



# Hoist Finance

## A Leading European NPL Asset Manager

Debt Investor Presentation

February 2024



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# Agenda

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



# Hoist Finance

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

- » Hoist Finance is a performing 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 credit institutions, supporting them to free up resources for their respective core business by reducing complexity, costs, and capital requirements. This is how we promote a well-functioning financial system in which our partners 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.
- » In most of our markets, the daily contact with our customers is handled in our local offices, ensuring local expertise and cultural awareness. In some cases, we have established relationships with some of the most well-renowned players in the sector, performing loan management on our behalf. Regardless of operational set-up, we are at the forefront of customer care, ethics and compliance, ensuring industry-leading loan management with quality and cost efficiency at its core.
- » By catering to the financial needs of both banks, SMEs and individuals, we ensure a financially healthy and resilient Europe.



# Hoist Finance in numbers

Q4 2023

**+25** Years of experience

**1,300** Employees

**24.3** SEKbn, total portfolio

**Baa3/Pos** Rating, Moody's

**13** European markets

**20.66%** Total Capital ratio

**12%** Return on equity as per Q4 2023

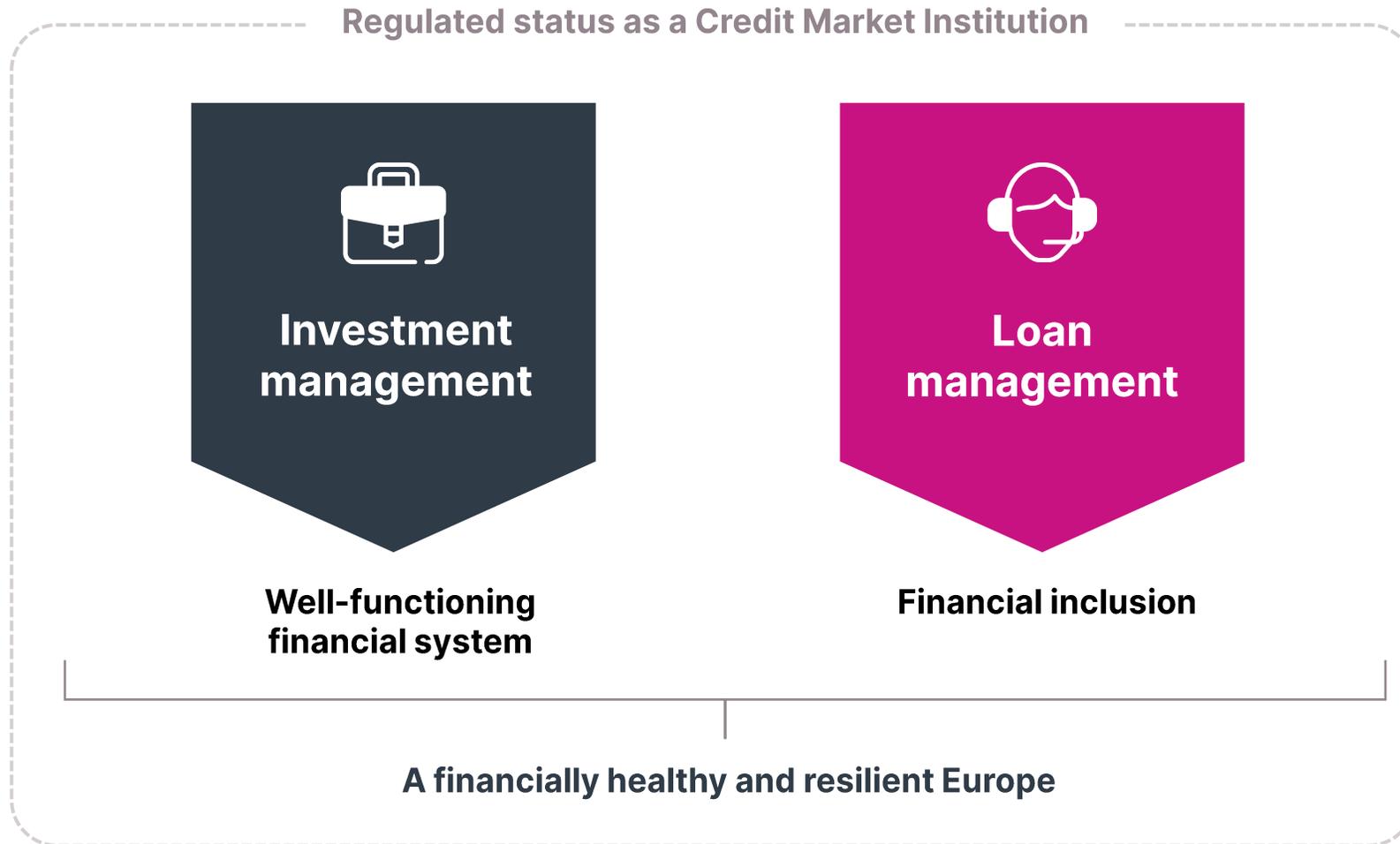
**13.89%** CET1 ratio

**7.1** SEKbn, acquired loan portfolios

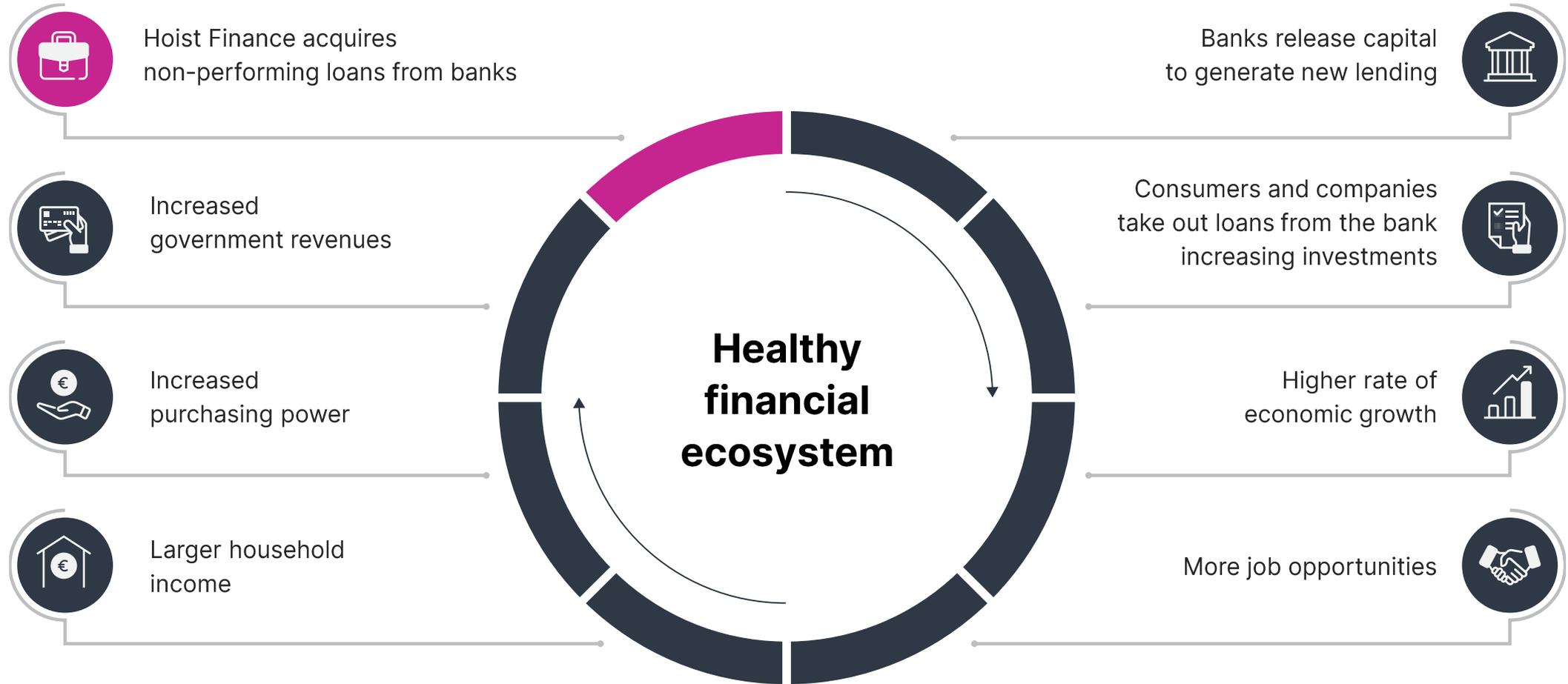
## Pan-European presence



# Our purpose

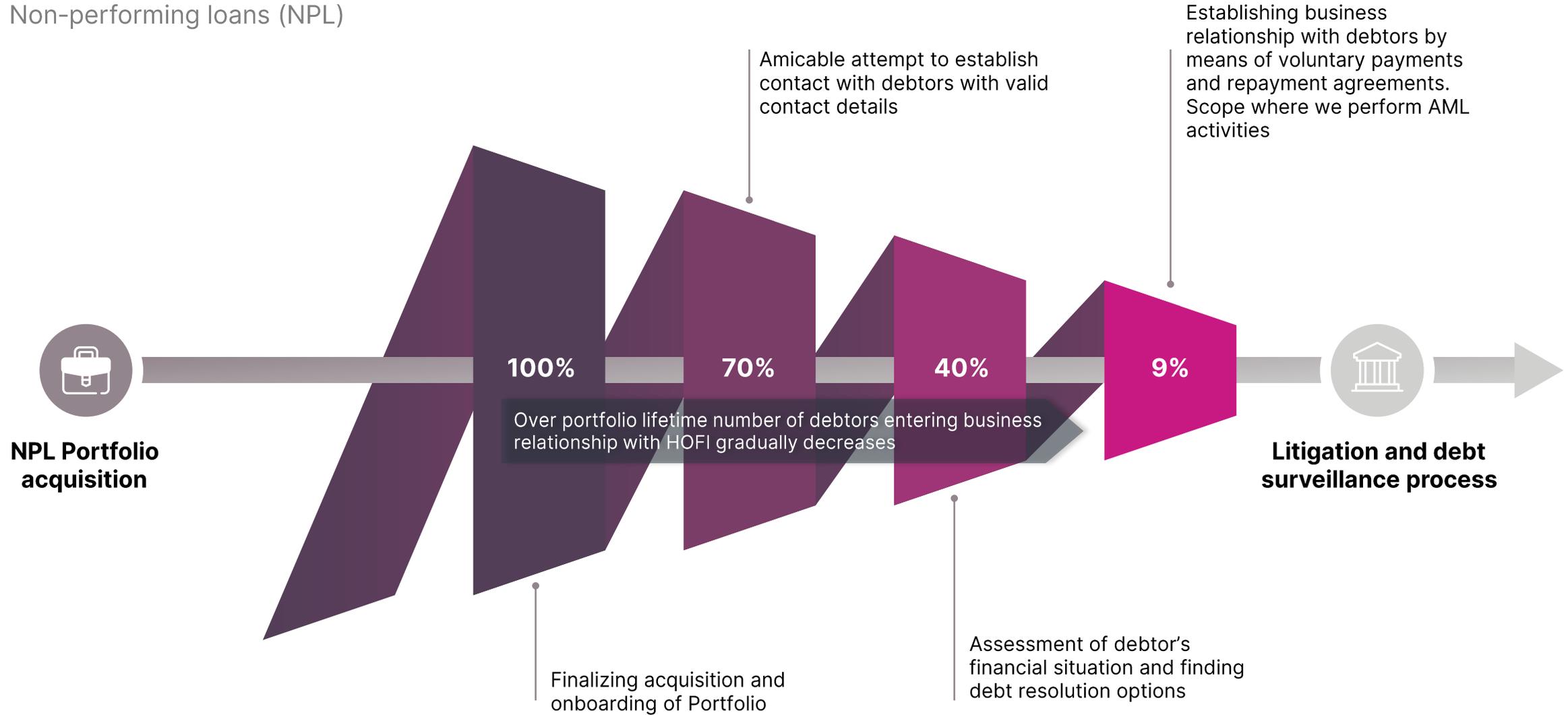


# We contribute to a financially healthy and resilient Europe



# Collection

Non-performing loans (NPL)



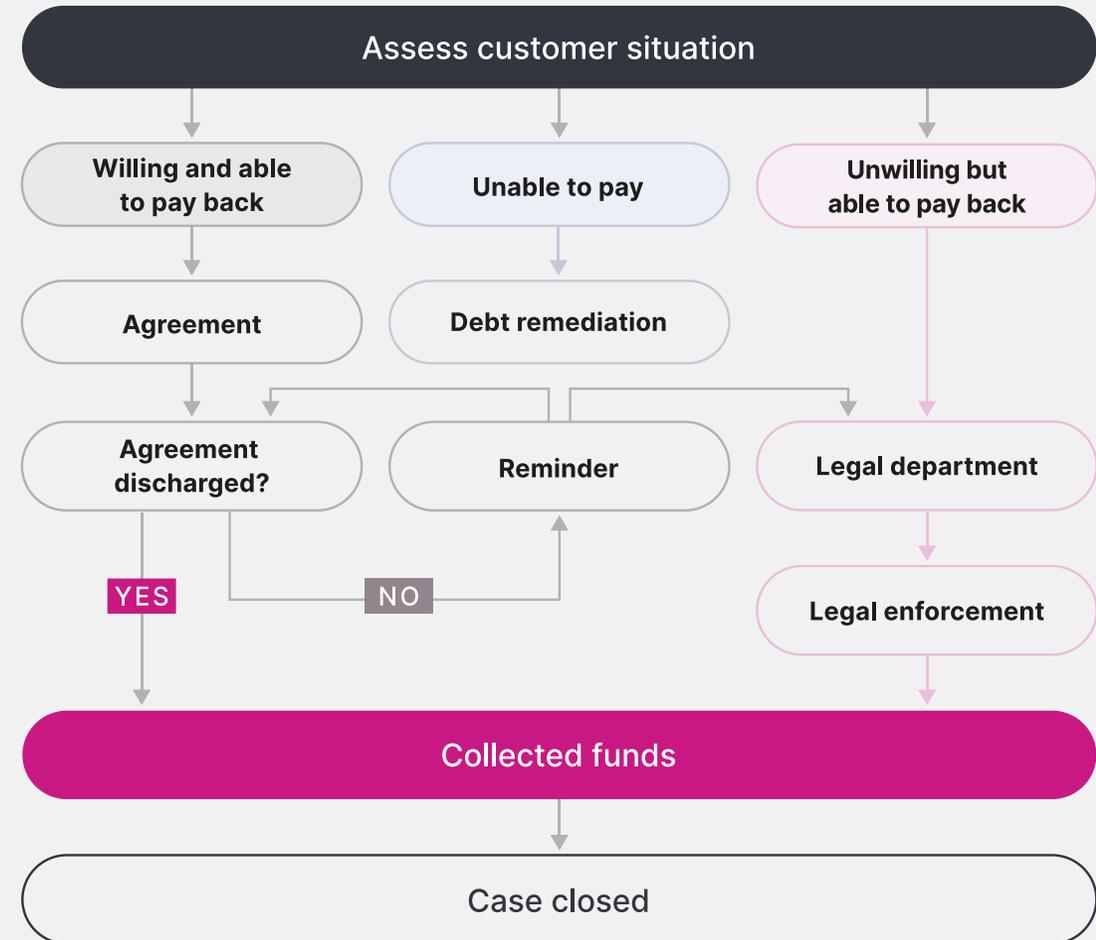
# NPL Collection process

## Amicable and sustainable agreements

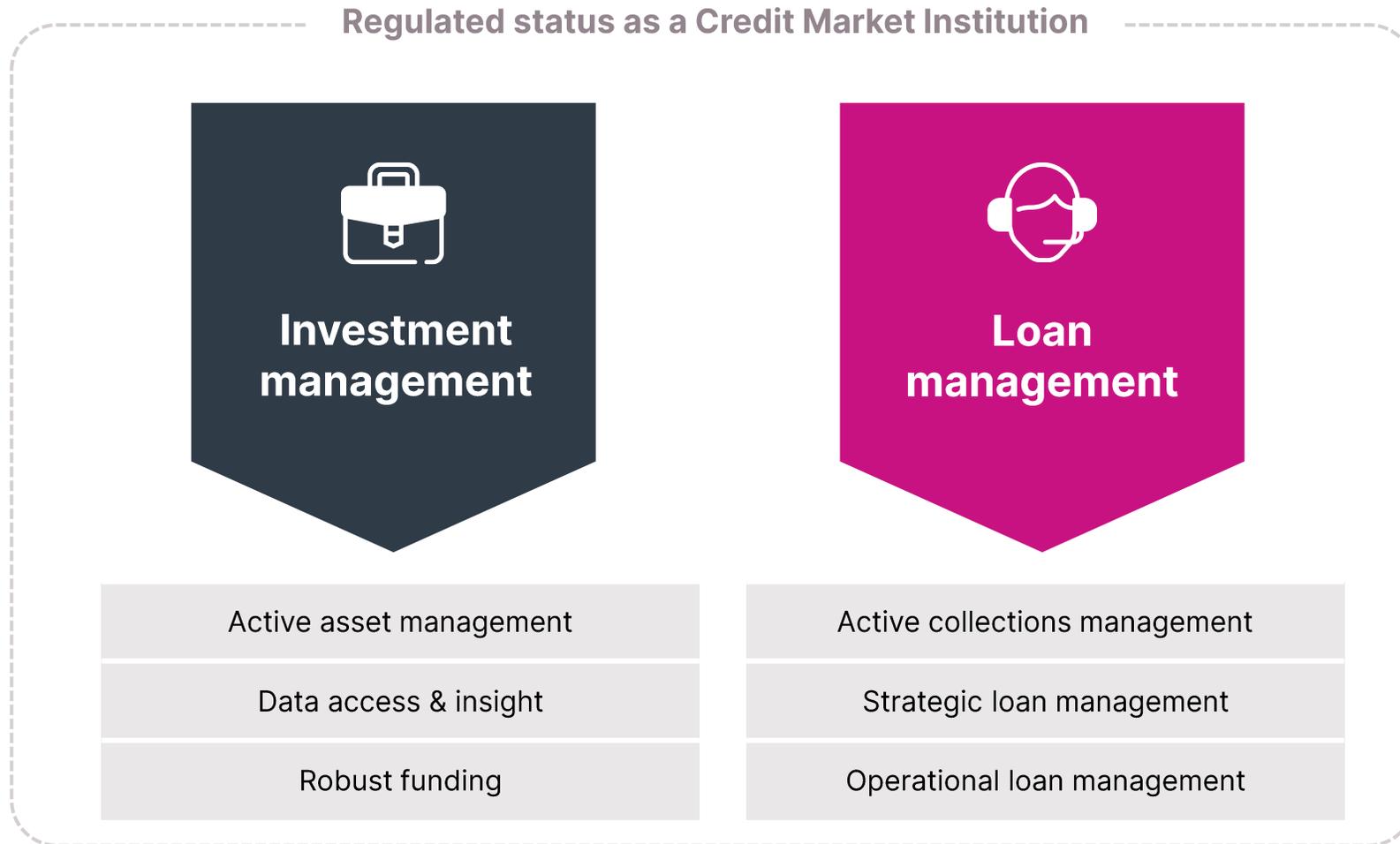
The amicable settlement model considers each customer's individual circumstances. The aim is to establish a sustainable, voluntary and affordable repayment plan in close dialogue with the customer.

