, we are organised like a bank with three lines of defence, including legal, finance, risk, compliance, security and internal audit group functions.
- » We always manage our strategic collection inhouse and local. This way, we keep control and assure we remain at the forefront of customer care, ethics and compliance in the daily contact with our customers. We also own all data and can build and gather intelligence to constantly improve and finetune our processes. Operational collection we have inhouse or outsourced depending on the market



# Operating model

## Banking regulated Credit Market Company, supervised by SFSA



- » Organisation in line with banking regulations across geographies (disregarding local structure)
- » All strategic capabilities inhouse fully under our control
- » Selective use of external partners depending on objectives; local law and regulation; and operational risk and capabilities
  - Bailiff support and legal systems
    - Local business practice, regulatory and institutional frameworks
  - Operational loan management/ credit servicing
    - Volume adapting capability and financial stability
    - Learning and feedback loops
    - Banking relations and sourcing benefits

# Hoist Finance in numbers

Q2 2024

<b>+25</b>	Years of experience	<b>11</b>	European markets
<b>1,288</b>	FTEs	<b>18%</b>	Return on equity YTD
<b>26.84</b>	SEKbn, total portfolio	<b>2.2</b>	SEKbn, acquired loan portfolios during Q2
<b>Baa3/Pos</b>	Rating, Moody's	<b>13.82%</b>	CET1 ratio
<b>21.26%</b>	Total capital ratio	<b>2.87</b>	SEK, earnings per share

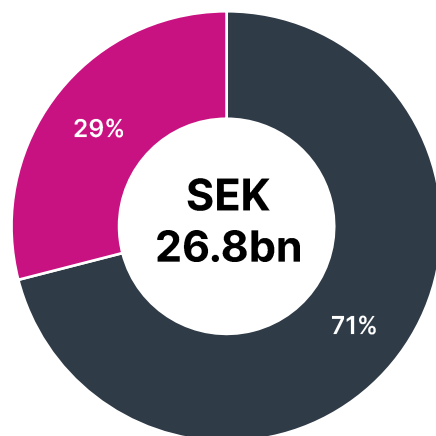
## Pan-European presence



# A highly diversified, granular collection of NPL-assets

The Hoist Finance portfolio

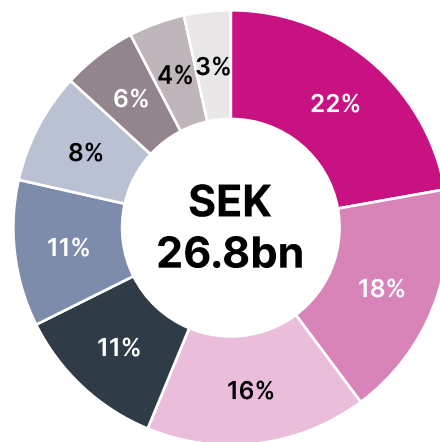
## Book value by asset class



■ Unsecured ■ Secured

We focus on Unsecured and Secured NPL assets. We see great opportunities in both asset classes and deem not least SMEs a growth area

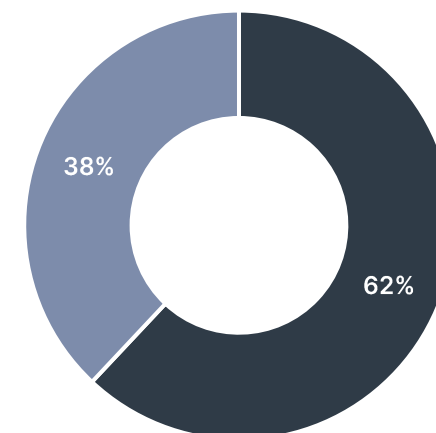
## Book value per market



■ Italy ■ Poland ■ Spain  
 ■ Germany ■ Greece ■ France  
 ■ UK ■ Sweden ■ Other

We are well diversified in our core markets. This allows for risk diversification, larger investment opportunities and more resilience

## Internalised vs. Externalised



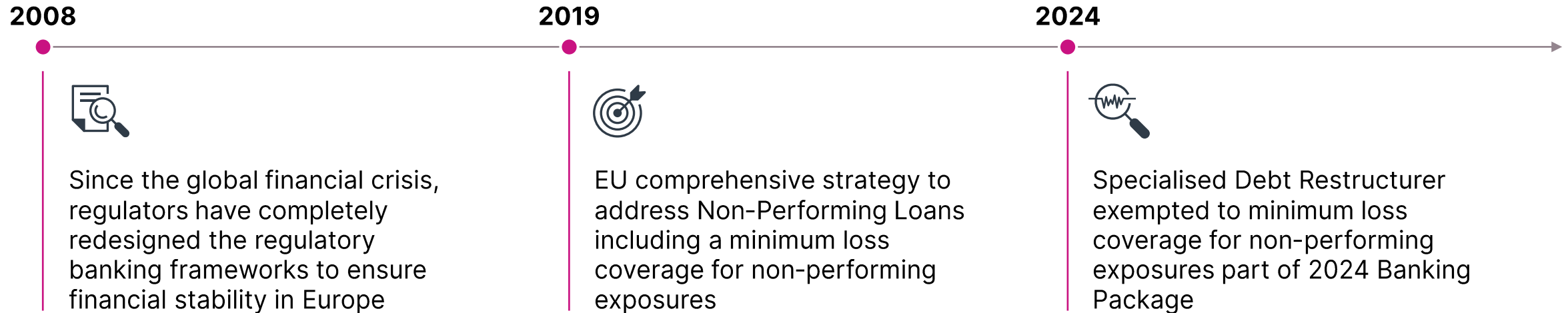
■ Internalised ■ Externalised

We utilise the best in the market to manage our asset and challenge our internal platforms. We closely monitor the performance of all internal and external portfolios

