

Capital Markets Day

15

November
2018

Helping people keep their commitments

Hoist Finance 

Hoist Finance Executive Management Team

Anders Carlson
Head of Legal

Ulf Eggefors
Chief People Officer

Klaus-Anders Nysteen
Chief Executive Officer

Christer Johansson
Chief Financial Officer

Emanuele Reale
Chief Sales Officer

Viktoria Aastrup
*Head of Business Development
and Communication*

Björn Hoffmeyer
Chief Operating Officer

Stephan Ohlmeyer
Chief Investment Officer



Today's agenda

Section

Responsible

Timing

1	Market outlook and our strategy	Klaus-Anders Nysteen	09:00-09:30
2	Hoist Finance footprint and product offering	Emanuele Reale	09:30-10:00
3	Investment approach	Stephan Ohlmeyer	10:00-10:45
Coffee			10:45-11:15
4	Operational efficiency	Björn Hoffmeyer	11:15-12:00
Lunch			12:00-12:45
5	One Hoist Finance	Ulf Eggefors and Viktoria Aastrup	12:45-13:00
6	Financial review and outlook	Christer Johansson	13:00-13:45
7	Wrap-up and Q&A	Klaus-Anders Nysteen	13:45-14:00



Helping people keep their commitments

A blurred background image of a call center. In the foreground, a man in a white shirt is typing on a keyboard. Behind him, a woman with blonde hair is talking on a headset. Other employees are visible in the background, working at their desks. The scene is brightly lit with blue and white tones.

1

Market outlook and our strategy

Today's key messages

- Attractive market with **new asset classes offering substantial growth opportunities**
- **Unique funding model** as a regulated credit market company offers significant advantage
- Tangible **opportunities to improve operational efficiency** and effectiveness; drive for focus and simplicity
- **Experienced new team** deployed with a clear strategy to grow income and improve margins

Evolving market: 5 trends we are planning for

- 1 Strong growth
- 2 Consolidation
- 3 Increasing funding costs
- 4 Increasing regulation
- 5 Digital and operational efficiency

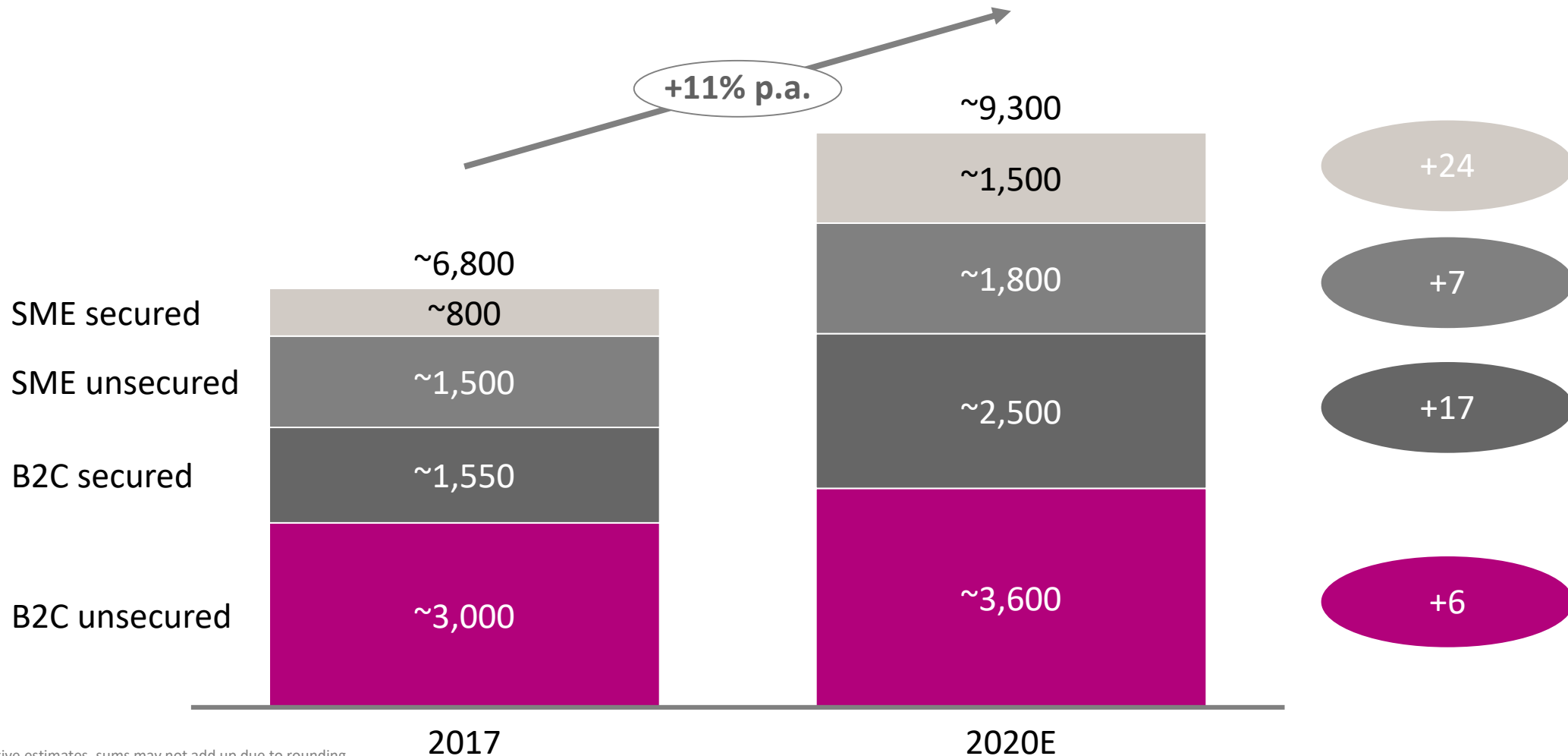
1 Build capabilities in new asset classes

European¹ non-performing loan (NPL) deal value

EURm

CAGR 2017-20E

%



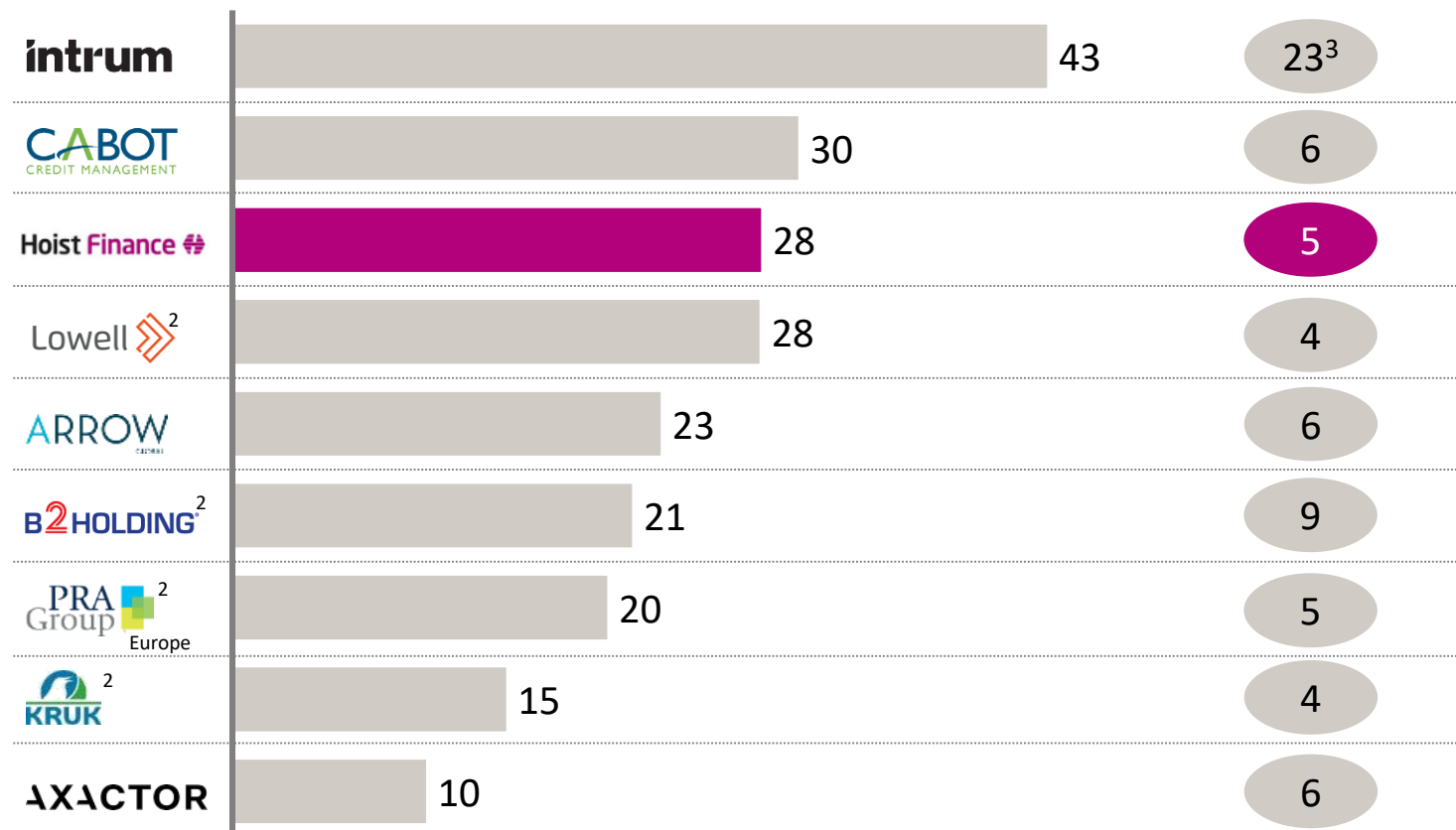
Note: Indicative estimates, sums may not add up due to rounding

¹ Total deal volumes in key Hoist Finance markets

2 Market consolidation continues to offer opportunities

ERC 120 months¹
SEKbn

M&A transactions,
2014-18Q3, no.



Continue to identify opportunities to consolidate the market which fulfill criteria to generate shareholder value

- Increase scale
- Enhance capabilities
- Expand into new asset classes
- Strengthen position in prioritised geographies

1: Exchange rates on Sep-30 Using exchange rates of SEK/GBP: 11.60, SEK/EUR: 10.33, SEK/NOK: 1.09, SEK/USD: 8.89, and PLN/USD: 2.41

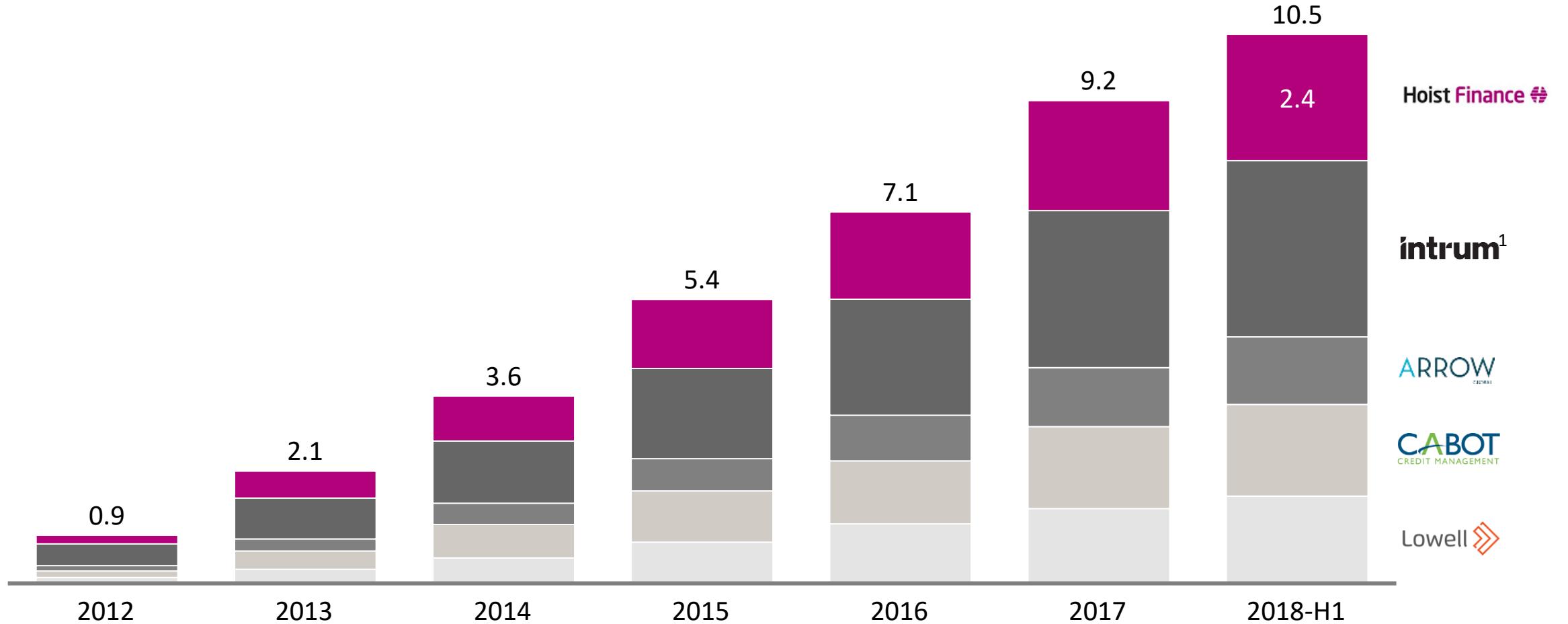
2: As of 2018Q2

3 15 for Intrum + 8 for Lindorff

3 Our industry has grown rapidly ...

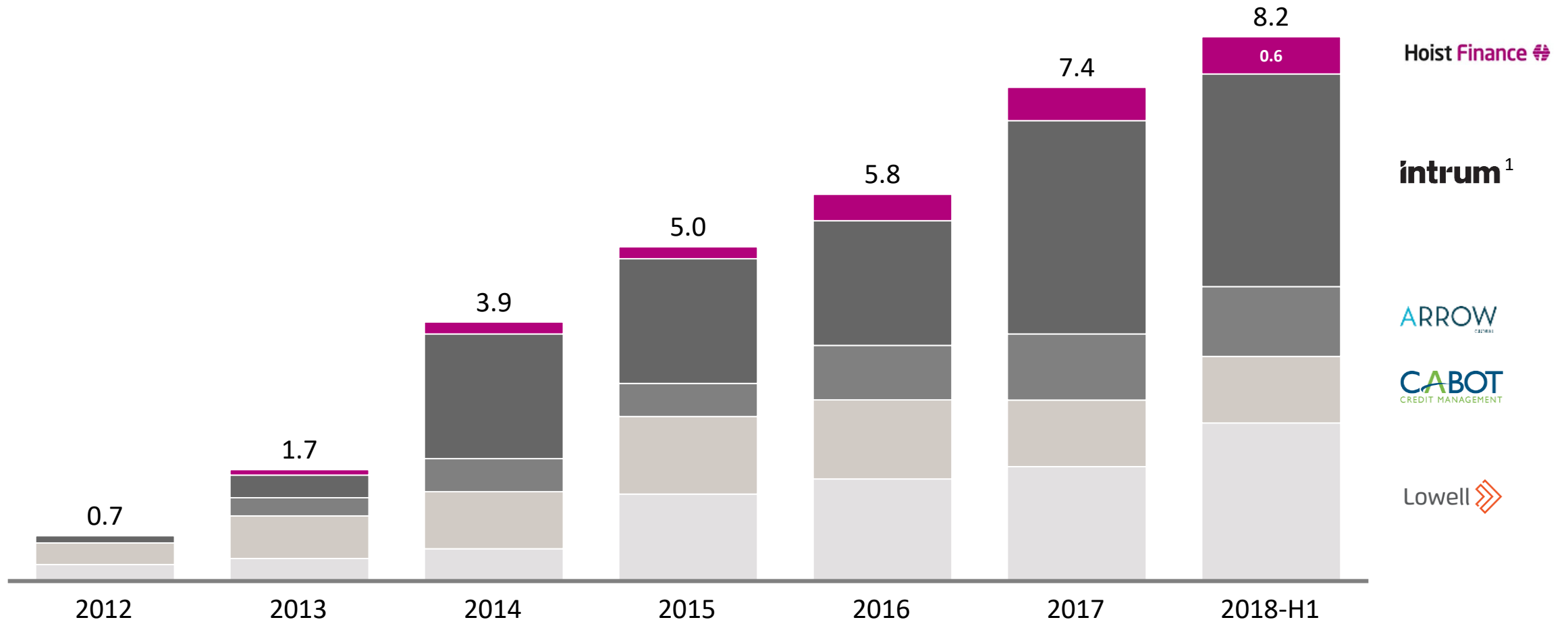
Cumulative purchase price of acquired debt portfolios

