

Helping people keep their commitments

Hoist Finance 

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AGENDA

1

Business overview and 2018 key developments

2

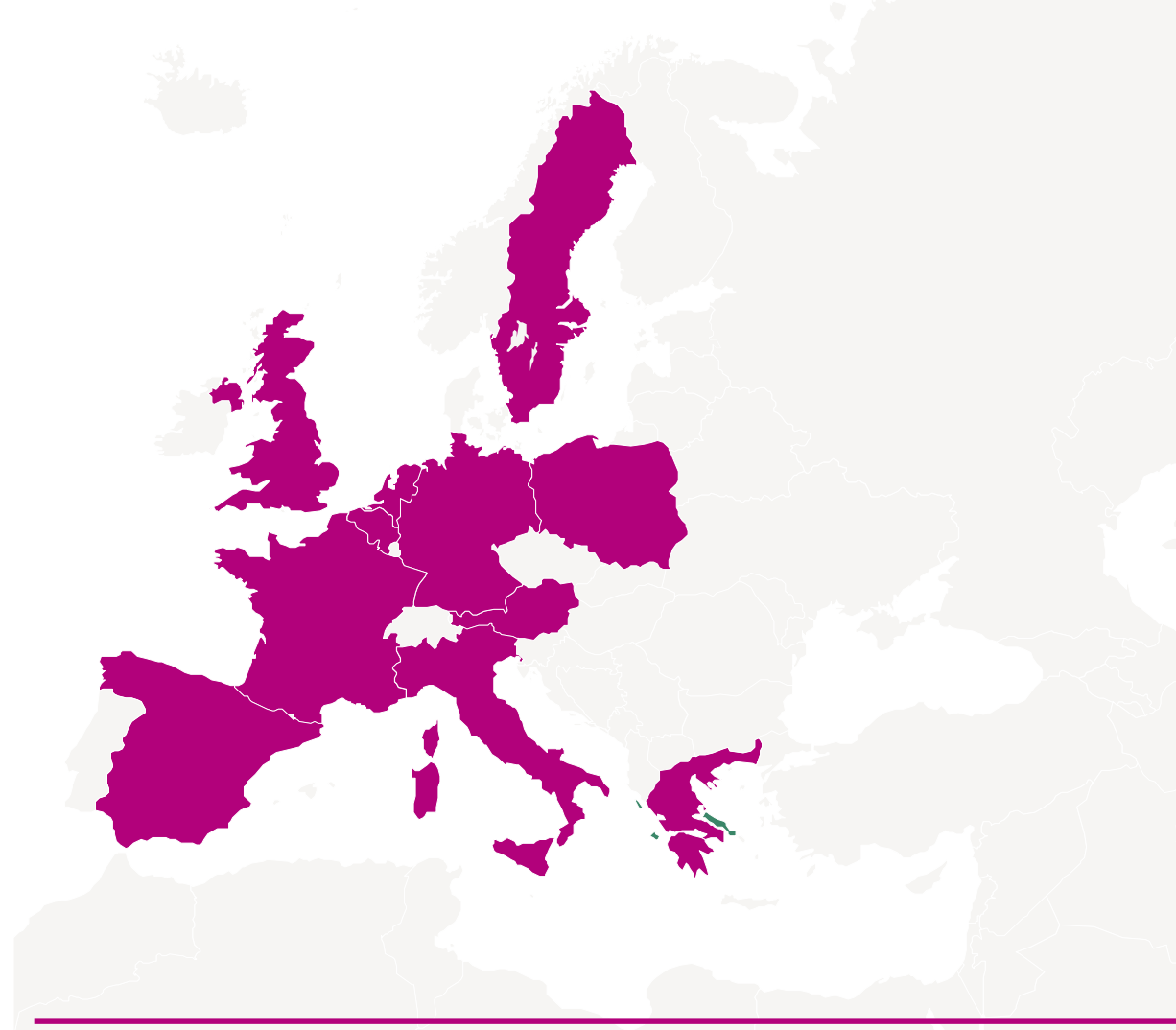
Financial update

3

Transaction details

This is Hoist Finance

- **A Pan-European debt restructuring partner licensed and supervised by the Swedish FSA**
- **Solid business model with more than 20 years experience from the non-performing loan (NPL) industry**
 - Focus on acquisition and management of bank-originated NPLs
 - Long-term vendor relationship creating strong competitive position in key European markets
 - Diversified funding with growing deposit base provides access to cheap funding
 - Scalable business model delivering strong returns
- **Sound capitalisation and strong liquidity reflecting prudent risk management**
 - SEK 568 million directed new share issue in Sept. 2018
 - Buffer to SFSA CET 1 requirement of 3.1% (Q2 2018)
 - Liquidity Coverage Ratio of 938% (Q2 2018)
- **Investment grade rating position**
 - Moody's Baa3 (stable)



| SEK million | 2017 | 2016 | Change |
|----------------------|-------|-------|--------|
| Total revenue | 2 811 | 2 627 | +7% |
| EBT* | 699 | 533 | +31% |
| Return on Equity*, % | 19 | 17 | +2 pp |

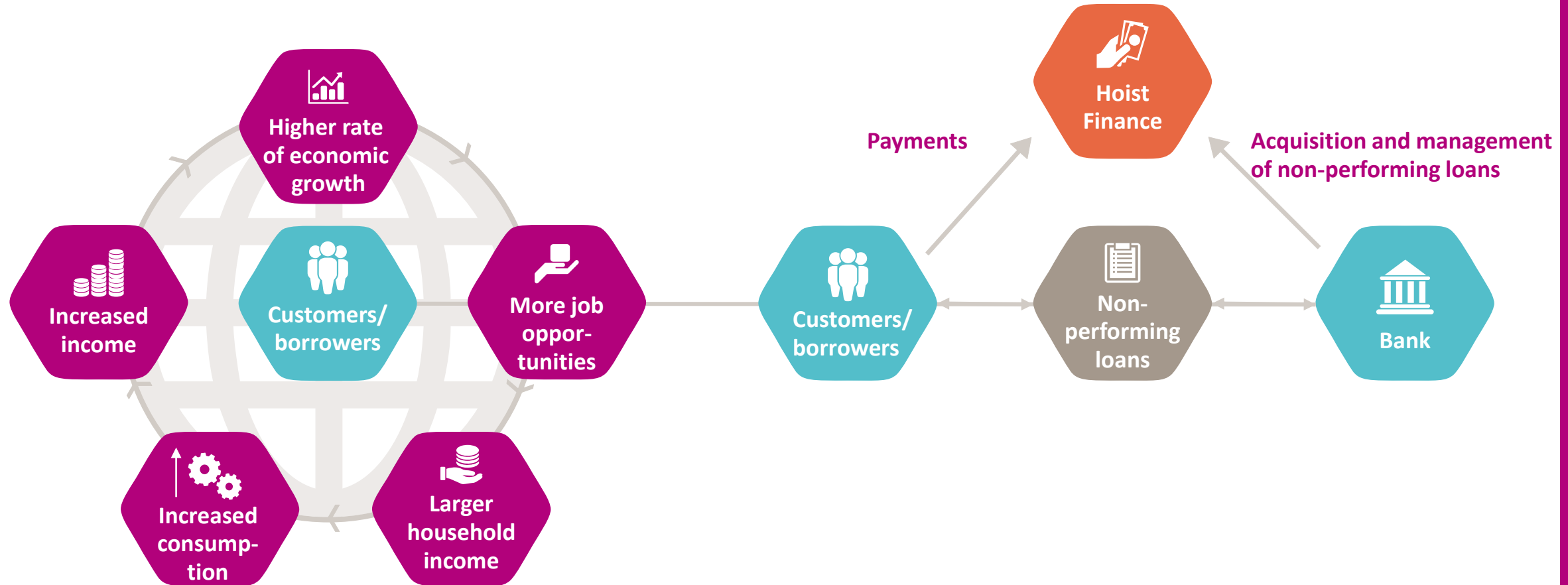
*Excluding items affecting comparability amounting to 118 MSEK.

Hoist plays an important role in the financial ecosystem

Credit is at the center of a well-functioning economy...



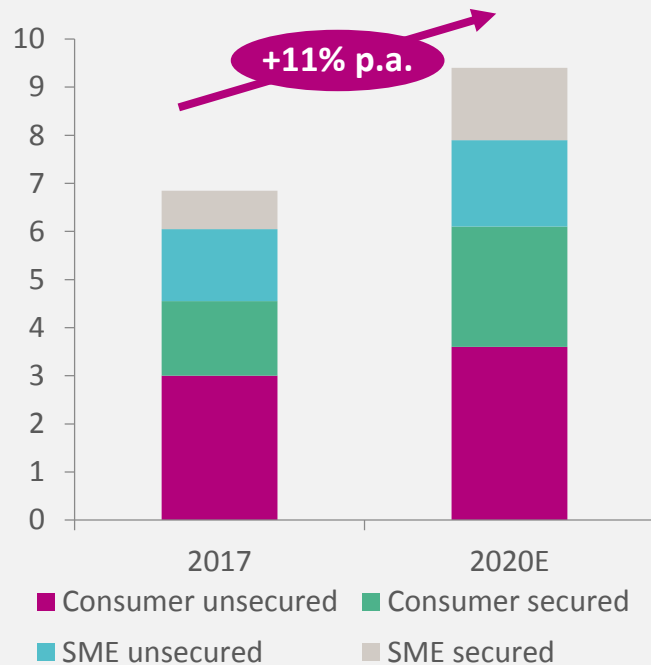
...Hoist Finance is the trusted partner to banks and customers that closes the loop when commitments are not fulfilled