## Legal and enforcement actions

In cases where our primary solution-oriented tools are not effective, we turn to judicial enforcement procedures. While we aim to resolve claims by working with customers without relying on legal enforcement, we will direct a customer to the legal and enforcement phase if we believe that this is the optimal strategy.



# Our strategy



# Our strategy

## Investment management



- » Deploy capital to the most profitable opportunities with the highest risk-adjusted return
- » Combine bilateral bank partnerships and auction-based acquisitions and aim for a balance between smaller and larger deals
- » Balanced geographical and asset class exposure
- » Actively use data to continuously follow the loans and adjust collection strategies, repackage loans into new portfolios, outsourced, or when right to do so, consider sale

## Loan management



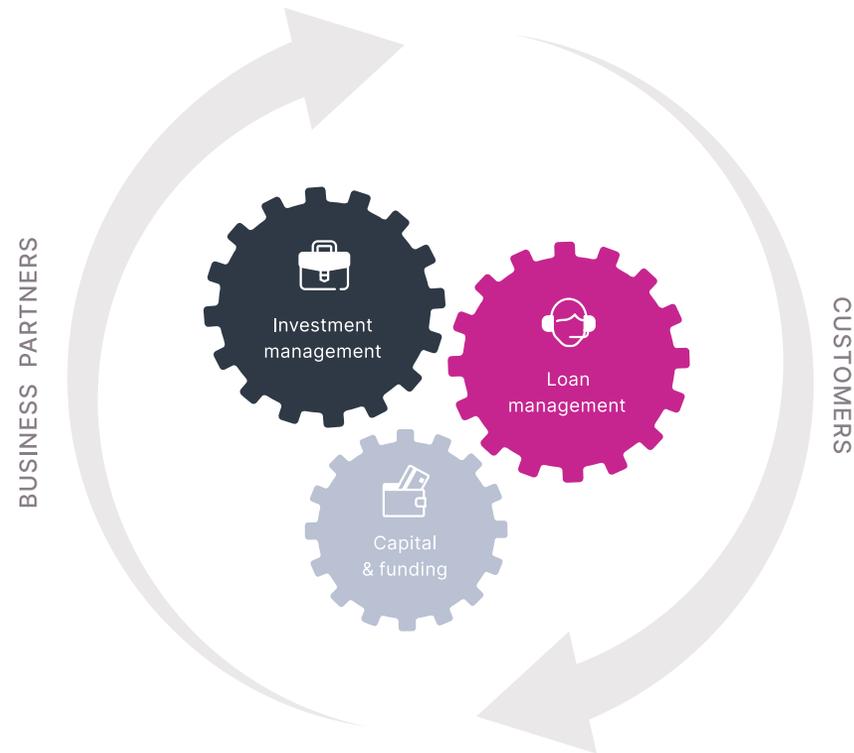
- » Excellent customer experience by optimal use of different communication and payment channels
- » Benchmark and define "best-in-class" collection models
- » Operational flexibility by a combination of inhouse and outsourced collection
- » Optimise cost to collect by use of intelligent data algorithms and automation
- » Secure efficient and scalable platforms to have the ability to scale up
- » Safe, secure and high performing technology platform, driven by business strategy

## Capital & Funding



- » Optimal funding structure, designed to match the expected development of the balance sheet in a long-term viable way, while also being cost efficient. It can involve partnerships when beneficiary
- » Remain an FSA regulated credit institution
- » Maintain our investment grade rating

# Business model



	PURPOSE	TARGET
<b>Investment management</b>	We are a partner to European credit institutions, supporting them to free up resources for their respective core business by reducing capital requirements and cost of capital	Become the preferred partner to European credit institutions for non-performing debt
<b>Loan management</b>	We are a partner to consumers and companies in a debt situation and strive to be the most innovative organisation to resolve people's debt in default and get them back on track financially	Become the most trusted and compliant company in the finance sector
<b>Capital and funding</b>	Optimal funding structure by leveraging on our multi-market deposit taking platform and complementing market funding access through Hoist Finance's investment grade rating, to maintain a sustainable cost-efficient and diversified funding structure	Maintaining a cost-efficient funding structure by offering safe deposits at competitive rates to retail depositors in select European markets

# Achievements Rejuvenation programme 2021-2023

Programme ended in Q3 2023



## Strategy

Improved back-stop options, balanced asset management, flexible approach in our operational platforms and profitability growth on track



## Governance / Structure

New Executive Management Team, increased profit/loss responsibility and simplified reporting lines makes for efficient decision making



## Investments

Strategic sourcing, bilaterals, secondary market, pricing discipline and ability to deal in special situations



## Operational performance

Improved operational performance to be flexible and precise - outsourcing tool to manage marginal demand, specialist DCAs and benchmarking, process automation, use of decision engines, focus on digitalisation



## Non-operational cost reduction

Reduced non-operational costs, through both efficiency and structural initiatives, procurement company in place



## Capital & Funding

Increased capital ratios re-building trust among our main stakeholders, after discontinued UK operations

# Asset classes

## Unsecured

A loan that is issued and supported only by the borrower's basic credit score

Personal loans, credit cards, overdrafts, consumer finance loans

Average claim size EUR 5,000 – 10,000

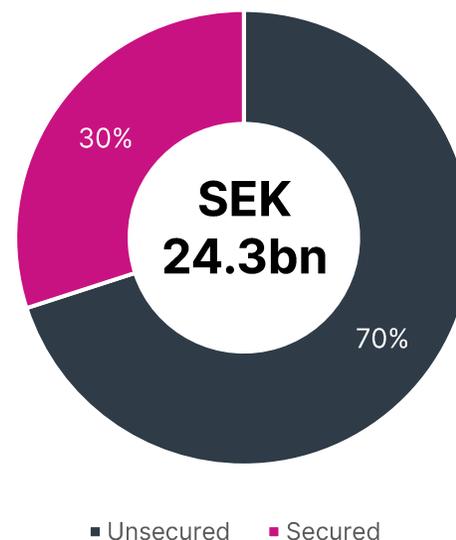
## Secured

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

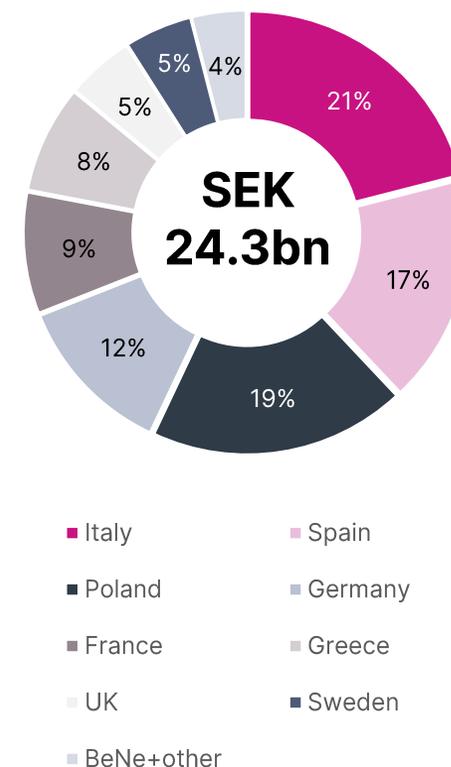
Mortgage, leasing contracts, collateralised guaranteed business loans