EURbn



3 ... mainly funded by high yield debt

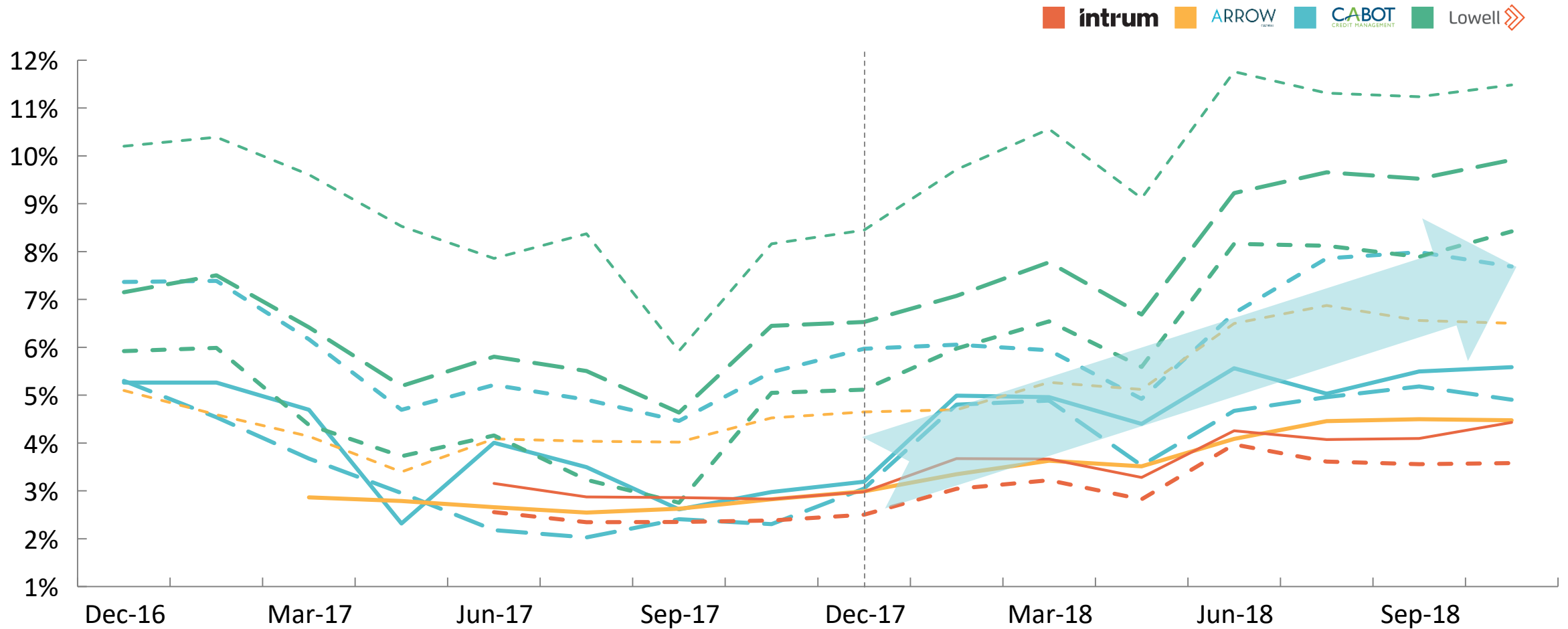
Cumulative bonds issued
EURbn



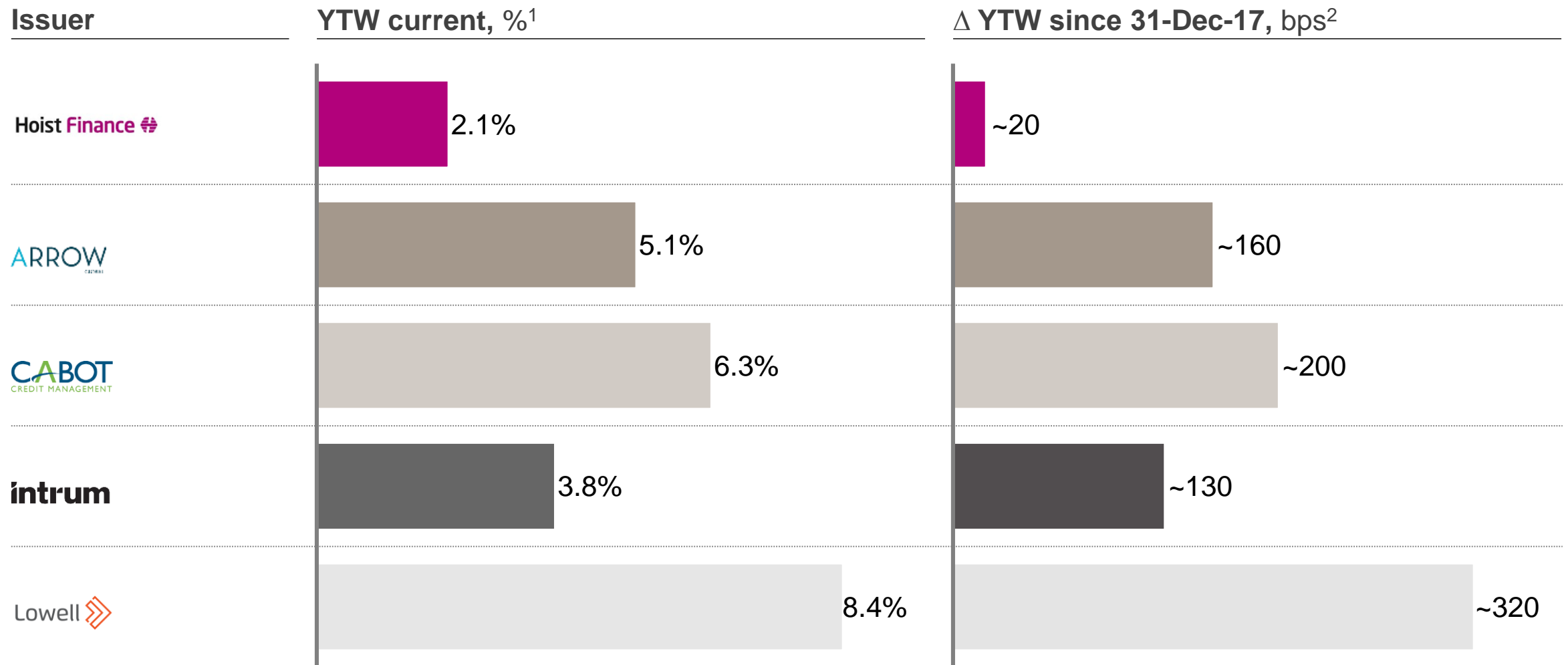
3 Bond yields have been growing across the industry ...

Yield to worst (YTW) on selected peer securities

%



3 ... but our funding is still by far the cheapest and most resilient



¹ Weighted average Yield To Worst (YTW) for outstanding listed bonds. Hoist Finance excludes AT1 and subordinated notes

² Change in weighted average Yield To Worst (YTW) for listed bonds outstanding at 31-Dec-17

4 Increasing regulation affecting us as well as our banking partners

Balance sheet regulations

Structural reforms for banking	Capital requirements
Recovery and resolution	Banking union
Leverage ratio	NSFR
TLAC	Shadow banking
Investor compensation	Living wills
Solvency 2	Basel IV
Deposit guarantee	Fundamental review of the trading book

Operational regulation

MiFID II	EMR	PRIIPs	SEPA	MAD
FATCA	Data protection	AML	Dodd-Frank	Transparency Directive
Payment package	FTT	Benchmark regulations	SFT transparency	Corporate governance
AIFMD	UCITS	Short selling	Long-term financing	Mortgage Directive
Prospectus Directive	Securities legislation	CSD regulations	Bank account	Margin for derivatives
IORP II	MMFs	SMCR (UK)	New FFFS on credit risk management	RTS on NPL-templates
NPL-Directive	Brexit (UK)	NPL prudential backstop	EBA's guidelines on management of non-performing and forborne exposures	

Being a strong advocate of amicable collection give us strong relationships with our regulators

4 Increasing regulation to incentivize banks to divest NPLs

Regulation	Summary	Market implication
EU Commission's proposed NPL-package	Introduction of a "NPL prudential backstop" and new Directive for credit servicers and purchasers.	<p>Purpose: Prevent build-up of NPLs by incentivize banks to divest earlier and improve the secondary market.</p> <p>Potential impact: Low – Medium</p>
New SFSa regulation on credit risk management (Dnr 16-9877)	Stricter regulation on credit risk management in general and in particular governance around the credit activities	<p>Purpose: Improve credit risk management in credit institutions and securities companies to support higher level of trust and increased stability of the financial system.</p> <p>Potential impact: Low</p>
New EBA outsourcing guidelines (EBA/CP/2018/11)	Stricter regulation of outsourcing arrangements and the governance and documentation of outsourcing	<p>Purpose: Harmonize regulation in the EU and increase responsibilities of financial institution when outsourcing business activities</p> <p>Potential impact: Low</p>
Brexit	The exit of the UK from the EU	<p>Purpose: n/a</p> <p>Potential impact: Low</p>
Senior Managers and Certification Regime (SM&CR (UK))	Replaces the current Approved Persons Regime in the UK, changing regulations for people working in financial services	<p>Purpose: To increase confidence in the financial services industry and standards of governance</p> <p>Potential impact: Low</p>

5 Our business has evolved over time through new digital solutions

2000-2005

The sector was disrupted by the computer breakthrough in the beginning of the 00's, spurring the **emergence of digitized information storage** and centralized data warehouses



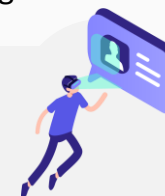
2011-2015

In the beginning of the 10's **technological development accelerated**. Campaign management was centralized and collection became more personalised gradually transitioning from letters to sms and **tailoring campaign strategies to individuals**



2020 and beyond

Disruption expected as innovations within artificial intelligence through **data-driven personalized collection, gamification, chatbots and self-service technologies** increasingly replace call centres, freeing up time for quality customer engagement with those that need it



The 80s and 90's ...

Modern collection agencies arose in the 80s during the savings and loan crisis. In the 90s, collection companies **started to use sophisticated diallers with scripts and work processes**. Lean management philosophy became broadly used to optimize workflow



2006-2010

In the mid-2000s, **electronic bill payment** was still under development, in part because concerns over Internet security and privacy abound. **Collection became more international** and shared centres could be off or near shored to low cost jurisdictions



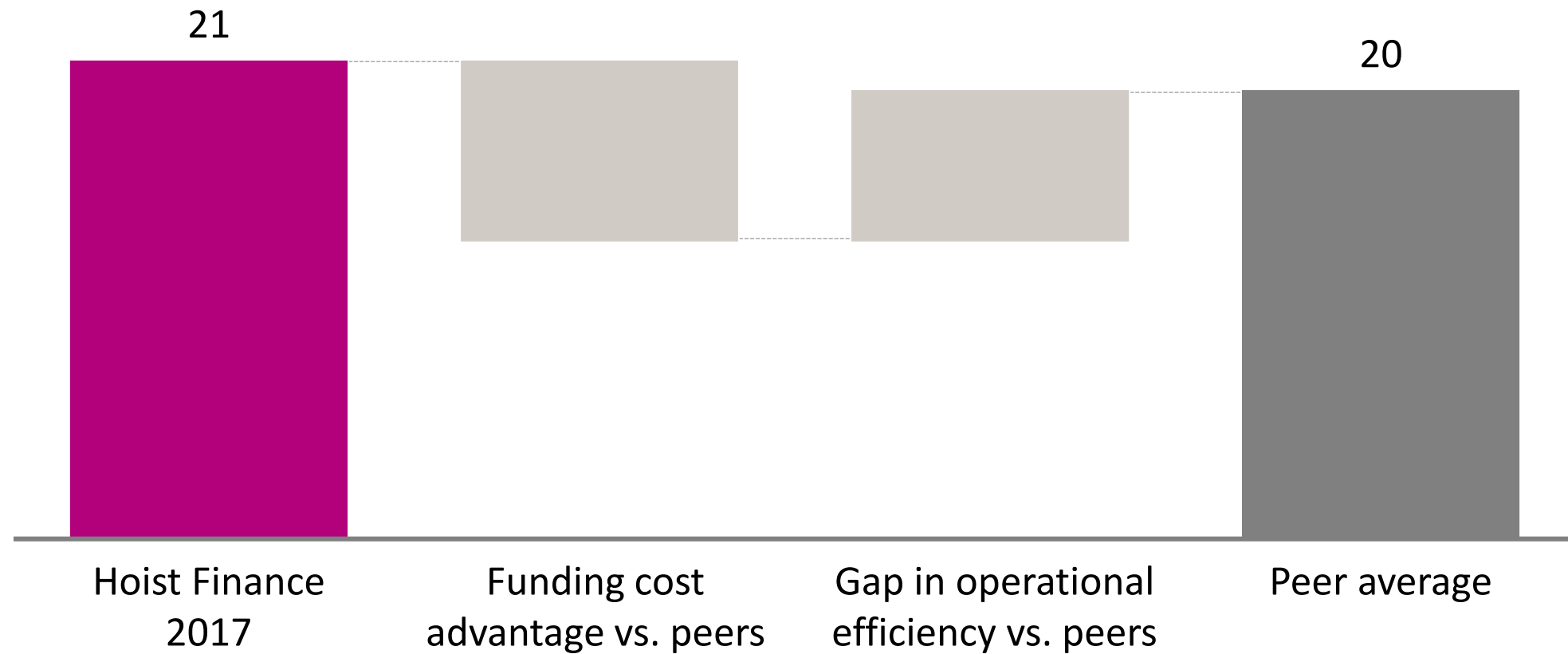
2016-2020

Debt collection sector picking up pace in terms of innovation, in recent years focused on improving quality, ease and availability of interaction through **speech analytics, omni-channel solutions, payment portals and Interactive Voice Response (IVR) systems**



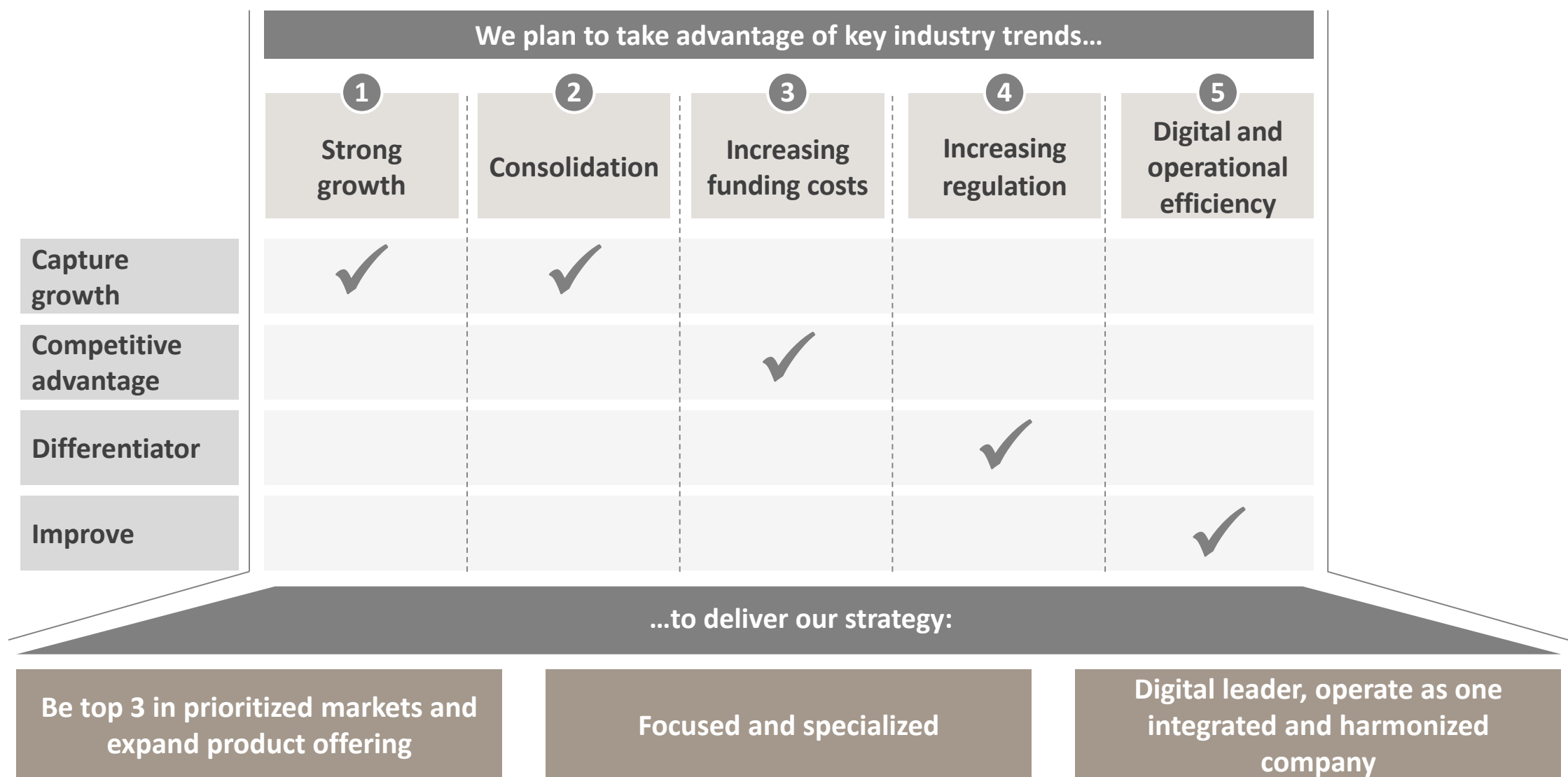
5 Today, our gap in operational efficiency is compensated by low funding costs

Earnings before tax margin¹, %



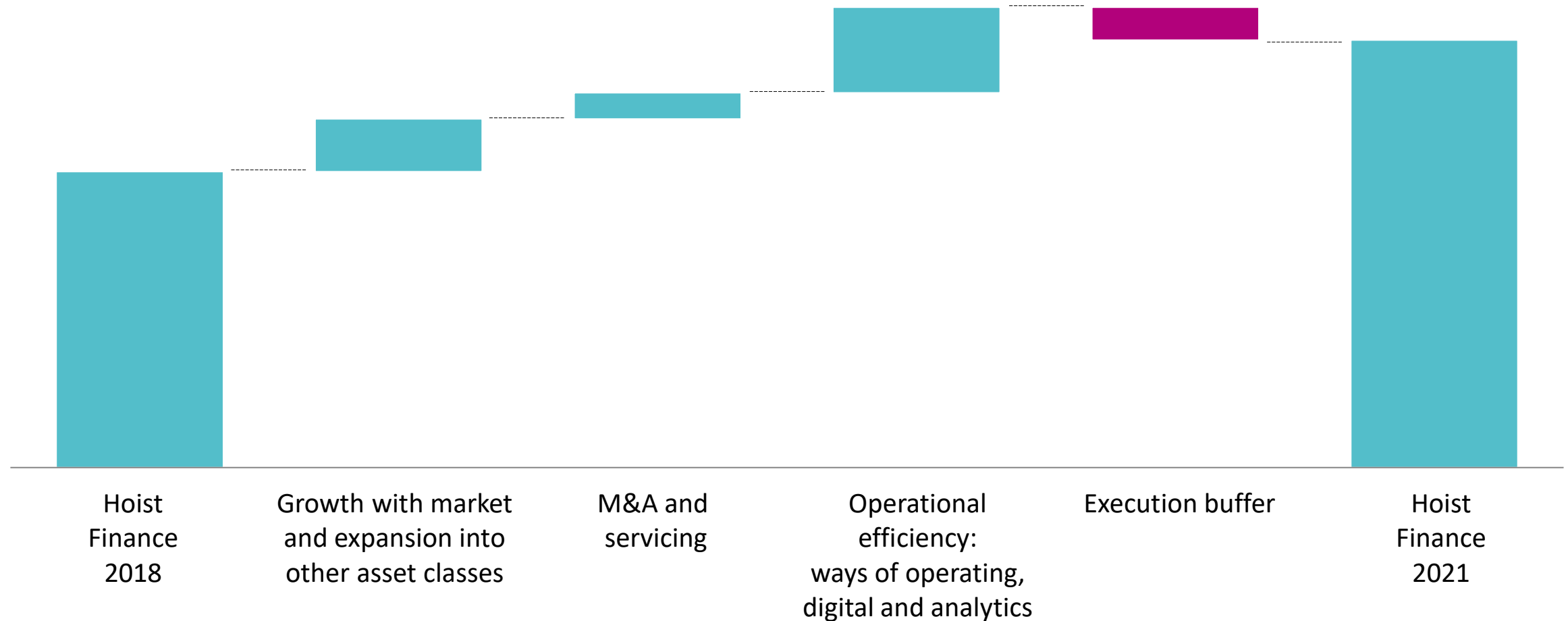
¹ EBT / Net Revenue

A clear strategy to exploit market changes ...



... and setting clear initiatives to increase value creation ...