Three trends currently shaping our industry

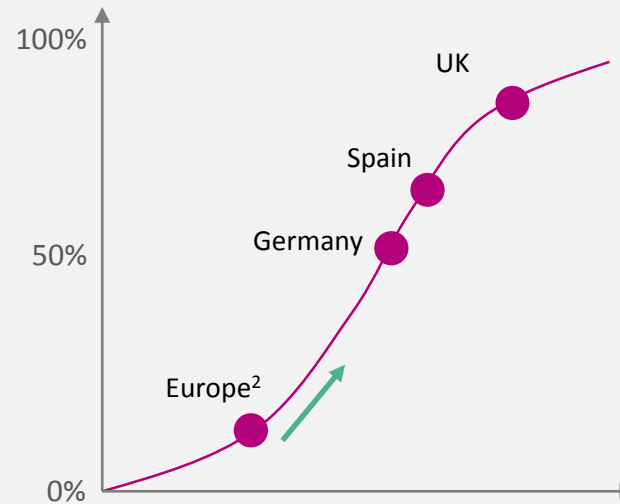
Growing market

European NPL deal value¹
EUR billion, CAGR growth %

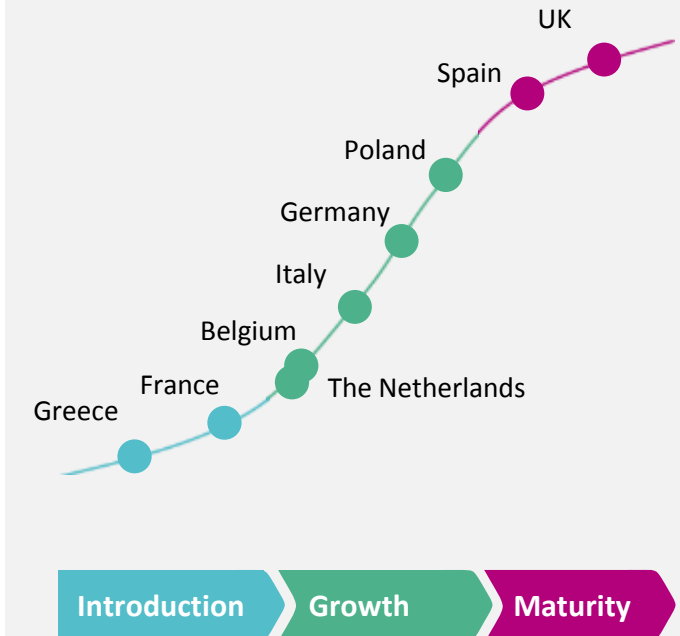


Consolidation

Consolidation curve
Market share of top 5 players (%)



Market maturation

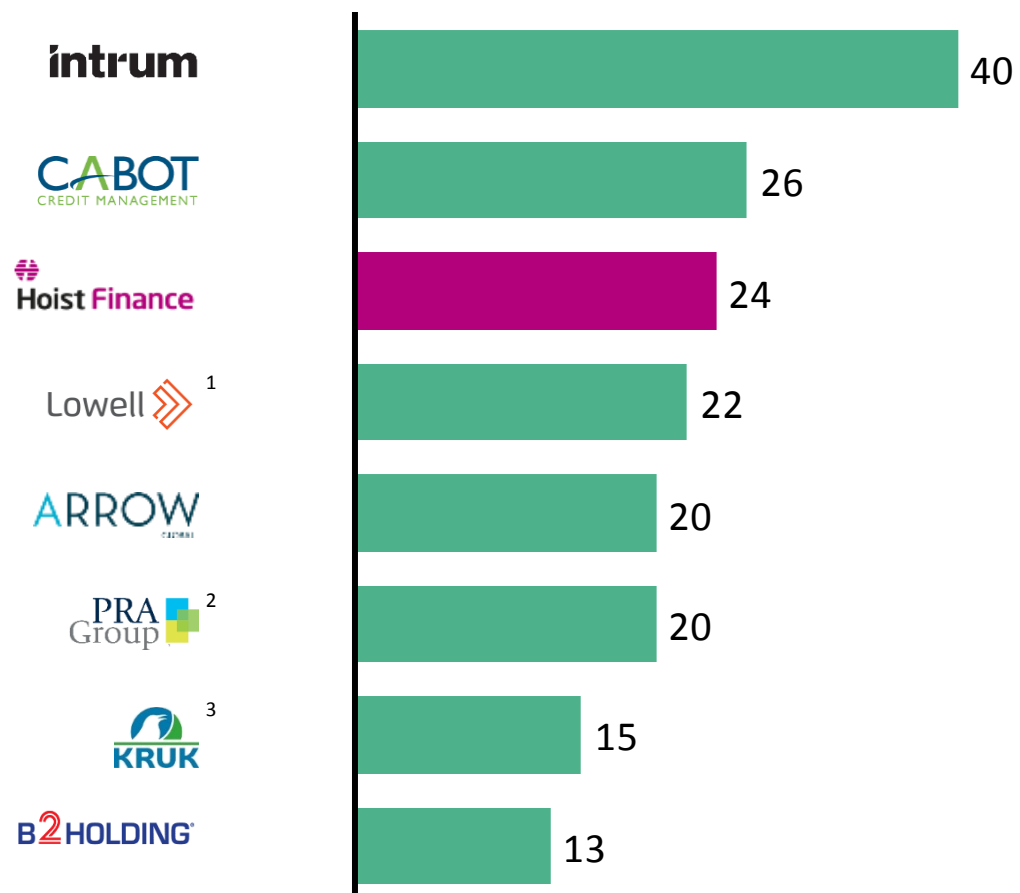


¹ Source Company market study

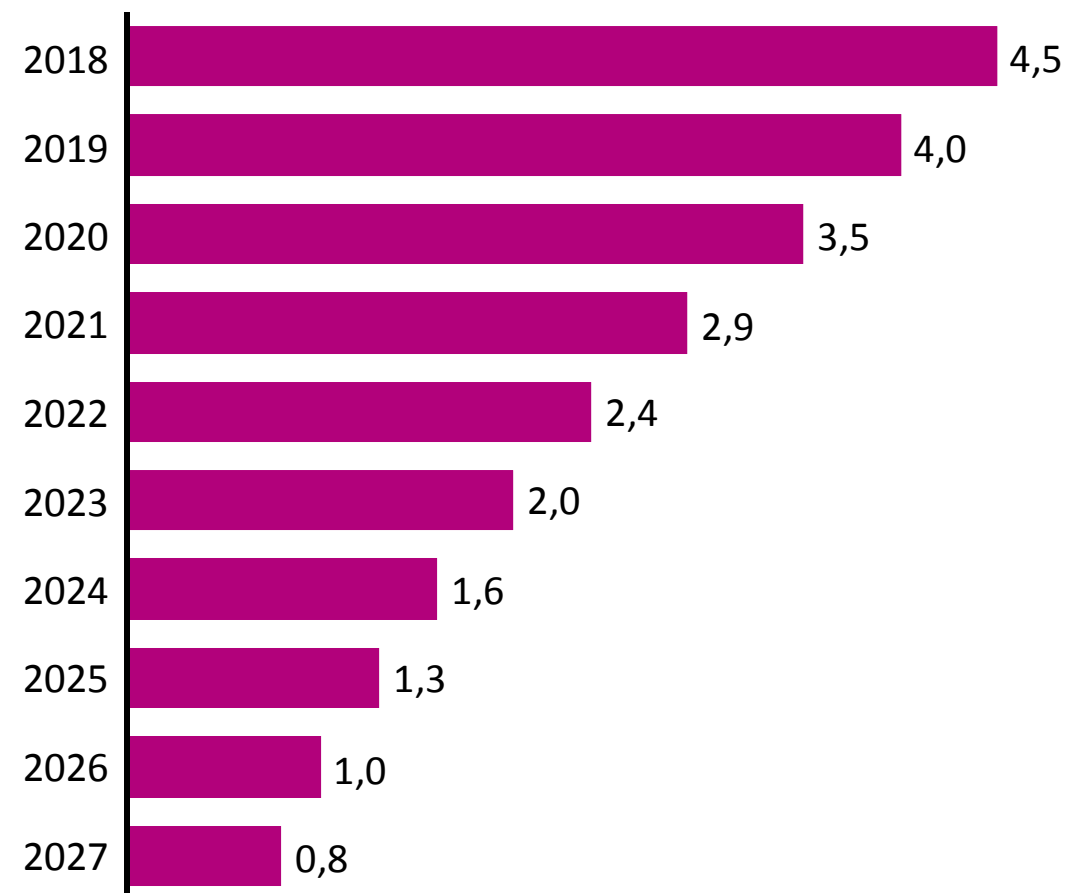
² Europe-28 excluding Germany, Spain and the UK

Hoist is a leading acquirer of bank-originated NPLs...