Average claim size EUR 90,000 – 110,000

Book value by asset class



Book value per market

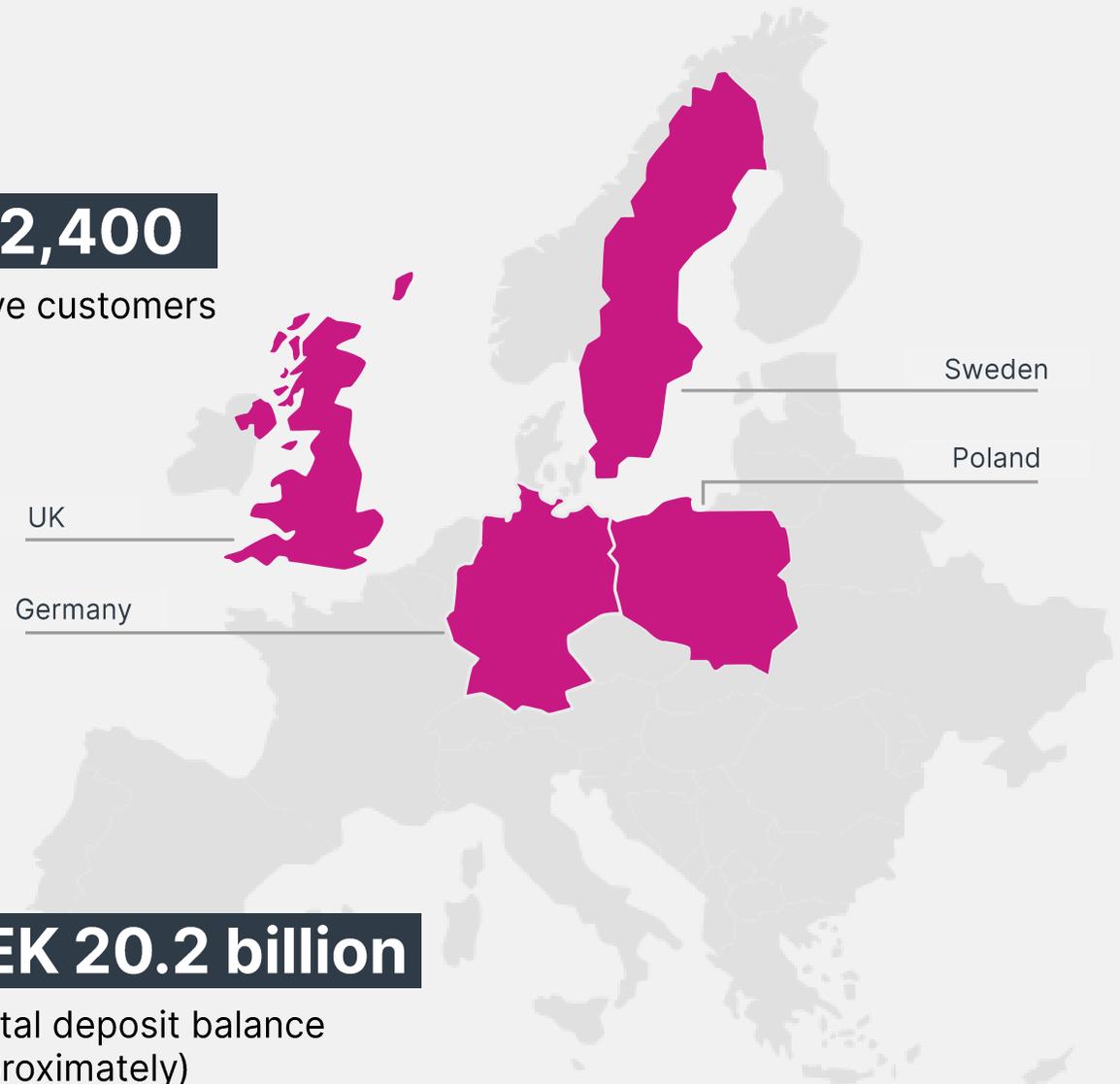


- » Higher growth in secured assets
- » Asset repricing continuing
- » Improved geographical and asset class diversification

# Deposit offering

- » 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, Poland, and the UK since the launch in 2009.
- » Hoist Finance has passported its credit market license through cross-border services in Germany and Poland.
- » In the UK, the current setup does not require any banking licence in the UK since all regulated activities are conducted under the Swedish banking licence.

**92,400**  
active customers



**SEK 20.2 billion**  
In total deposit balance  
(approximately)

# Financial targets

## Profitable growth

## Solid capitalisation

**>15%**

**Return on Equity<sup>1</sup>**

**> 15% CAGR<sup>3</sup>**

Over a business cycle

**EPS growth<sup>2</sup>**

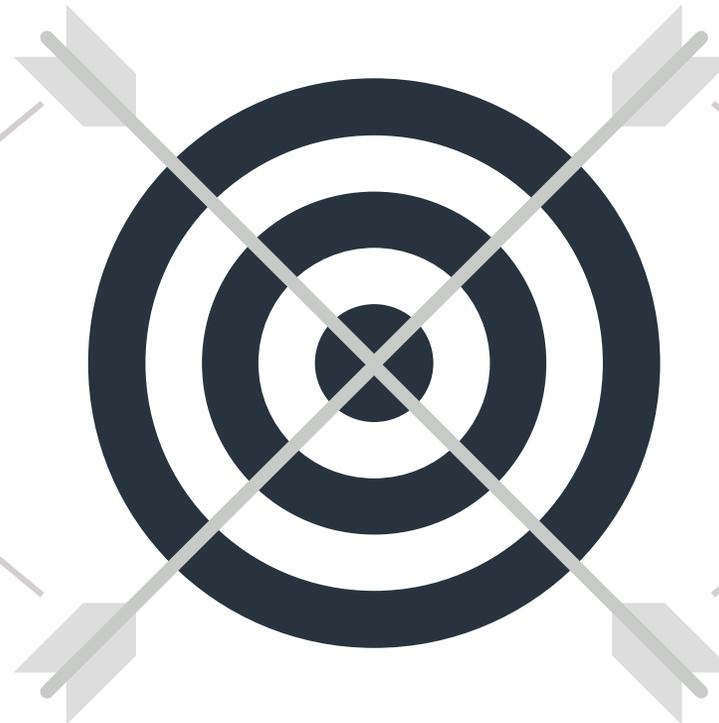
**2.3-3.3 pp.**

13.89% as per Q4 2023. 5.65 pp. above regulatory requirements

**CET1 ratio**

**25-30%**

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



Notes:

- 1) Net profit for the period adjusted for accrued unpaid interest on AT1 capital calculated on annualized basis, divided by equity adjusted for AT1 capital reported in equity, calculated as an average for the financial year based on quarterly basis;
- 2) Adjusted for AT1 costs;
- 3) When comparing 2023 vs. 2019 and excluding items affecting comparability (IAC)

# 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:



# Agenda

- » Business overview
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# Highlighted:

## A changing secondary market

- » Hoist Finance acquires NPL portfolios from three types of vendors:
  - Originating Banks (primary market)
  - Peers (secondary market)
  - Hedge Funds (secondary market)
- » During the past year, the secondary market has shown increased activity.
- » Industry peers are reviewing their strategies due to limited access to funding, leading to increased volumes coming to the market.
- » Through our retail deposit offering, Hoist Finance has the lowest funding cost in the industry, making us very well equipped to seize the opportunities that this changing environment provides.
- » Hoist Finance has already entered several large partnerships with some of the most renowned names in the industry, and our strategy of active loan management continues to be a competitive advantage.

# Strategic attractiveness of SDR

## SDR formally signed by Council of the European Union



### Specialized Debt Restructurer

Impact assessment and dialogue with regulators and authorities ongoing

Potential long-term strategic solution with backstop derogation

## Co-invest and Securitization provide additional options



### Co-invest

Strategic offering

Accounting derecognition possible



### Significant risk transfer

Securitisation: in place solution to be rolled out as and when necessary

Significant risk transfer

# Long-term trends in the NPL market



## Regulations

- » The financial sector is highly regulated, and regulatory changes have a significant impact.
- » Stricter EU requirements for credit servicers, including authorization and disclosure, are expected.
- » The EBA implemented a "prudential backstop" regulation for minimum loss coverage of NPLs in 2019.
- » Unsecured NPL exposures must be fully deducted from own funds after three years from default under this regulation.