Hoist Finance 50% EPS growth 2018-2021



... to achieve a market-leading position with attractive returns

Financial targets for 2021

RoE ¹	20%
EPS growth ²	15% CAGR ³
Cost-to-income ratio	65%
CET1 ratio	2.5-4.5 percentage points above regulatory requirements
Dividend	25-30% of net profits per annum

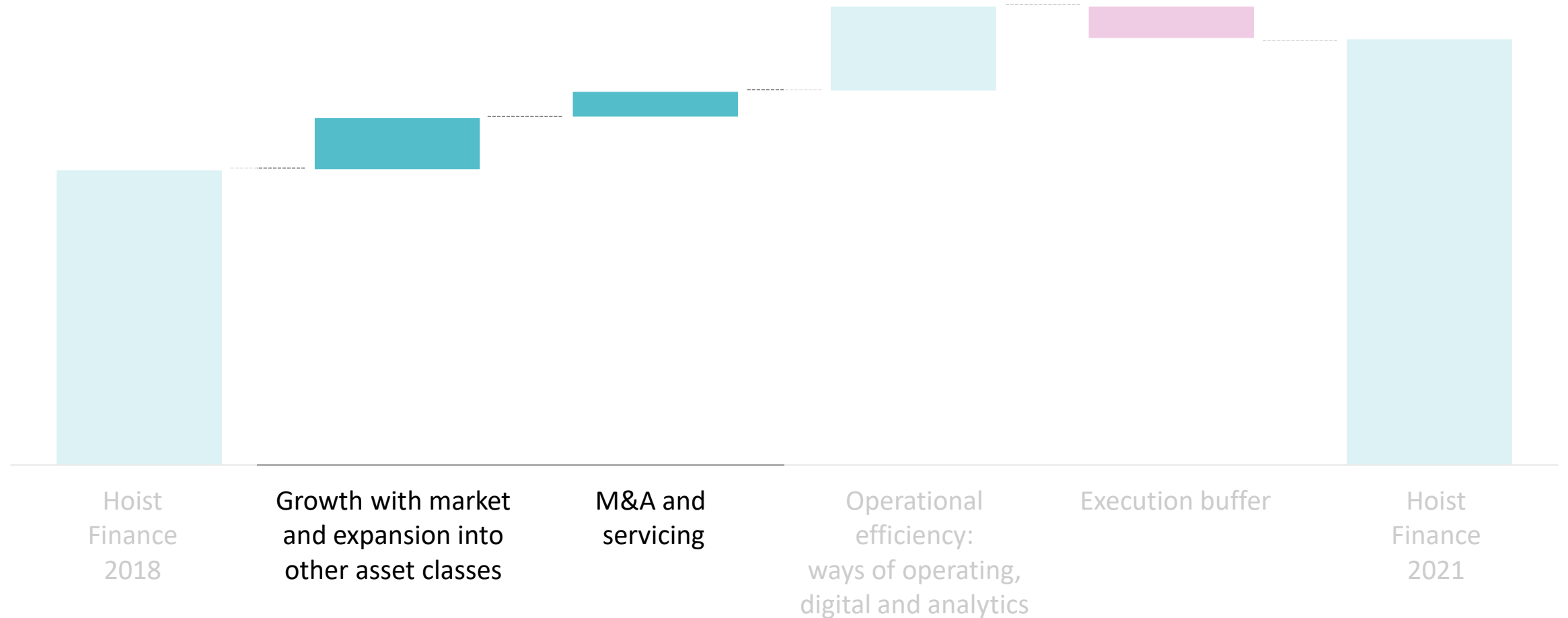


2

Hoist Finance footprint and product offering

New asset classes will be a key driver to increase value creation

Hoist Finance 50% EPS growth 2018-2021



Long-term relationship as a preferred partner to leading European financial institutions

Strong value proposition minimizing reputational risks to Financial Institutions



Regulated by the SFSA since 1996



Long track record and transaction expertise – focus on FI debt purchases since 1994



Understanding of regulated environment – strong internal controls and compliance



In-house collection model allows control of operations – focus on compliance, ethical behavior and risk mitigation

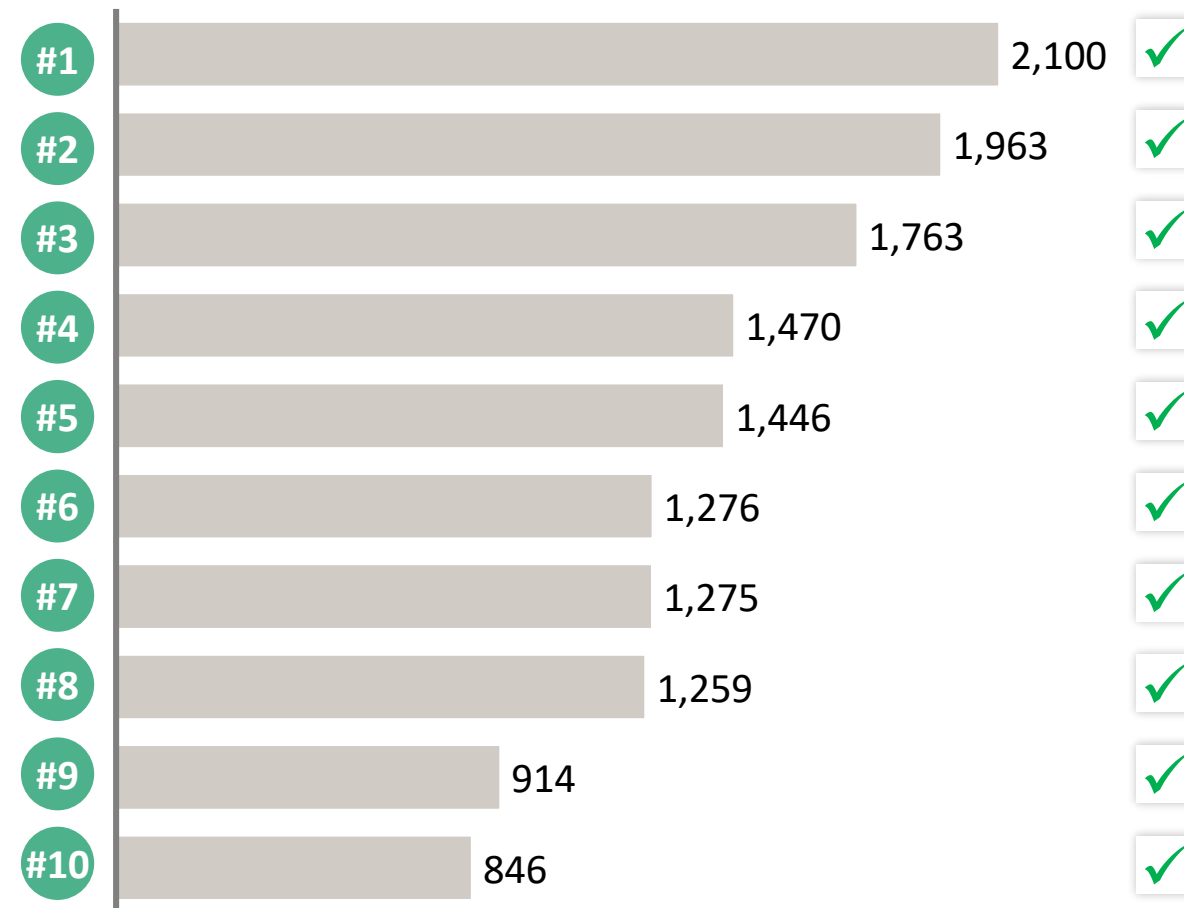


Flexible and tailored product offering across Europe – we are where our clients are

10 largest banks in Europe 2017

Total assets, EURbn

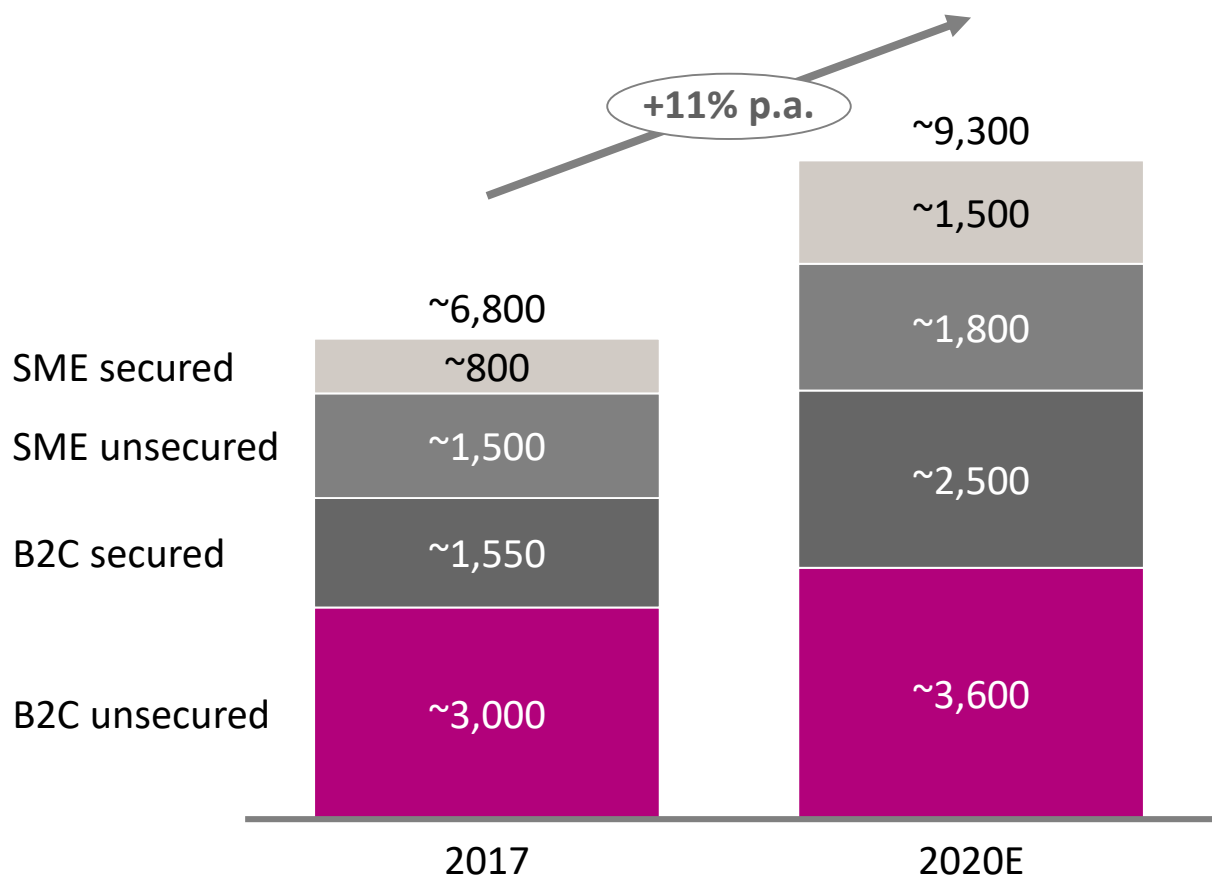
Hoist Finance Client



Clear sales strategy to drive revenue growth

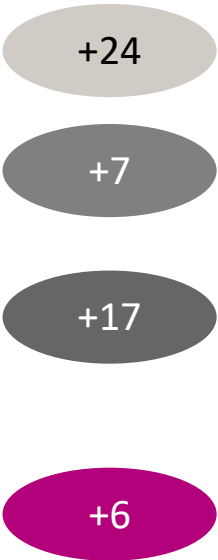
Continued strong growth in FI NPL volumes

European¹ NPL deal value, EURm



CAGR 2017-20E

%



1. Focus on Europe's larger financial institutions
2. Focus on prioritised markets capturing 80% of sold NPLs
3. Broaden product offering in terms of asset classes as well as servicing

Note: Indicative estimates, numbers may not add up due to rounding

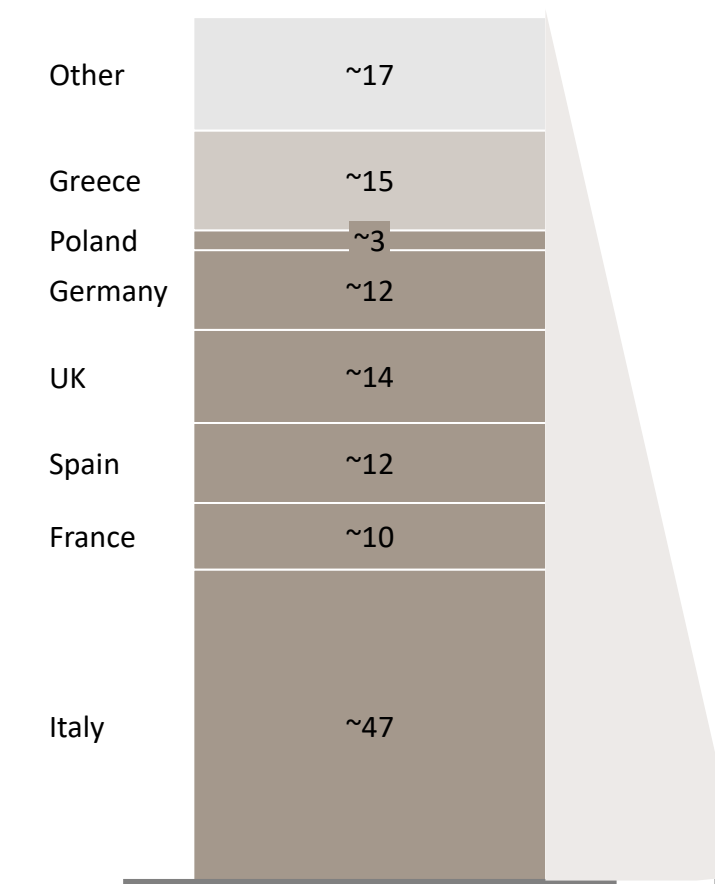
¹ Total deal volumes in key Hoist Finance markets