# Banking regulatory environment

Hoist Finance purpose aligned with the intent of the regulators

## Regulatory action plan to tackle Non-Performing Loans in Europe

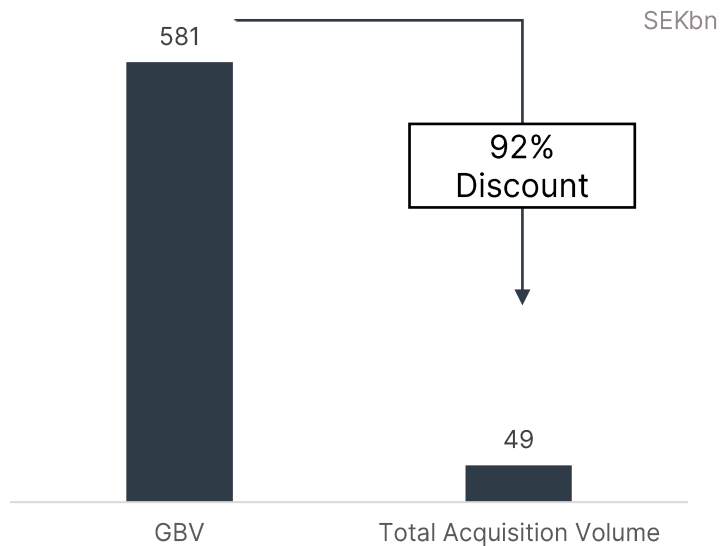




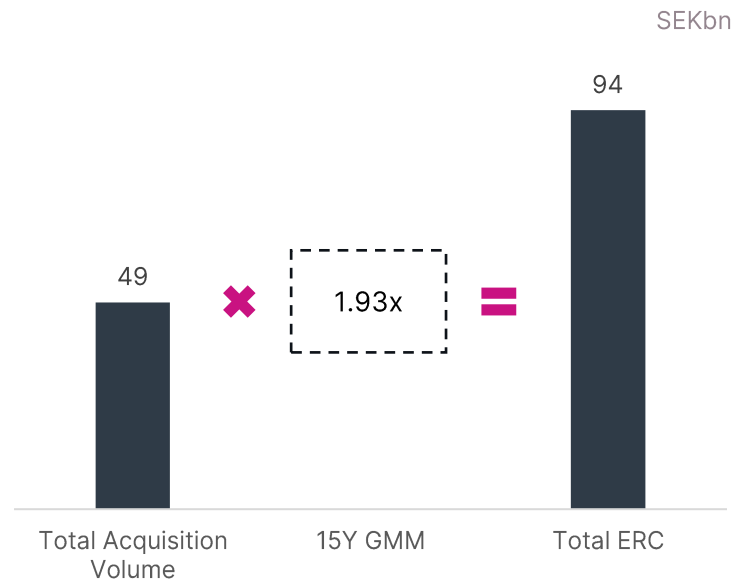
# Active risk management

Hoist Finance is using pricing to de-risk portfolios to drive borrower relief and stable financial performance

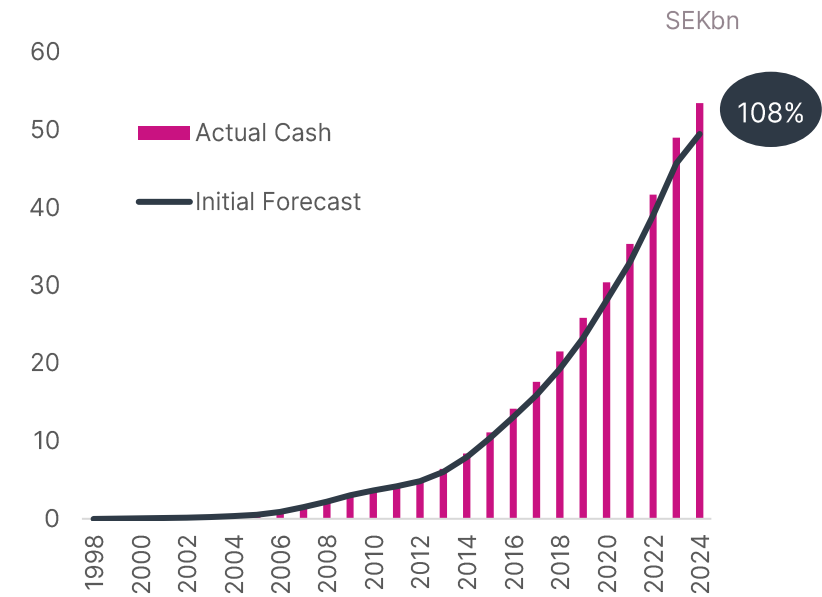
## De-risking NPLs <sup>1</sup>



## Borrower relief



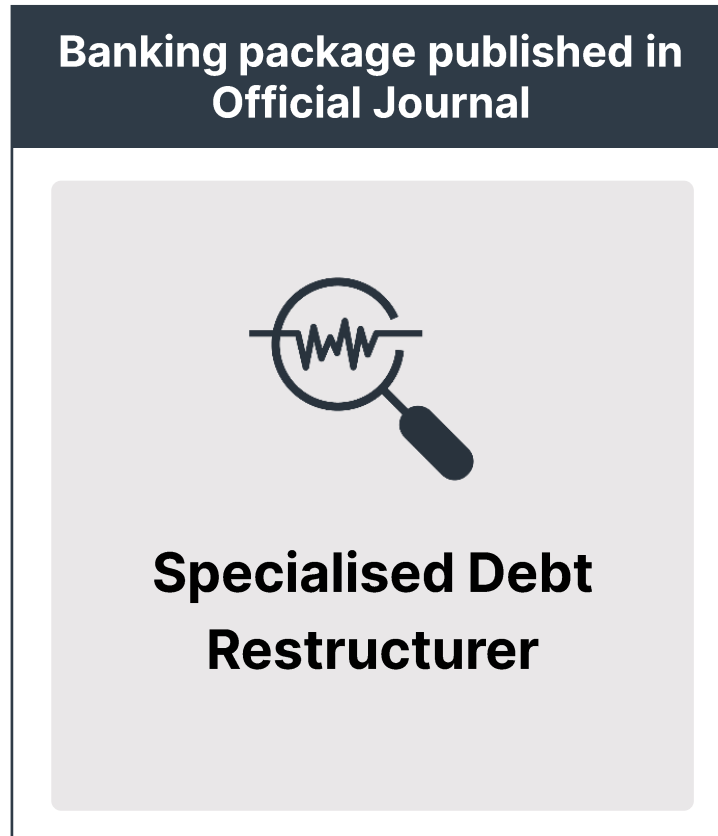
## Stable & predictable performance



1. Graph illustrates NPLs acquisition value (Gross book value "GBV") since origination and purchase price spent by Hoist. It gives an understanding of the extent of de-risking of these assets is achieved during a transaction at arms' length.