ERC 120 months (FY17, SEKbn)



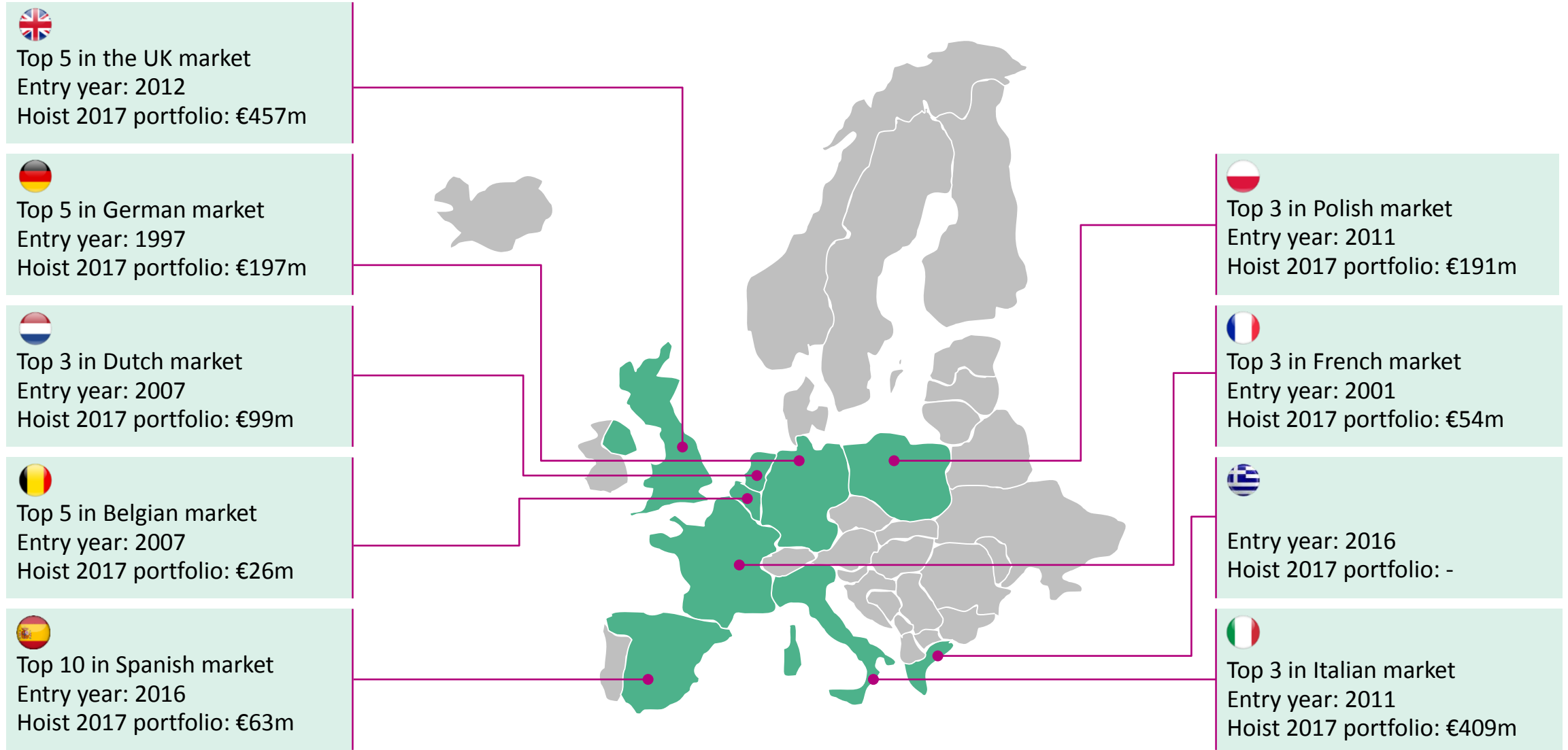
Hoist ERC breakdown (SEKbn)



1 Data as of Q3 2017
2 European operations only
3 Value for ERC over 60 months
Source: Company reports

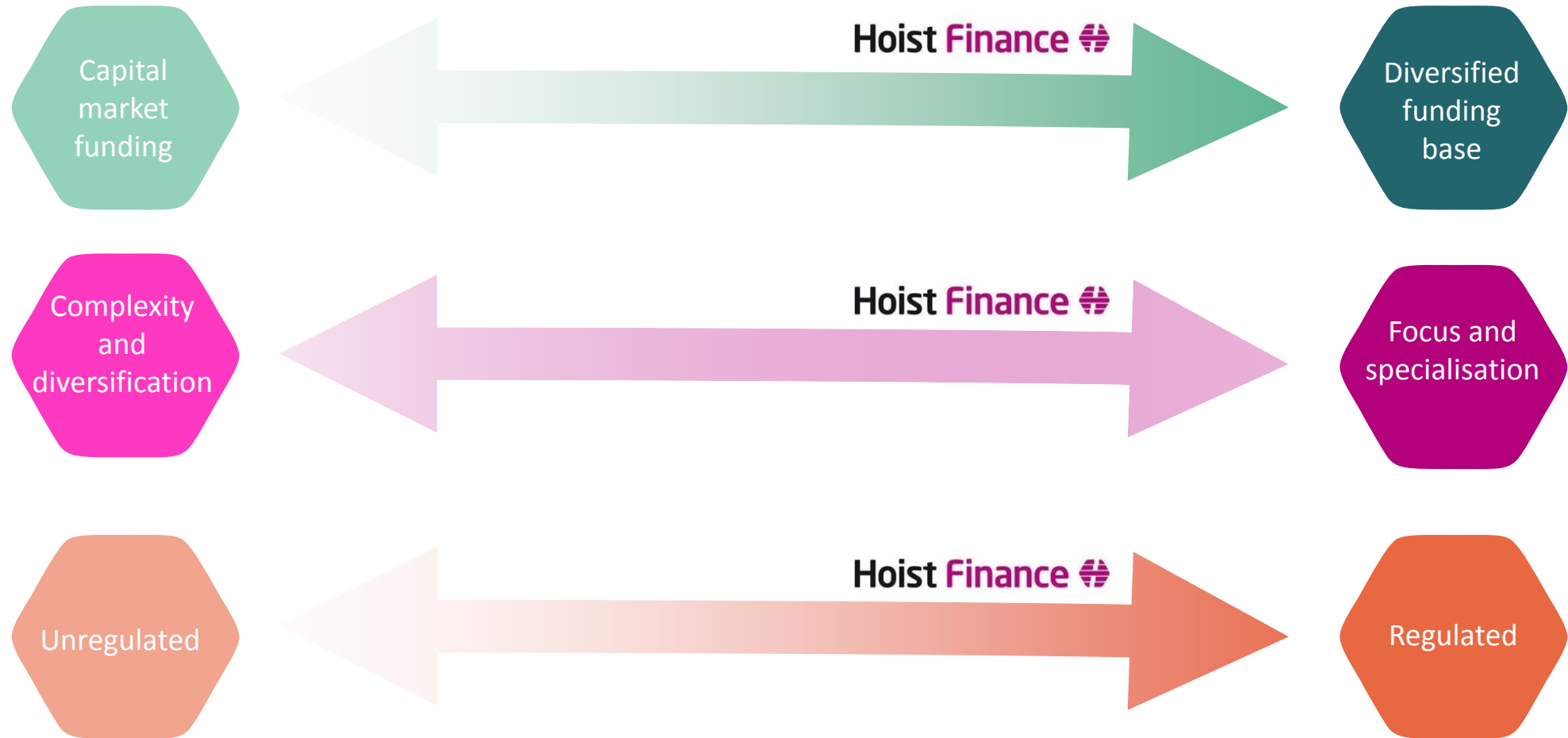
... maintaining a strong position in key European markets

Market size of B2C and SME, Secured and Unsecured NPL, average expected deal volumes 2018-2020



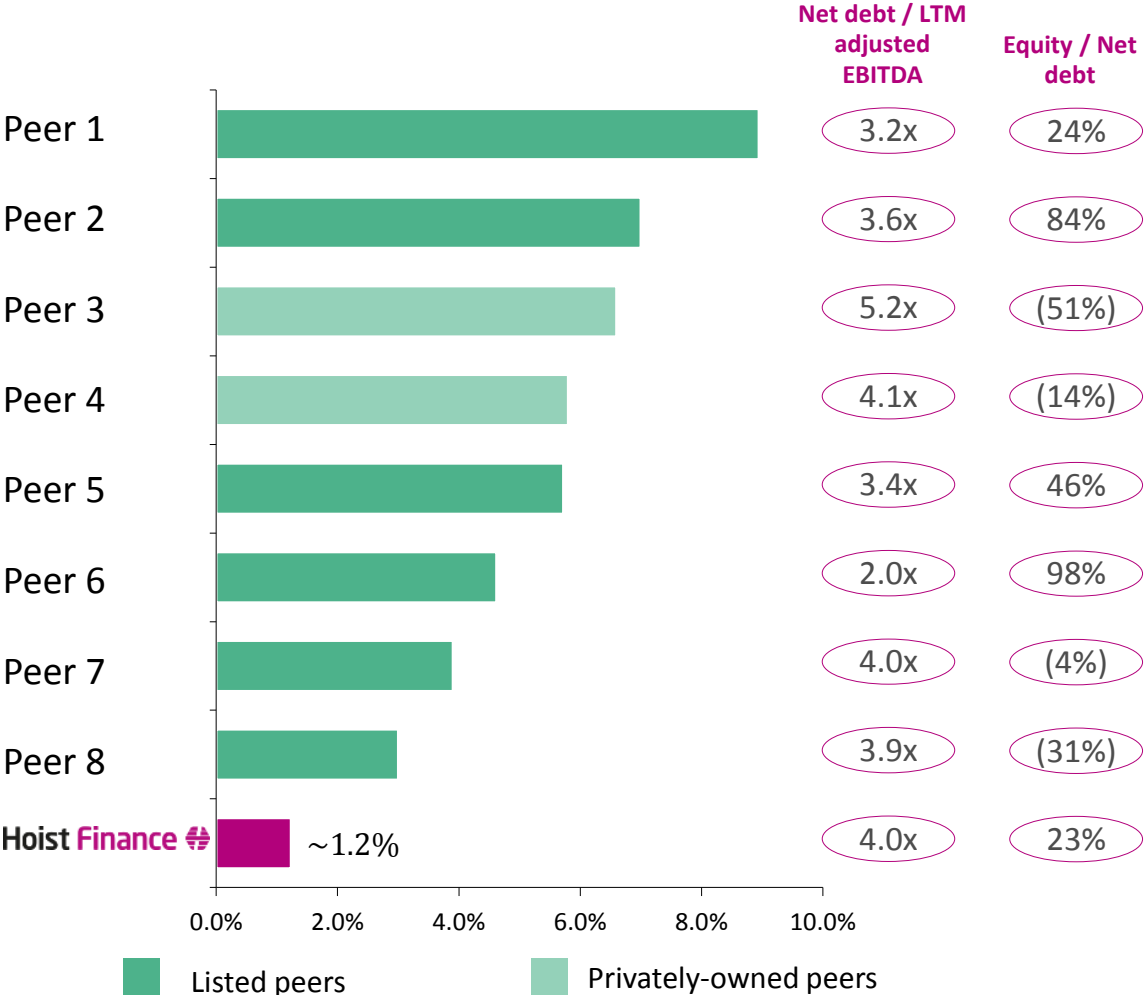
Portfolio at carrying value. FX rates as per Dec. 31, 2017: EUR GBP 1.1274 and EUR PLN 4.1725