Attractive addressable market representing ~75 % of European NPL stock

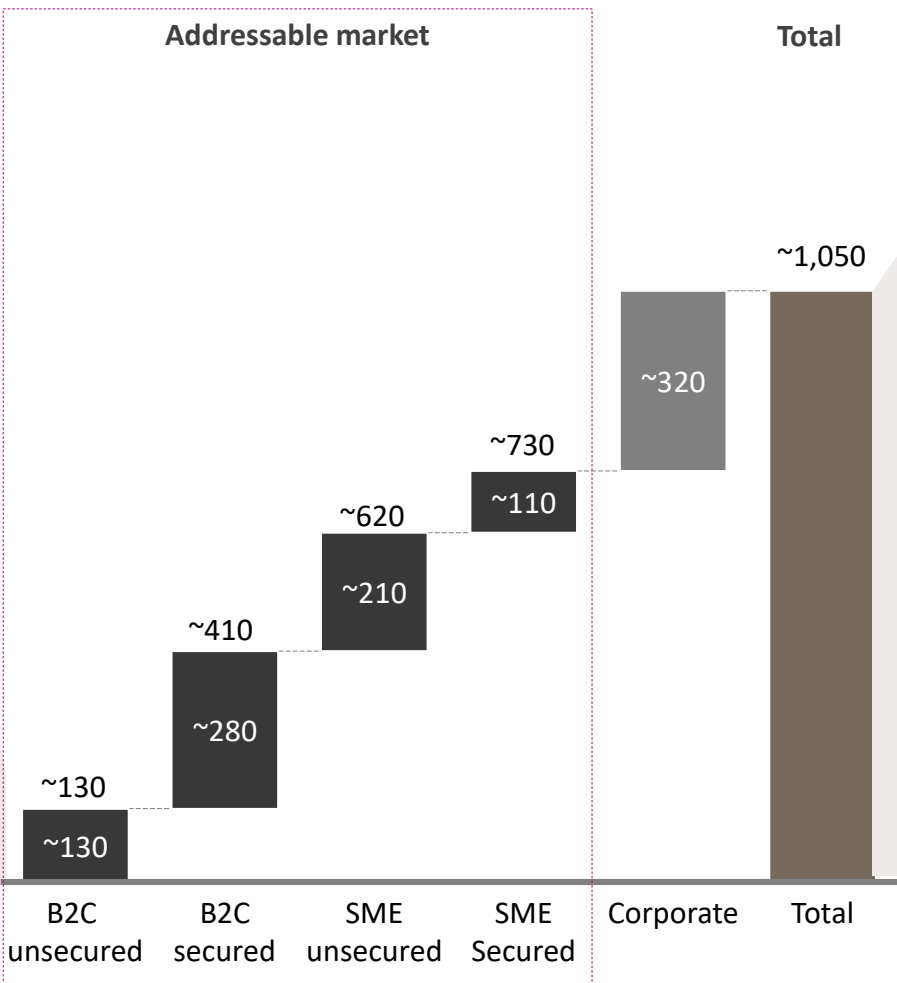
EURbn

- Prioritised Hoist Finance markets
- Other Hoist Finance markets

European B2C unsecured NPLs by country ¹



Overall European NPL stock by type



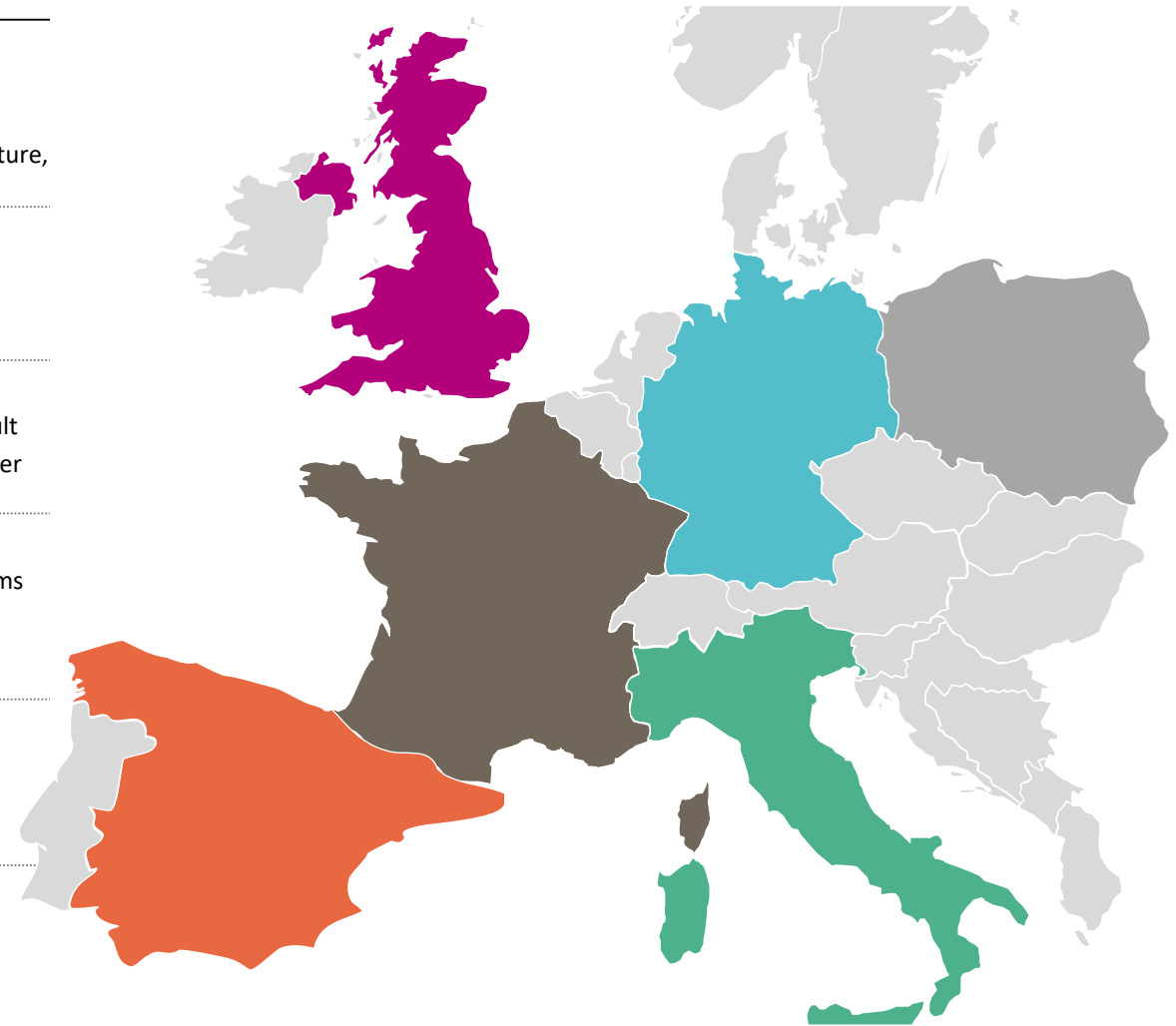
Total European NPLs by country ¹



1 December 2016

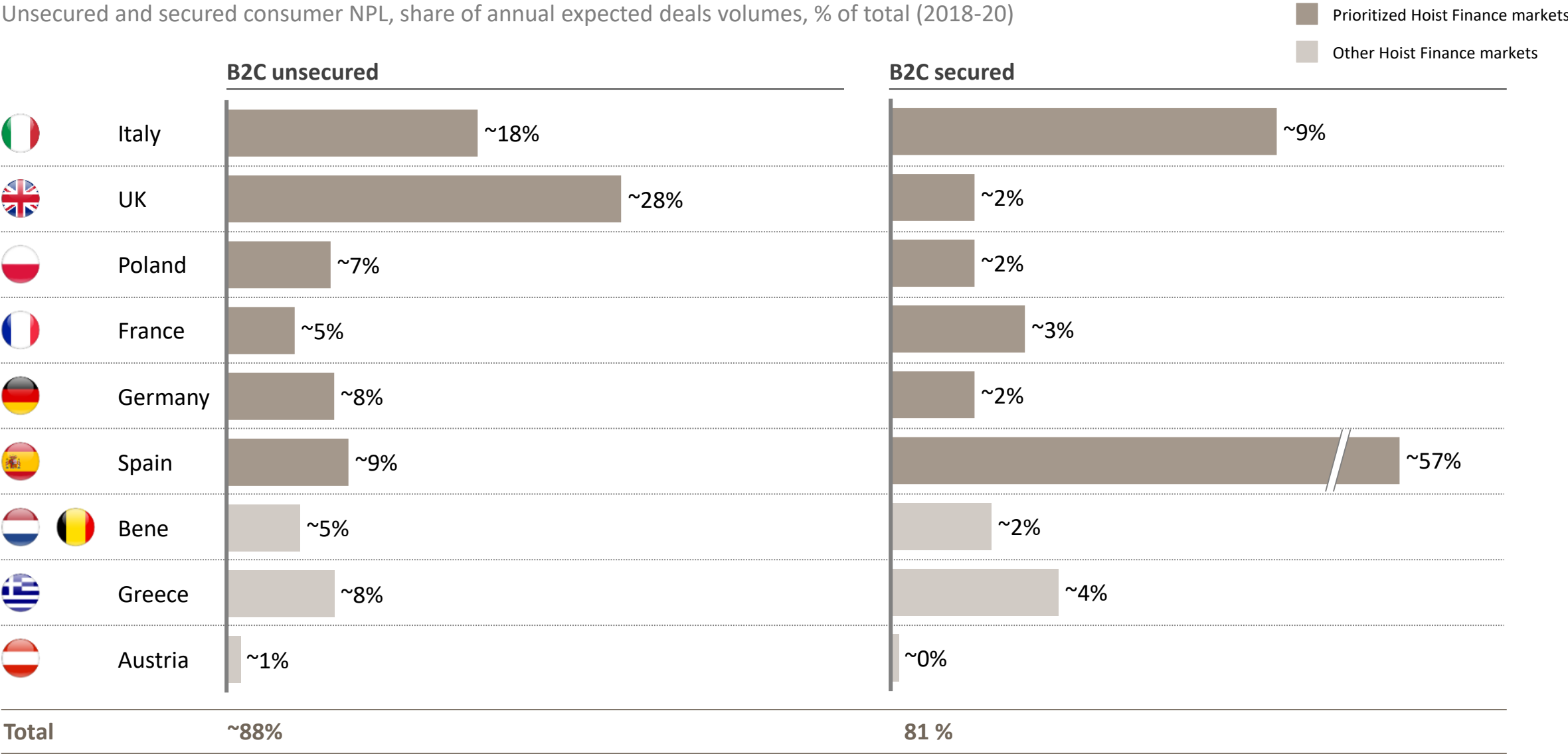
Key trends and growth drivers in Hoist Finance's prioritized markets

Prioritised markets	Growth	Consolidation	Maturity	Regulation	
Italy	↑	●	●	●	<ul style="list-style-type: none"> Financial institutions to decrease NPL ratios Opportunities in B2C secured, SME secured and unsecured Banks still deciding on best UtP management structure, considering disposal plans too
UK	↗	●	●	●	<ul style="list-style-type: none"> Mature and competitive environment Regulation increasing entry barriers Clients focusing on service and digital solutions
Poland	↗	●	●	●	<ul style="list-style-type: none"> Solid legal framework and attractive return profile Portfolio pricing recovered after the GetBack default Changes in legislation during 2017 leading to fresher claims being sold by banks
France	↗	●	●	●	<ul style="list-style-type: none"> Nascent with low transaction volumes Cost reduction agenda, incl. internal collection teams Financial institutions outsource and divest NPL to achieve targets
Germany	↗	●	●	●	<ul style="list-style-type: none"> Fragmented banking sector Stable supply driven by banks reorganising NPL outsourcing setup Increasing Forward Flow Market
Spain	↗	●	●	●	<ul style="list-style-type: none"> Increased outsourcing and sector industrialisation Significant non-core volume sold (c. 50 annual transactions) Improved macro and increasing employment



Over 85% of total European B2C NPL market potential exist in Hoist Finance's markets

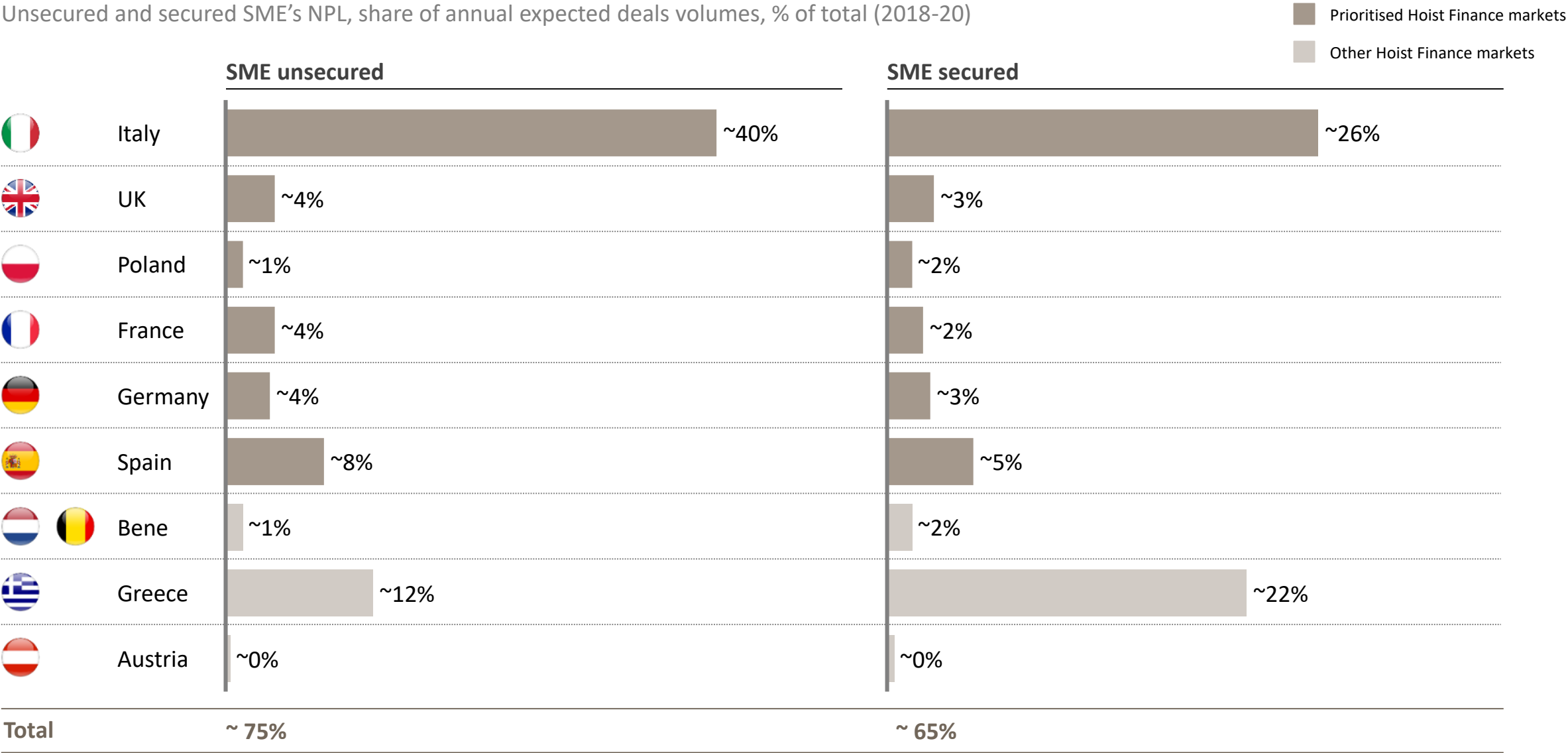
Unsecured and secured consumer NPL, share of annual expected deals volumes, % of total (2018-20)



Note: Estimated figures

~70% of total European SME NPL market potential exist in Hoist Finance’s markets

Unsecured and secured SME’s NPL, share of annual expected deals volumes, % of total (2018-20)



Note: Estimated figures

Presence in 2017: still mostly in B2C unsecured segment



We will continue our expansion into new asset classes

Presence in 2017
 Recent expansion
 Potential expansion

		B2C unsecured	SME unsecured	B2C secured	SME secured	Performing
	Italy	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
	UK	<div></div>		<div></div>	<div></div>	<div></div>
	Poland	<div></div>	<div></div>	<div></div>		<div></div>
	France	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
	Germany	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
	Spain	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
	Bene	<div></div>	<div></div>			
	Greece	<div></div>	<div></div>	<div></div>	<div></div>	

Structured approach to origination...

● Sales office ● Hoist Finance office

Sales organisation with local presence



- Structured sales approach with 30 employees and presence in 9 locations – local teams with expertise in local dynamics
- Each team is responsible for overall sales and investments in its country strategy
- Each team directly manages relationship with local accounts, with main focus on key clients
- Key clients are the main clients, present in more than 2 countries

... offering tailored solutions

	Portfolio spot transaction	Committed forward flow	Full structural outsourcing	Third party collections
Capital, liquidity and NPL ratios	✓	✓	✓	✗
Operational rationalization	✗	✓	✓	✓
Cost reduction	✗	✗	✓ FTE reduction	✓

Expansion into servicing adds additional synergies and growth opportunities

Flexibility	Meet clients' needs through increased product offering
Origination	Large potential for acquisitions from debt servicing
Data analytics	Increased number of data points
Operations	Combined scale with monthly collections
Financial	Capital-light revenues

Case study: broadened product offering to the Italian banking sector

Maran – a specialized Italian bank servicing provider

- Founded in 1993
- Operational center with 200 employees in Spoleto, Italy
- Specialized servicing company with larger Italian banks and financial institutions amongst its clients



Strategic importance

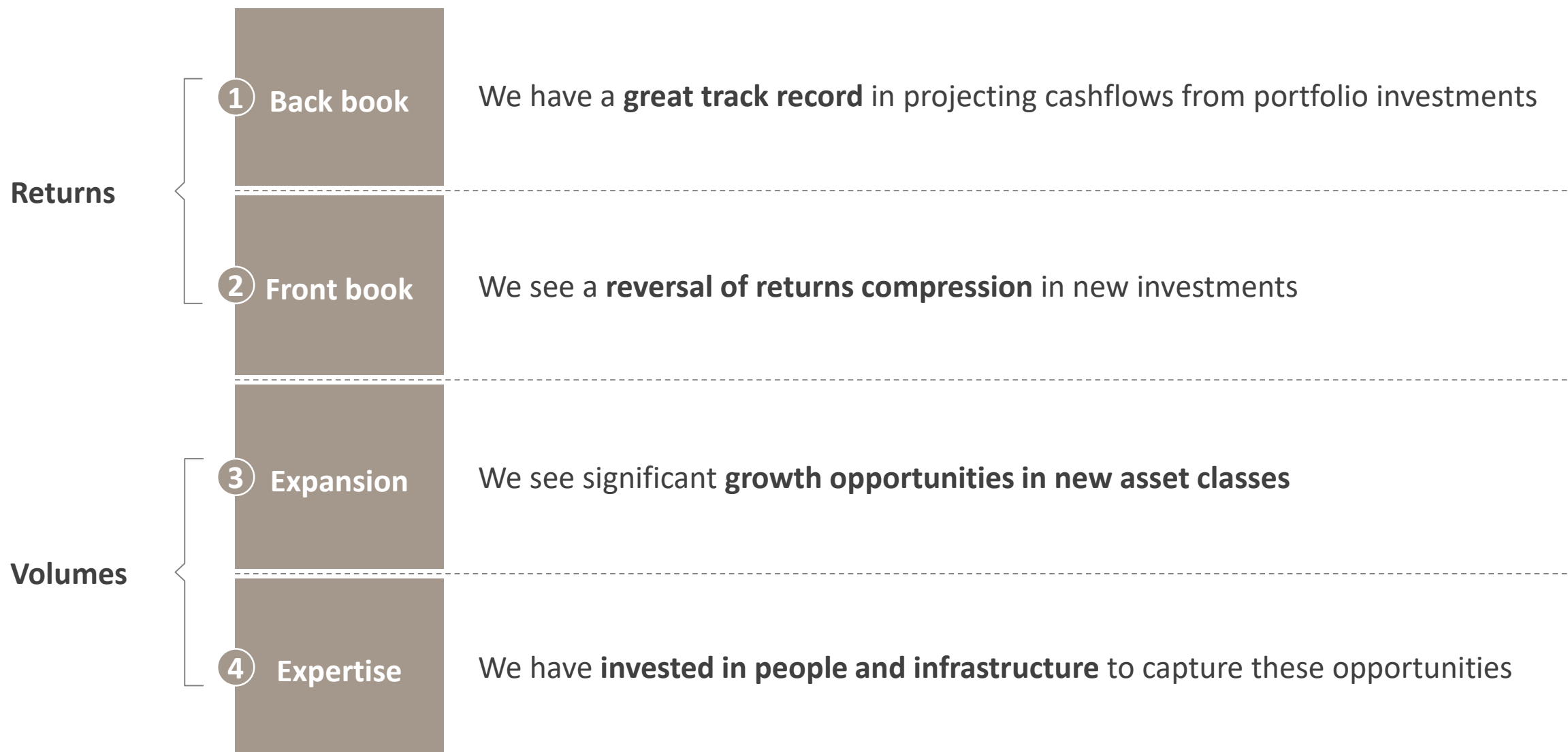
- Broadens **product offering** to include servicing
- Strengthens **position** in a prioritized market
- Adds **capacity and competence**
- Creates an **integrated servicing platform** enabling full-service debt restructuring

A photograph of three business professionals (two men and one woman) sitting at a table, looking at documents and laptops. The background is a bright blue wall with a large abstract painting. A potted plant is visible on the left. A white banner with a purple hexagon containing the number '3' and the text 'Investment approach' is overlaid on the image.

3

Investment approach

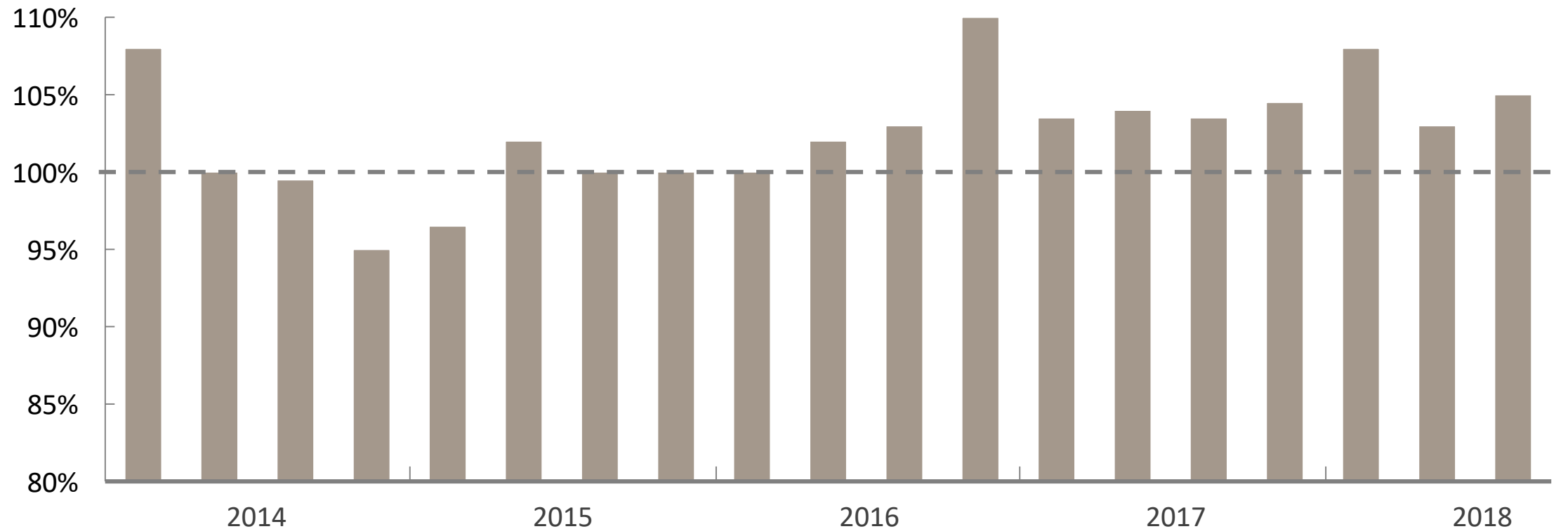
Investment approach



1 Increasing quarterly over-performance compared to management forecast

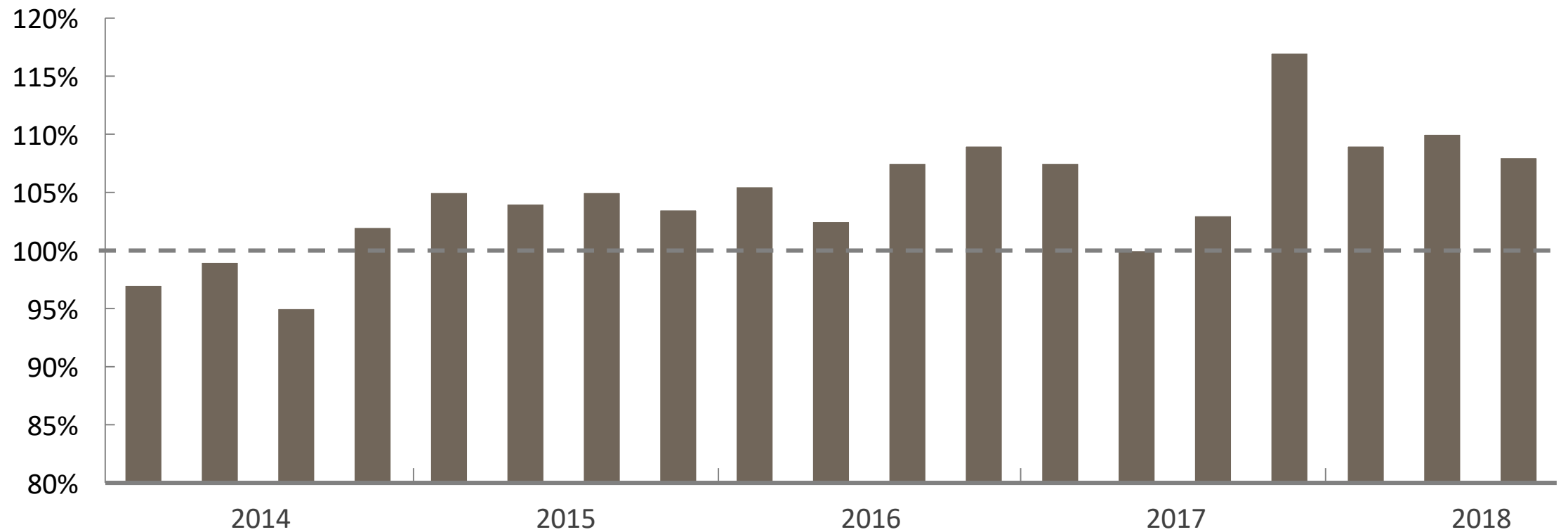
Quarterly actual cash vs. management forecast