# Specialised Debt Restructurer

Strong strategic attractiveness of becoming SDR



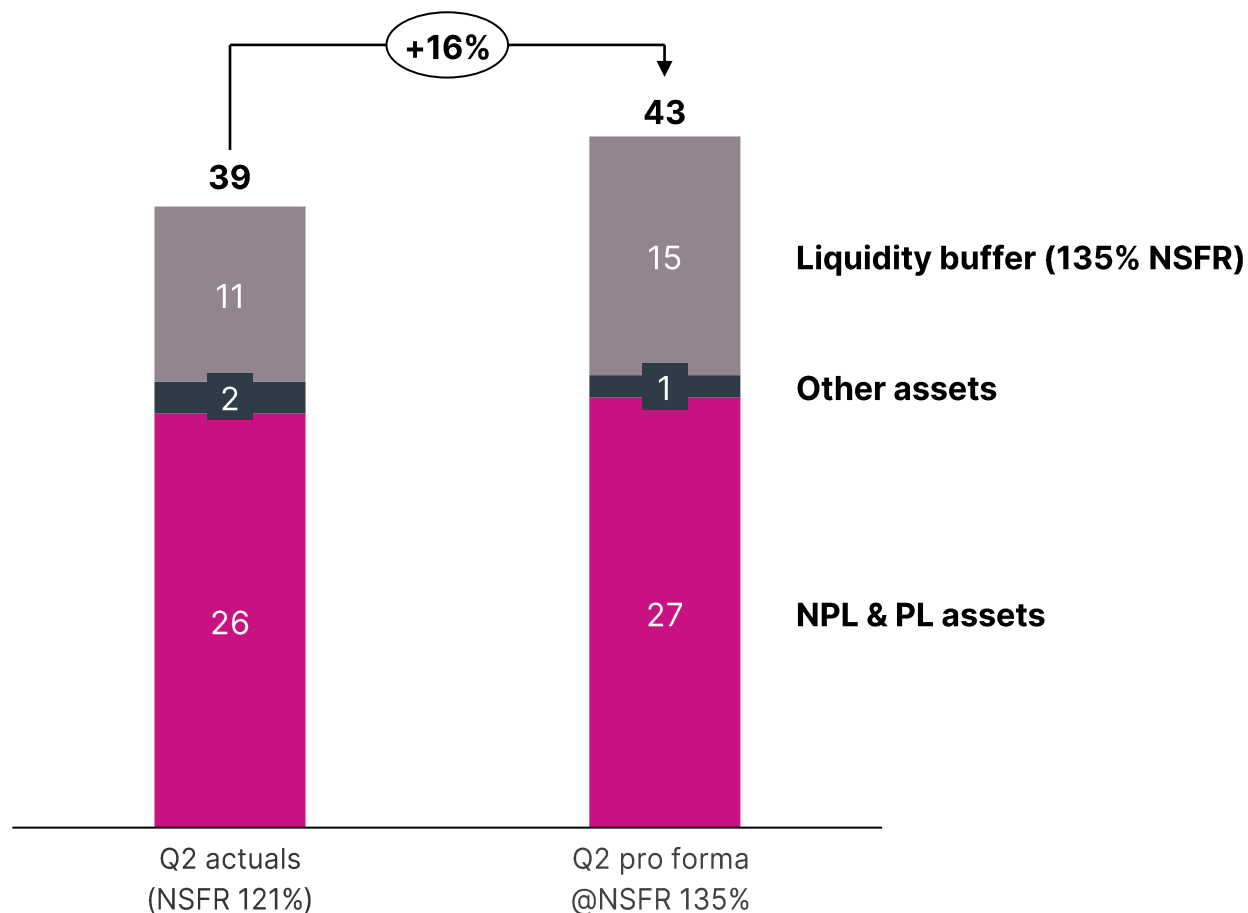
- » Designed to stimulate NPL markets
- » Exemption from prudential backstop
- » Enables focus on core purpose and business
- » Simplified business model and full independence
- » Plan to qualify as SDR by 1 January 2025

# Impact of SDR requirements on Hoist Finance

SDR Requirements	Status
<p>1 Main activity being NPL acquisition and management</p>	
<p>2 Limited 15% own originated loans</p>	
<p>3 5% of purchased NPLs qualifies forbearance measures of the purchased NPEs</p>	
<p>4 Total assets &lt; EUR20bn</p>	
<p>5 Ongoing NSFR &gt; 130%</p>	<p><b>Ongoing</b></p>
<p>6 Sight deposits &lt; 5% of total liabilities</p>	

# Specialised Debt Restructurer

Key impact is the 130% net stable funding ratio requirement  
– illustrative impact

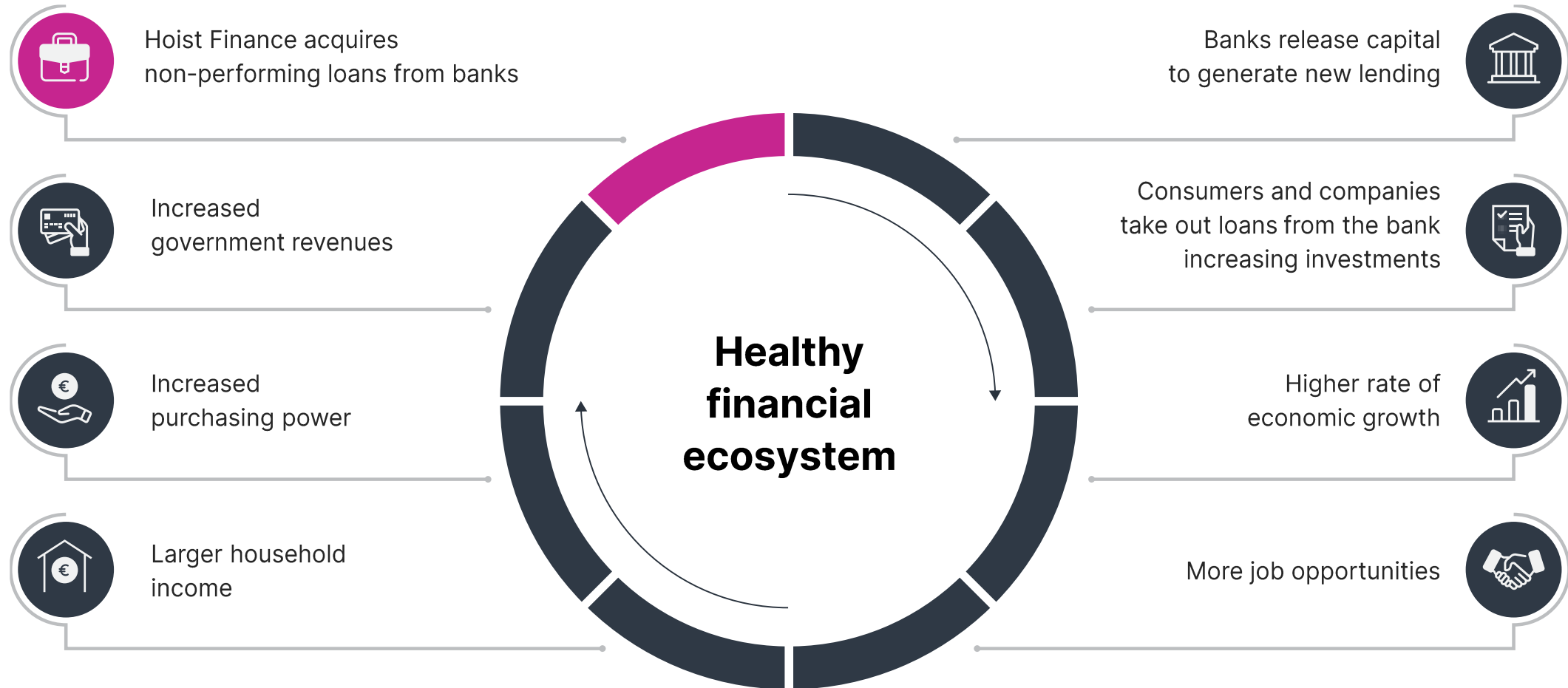


- » Key impact 130% NSFR requirement
- » Funding plan to fulfill 130% NSFR during H2 2024
- » Funding mix c. 80% deposits and c. 20% market funding
- » Estimated net funding costs of c. 70 SEKm per year with c. SEK 20m in 2024
- » The increased liquidity buffer will have limited impact on Hoist Finance's capital position
- » Full-year outlook and RoE target include costs of SDR

(1) A NSFR of 115%, equalling the last twelve months average NSFR, to indicate impact on liquidity buffer.