## Specialisation

- » In the current macroeconomic landscape, marked by elevated funding costs and rising inflation, specialisation and focused business strategies emerge in the NPL-market.
- » Managing NPL portfolios demands capital and manpower, and scale growing in importance for profitability.
- » Sector companies are splitting their approaches, settling either toward debt collection or asset management as primary strategies.



## Competition

- » NPL investments attract diverse participants, notably private equity funds, investing directly or indirectly via securitization.
- » These participants often possess ample capital resources and leverage advanced data analytics.
- » New entrants include servicers experienced in supporting investors and large international servicing platforms. These platforms accelerate growth through acquisitions, capitalizing on economies of scale, expertise, and commercial reach.



## Growth in the secondary market

- » The appetite of investors to offload some or all of their NPL investments drives increased secondary market activity.
- » Funds must consider reversing NPLs into new funds or selling assets to repay investors.
- » EBA proposals to standardize information requirements for NPL sellers can boost the secondary market.
- » EBA's standardisation aims to improve transparency, enable cross-country comparisons, and reduce information disparities between sellers and buyers.



## New technology and data

- » Rapid technological advancements lead to more efficient debt collections at reduced costs.
- » Deeper analytics and insights enable detailed client profiling for risk assessment, optimized legal services, cost reduction, and improved customer experiences.
- » Artificial intelligence and automation efficiently process data, recognizing core patterns, enhancing debtor understanding, and significantly improving collections efforts.



## Increased focus on consumer protection

- » The EU Directive on credit servicers and credit investors seeks to promote secondary markets for non-performing loans while preserving borrowers' rights.
- » EU member states must incorporate the directive into their national laws by the end of 2023.
- » National legislation must include provisions to ensure fair treatment of borrowers, including preventing harassment in communications and establishing complaint management processes.
- » This legislation will play a crucial role in driving industry improvements for customer protection.

# Agenda

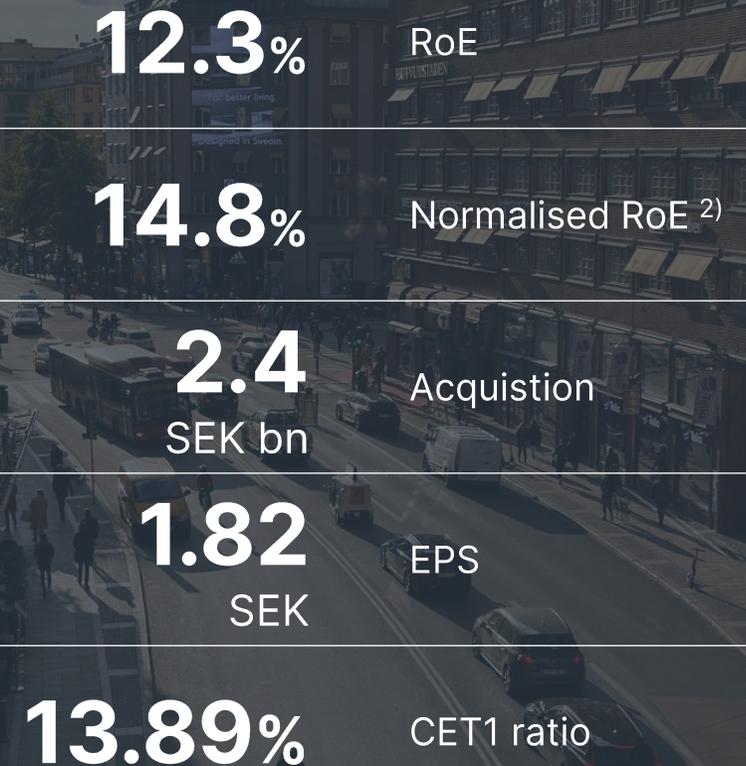
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# Key highlights Q4

- Profit before tax amounted to SEK 265 million, compared to SEK 5 million for the same quarter last year
- Return on equity amounted to 12 per cent. Adjusted for normalised capital levels, the return on equity was 15 per cent <sup>(1)</sup>
- Strong capital and liquidity position, significantly above regulatory requirements with a CET1 ratio of 13.89 per cent
- Investments in new portfolios totalled SEK 2.4bn in the fourth quarter
- Collection performance came in at 105 per cent, meaning we have generated five per cent higher cash flows than forecasted on our portfolios
- Moody's affirmed the company's Baa3 senior unsecured credit rating and changed the outlook to positive from negative
- Launch of HoistSpar in Poland, expanding the European deposit base and enabling increased currency matching between the asset and liability side
- The agreement on the banking package, containing the possibility of "Specialized Debt Restructurer", was formally signed by the Council of the European Union (Coreper) and expected ratification by the European Parliament will take place in April. The package contains the possibility for an exemption to the backstop regulations for banks that meet the set criteria

1) To illustrate the development in the underlying business, the comparison quarters 2022 are adjusted for the divested UK business and in accordance with the hedge accounting introduced on 1 July 2022, see pages 6 and 9 in the report.



# Key highlights 2023 FY

- Profit before tax amounted to SEK 869m (490), adjusting for rejuvenation costs, the result was SEK 1,020m (345)<sup>1</sup>
- Return on equity was 12% (17%). Adjusting for normalised capital levels and rejuvenation costs, the return on equity was 17% (7%)<sup>2</sup>
- Portfolio investments of SEK 7 098 m (6 928), generating 12% book value growth year on year
- Collection performance came in at 105 per cent
- Total operating income amounted to SEK 3,518 million (2,613)
- The Hoist Finance rejuvenation programme was closed according to plan at the end of Q3. All targets set two years ago have been met or exceeded
- Within 2023 itself, this included a reduction of a net 78 FTE from central areas, bringing the total reduced from central areas to 47% over two years
- Strong capital and liquidity position, significantly above regulatory requirements with a CET1 ratio of 13.89 per cent (15.85%)
- Hoist finance will repurchase SEK 100m of shares up to the AGM
- Earnings per share at 6.26 (3.55)

1) Adjusted for items affecting comparability

2) Adjusted for items affecting comparability and capitalisation to be in line with financial target