%



1 Strong track record in initial forecast accuracy

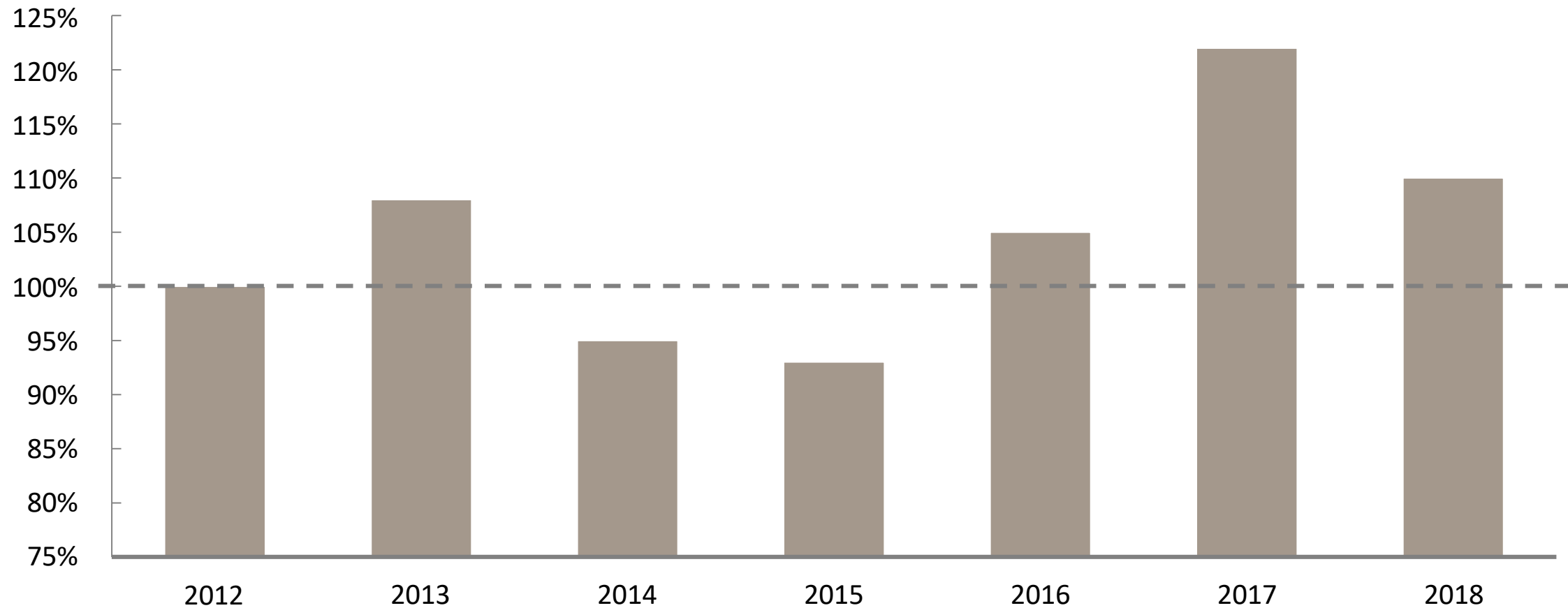
Quarterly actual cash vs. initial forecast
%



1 Forecasting accuracy strong also on a vintage basis

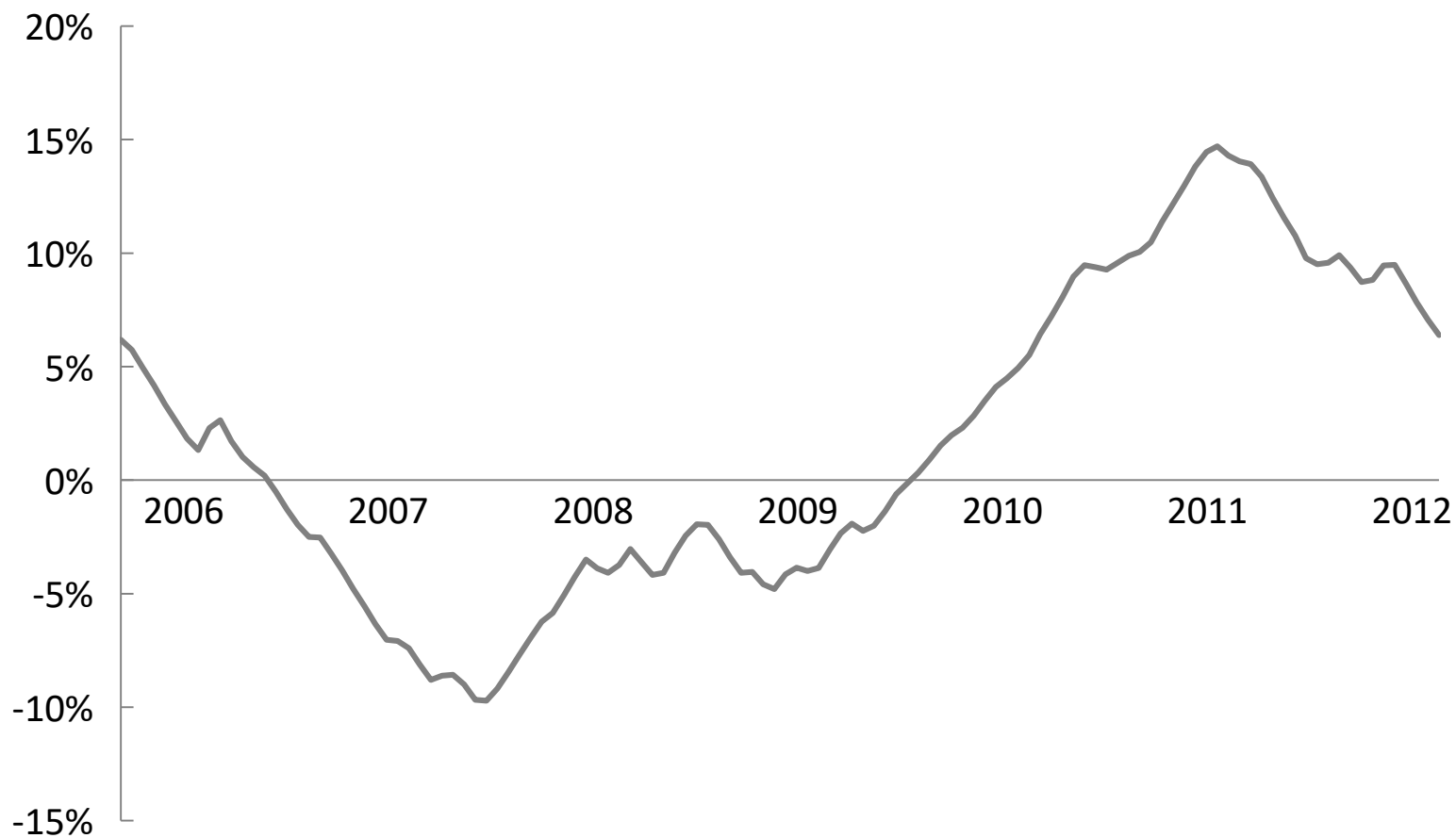
Actual cash vs initial forecast by vintage

%



1 Low volatility of performance even under severe financial stress

Hoist Finance non-performing loan book performance during the financial crisis of 2008, cash collections as % of forecast 2007-12



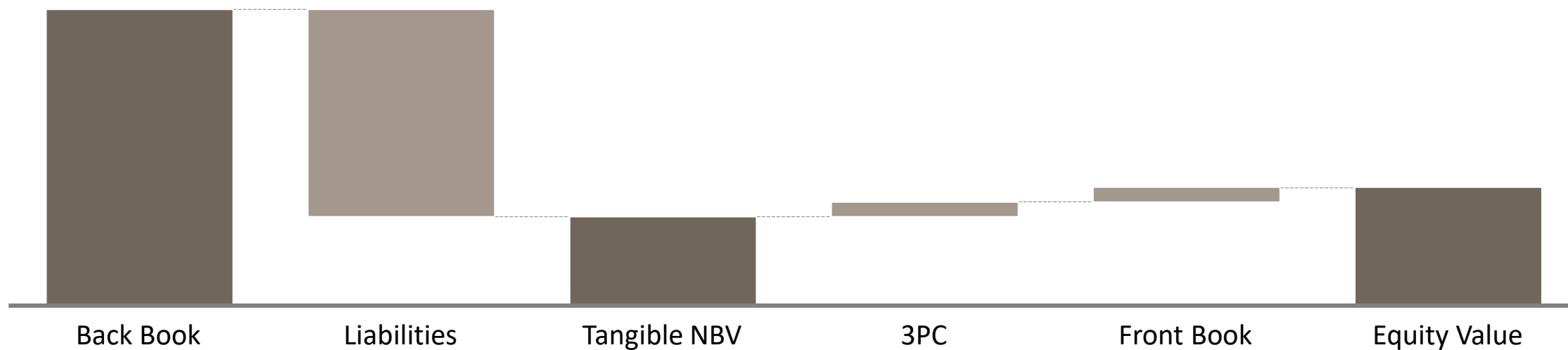
- Negative deviation of up to 10% during the financial crisis
- Significant recovery after the crisis making up for shortfall
- Delay in collections rather than a permanent decrease
- Effect on book values was a write-down of 2.6% in 2009

Note: Data is derived from actual portfolios of unsecured NPLs on Hoist Finance balance sheet during the time of the financial crisis. 12 months rolling averages are used in the analysis.

2 We are quite different from the rest of our industry

Building blocks of equity value in our industry

ILLUSTRATIVE



Industry concern #1: Tangible net book value

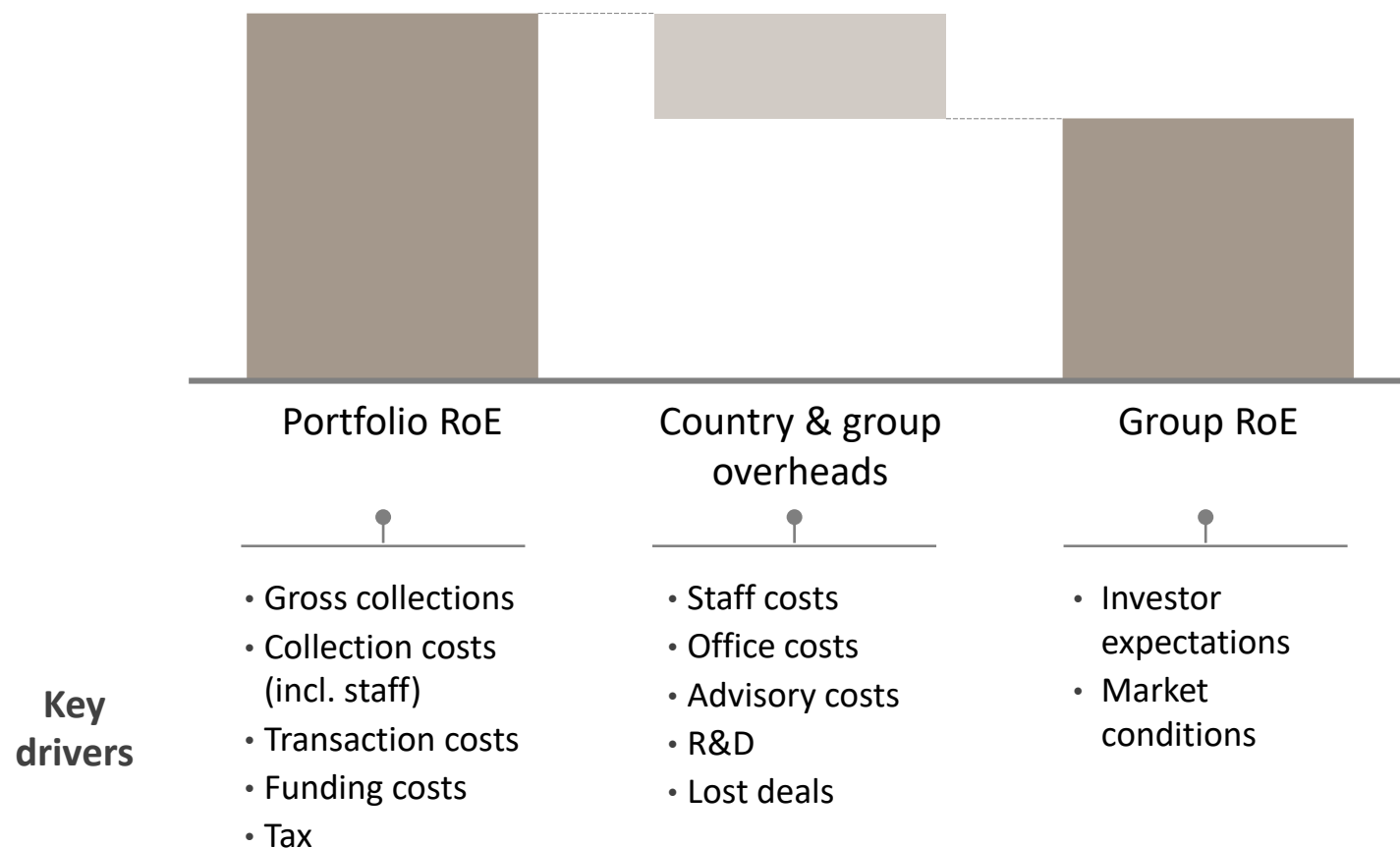
- **Industry concern:** Tangible NBV is low due to high goodwill from historic M&A
- **Unique Hoist Finance perspective:** Benefit of strong balance sheet with positive Tangible NBV, as required by the regulator and evidenced by sole investment grade rating in the industry

Industry concern #2: Front book value

- **Industry concern:** Front book value is low in this low IRR market environment
- **Unique Hoist Finance perspective:** Benefit of lowest funding cost in the industry allowing us to still see value where the rest of the industry operates loss making

2 Investment thresholds supporting Group RoE target

Bridge between portfolio investments and Group RoE



- Investment decisions take a number of metrics into account to properly reflect risk profile of portfolios:
 - IRR
 - Gross money-on-money multiple
 - Return on Equity (RoE)
- Portfolio RoE targets provide the necessary headroom to cover country and group overheads

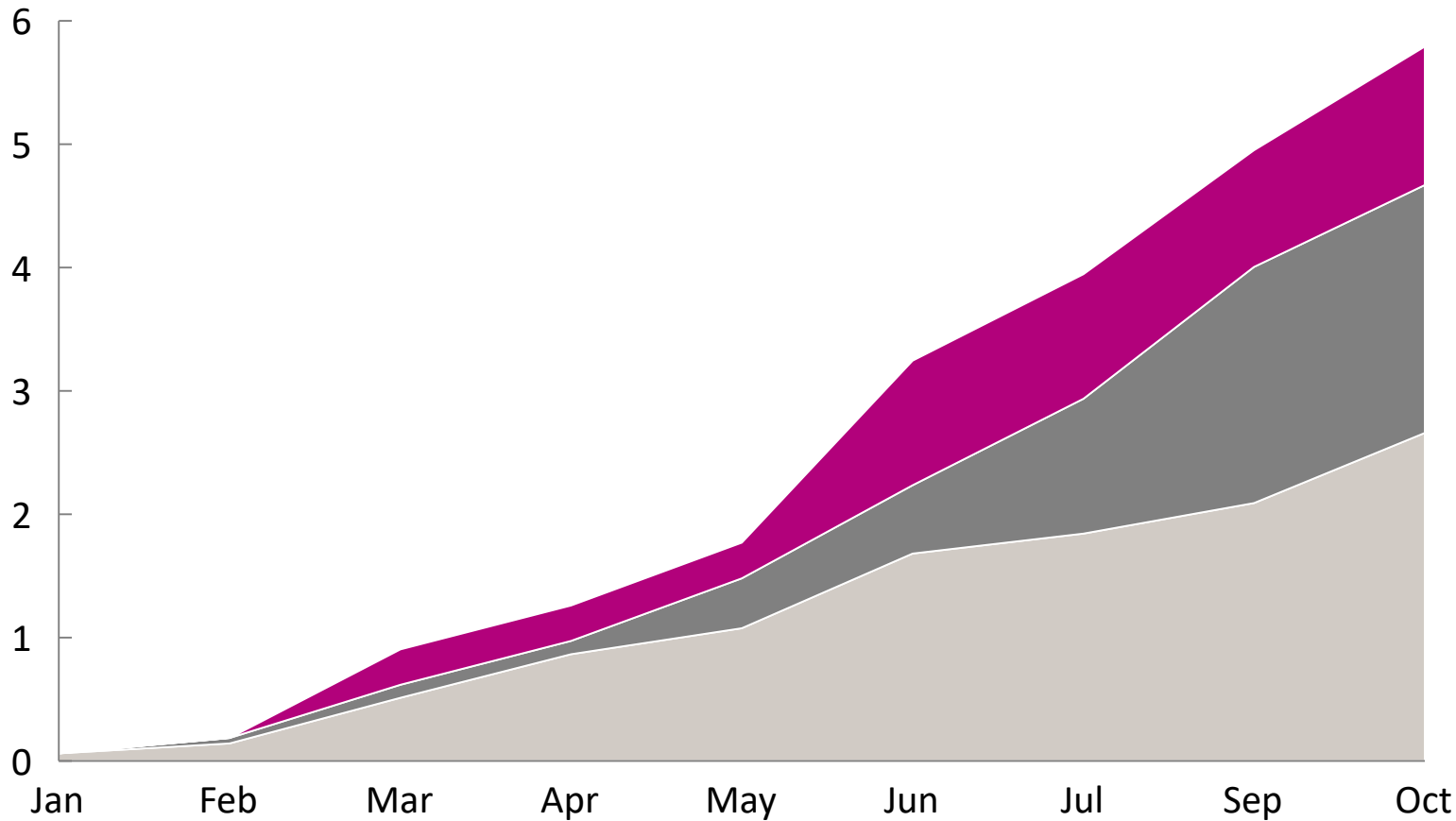
2 “We believe that we have passed the low point with regards to margin compression”