# We contribute to a healthy financial system



# Our financial targets



## Profitability and return

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



## Capital structure

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



## Growth

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



## Dividend policy

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

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# Market outlook: multiplied growth opportunities

## Regulation

- EBA implemented a "prudential backstop" regulation for minimum loss coverage of NPLs in 2019
- NPL backstop will make it more difficult for banks to hold on to NPLs for a longer period post termination
- NPL regulation has increased (e.g. NPL directive)

## Availability of funding

- Euribor has increased by ~450bps since 2022 and cost of debt for NPL buyers has increased
- Hoist Finance has a competitive funding advantage with its deposit-based funding platform

## Growth of the secondary market

- ~€600bn of NPLs has transferred from the primary market into the secondary market since 2014
- Typical fund life cycle is 5 years (Hoist has good relationships with funds that sell)
- There is an ongoing repositioning of numerous players to a capital light model



## NPL Stock

- Gross NPL stock in Hoist Finance's markets is ~€370bn (80% of which relates to France, Italy, Germany and Spain)
- Banks continue to have elevated levels of stage 2 loans at €1,900bn

## NPL Ratios & outlook

- NPL Ratio has reduced from a peak of ~7% in 2014 to a low of 1.8% in 2022
- Since 2024 NPL ratio has begun to increase (+5%), showing signs of potential stress in bank's balance sheets

## Investable market

- Of the ~€370bn NPLs present in Hoist markets, 2/3 fall within our investment appetite: €79bn unsecured NPLs, €63bn secured NPLs and €110bn for SMEs NPLs
- Hoist on average invests less than 0.5% p.a. of the current investible primary NPL stock. There is ample room for Hoist to invest and grow in the current market



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# Key highlights Q2

- Profit before tax at SEK 383m, compared to SEK 178m in the same quarter a year ago
- Return on equity at 18%, compared to 10% in the same quarter a year ago. Q2 included certain income and expenses that are either extraordinary or non-recurring. Excluding these items, the underlying return on equity is 15%
- New portfolio investments at SEK 2.2bn in the quarter, resulting in a total portfolio book value of SEK 26.8bn at the end of the quarter
- Continued growth, repricing and optimised net funding cost drove 24% net interest income growth during the quarter, compared to a 13% portfolio book value growth
- Continued robust collection performance of 106% across markets contributing to total operating income growth of 34%
- Asset sales in Italy and Germany combined with continued efficiency-improvements across several markets resulting in net gains of SEK 105m in the quarter
- IT insourcing completed with a total one-time cost of SEK 30m (vs previous estimate SEK 50m) and annual savings of SEK 40m, starting from the third quarter 2024
- SEK 100m share repurchases completed during the quarter
- Strong capital and liquidity position, significantly above regulatory requirements with a CET1 ratio of 13.8%



SEK  
26,838m

Portfolio  
book value

18%

RoE

2.87

EPS

13.82%

CET1 ratio

# Q2 vs Prior Year

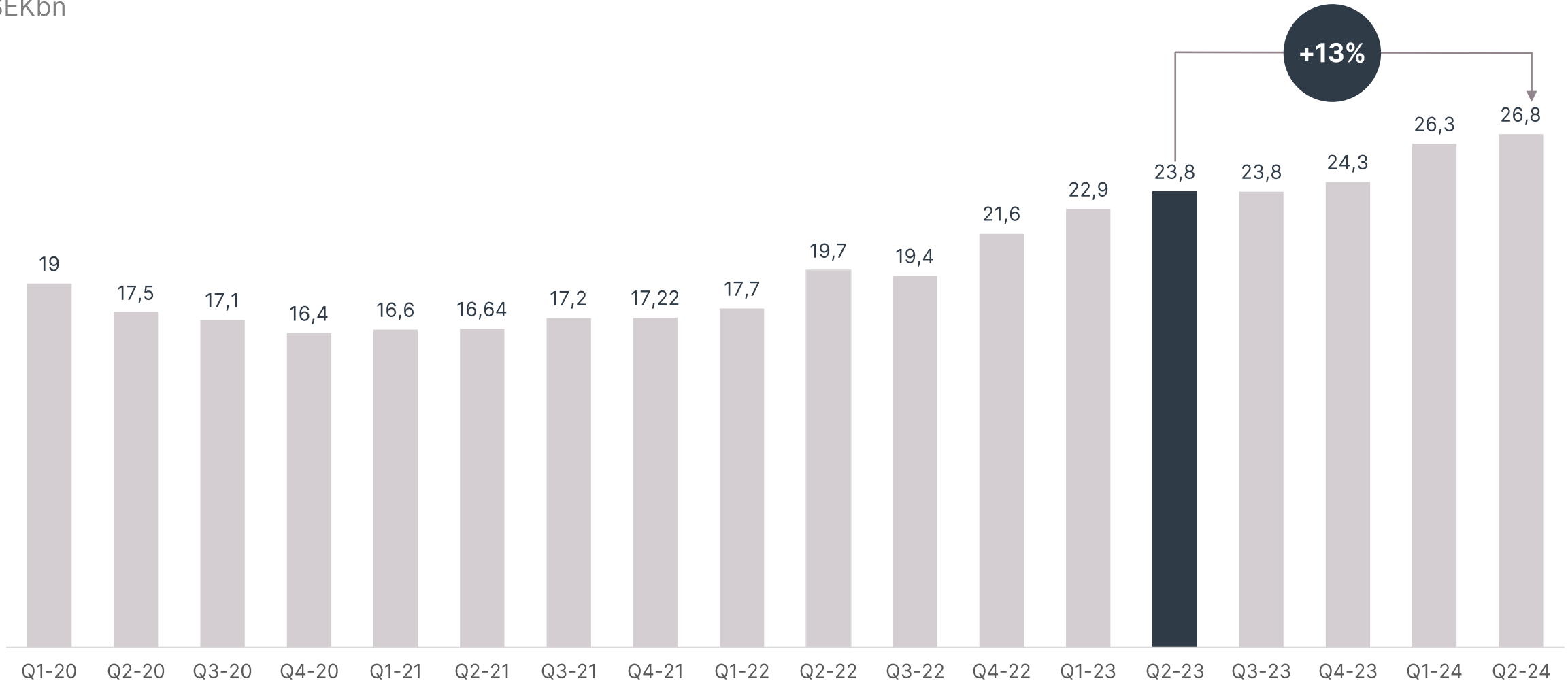
SEKm	Quarter 2 2024	Quarter 2 2023	Change
Interest income	1,075	829	30%
Other interest income	81	43	88%
Interest expense	-297	-177	65%
<b>Net interest income</b>	<b>859</b>	<b>695</b>	<b>24%</b>
Other income (including impairments)	334	220	51%
Net result from financial transactions	20	-12	-100%
<b>Total operating income</b>	<b>1,213</b>	<b>903</b>	<b>34%</b>
<b>Total operating expenses</b>	<b>-823</b>	<b>-668</b>	<b>23%</b>
Share of profit from joint ventures	-7	18	<-100%
<b>Profit before IACs</b>	<b>383</b>	<b>252</b>	<b>52%</b>
IACs		-75	
<b>Profit before tax</b>	<b>383</b>	<b>178</b>	<b>&gt;100</b>
Tax	-109	-17	>100
<b>Net Profit</b>	<b>274</b>	<b>161</b>	<b>72%</b>