Our position

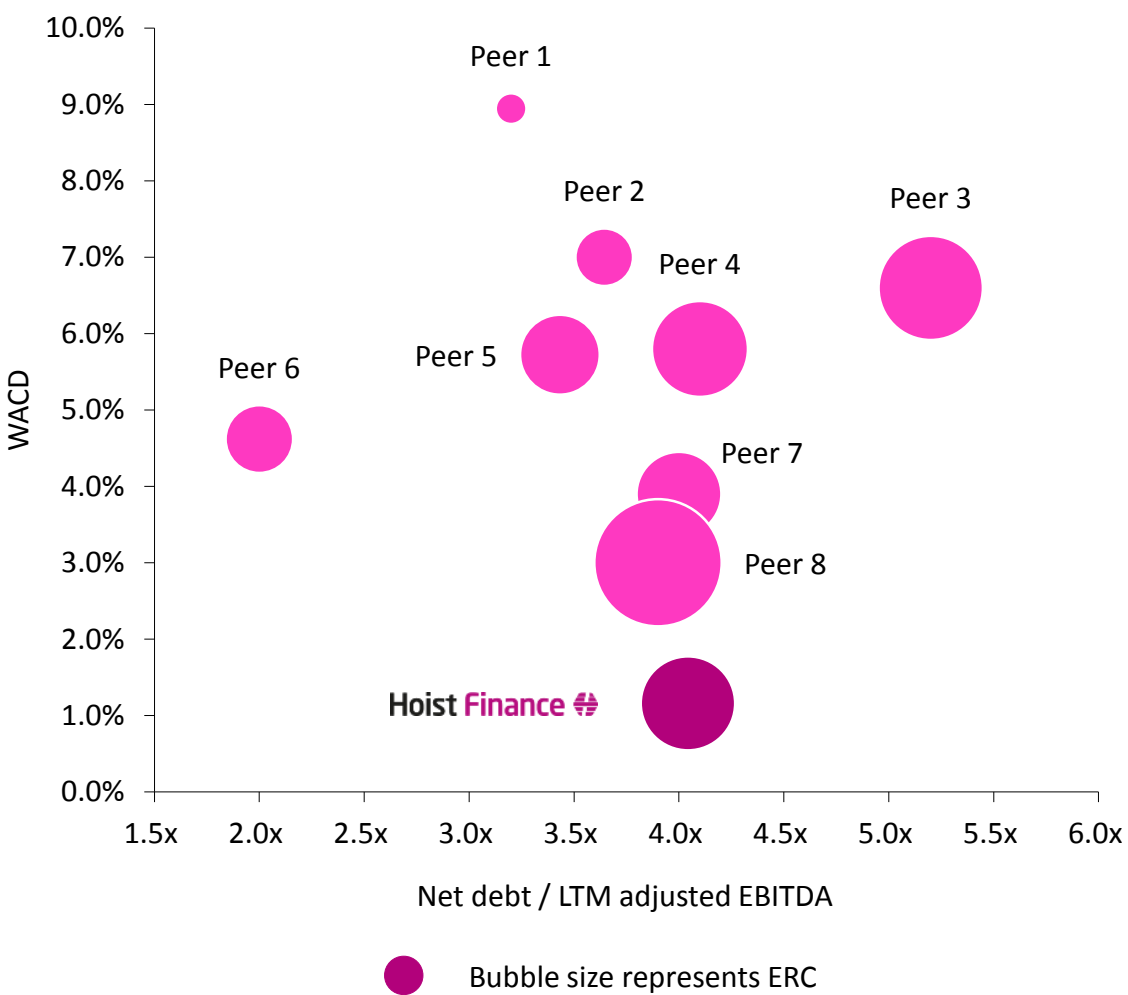


Hoist has the lowest cost of funding among NPL peers

Weighted average cost of debt (WACD)

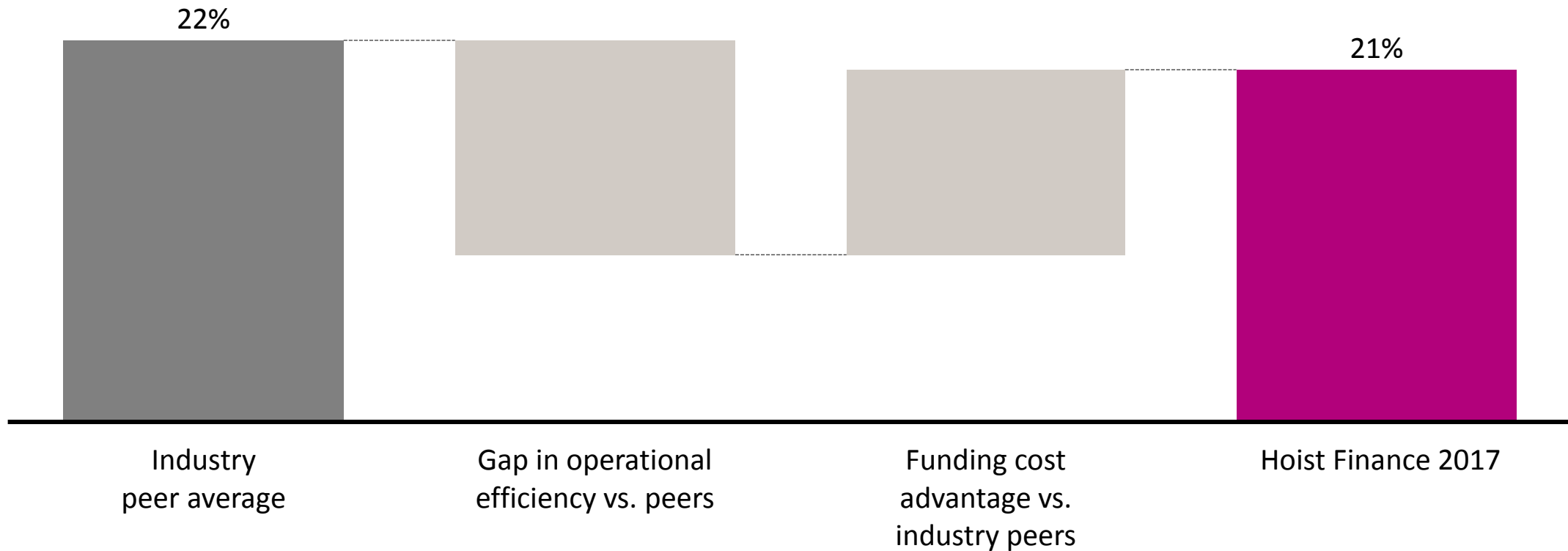


Calculations made on most recent published financial reports. Hoist Finance numbers exclude AT1. Hoist Finance adjusted for IACs
 Sources: Company reports, Bloomberg



Today our gap in operational efficiency is compensated by low funding costs, giving us a big potential to outperform by improving operations

Earnings before tax margin (including interest expense)



Cornerstones of our strategy aiming to increase operational efficiency

- Clear focus on prioritised markets to leverage benefits of scale and reduce complexity
- Expansion into new asset classes for profitable growth
- Effective and efficient operating model
- Banking licence is a competitive advantage



Strategy – current status of key initiatives

- ✓ Simplified operating model with fewer layers and strong functional responsibility
- ✓ Implementing revised legal structure and converting subsidiaries to branches
- ✓ Consolidation of Germany and the UK
- ✓ Process initiated to establish shared services in low cost jurisdiction
- ✓ First steps to identify savings through procurement



- ✓ Focused and at scale in priority markets capturing 80% of European transaction volumes
- ✓ Continue to build out capabilities to price and assess opportunities in new asset classes
- ✓ Expand services to meet the full spectrum of client needs

- ✓ Specialized leader in FI originated debt
- ✓ Continue to build capabilities to price and assess opportunities in new asset classes

- ✓ Expand deposit offering to include new currencies
- ✓ Maintain Baa3 rating

- ✓ Cloud based diallers in all jurisdictions
- ✓ Centre of expertise in big data/machine learning
- ✓ End-to-end service self-service and omni-channel support
- ✓ Harmonised core collection platform
- ✓ Improved segmentation, customer “personas” and scorecards

- ✓ Unified data model and standardised KPI's
- ✓ Centre of expertise in core collection strategies and campaign management
- ✓ Standardised best practise systems
- ✓ Standardised core processes

Initial review indicates 150 - 200 MSEK or more in cost savings during the next three years taking the C/I-ratio below 70%



Over the next three years achieve

- Cost savings and cost avoidance of at least 150 – 200 MSEK
- C/I-ratio below 70%