3 Acquisitions growth in 2018 is primarily driven by new asset classes

Monthly cumulative acquisition volumes by asset class

2018, SEKbn



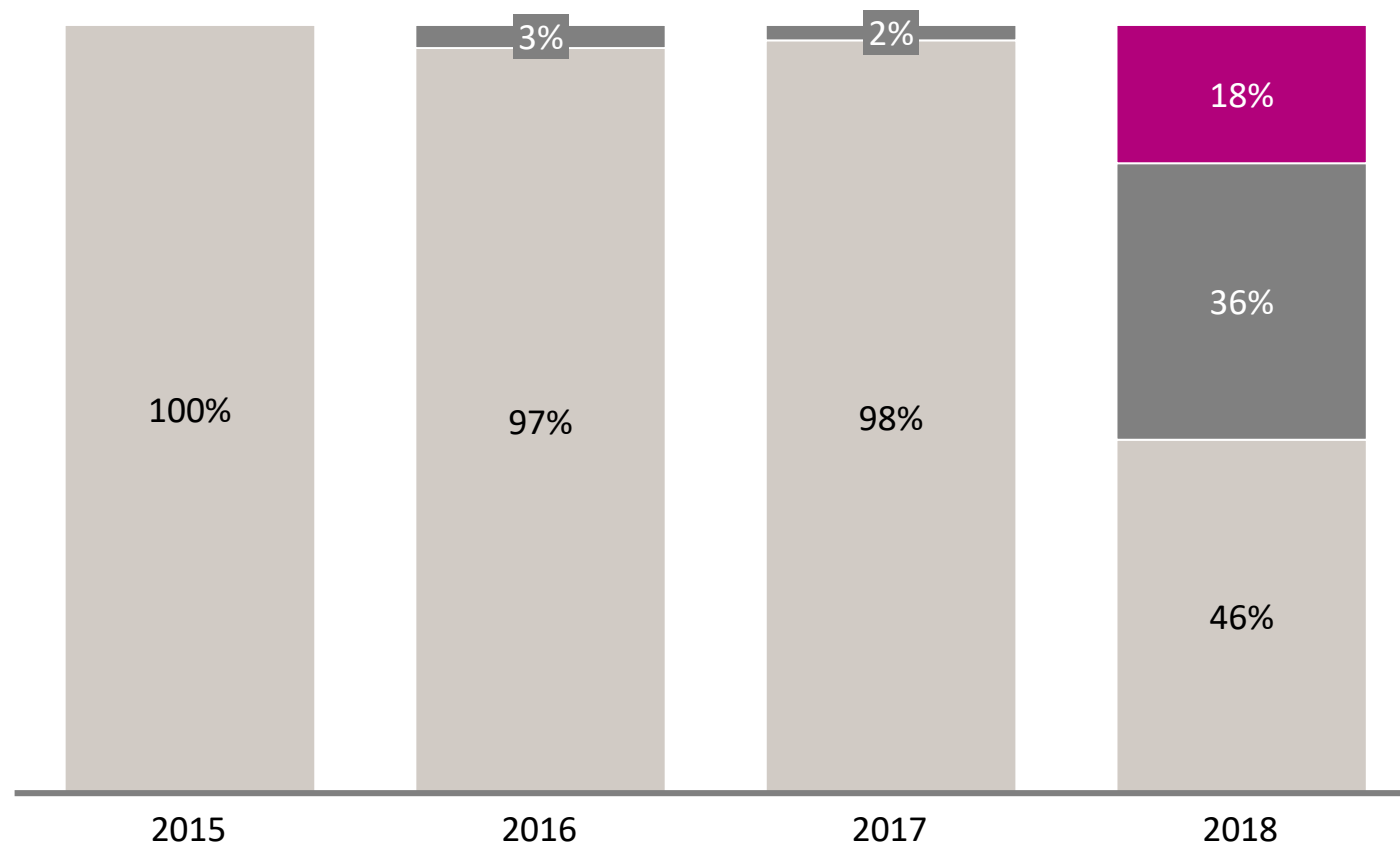
- Strong acquisitions across asset classes through all 3 quarters
- Continued steady acquisition volume seen in unsecured NPL
- Additional volume in secured NPL and performing loans allows for strong growth without compromising returns

■ Performing
■ Secured - NPL
■ Unsecured - NPL

3 New asset class expansion in 2018 has improved diversification within our book

Annual total acquisition composition by asset class

%



- Unsecured NPLs to remain core business
- Investments in secured NPLs as well as performing loans represent significant growth opportunities and provide additional diversification of our book

■ Performing
■ Secured - NPL
■ Unsecured - NPL

4 Investments – a pan European team

Hoist Finance footprint spans across many countries in Europe



- Group Investments responsible for all investments made by Hoist Finance
- Team being based across Europe, but operates across jurisdictions and asset classes
- Key responsibilities include:
 - Managing investment process
 - Pricing and cash flow forecasts
 - Research and development
 - Corporate acquisitions
 - Reviewing portfolio performance

4 Investment team is complemented by local specialists

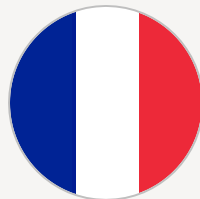


Carlo & Francesco
Rome, Italy

Leading our real estate and legal due diligence and valuation projects for Italian secured NPL portfolios

24 years industry experience

Team of 10 professionals



Marie-Sophie
Paris, France

Recruited to set up and run our French SME and secured NPL acquisition and management platform

23 years industry experience

Team of 5 professionals



Mariusz
Warsaw, Poland

Joined as part of a Polish performing loan portfolio acquisition and continues to manage this portfolio

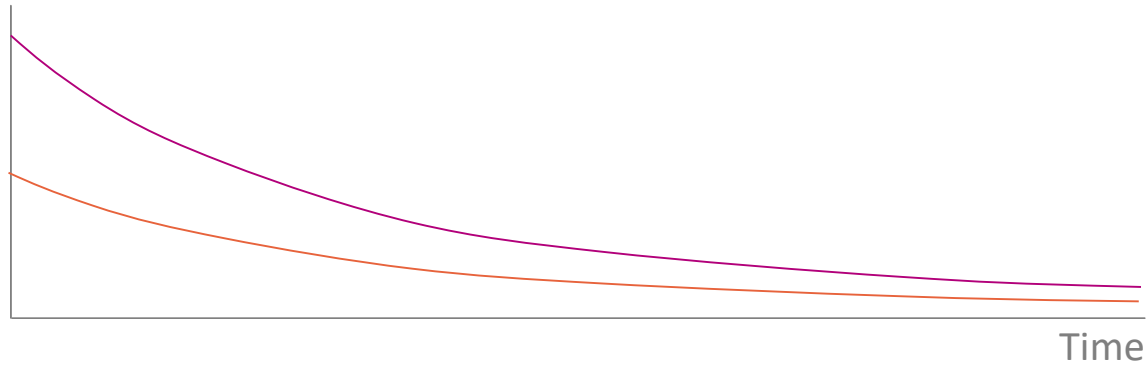
22 years industry experience

Team of 6 professionals

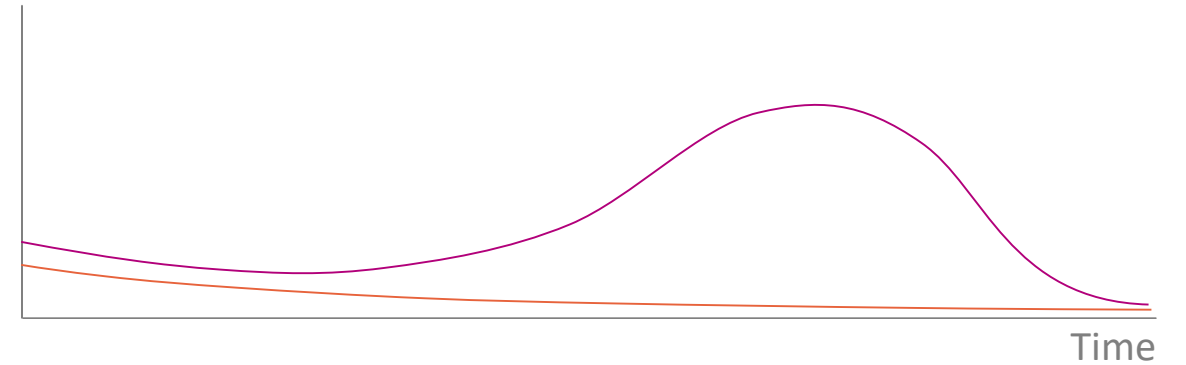
4 Cash flow and cost characteristics for different asset classes

— Cash flow
— Costs

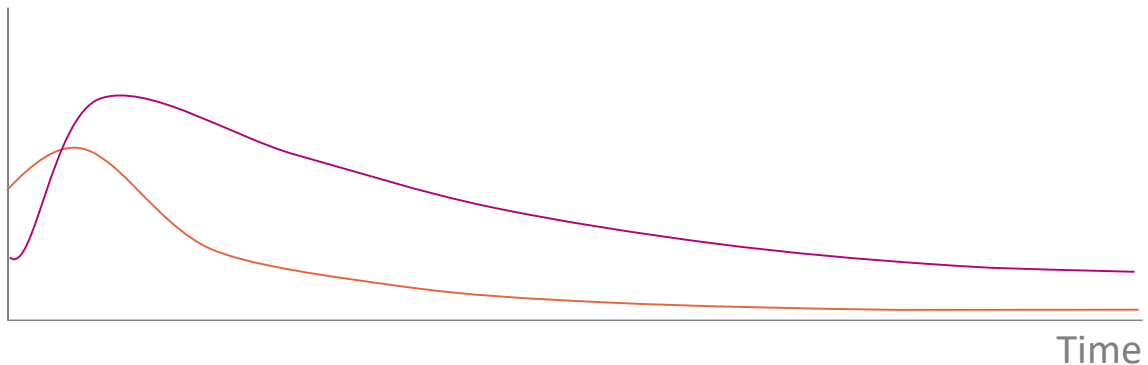
Unsecured NPL portfolio – amicable strategy



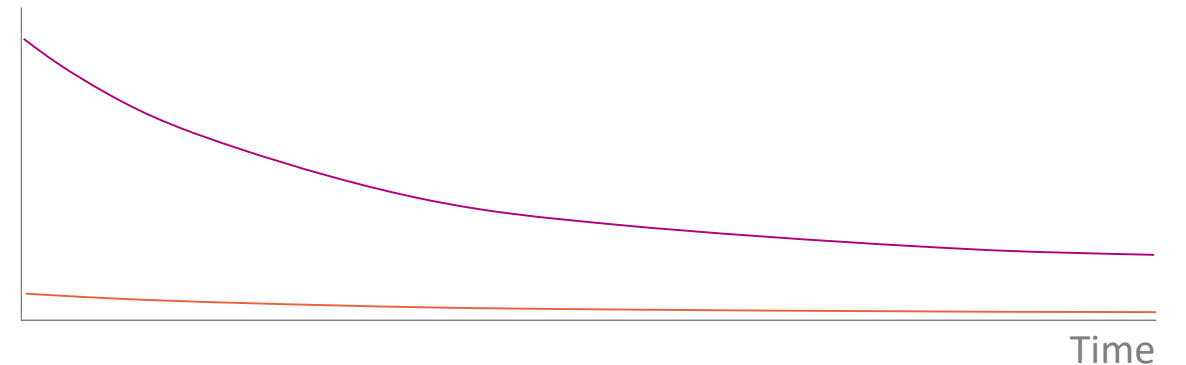
Secured NPL portfolio



Unsecured NPL portfolio – legal strategy



Performing portfolio



4 Cash flow and cost characteristics for different asset classes

- Unsecured NPL
- Secured NPL
- Performing

Financials

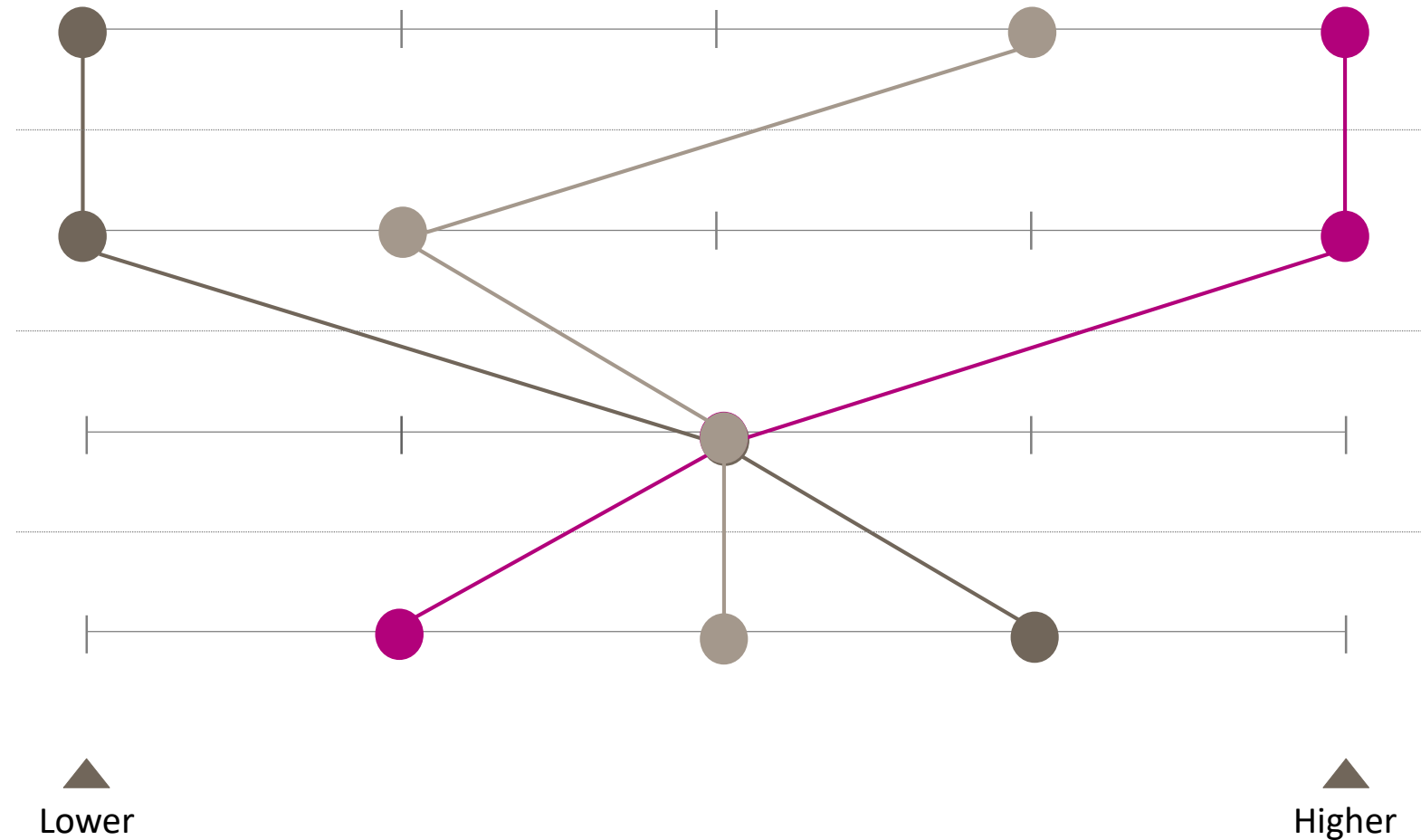
IRR

Costs to collect

RoE

Duration

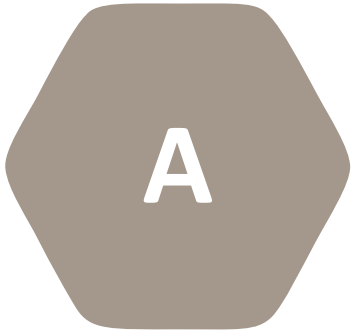
Asset characteristics



4 Performing loans – a logical step to expand our business further

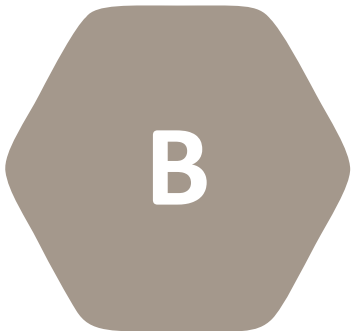
Capital structure	Lower risk weighting for performing assets, in particular secured, allows us to utilise very efficient capital structures when acquiring performing loan portfolios
Financial services focus	European banks have a need to offload other non-core assets besides non-performing loans, such as performing loan portfolios in run-off
Regulated status	Our status as licensed credit market company and trusted counterparty to clients and customers in non-performing loan portfolio transactions naturally extends to performing assets
Servicing capability	Our ability to manage loan portfolios in-house allows us identify issues early, assess risks properly and act swiftly to protect value in portfolios
Pricing expertise	Similarities in behaviour between NPL customers on payment plans and performing customers allows us to apply existing expertise to pricing performing loan portfolios

4 M&A as a valuable tool to support our strategy



Transformative M&A

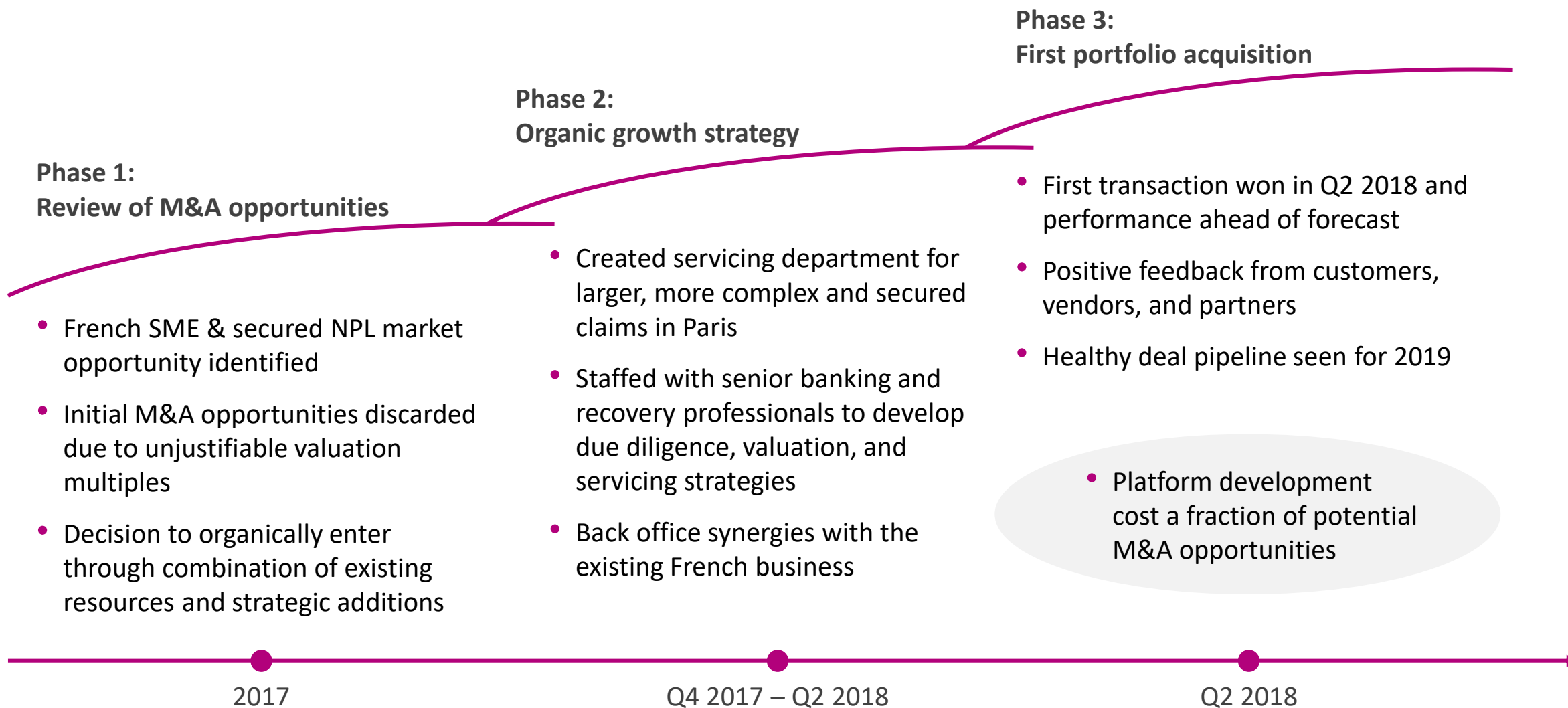
- Scale
 - Industrial logic
 - Cost, funding and revenue synergies
-



Bolt-on M&A

- Enhance capabilities
- Broaden product offering
- Strengthen position in prioritized markets

4 Case study – organic entry into SME and secured NPL market in France



4 Case study – our amicable approach creates a niche in the market

"I would like to thank you for the quality of our discussion yesterday, which fortunately was a big difference from the level of discussion I had with the Seller. What a waste of time that was!"