Key ratios	Q2'24	Q2'23	Change
Return on equity	18%	10%	
Portfolio acquisitions	2,237	1,139	97%
Loan portfolios	26,838	23,797	13%

- » Portfolio growth in line with long-term target
- » Net interest income outpacing portfolio growth
- » Strong Q2 collection performance
- » Operating income benefiting from the health of the portfolio
- » Underlying direct cost growth in line with portfolio growth
- » Operating leverage boosting profit expansion
- » YTD effective tax rate of 18% with full year tax rate estimated at roughly 21%
- » Robust Q2 RoE

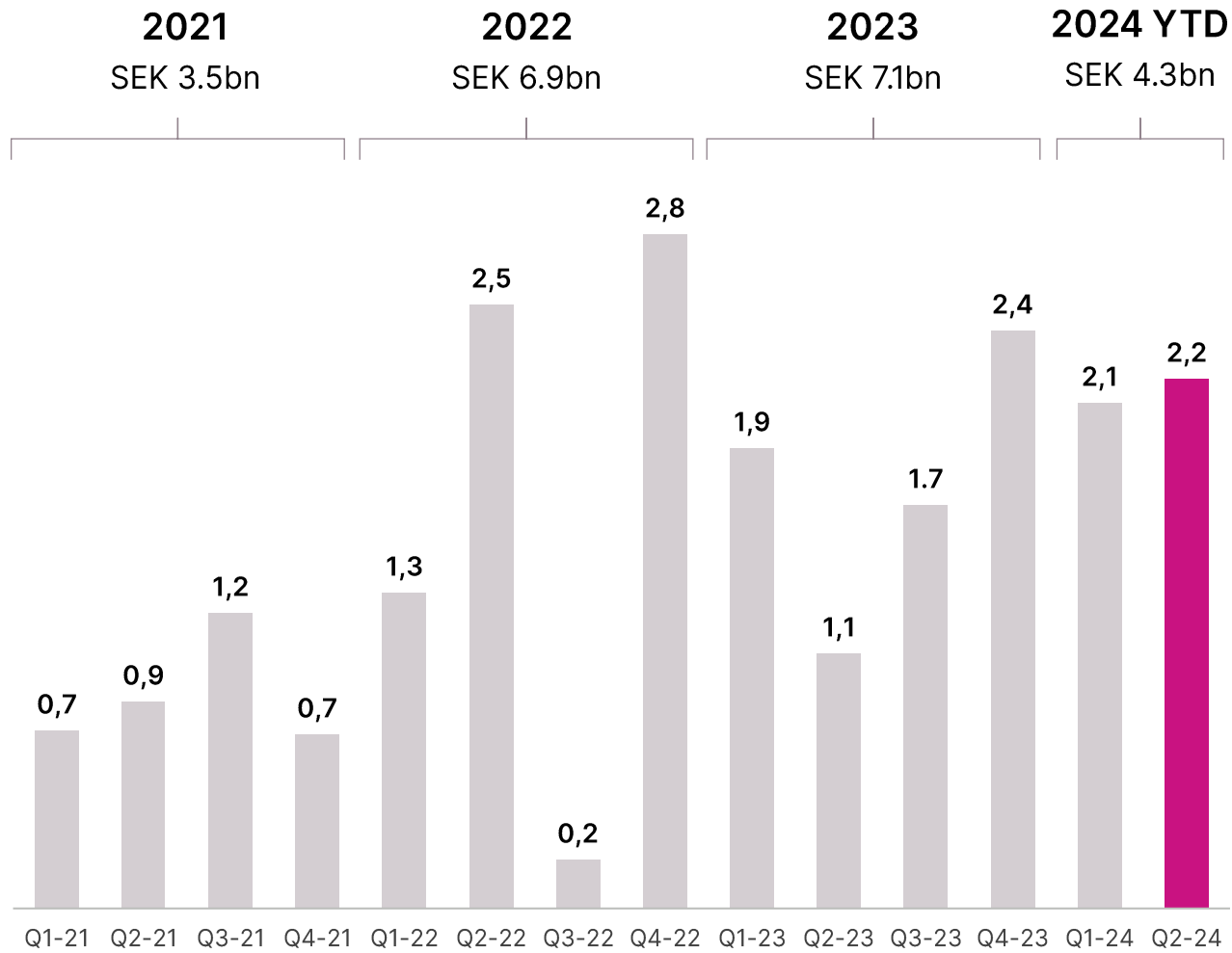
# Portfolio book value, continuing operations