2

Financial update

2018 key developments

Successful new share issue strengthens shareholders equity

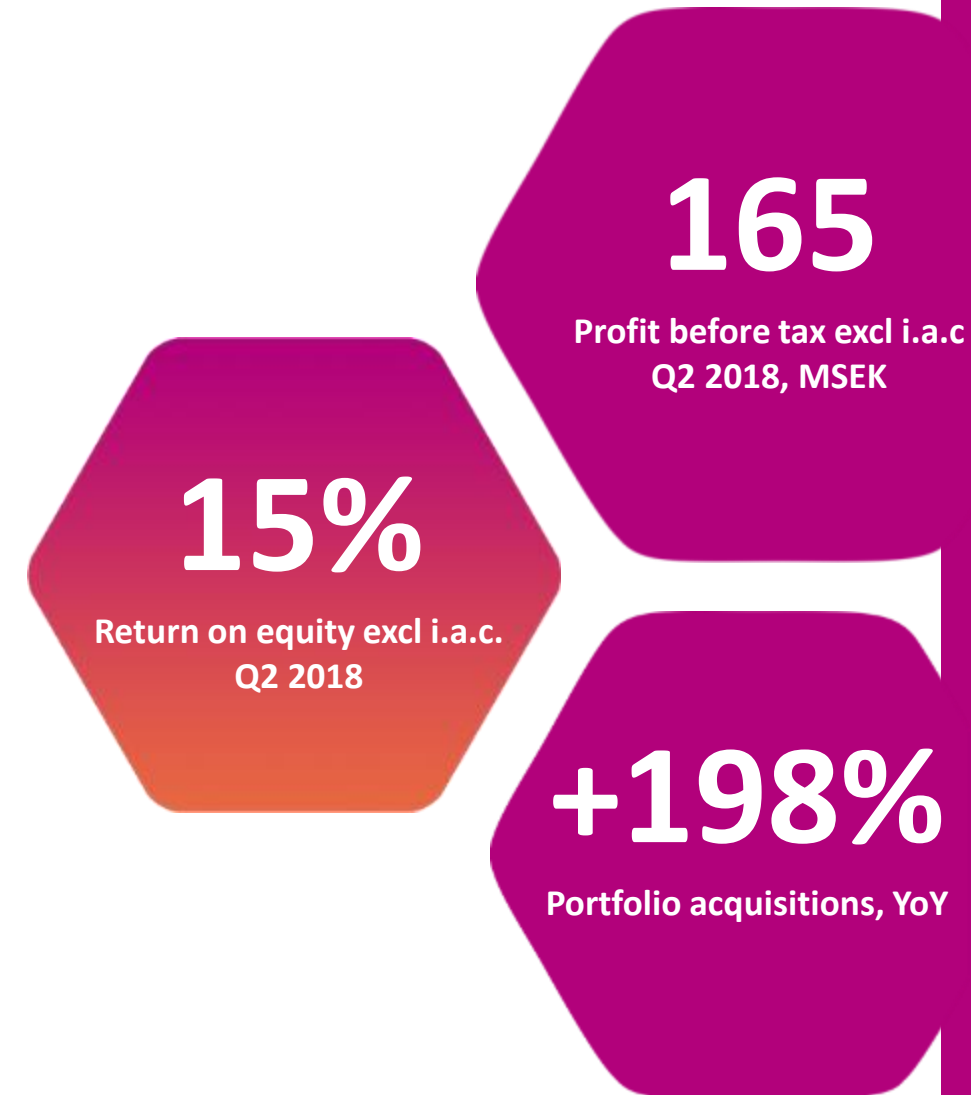
- SEK 568 million capital injection through a directed new share issue completed on Sept. 12
- “The new share issue strengthens our financial position and increases our capabilities to capture the growth opportunities we see ahead of us. We are grateful for the trust placed in us by investors and are looking forward to deliver on our long-term return and growth targets going forward,” says Klaus-Anders Nysteen, CEO of Hoist Finance

Q2 2018 saw strong asset growth and solid financial performance

- Portfolio acquisitions increased 198% YoY (LTM portfolio growth of 37%)
- Strong expansion in new asset classes
- Total operating income excl. i.a.c +9% YoY
- Return on Equity excl. i.a.c 15%
- Collection performance of 103%

Positive industry outlook coupled with boosted operational efficiency provide potential for strong performance

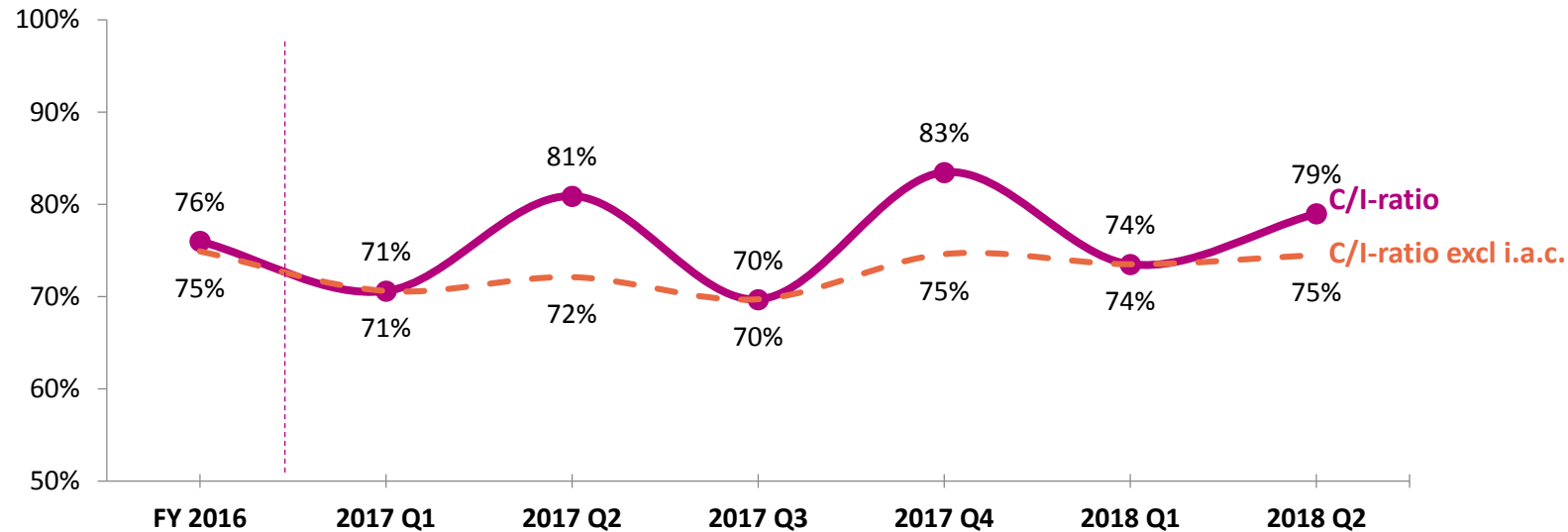
- Continued strong transaction market growth
- Stabilised front book returns
- Focus on long and short term initiatives to increase operational efficiency



Operational efficiency



Cost/Income ratio, %

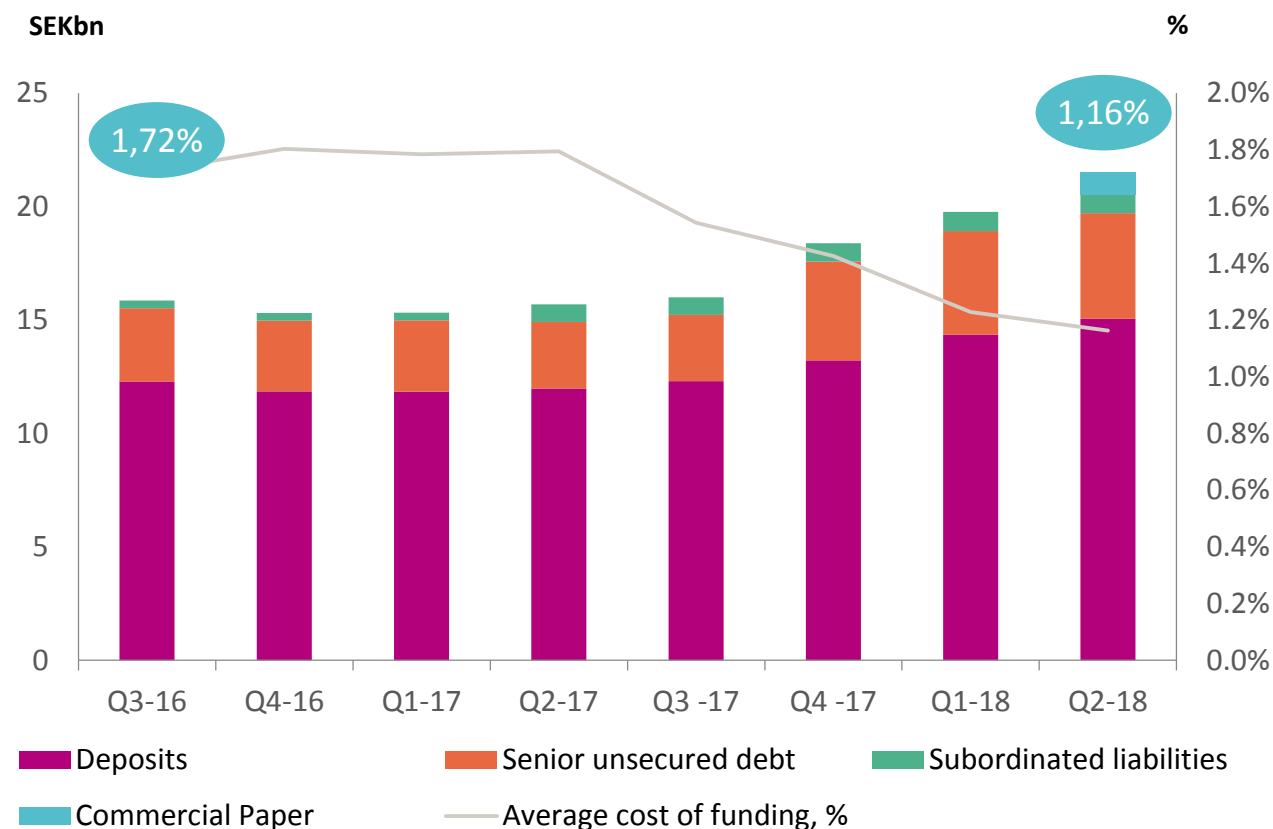


- Increased capabilities in other asset classes
- Advisory costs
- Cost mitigating efforts in progress
 - Site consolidation
 - Project portfolio review

| SEK million | Q2 2018 | Q2 2017 | Change, % |
|---------------------------------|-------------|-------------|------------|
| Personnel expenses | -212 | -171 | 24% |
| Collection costs | -167 | -157 | 6% |
| Administrative expenses | -135 | -100 | 35% |
| Depreciation and amortisation | -15 | -14 | 7% |
| Total operating expenses | -529 | -442 | 20% |