– French customer, Sep 2018

"Thank you for accepting to meet me in person and understanding my personal situation. The seller never followed up on my demands in the past"

– French customer, Aug 2018

"The communication is a lot easier with you and for the first time I feel we will be able to resolve this situation in an amicable manner"

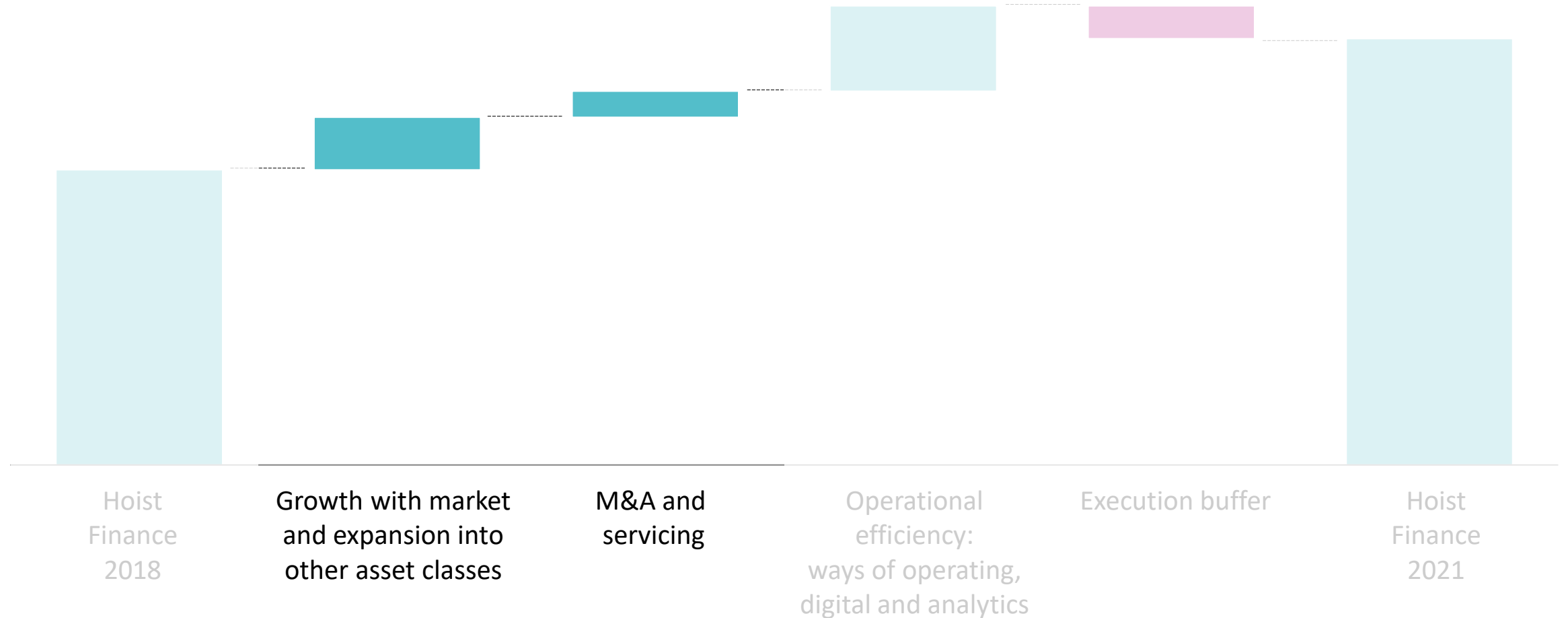
– Lawyer representing a client, Sep 2018



Picture: A customer sent a thank-you note with flowers following the amicable resolution of a complicated situation. As part of the resolution, we accepted to call off an auction at the last minute against the repayment of the legal fees incurred, and set up a divestment plan for the house to allow the debtor to sell it under the best conditions possible

New asset classes will be a key driver to increase value creation

Hoist Finance 50% EPS growth 2018-2021





Q&A

Coffee Break 30 minutes



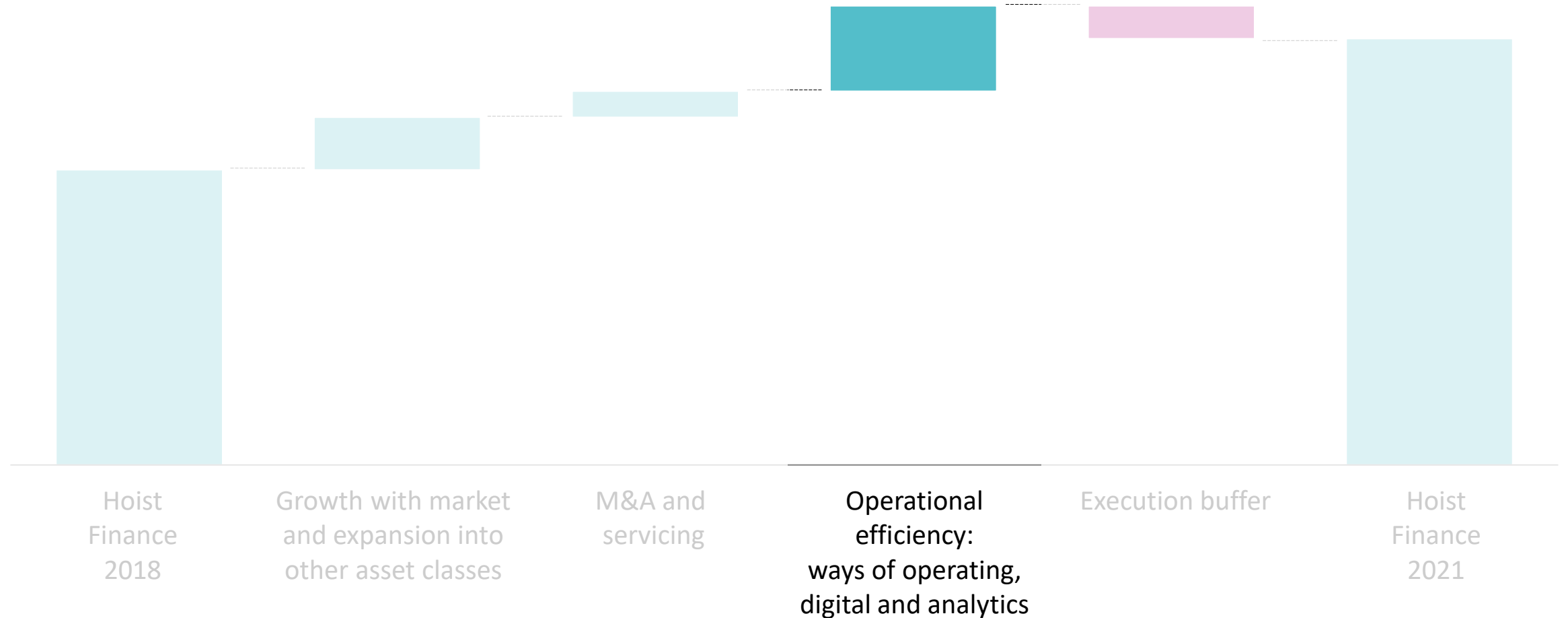


4

Operational overview

Operational efficiency will be a key driver to increase value creation

Hoist Finance 50% EPS growth 2018-2021



Operational efficiency – Summary

Hoist Finance has a solid organisational presence which has built **excellent customer relationships** over time

Operationally, we are underperforming and **have identified 4 key development areas**: collections, analytics, digital and indirect costs

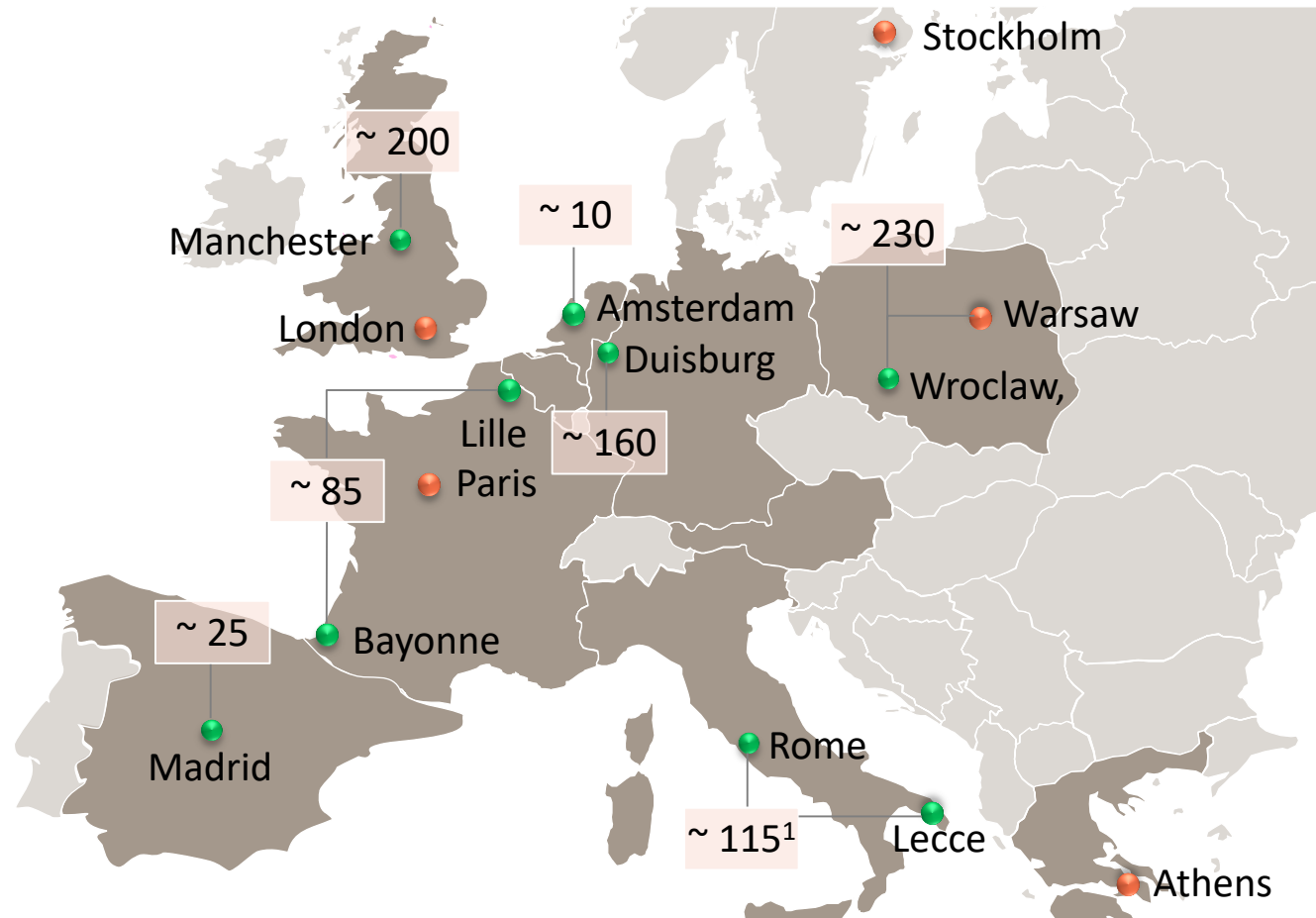
We see a potential of 300 SEKm in annual cost improvements to be realised by 2021

Majority of **potential can be achieved through simple measures** already implemented in some of our markets

Overview of current operations

x Operational FTEs ● Collection sites ● Other sites

European footprint – operations with local presence



- ~800 operational FTEs within amicable, field and DCA¹ collections, legal and insolvency collections as well as related support functions
- Scope of operations function:
 - Collections (including amicable, legal, outsourced)
 - Digital/IT (including customer interfaces and internal IT)
 - Analytics/decision science
 - Indirect costs

Hoist Finance receives excellent customer feedback

"I am grateful for everything you have done for me. Especially for understanding, quick reaction and polite treatment – which is the most important thing" – Poland

"The person was very compassionate, unlike some of your competitors. The reason for non-payment could be made less complex if more people were like your staff will make people more willing to resolve" – Italy

"The representative was friendly professional listened to what I had to say and acted on it efficiently sent a text promptly as promised and could not fault her performance. Thank you" – UK

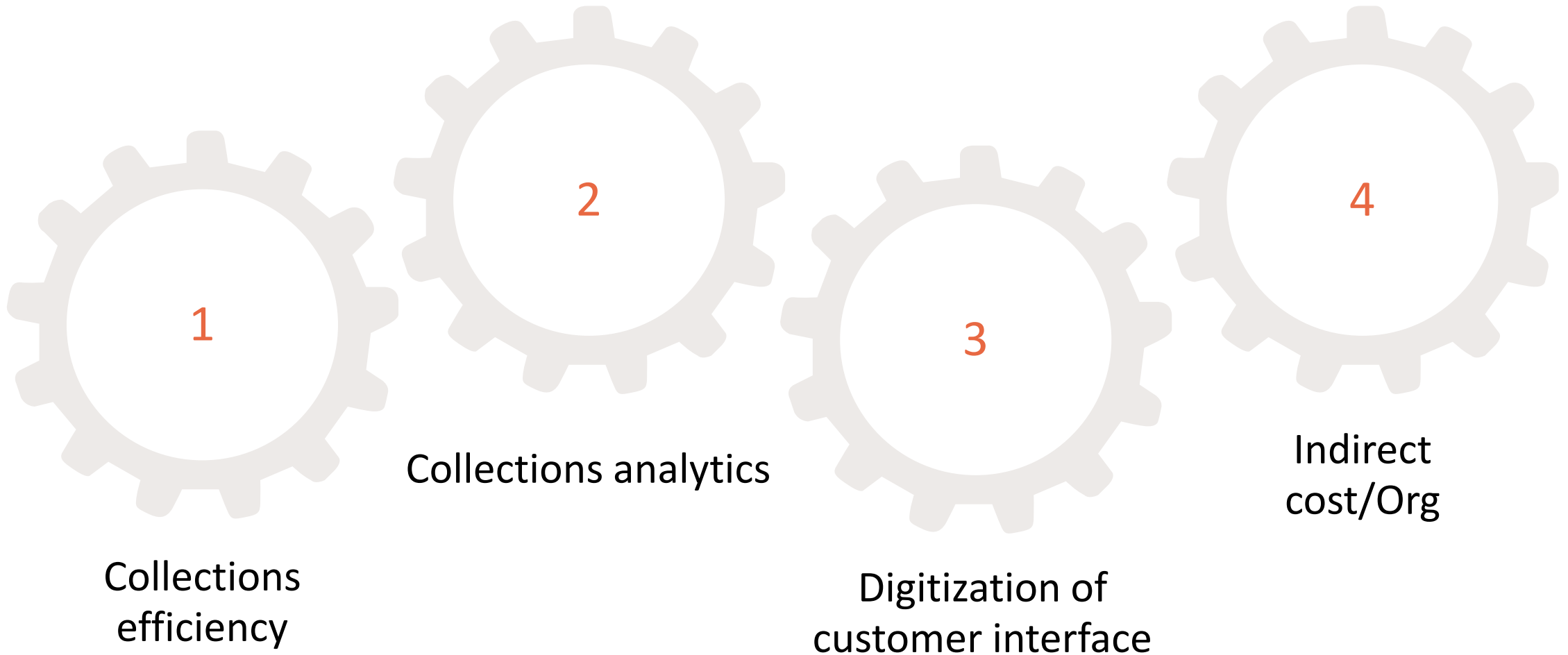
"Despite the enormous difficulties that I am going through, I met humane people that understood. I am satisfied with the conversation with the counsellor who took care of my request" – France

"The person I spoke with was very efficient, very professional, dealt with my issue and I did feel as though I got listened to which I think is important" – UK

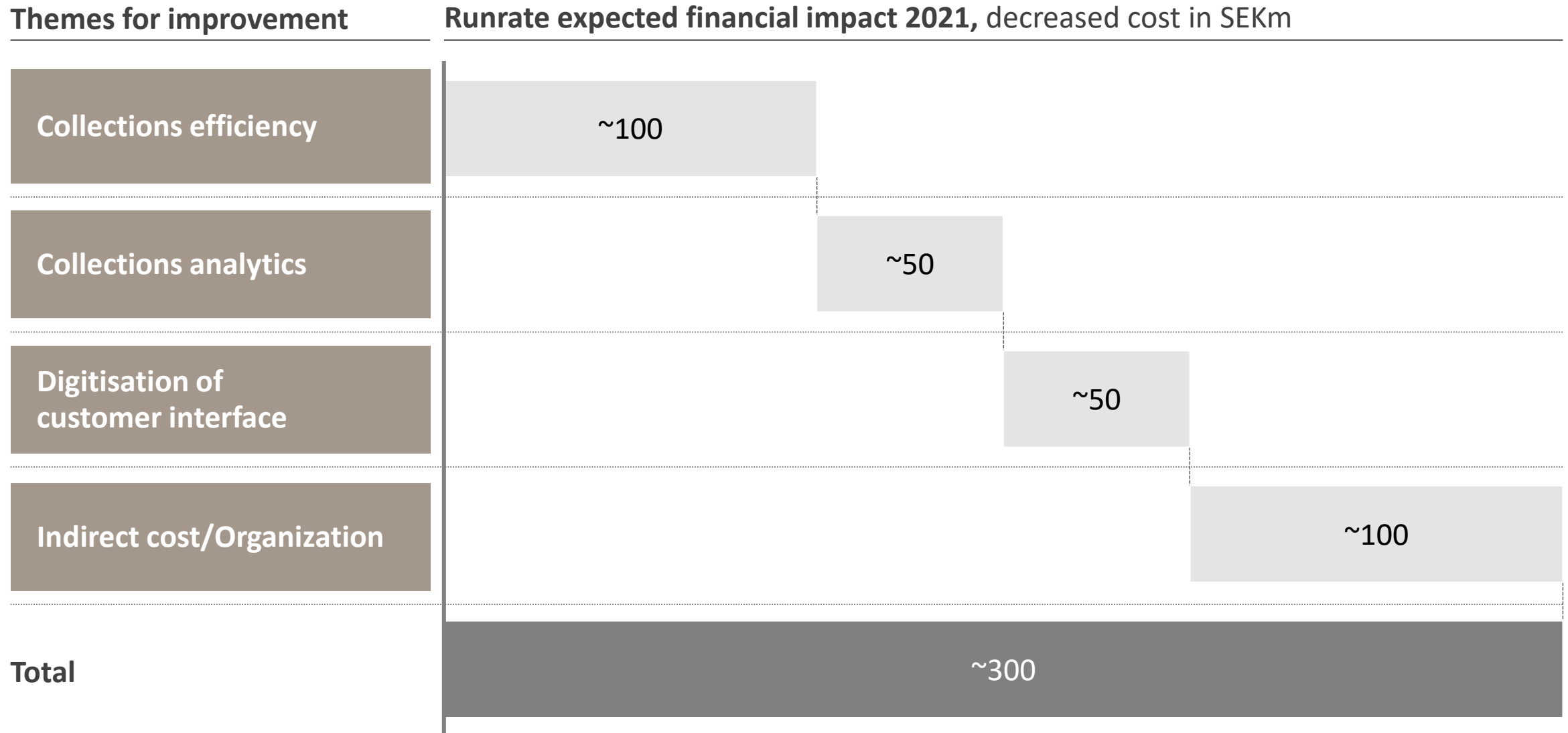


- We constantly monitor customer satisfaction in our key markets
- 76% of our customers are satisfied with the outcome of their discussions
- Overall satisfaction level is high at 74%