11.8%

RoE

17.1%

Normalised RoE <sup>2)</sup>

7.1

SEK bn

Acquisition

6.26

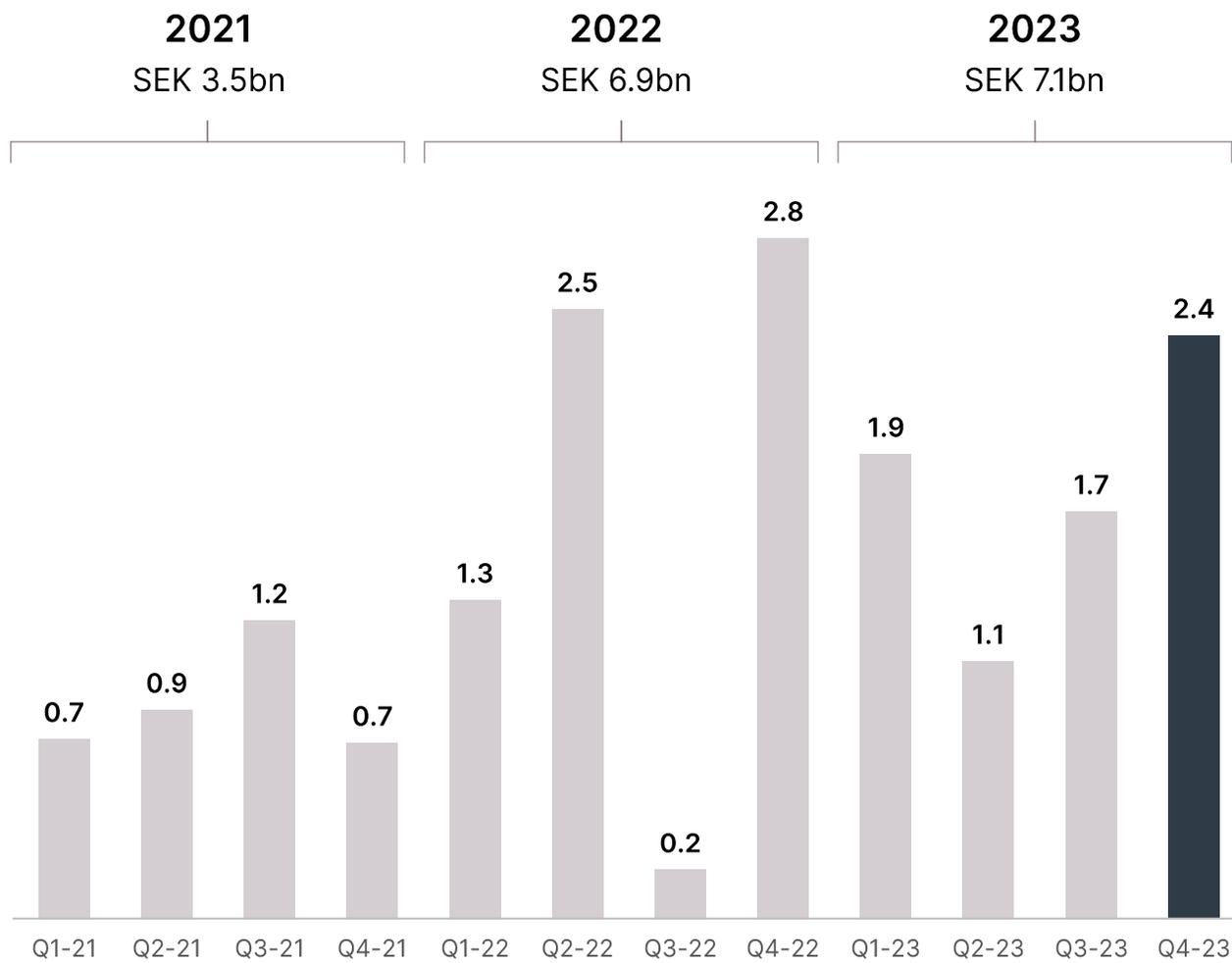
SEK

EPS

13.89%

CET1 ratio

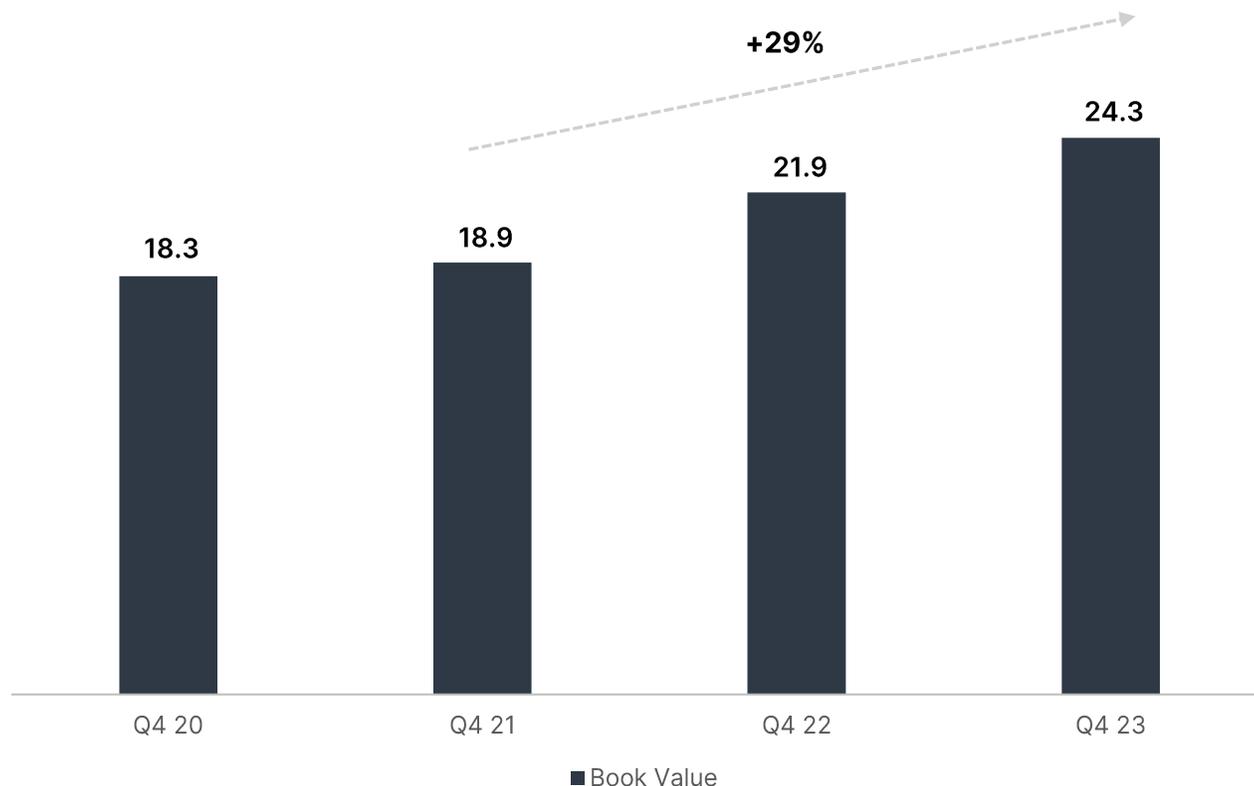
# Portfolio acquisitions



- » Strong fourth investment quarter
- » Supportive repricing continuing
- » Additional SEK 1.2bn signed to date

# Portfolio book value, excluding FX

SEKbn



- » Updated investment and sourcing strategy continue yielding results
- » Long-term portfolio growth target on track
- » 29% growth over two years

\*FX rate as of Q4 23

# Financial summary

SEKm	Quarter 4 2023	Quarter 4 2022	Change	Full year 2023	Full year 2022
Interest income acquired loan portfolios	941	720	31%	3,469	2,678
Other interest income	47	33	43%	177	50
Interest expense	-246	-167	47%	-806	-562
<b>Net interest income</b>	<b>743</b>	<b>586</b>	<b>27%</b>	<b>2,840</b>	<b>2,166</b>
Other income (incl. impairments)	151	-40	>100%	562	138
Net result from financial transactions	40	105	-62%	117	309
<b>Total operating income</b>	<b>933</b>	<b>652</b>	<b>43%</b>	<b>3,519</b>	<b>2,613</b>
<b>Total operating expenses</b>	<b>-694</b>	<b>-676</b>	<b>3%</b>	<b>-2,612</b>	<b>-2,214</b>
Share of profit from joint ventures	26	29	-13%	114	91
<b>Profit before rejuvenation</b>	<b>265</b>	<b>5</b>	<b>&gt;100%</b>	<b>1,020</b>	<b>490</b>
Rejuvenation costs	0		n/a	-151	
<b>Profit before tax</b>	<b>265</b>	<b>5</b>	<b>&gt;100%</b>	<b>869</b>	<b>490</b>
Income tax expense	-77	13	<-100%	-158	-79
Net profit from discontinued operations, net of tax		237	-100%		389
<b>Net profit for the period</b>	<b>187</b>	<b>255</b>	<b>-26%</b>	<b>711</b>	<b>801</b>