SEKbn





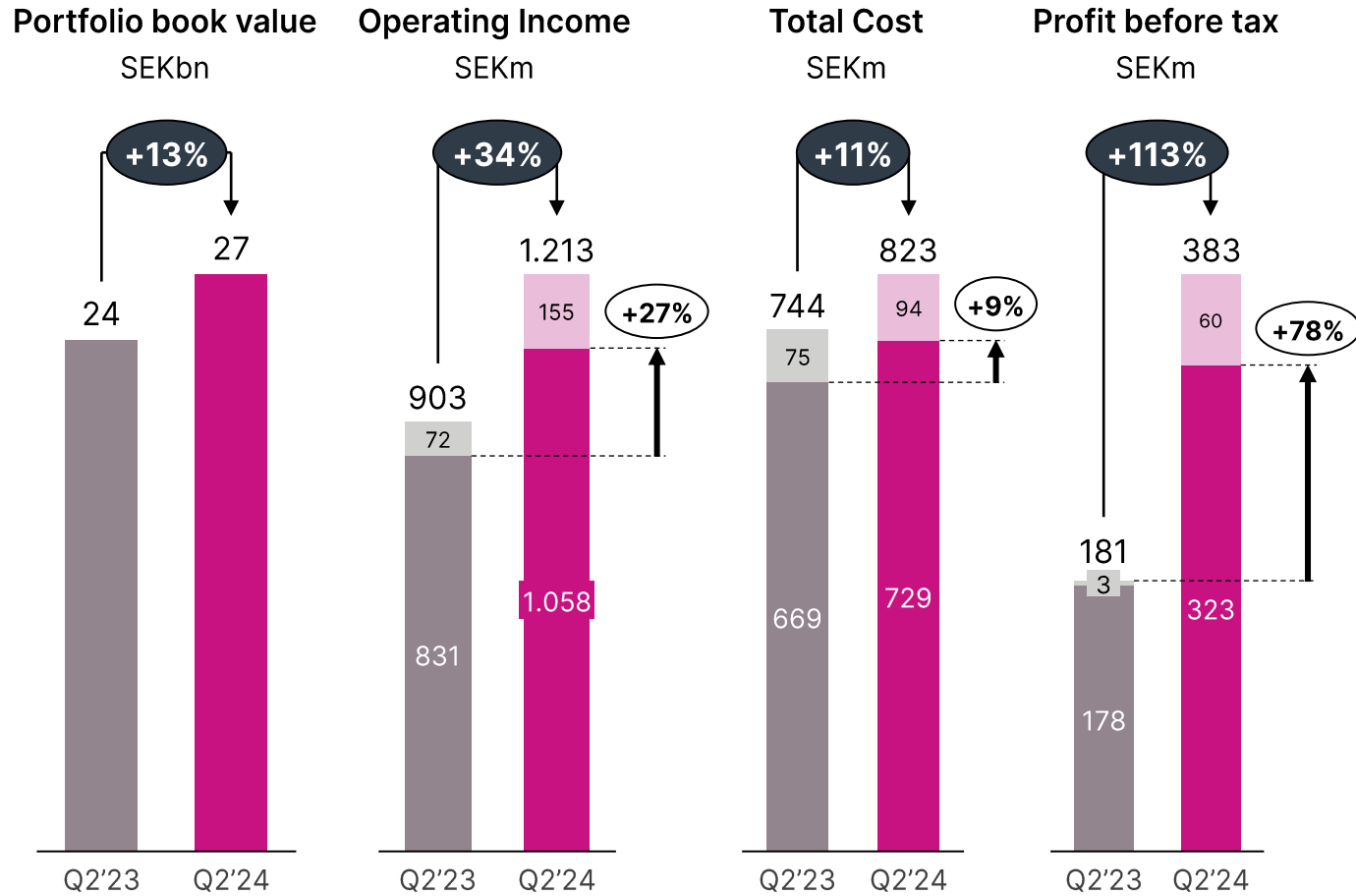
# Portfolio acquisitions



- » High activity and strong pipeline
- » Repricing continuing
- » Attractive risk-adjusted returns

# Operating leverage development

(Q2 to Q2)



Reported
Underlying
 2023 IACs (rejuvenation) & French unsecured asset disposal
  2024 Extraordinary items

- » Core income growth driven by repricing and growth
- » Operational scale and continuous improvement
- » Operating leverage boosting profit expansion

# Agenda

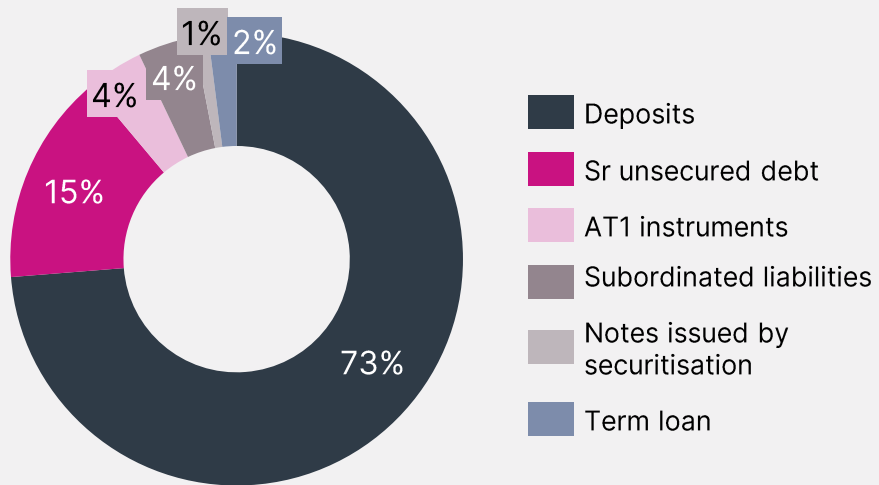
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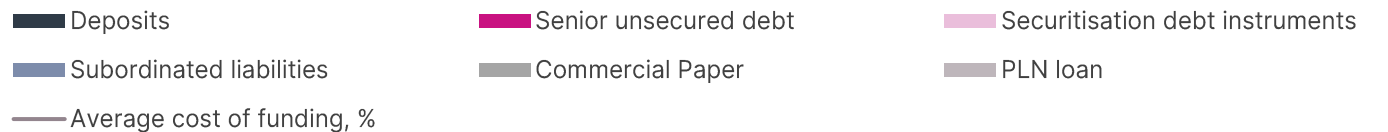
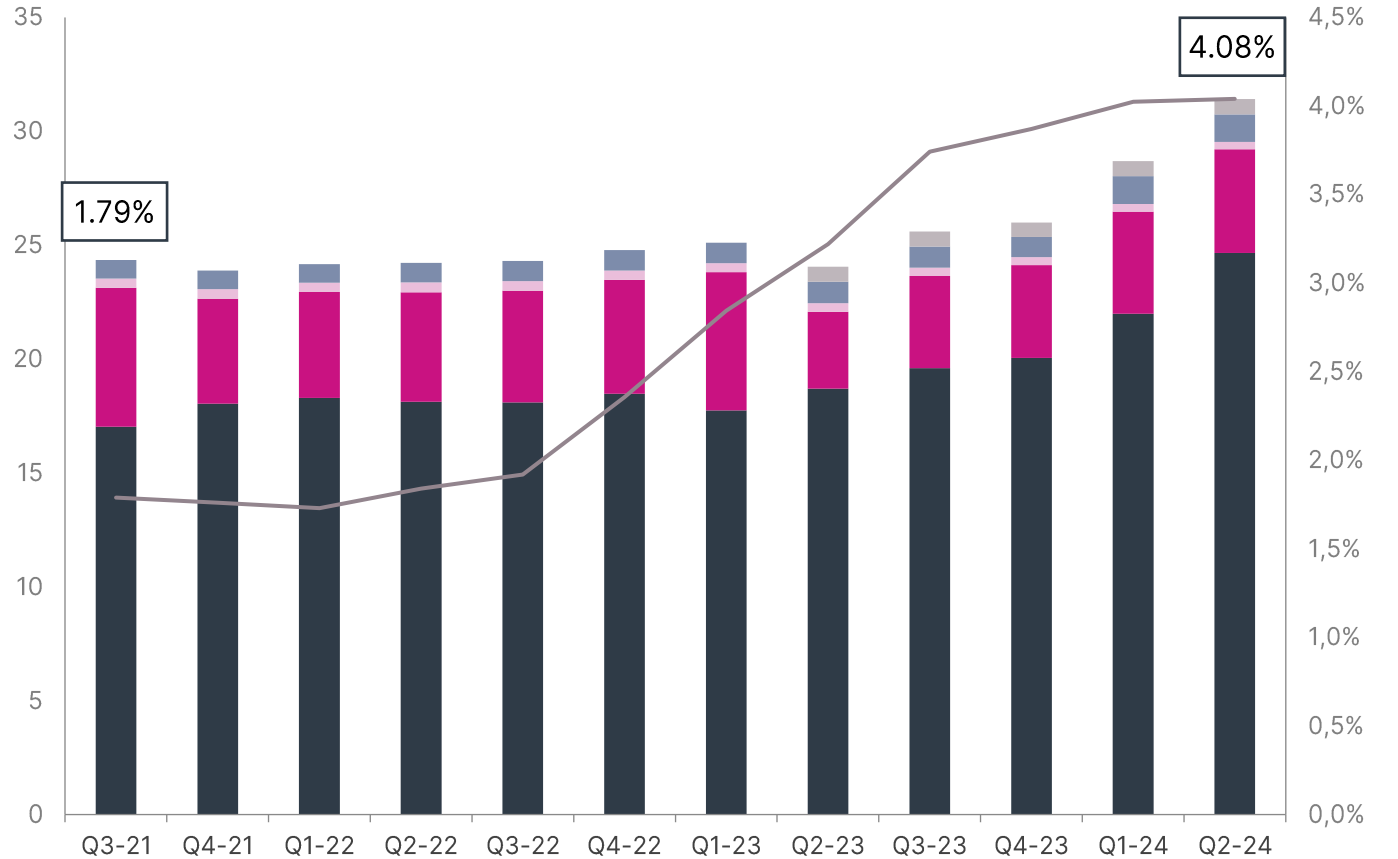
# Funding