Diversified funding at competitive cost

Funding excluding equity and AT1-capital, SEKbn



Interest expense / Book value

| | | | | | | | |
|------|------|------|------|------|------|------|------|
| 2,3% | 2,2% | 2,1% | 2,2% | 1,9% | 1,7% | 1,5% | 1,4% |
|------|------|------|------|------|------|------|------|

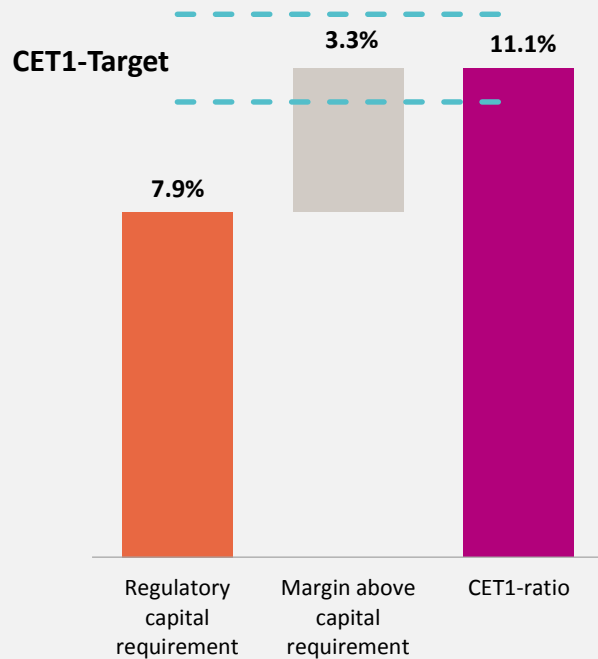


Key takeaways

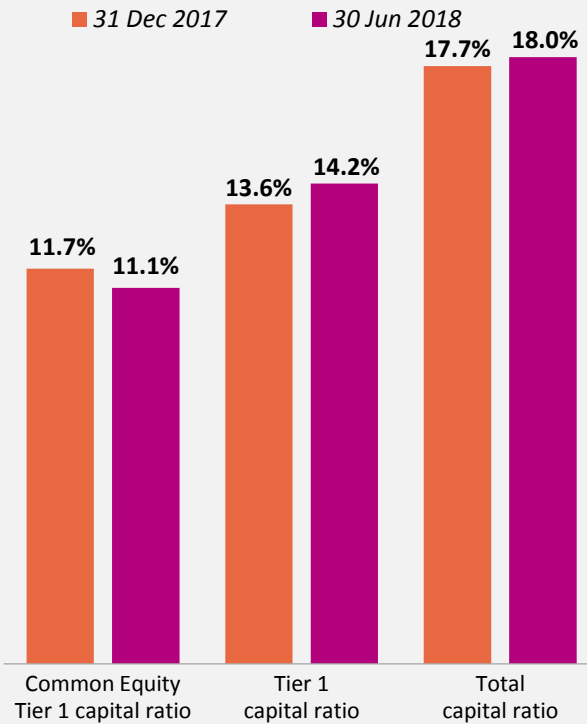
- SEK 2.5 bln Swedish commercial paper program launched in Q2 2018
- Successful EUR 40 mln AT1-issue and call of SEK AT1 notes in Q2 2018
- Growing EUR denominated deposits, accounting for 22 per cent of total deposits as of June 30
- Interest expense / book value ratio further improved, and stood at a low 1.4% in the second quarter
- Moody's Baa3 / P-3 issuer and programme ratings affirmed on Aug. 27, 2018

Sound capitalisation and significant liquidity reserve

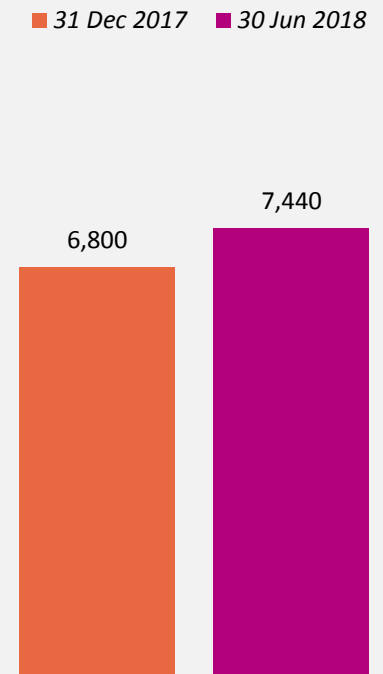
Capitalisation, %

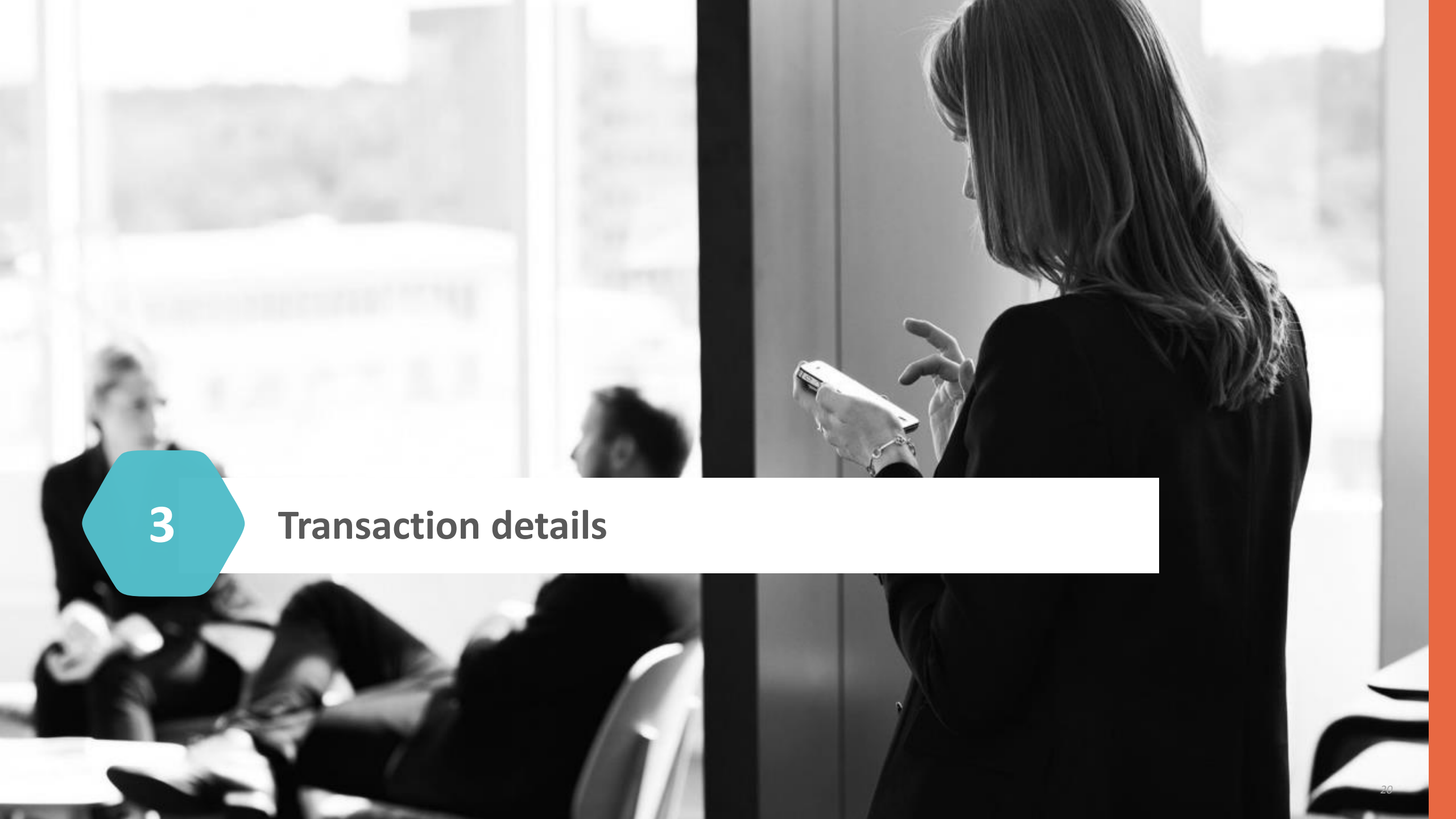


Capital ratios, %



Liquidity reserve





3

Transaction details

Proposed tender offer

Key indicative terms and conditions

| | |
|--------------------------|--|
| Issuer | Hoist Finance AB (publ) |
| Target security | H0STBS 3.125% 12/09/19 Corp (ISIN: XS1424841374) |
| Rank | Senior unsecured |
| Maturity date | 09 December 2019 |
| Rating | Baa3 (Stable) by Moody's |
| Amount outstanding | €200,000,000 |
| Target acceptance amount | Any and all offer |
| Conditions | New issue condition |
| Purchase price | Fixed purchase yield of -0.300% |
| Accrued interest | To be paid in cash until the settlement date |
| Priority allocations | Priority allocation codes are available to tendering noteholders who wish to receive nominal-for-nominal priority allocations in the new issue |
| Tender Offer commences | 12 September 2018 |
| Tender Offer expiration | 19 September 2018 |
| Settlement date | Expected to be 25 September 2018, and no later than 2 October 2018 |
| Offeror | Nordea |
| Dealer Managers | Citi & Nordea |