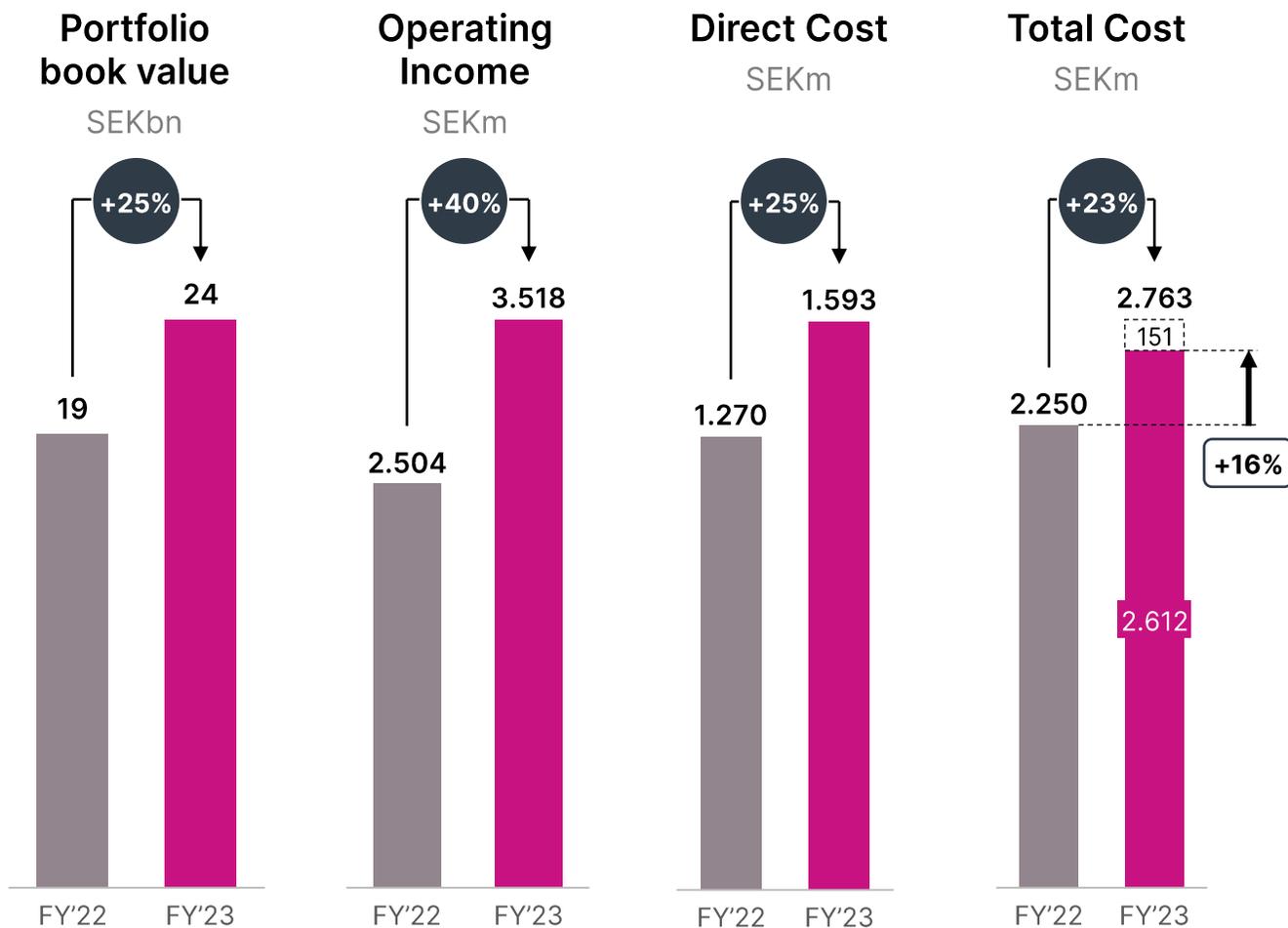
  

Key ratios	Quarter 4 2023	Quarter 4 2022	Change	Full year 2023	Full year 2022
Reported RoE, %	12%	20%		12%	17%
Normalized RoE, %	15%	n/a		16%	n/a
Portfolio acquisitions	2,365	2,767	-15%	7,089	2,767
Acquired loans	24,288	21,624	12%	24,288	21,624

- » Net interest income growth in line with book development
- » Collection performance at 105%
- » Like-for-like EBT SEK 260m higher vs previous year

# Income and cost development

(FY'23 to FY'22)

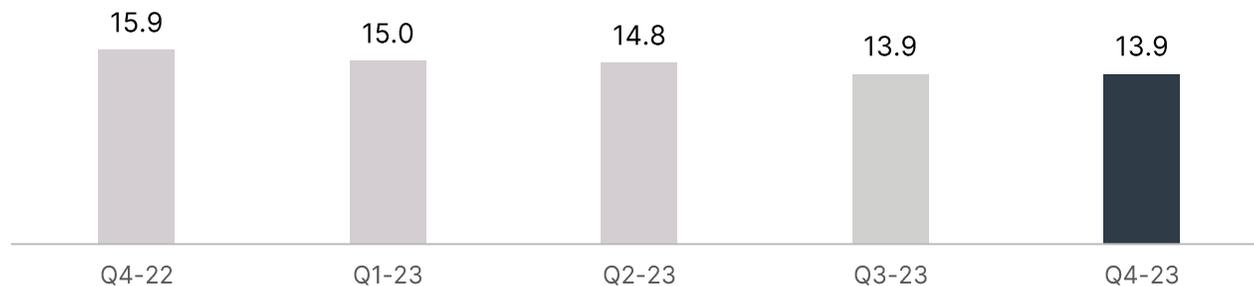


- » Quality of credit portfolio and operational scale contributing to profit growth
- » 40% operating income growth vs an average book value growth of 25%
- » Direct cost increase 25% in line with the book growth and increased level of collections year on year
- » Total costs increase 16% given successful close of rejuvenation program
- » Costs including secured market entry in Spain and other material business development costs

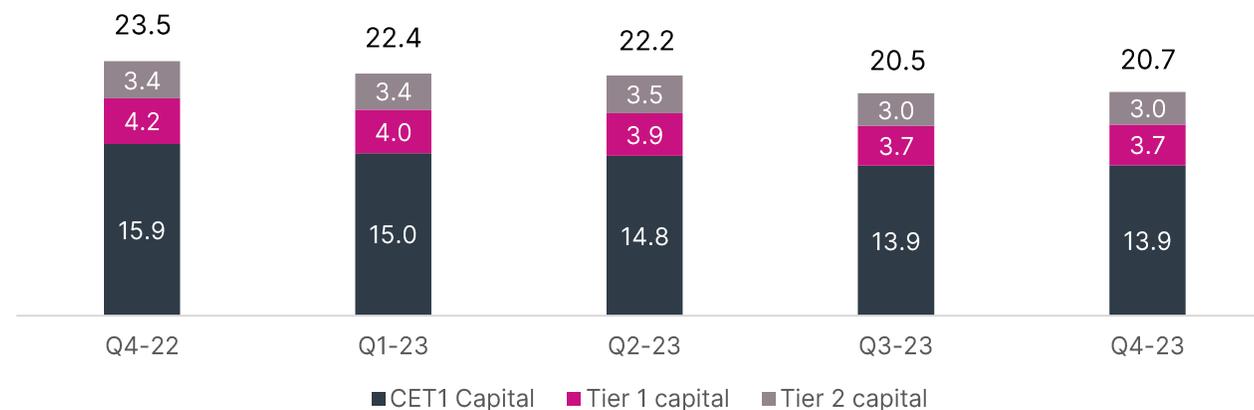
\* Average for the year

# CET1 and total capital development

CET1, %



Total capital ratio, %



- » Strong capital and liquidity position
- » Total capital amounts to SEK 6,129m for Q4

# Agenda

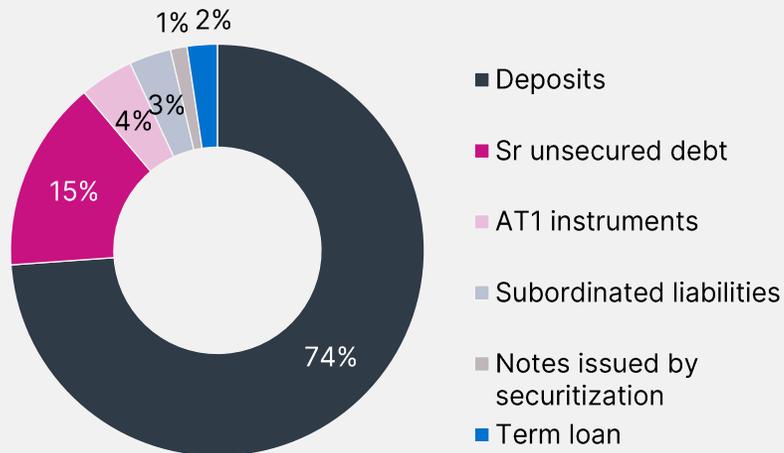
- » Business overview
- » Market update
- » Financial update
- » **Capital, funding and liquidity**
- » The transaction



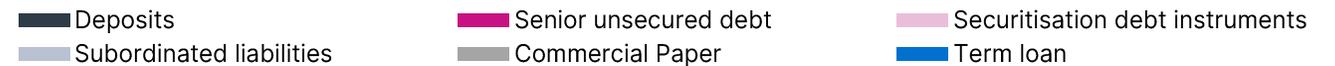
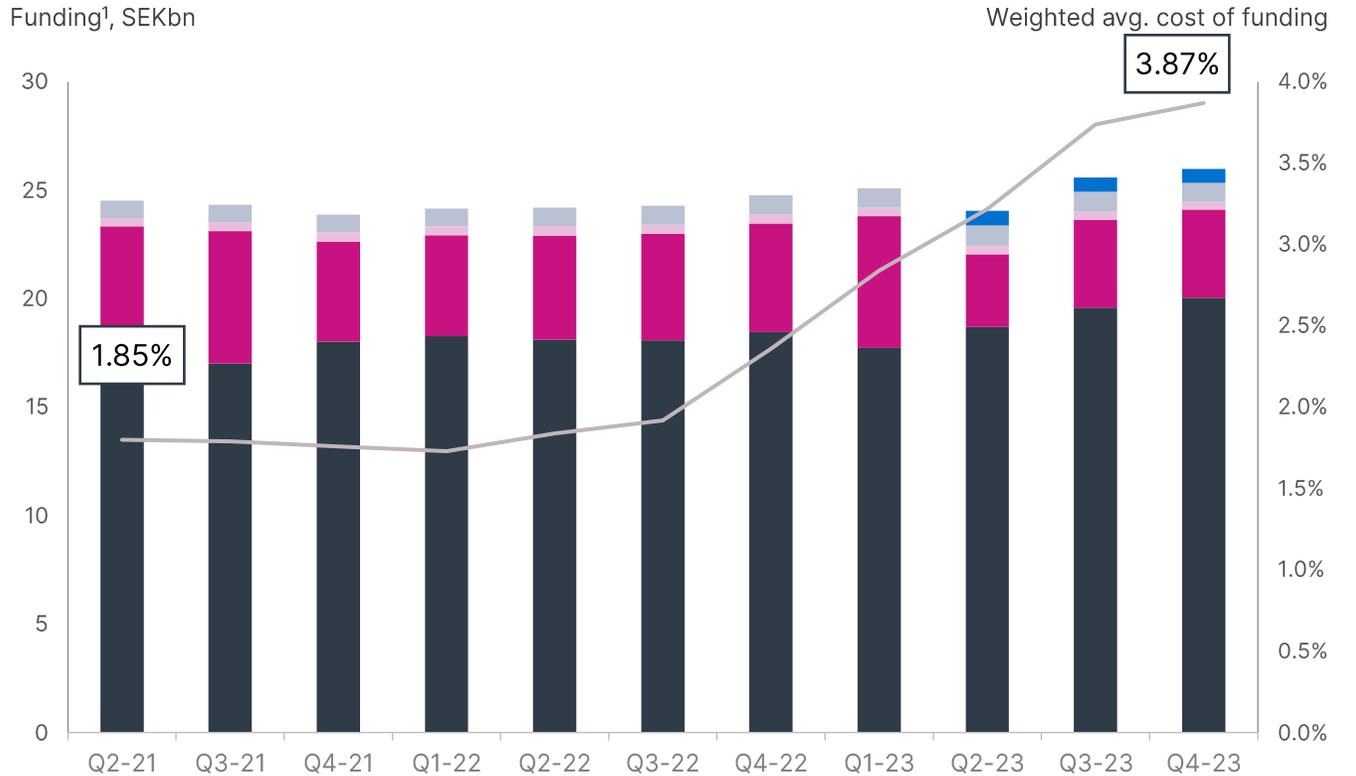
# Funding