- » Pricing improvements in new issuance
- » Material issuance planned during H2
- » Funding base stable and increasingly competitive
- » Deposit base make up 73% of overall funding

Distribution of funding



Funding<sup>1</sup>, SEKbn



# Savings offerings & well-diversified, competitive funding

- » As a regulated credit market institution under the supervision of the Swedish FSA, Hoist Finance is able to offer deposits to the general public.
- » Deposit are offered under the HoistSpar brand in Sweden, Germany, the UK, Poland, the Netherlands, Ireland, and Austria since the launch in Sweden 2009.
- » Bond issuances in both SEK and Euro markets in all formats, AT1, T2 & Senior Preferred
- » Term bank deposit

**120,000**

active customers

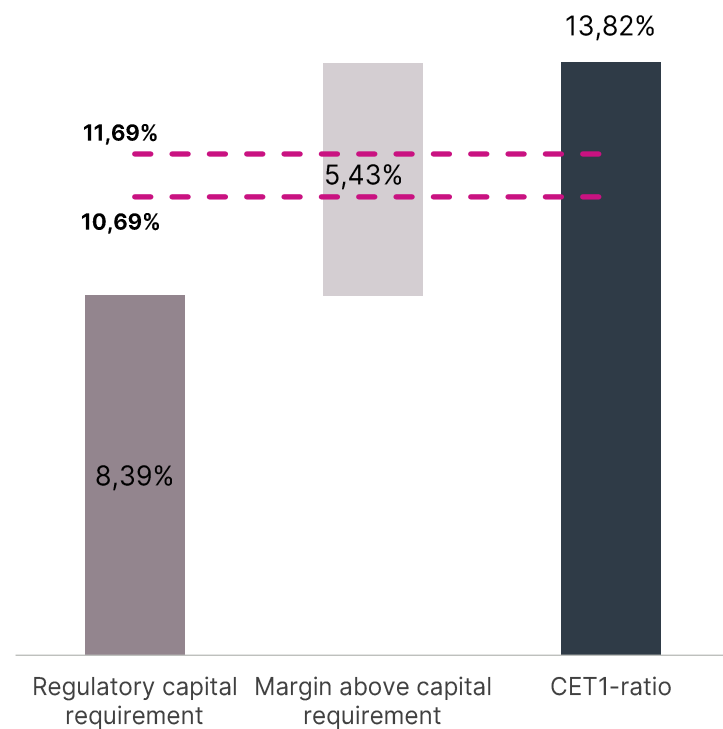


**SEK 22.3 billion**

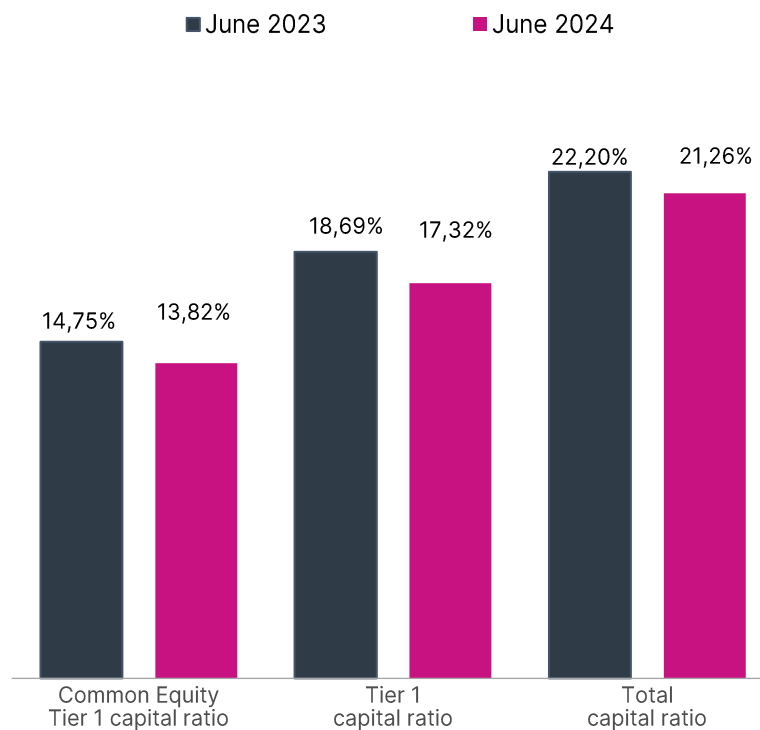
In total deposit balance (approximately)

# Capital and liquidity position

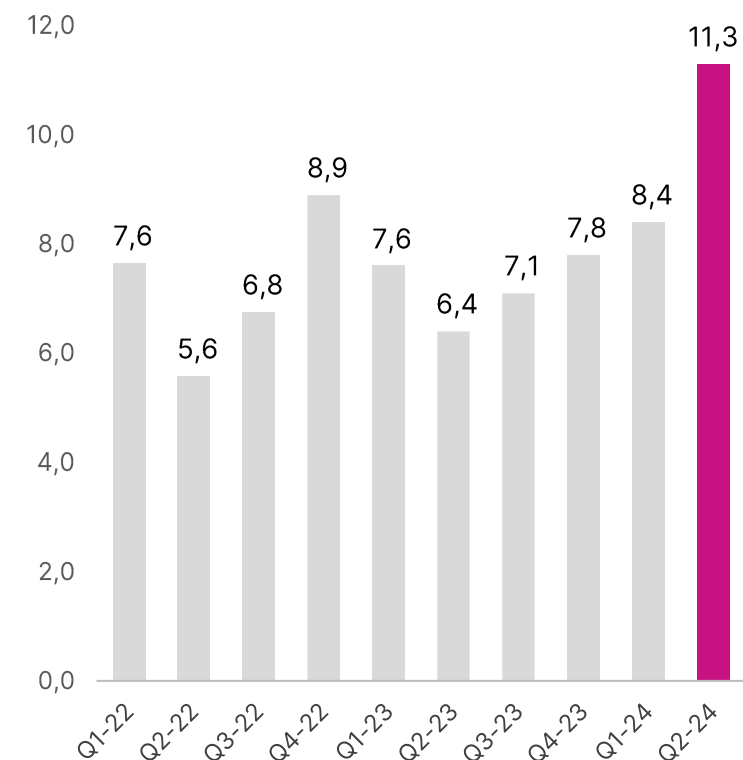
## Q2 2024 Capitalisation



## Capital ratios, %



## Liquidity reserve, SEKbn



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# Transaction overview

<b>Issuer</b>	Hoist Finance AB (publ)
<b>Instrument</b>	Senior preferred notes
<b>Currency</b>	SEK
<b>Volume</b>	Exp. SEK 1bn (combined)
<b>Use of Proceeds</b>	General corporate purposes
<b>Tenor</b>	3Y and/or 5Y
<b>Coupon</b>	3m Stibor + [•]bps
<b>Denomination</b>	SEK 1.25m
<b>Documentation</b>	Issued under the Issuer's EUR 1bn EMTN programme
<b>Listing</b>	Euronext Dublin
<b>Joint Lead Managers</b>	Carnegie Investment Bank AB and Nordea Bank Apb