Description of the Tender Offer

- The purchase yield of the offer is -0.300%. Accrued and unpaid interest will also be paid in respect of tendered notes
- If the tender settles on the expected settlement date on 25 September 2018, the purchase yield of -0.300% equates to a purchase price of 104.143%
- Any and all offer
- Written priority allocation codes are available to tendering noteholders who wish to receive a nominal-for-nominal priority allocation in the new issue
- Acceptance of any notes for tender is subject to the successful completion of the new issue
- The planned new issue book building is expected to take place after the tender offer has expired
- Nordea is acting as Offeror and Citi & Nordea are Dealer Managers
- Following the offer, the company may also, but is not obliged to, exercise its right to redeem any bonds not purchased in the offer at its make whole redemption price. Although the company may decide to exercise such right, it is not required to do so

Proposed new issue

Key indicative terms and conditions

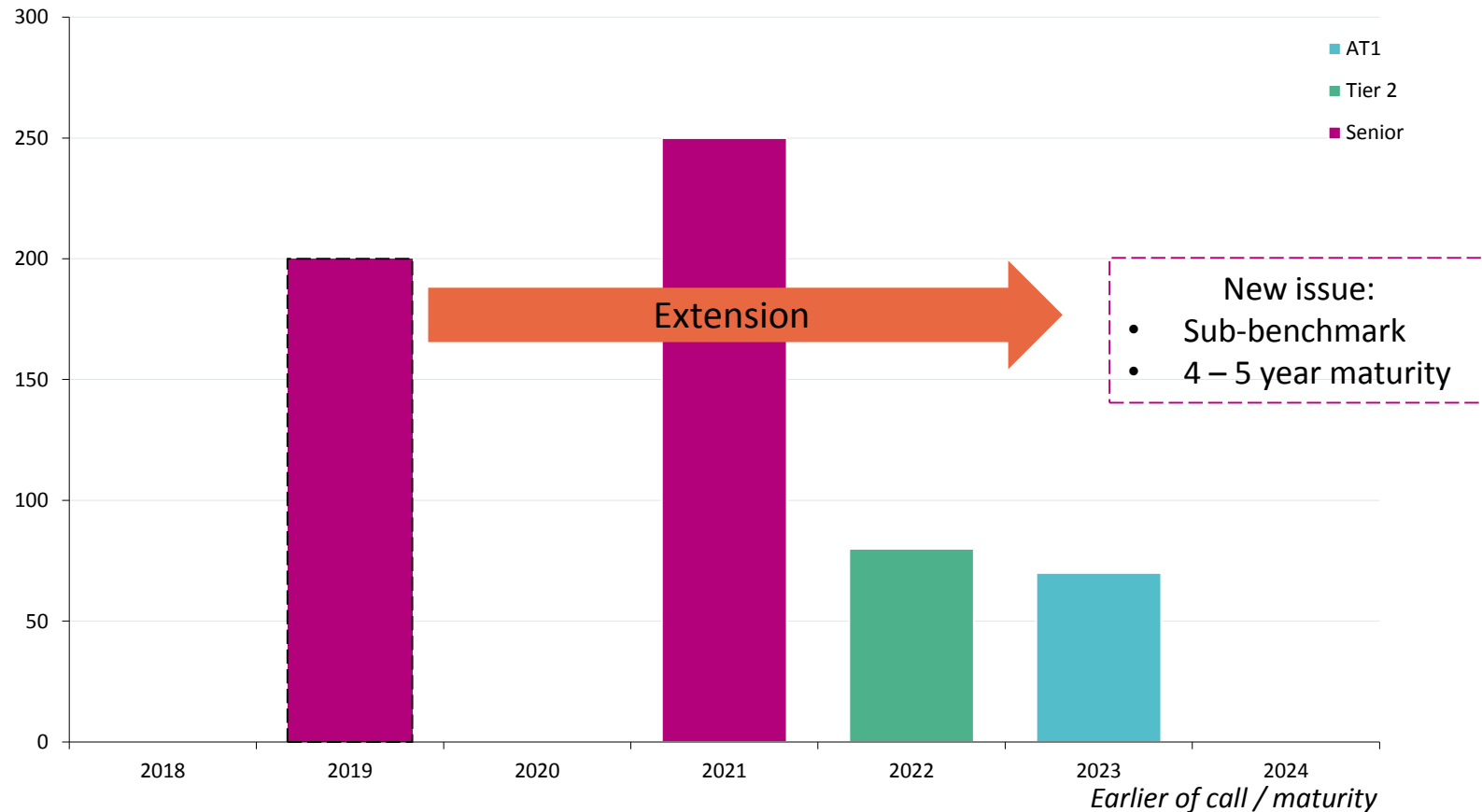
| | |
|-----------------------|--|
| Issuer | Hoist Finance AB (publ) |
| Issuer rating | Baa3 (Stable) by Moody's |
| Status | Senior unsecured |
| Expected issue rating | Baa3 |
| Currency | EUR |
| Amount | Sub-benchmark |
| Maturity | 4 – 5 year |
| Denomination | EUR 100,000 + 1,000 |
| Use of proceeds | General corporate purposes |
| Make whole call | Yes, on any day from and including the Issue Date to but excluding the Maturity date at the Make Whole Redemption Price being the Make Whole Redemption Amount |
| Listing | Irish Stock Exchange |
| Law | English Law |
| Documentation | The Issuer's EUR 1,000,000,000 Euro Medium Term Note Programme dated 3 August 2018, as supplemented on 17 September 2018 |
| Joint bookrunners | Citi, Deutsche Bank, Nordea |

Transaction rationale - overview

- Maturity extension
- Currency matching
- Financing for future asset growth
- Acknowledging Hoist's market presence as an IG issuer with robust access to debt capital markets
- The proceeds of the notes will be used for general corporate purposes, including refinancing of existing debt or replacing a portion of existing deposit funding

Transaction rationale - maturity extension and currency matching

Debt capital market funding, EURm



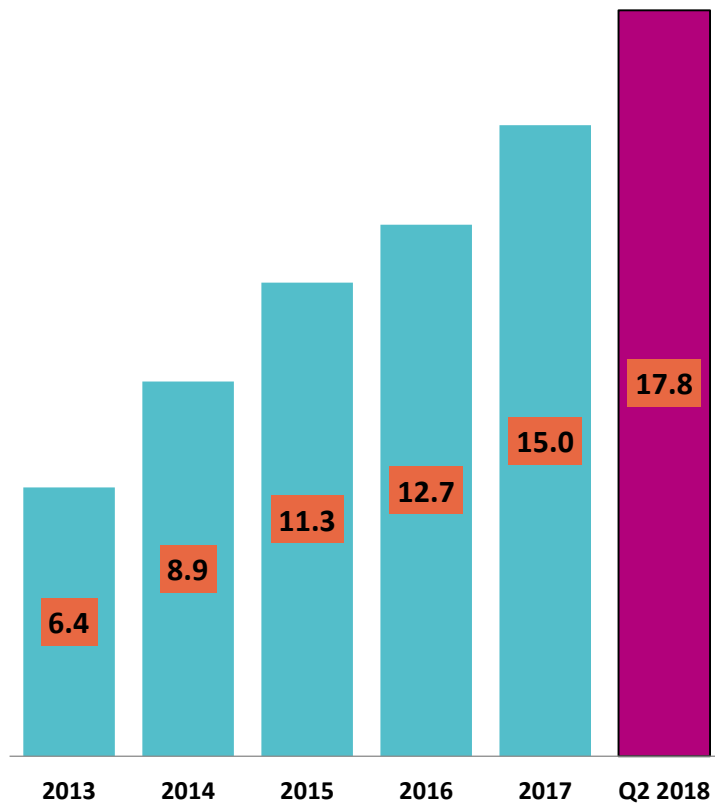
Key takeaways

- A EUR denominated transaction is a natural currency hedge as company's assets are predominantly denominated in EUR
- Currently all outstanding listed bonds by Hoist are denominated in EUR
- A new issue in EUR also makes sense given the currency of the notes being bought back

Transaction rationale - financing for future growth

Development Hoist NPL assets

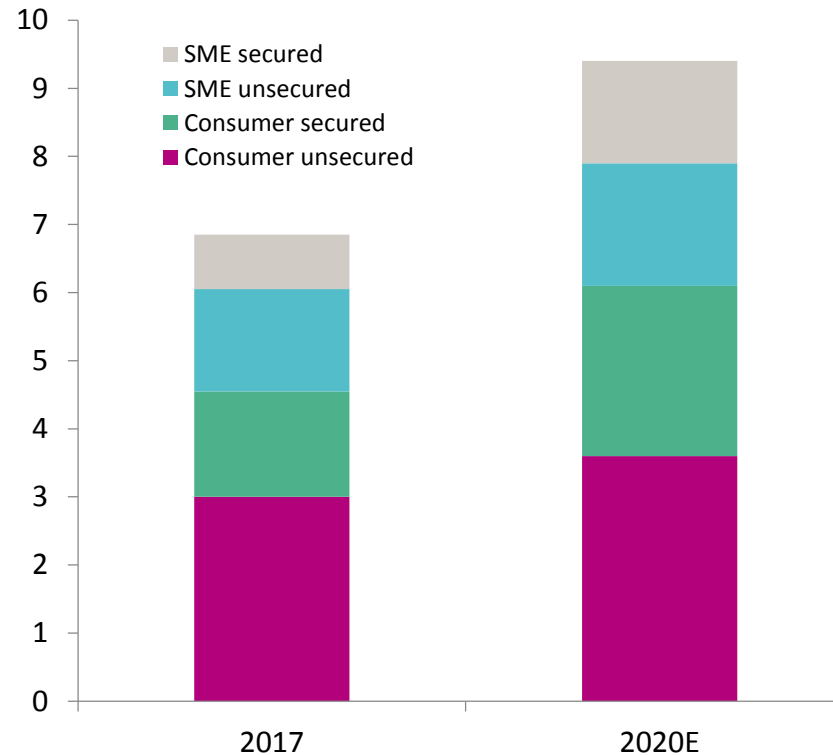
SEK bln



1 Source Company market study

Projected growth for NPL deal value in Europe¹

EUR bln



Key takeaways

- Pre-funding to ensure sufficient firepower for opportunistic acquisitions and to minimise execution risk
- Create additional liquidity surplus / strengthen NSFR even further