- » Interest rate environment strengthening funding advantage
- » Funding base stable and increasingly competitive
- » Senior unsecured debt at 15% (19%) and deposits 74% (71%) of overall funding

## Distribution of funding

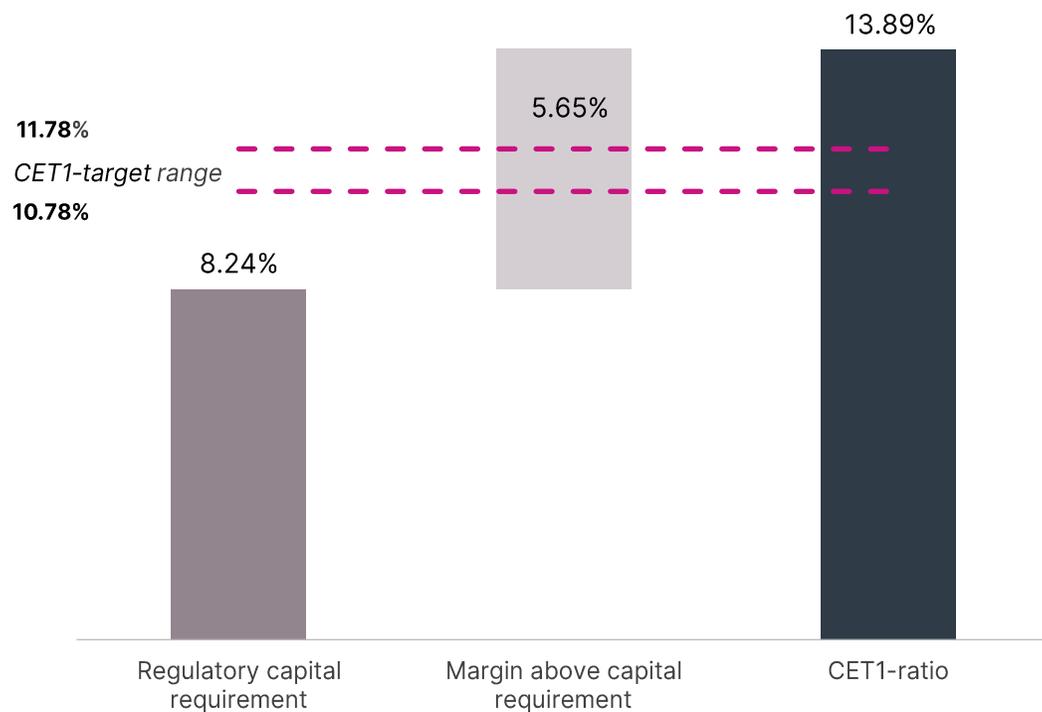


Funding<sup>1</sup>, SEKbn

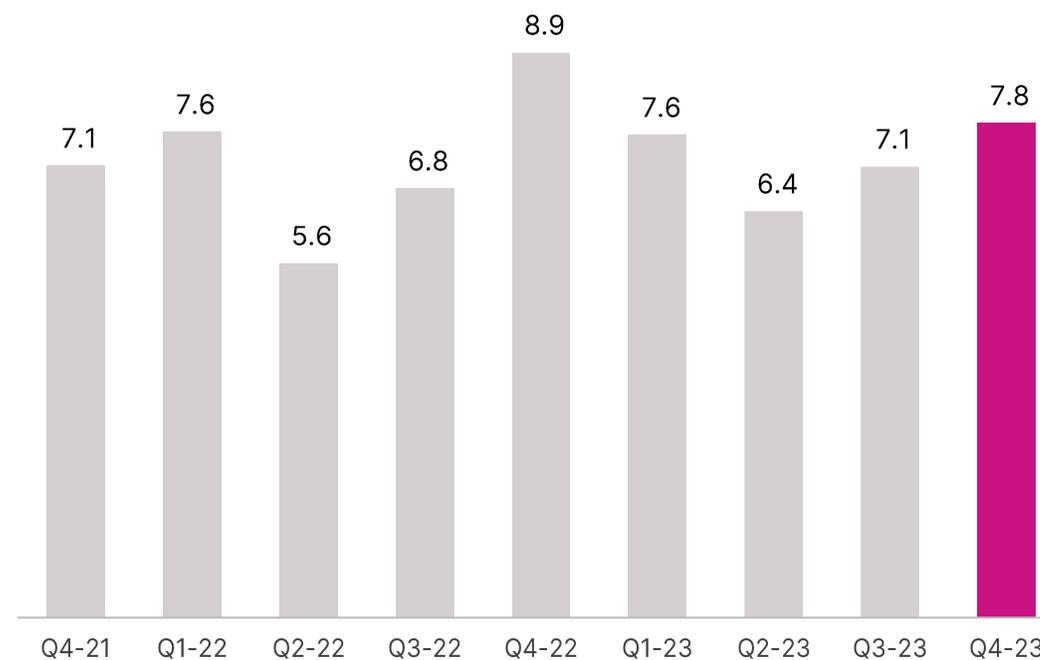


# Capital and liquidity position

## Capitalisation, %



## Liquidity reserve, SEKbn



# Agenda

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



# Hoist SEK Tier 2 offering

## Overview

- **Transaction:** SEK 300m (exp.) Floating Rate Tier 2 Notes
- **Maturity:** May 2034 (10.25 years)
- **First Call Date:** February 2029 (5 years)
- **Initial Call Period:** 3 months. Callable on any date from the First Call date to the Interest Payment Date three months thereafter.
- **Unsecured and subordinated notes**

## Transaction Rationale

- Optimise capital structure in the context of the regulatory framework
- Support rating credit metrics
- Continuously allow headroom to enable the execution of opportunistic portfolio transactions

## Outstanding Tier 2 Notes

Rank	Size	Issue Date	Maturity	First Call Date
Tier 2	EUR 80m	May 4, 2022	Aug. 4, 2032	May 4, 2027

## Indicative terms

<b>Issuer</b>	Hoist Finance AB (“ <b>Hoist Finance</b> ” or the “ <b>Issuer</b> ”)
<b>Issuer rating</b>	Baa3 (Pos) by Moody’s
<b>Instrument</b>	Subordinated Tier 2 Capital under the Issuer’s EMTN Programme
<b>Amount</b>	Expected SEK 300m
<b>Structure</b>	10.25NC5.25
<b>First Call Date</b>	[●] February 2029 (5 years)
<b>Maturity Date</b>	[●] May 2034
<b>Initial call period</b>	The period commencing on (and including) the First Call Date and ending on (and including) the Interest Payment Date falling on or immediately after three (3) months of the First Call Date
<b>Redemption</b>	100% of the Nominal Amount
<b>Issuer redemption options</b>	Subject to the Swedish FSA approval (i) any Business Day falling within the Initial Call Period and (ii) on every Interest Payment Date thereafter
<b>Denomination</b>	SEK 1,250,000
<b>Listing</b>	Euronext Dublin
<b>Law</b>	English Law
<b>Documentation</b>	The Issuer’s EUR 1,000,000,000 EMTN programme dated 22 June 2023 as supplemented on [●] 2024
<b>Joint bookrunners</b>	Nordea Bank Abp and Swedbank AB (publ)

# 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** On a journey to become the leading NPL asset management company in Europe for consumer secured and unsecured loans, with completed rejuvenation programme creating competitive edge in our industry
- 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

**Thank you!**