12 September, 2024



# Hoist Finance's key credit highlights

- 1** More than 25 years of experience and expertise from non-performing loan assets
- 2** Regulated status as a credit market institution provides for solid capitalisation, strong liquidity and access to cheap retail deposits as well as access to diverse wholesale funding
- 3** Through our regulated status, a trusted partner to Europe's large international banks selling non-performing loan assets
- 4** Active presence on 10 markets across Europe with a proven track record of strategically entering new markets
- 5** Obtaining status as an SDR will further consolidate Hoist's competitive edge in the NPL industry, where being exempt from the backstop regulation would give us full independence and a simpler and more cost-efficient business model
- 6** Rating of Baa3 with a positive outlook makes Hoist Finance the only investment grade rated issuer in the NPL sector
- 7** Supporting underlying market trends

# Agenda

- » Business overview
- » Market update
- » Financial update
- » Capital, funding and liquidity
- » The Transaction
- » **Appendix**



# Specialised Debt Restructurer

## Specialised Debt Restructurer regulatory text – new article 36(5) CRR

*For the sole purpose of calculating the applicable amount of insufficient coverage for non-performing exposures in accordance with paragraph 1, point (m) of this Article, by way of derogation from Article 47c and after having notified the competent authority, the applicable amount of insufficient coverage for non-performing exposures purchased by a specialised debt restructurer shall be zero.*

*The derogation set out in this subparagraph shall apply on an individual basis and, in case of groups in which all institutions qualify as specialised debt restructurers, on a consolidated basis.*

*For the purposes of this paragraph, "specialised debt restructurer" means an institution that, during the preceding financial year, complied with all the following conditions on both an individual and consolidated basis:*

- a. the main activity of the institution is the purchase, management and restructuring of non-performing exposures in accordance with a clear and effective internal decision process implemented by its management body;*
- b. the accounting value measured without taking into account any credit risk adjustments of its own originated loans does not exceed 15% of its total assets;*
- c. at least 5% of the accounting value measured without taking into account any credit risk adjustments' of its own originated loans constitutes a total or partial refinancing, or the adjustment of relevant terms, of the purchased non-performing exposures that qualifies as a forbearance measure in accordance with Article 47b of this Regulation;*
- d. the total assets of the institution do not exceed EUR 20 billion;*
- e. the institution maintains, on an ongoing basis, a net stable funding ratio of at least 130%;*
- f. the sight deposits of the institution do not exceed 5% of total liabilities of the institution.*

*The specialised debt restructurer shall without undue delay notify the competent authority if one or more of the conditions are no longer met. Competent authorities shall notify EBA at least on an annual basis of the application of this subparagraph by institutions under their supervision.*

*The EBA shall establish, maintain, and publish a list of specialised debt restructurers. The EBA shall monitor the activity of specialised debt restructurers, and shall report by 2028, to the Commission on the results of such monitoring and, where appropriate, shall advise the Commission as to whether the conditions to qualify as "specialised debt restructurer" are sufficiently risk-based, appropriate in view of favouring the secondary market for non-performing loans and assess if additional conditions are necessary."*

# Clear benefits of SDRs for the NPL markets broadly and specifically for the Hoist Finance business model

## Key benefits for secondary NPL markets

- » Specialised debt restructurer seen as stable, predictable and well-considered addition to the buy-side in secondary NPL markets being a natural banking partner and buyer of NPLs from the originating banks
- » Banking regulated entity
- » Stability of market participants
- » Improved market functioning and increased competitiveness
- » Support backstop regulation/ help maintain low levels of NPLs in the mainstream EU banking system

## Key benefits to Hoist Finance business model

- » Recognition of value to society leading to increased clarity in Hoist's ongoing business operations
- » Enables Hoist Finance to focus on its core purpose and business
- » Hoist will no longer be hit by negative effects on CET1 capital from the backstop regulation
- » Enables Hoist Finance to leverage more complex structures (i.e. co-investment and securitisation structures with associated initial and operating costs) only when strategic

# Sustainability & ESG at Hoist Finance

- » Hoist Finance’s sustainability strategy is integrated into our business strategy and aims to contribute to sustainable development and create long-term shared value for all stakeholders.
- » Our material sustainability impacts, presented on the right-hand side, are embedded into our four strategic pillars, each connected to indicators and targets to track our performance.
- » The social aspect of the ESG framework is where we have the largest impact, by contributing to a more inclusive financial ecosystem for our customers, partners and society.
- » Hoist Finance is conducting its first formalised Double Materiality Assessment (DMA) during 2023 according to the Corporate Sustainability Reporting Directive (CSRD) requirements and the European Sustainability Reporting Standards (ESRSs). The outcome of the DMA will provide further insight into our management of sustainability-related impacts and ESG-related risks and opportunities throughout our value chain.
- » We believe that transparency is essential for improving performance and driving change in the industry. In preparation for CSRD-aligned reporting and external limited assurance, Hoist Finance is currently focused on building a mature non-financial reporting organisation with clear governance structures, improved information flows and strengthened data quality. Hoist Finance is also subject for information disclosures under the EU Taxonomy Regulation, the Non-Financial Reporting Directive (NFRD), upcoming Pillar 3 ESG requirements and voluntary schemes such as the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations, the GRI Standards 2021, the UN Global Compact Ten Principles and the Sustainable Development Goals.

## Our Four Strategic Pillars & Material Topics

<p><b>SOCIAL</b></p> <p> <b>We contribute to an inclusive financial ecosystem</b></p> <ul style="list-style-type: none"> <li>» Financial inclusion and financial literacy</li> <li>» Enable stable and healthy financial ecosystem for partners and society</li> <li>» Ethical and fair customer treatment</li> <li>» Enhanced customer experience</li> <li>» Vulnerable customer treatment</li> </ul>	<p><b>SOCIAL</b></p> <p> <b>We create a great place to work</b></p> <ul style="list-style-type: none"> <li>» Diversity, equality and inclusion</li> <li>» Fair remuneration and decent labour conditions</li> <li>» Healthy and safe workplaces</li> <li>» Professional development</li> </ul>
<p><b>GOVERNANCE</b></p> <p> <b>We uphold the highest ethical standards</b></p> <ul style="list-style-type: none"> <li>» Business ethics and anti-corruption</li> <li>» Data protection and customer integrity</li> <li>» Cybersecurity</li> </ul>	<p><b>ENVIRONMENTAL</b></p> <p> <b>We reduce our environmental impact</b></p> <ul style="list-style-type: none"> <li>» Reduced climate impact</li> </ul>

## Our contribution to the SDGs:





**Thank you!**