Appendix

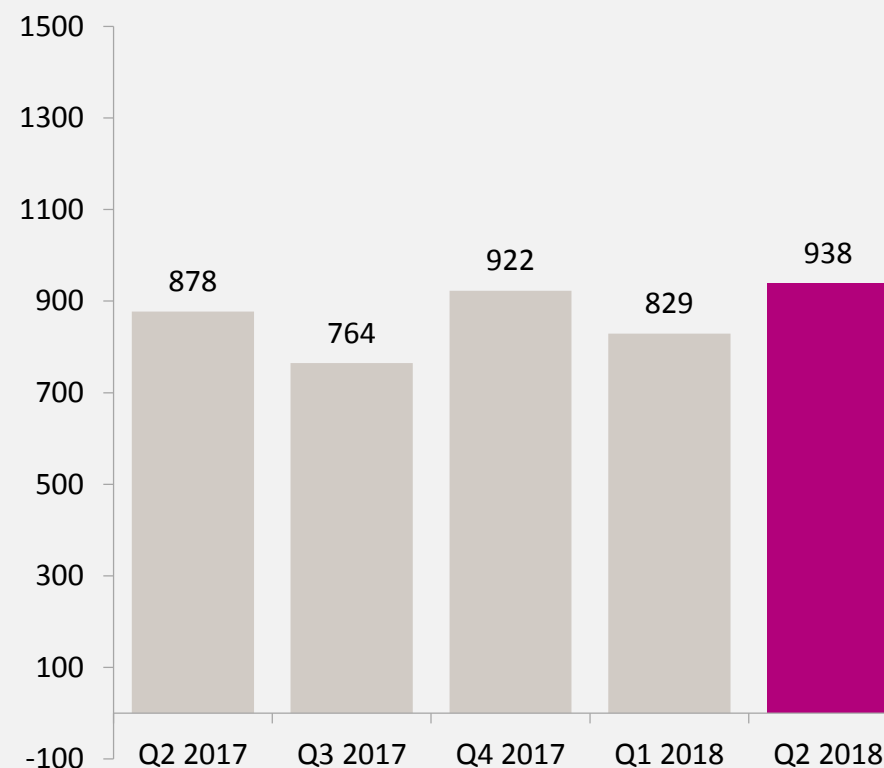
Adjusted EBITDA

Adjusted EBITDA reconciliation

| SEK million | Q2 2018 | Q2 2017 | Full year 2017 |
|--|------------|------------|-------------------|
| Net profit for the period | 103 | 77 | 453 |
| + income taxes | 38 | 27 | 128 |
| +/- net result from financial transactions | 8 | 48 | 50 |
| + interest expense | 79 | 85 | 305 |
| - interest income <i>(excl. interest from run-off performing portfolio)</i> | -3 | 3 | 14 |
| + portfolio revaluations | | 0 | -11 |
| +/- impairment gains and losses | -49 | | |
| + depreciation and amortisation | 15 | 14 | 56 |
| EBITDA | 191 | 254 | 995 |
| + amortisation on run-off portfolio | | 3 | 11 |
| + amortisation on acquired loan portfolios | | 553 | 2,244 |
| + gross cash collections on acquired loan portfolios | 1,395 | | |
| - Interest income on acquired loan portfolios | -672 | | |
| Adjusted EBITDA | 914 | 810 | 3,250 |

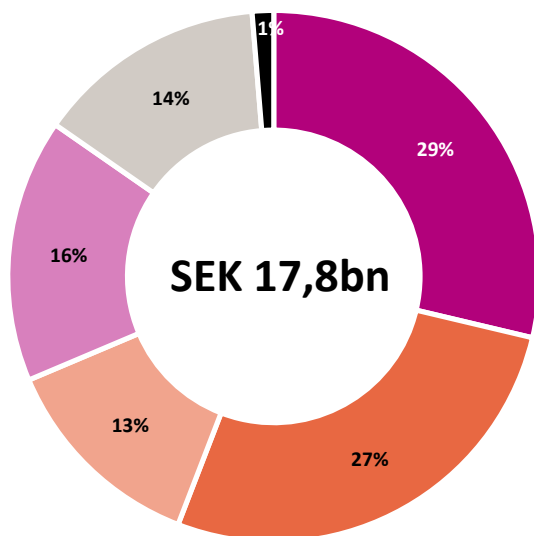
Adjusted EBITDA, excl i.a.c. development

SEK million

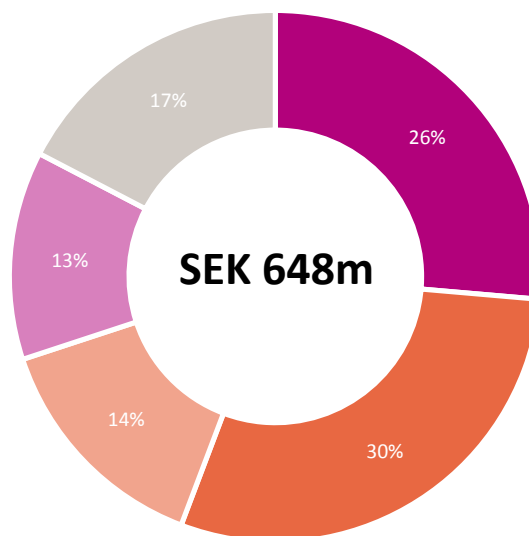


Financial summary segments

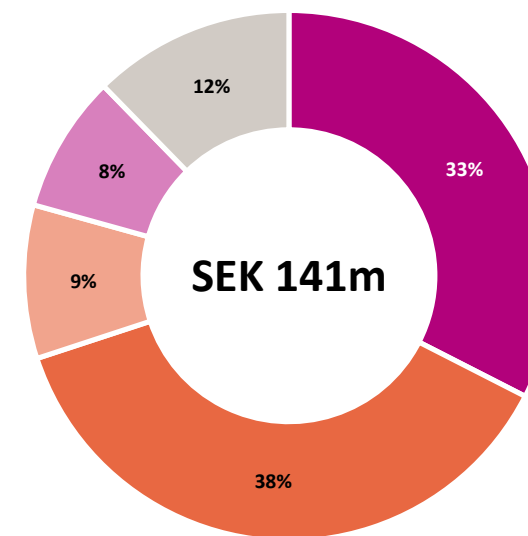
Acquired loan portfolios, SEKbn



Net operating income, SEKm



Profit before tax, SEKm



■ UK
 ■ Italy
 ■ Germany
 ■ Poland
 ■ Other segments
 ■ Central functions

| Country | Q2 2018 | Q2 2017 | Change (%) |
|-------------------|---------------|---------------|------------|
| UK | 5,099 | 4,056 | 26% |
| Italy | 4,823 | 3,032 | 59% |
| Germany | 2,269 | 1,917 | 18% |
| Poland | 2,848 | 1,519 | 87% |
| Other segments | 2,492 | 2,313 | 8% |
| Central functions | 232 | 242 | -4% |
| Total | 17,176 | 13,079 | 36% |

| Country | Q2 2018 | Q2 2017 | Change (%) |
|------------------------------------|------------|------------|------------|
| UK | 158 | 134 | 18% |
| Italy | 176 | 130 | 35% |
| Germany | 85 | 91 | -7% |
| Poland | 76 | 72 | 6% |
| Other segments | 104 | 84 | 24% |
| Central functions and eliminations | 49 | 19 | 158% |
| Total | 648 | 530 | 22% |

| Country | Q2 2018 | Q2 2017 | Change (%) |
|------------------------------------|------------|------------|------------|
| UK | 66 | 47 | 40% |
| Italy | 76 | 50 | 52% |
| Germany | 19 | 32 | -41% |
| Poland | 17 | 44 | -61% |
| Other segments | 25 | 1 | >100% |
| Central functions and eliminations | -62 | -70 | 11% |
| Total | 141 | 104 | 36% |

Executive Management Team

New Executive Management Team (“EMT”) and organisational structure formed in March 2018, following the official start date of Klaus-Anders Nysteen



Klaus-Anders Nysteen
CEO



Emanuele Reale
Chief Sales Officer



Stephan Ohlmeyer
Chief Investment Officer



Christer Johansson
CFO



Viktoria Astrup
Head of Business Development
and Communication



Björn Hoffmeyer
Chief Operating Officer



Ulf Eggefors
Chief People Officer



Anders Carlsson
Head of Legal

VISION

Helping people keep their commitments

MISSION

Our mission
– Your trust

VALUES

TRUST– Transparency, Results,
Uniqueness, Skills and Teamwork

POSITION

Hoist Finance is a trusted
partner to financial institutions

**Our Mission
– Your Trust**