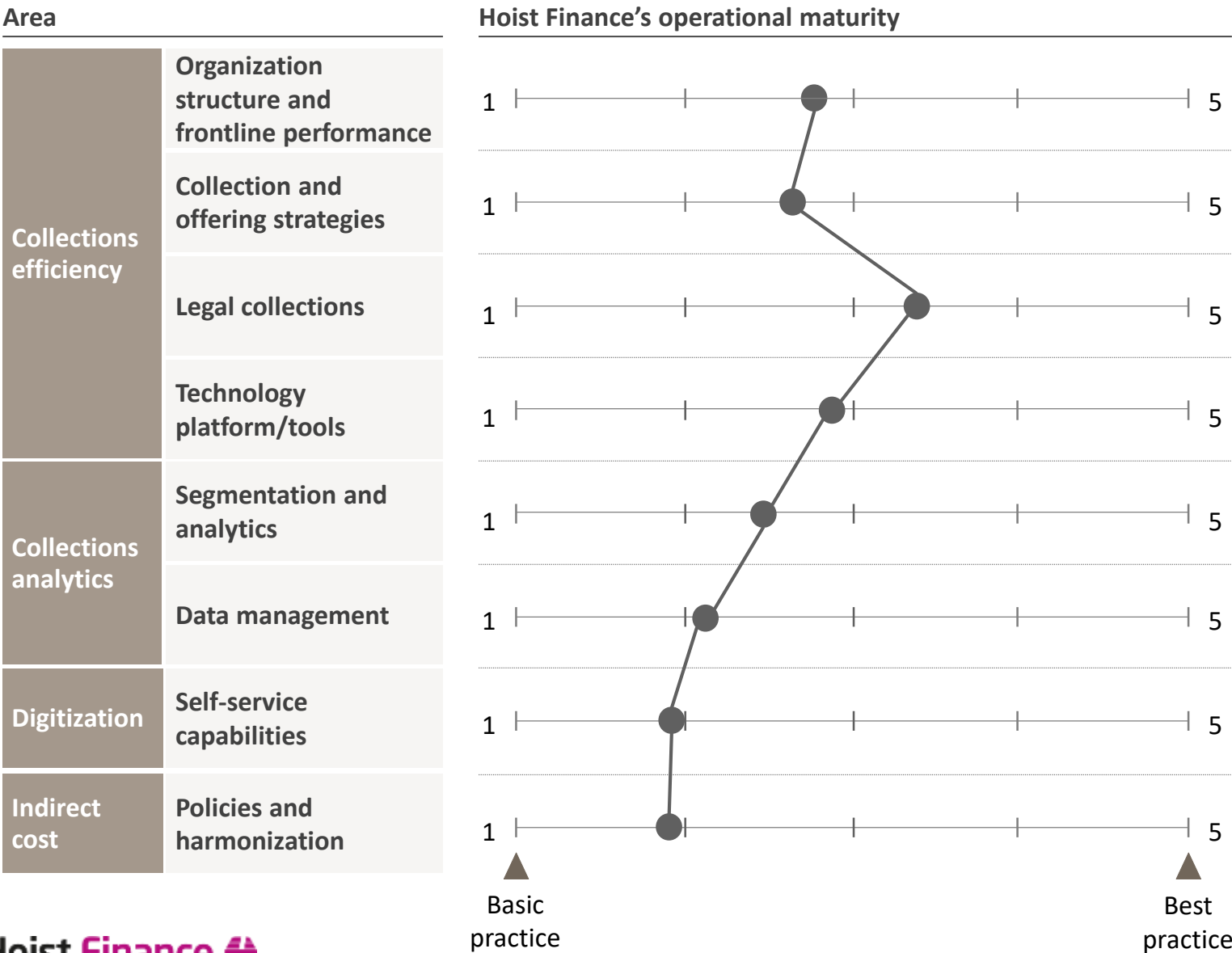
4 themes in operations and cost



Clear plans to reduce cost base by 300 SEKm



Our current performance is behind industry average...



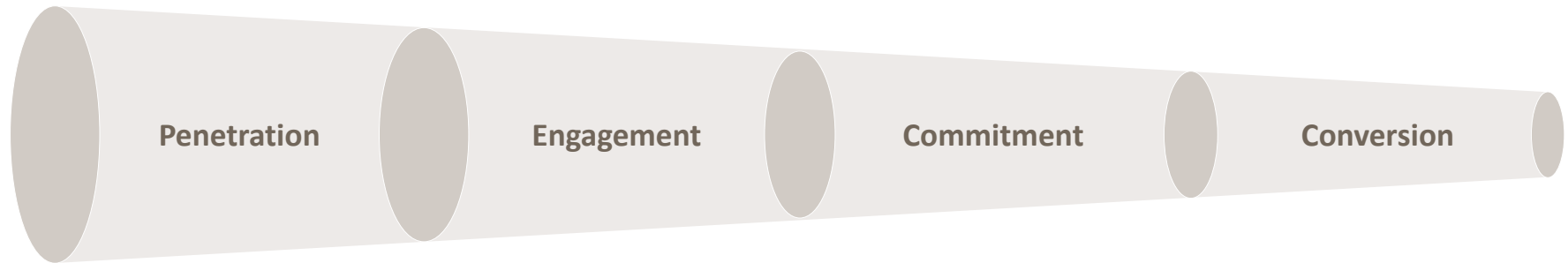
- Current performance on aggregate level slightly behind average in Europe, some internal differences across countries
- Legal collections stand out as strength - strong focus on lean processes
- Digitization coming from low level but strong momentum with launch of self-service across geographies happening

...and our transformation plans are underway

Improvement theme	Our objectives	Actions being implemented to achieve targets
Collections efficiency	<ul style="list-style-type: none">• Cover larger share of book• Improve efficiency• Lower legal collection cost• Reduce overall collection cost	<ul style="list-style-type: none">• Performance management and higher throughput• Differentiated contact strategy via dedicated teams• Minimize # of cases going into litigation• Site consolidation, near-shoring and DCA optimization
Collections analytics	<ul style="list-style-type: none">• Increase contact rate	<ul style="list-style-type: none">• Optimized contact channels and timing• Improved tracing and data-handling
Digitization of customer interface	<ul style="list-style-type: none">• Improve customer experience• Decrease cost to serve	<ul style="list-style-type: none">• Mobile-friendly customer self-service platform across markets
Indirect cost/Organization	<ul style="list-style-type: none">• Reduce cost• Improve efficiency	<ul style="list-style-type: none">• Stricter authorization and approval policies for external services• Re-negotiation and establishment of frame agreements• Streamline organization

We will improve our conversion funnel

Collections funnel –
amicable in-house
collection



Key improvement levers

Cover more cases

- More structure of how and when to contact old cases
- Follow-up and performance management

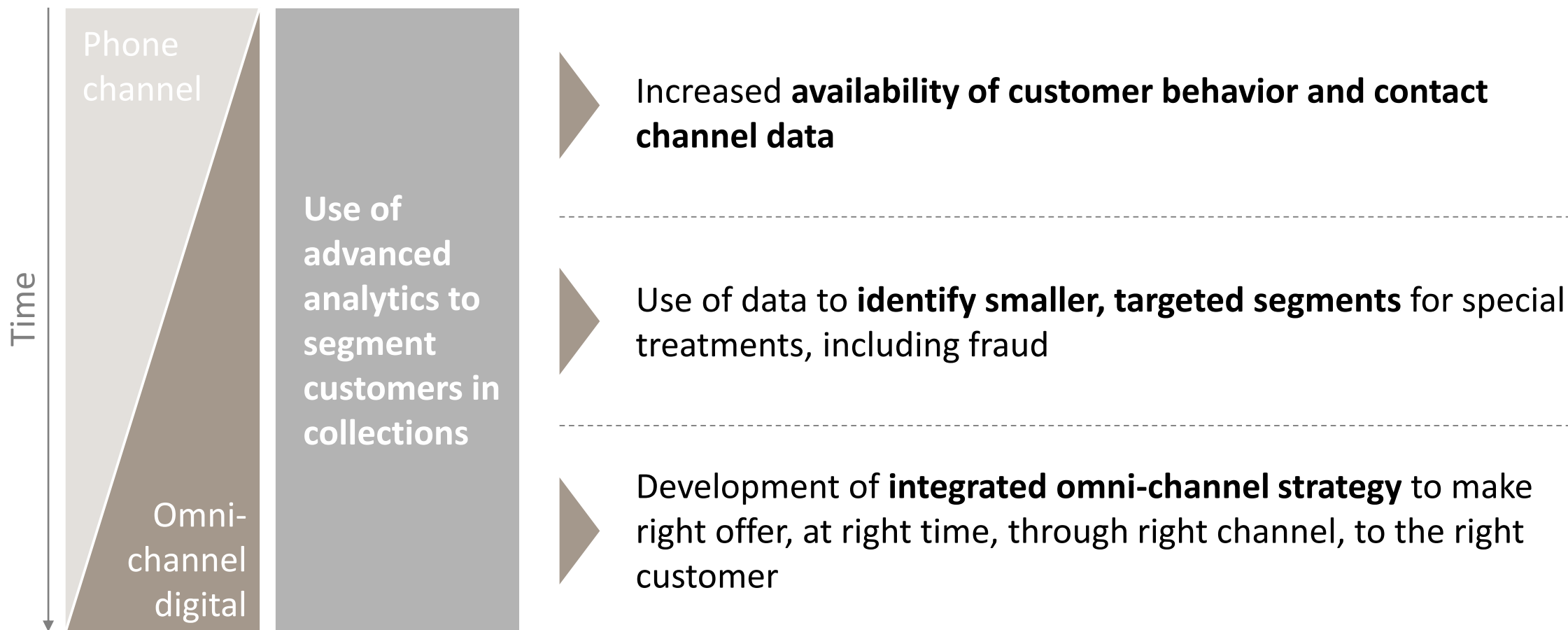
Increase contact rate

- Improved tracing
- Consistent data management
- Analytics contact timing

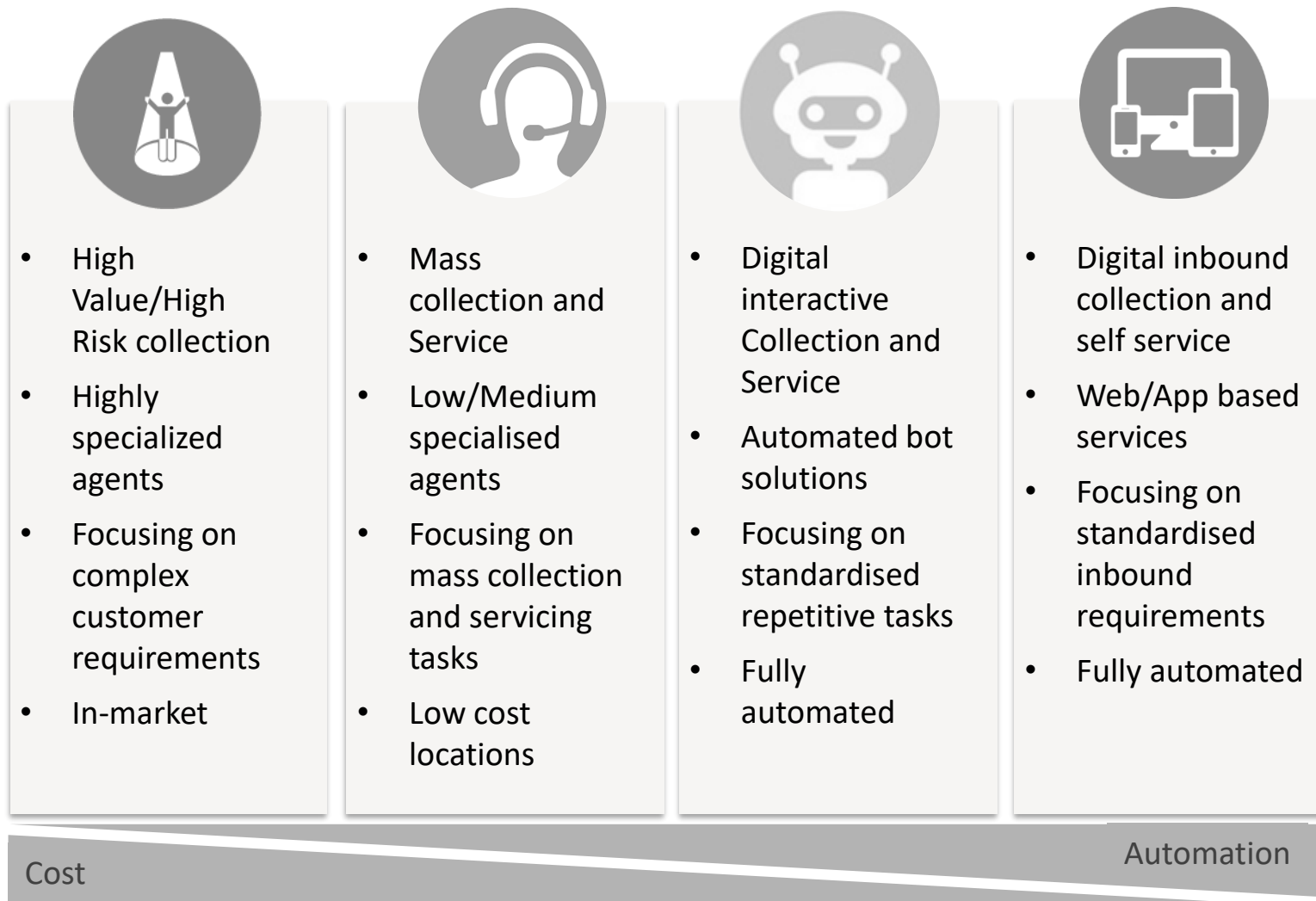
Consistent performance across countries

- Consistent negotiation techniques
- Lean practices and common operating model (e.g. KPI-steering, coaching)

Advanced Analytics will support customer collections



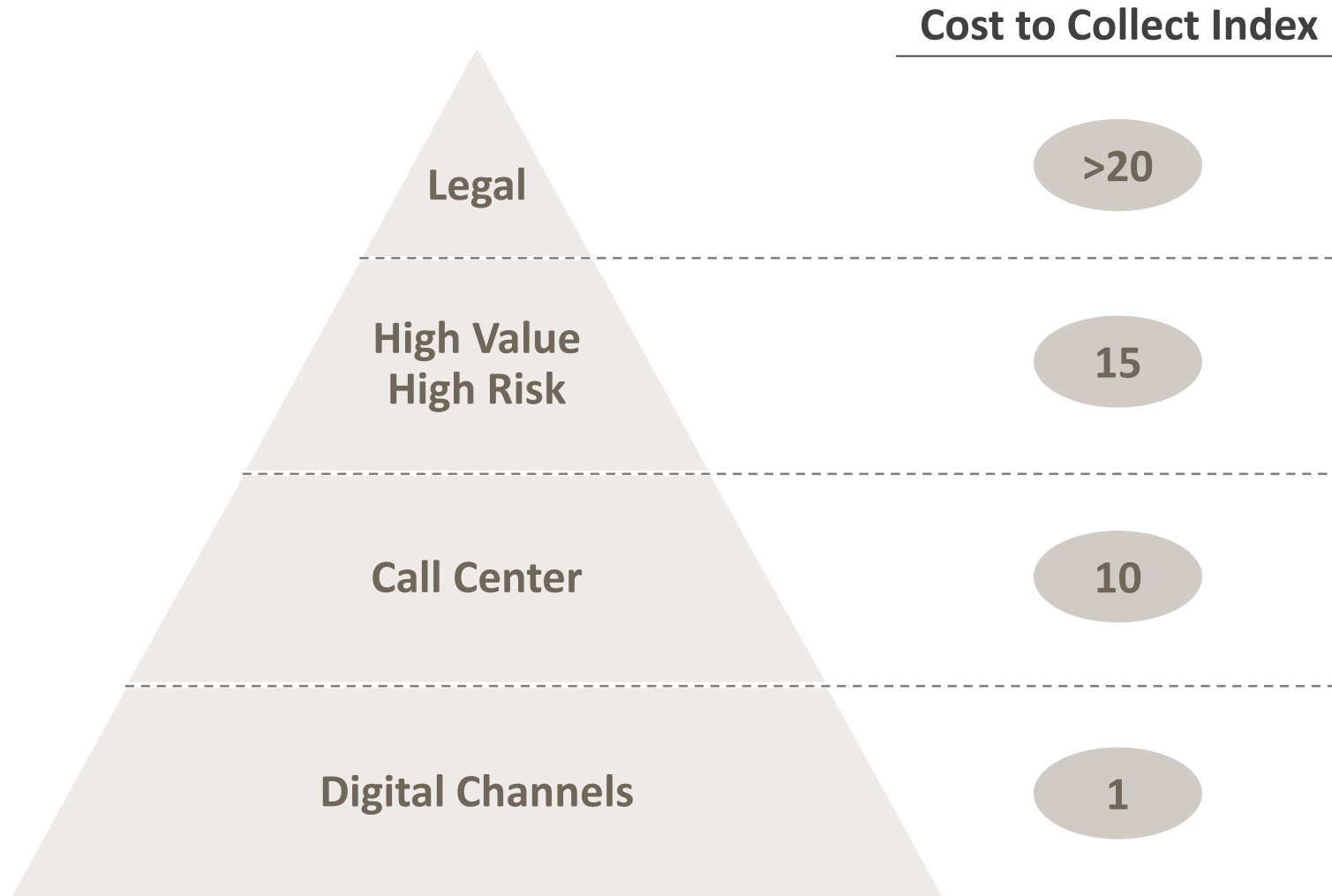
We are migrating to digital and low cost collection processes



Collection 2.0 – Our Mission

- 1 **80% of collections in lower-cost channels by end of 2021**
- 2 **30-50 % of collections through digital platforms across all markets**
- 3 **Site consolidation and targeted near-shoring**

Collection 2.0 set-up will significantly improve our cost efficiencies

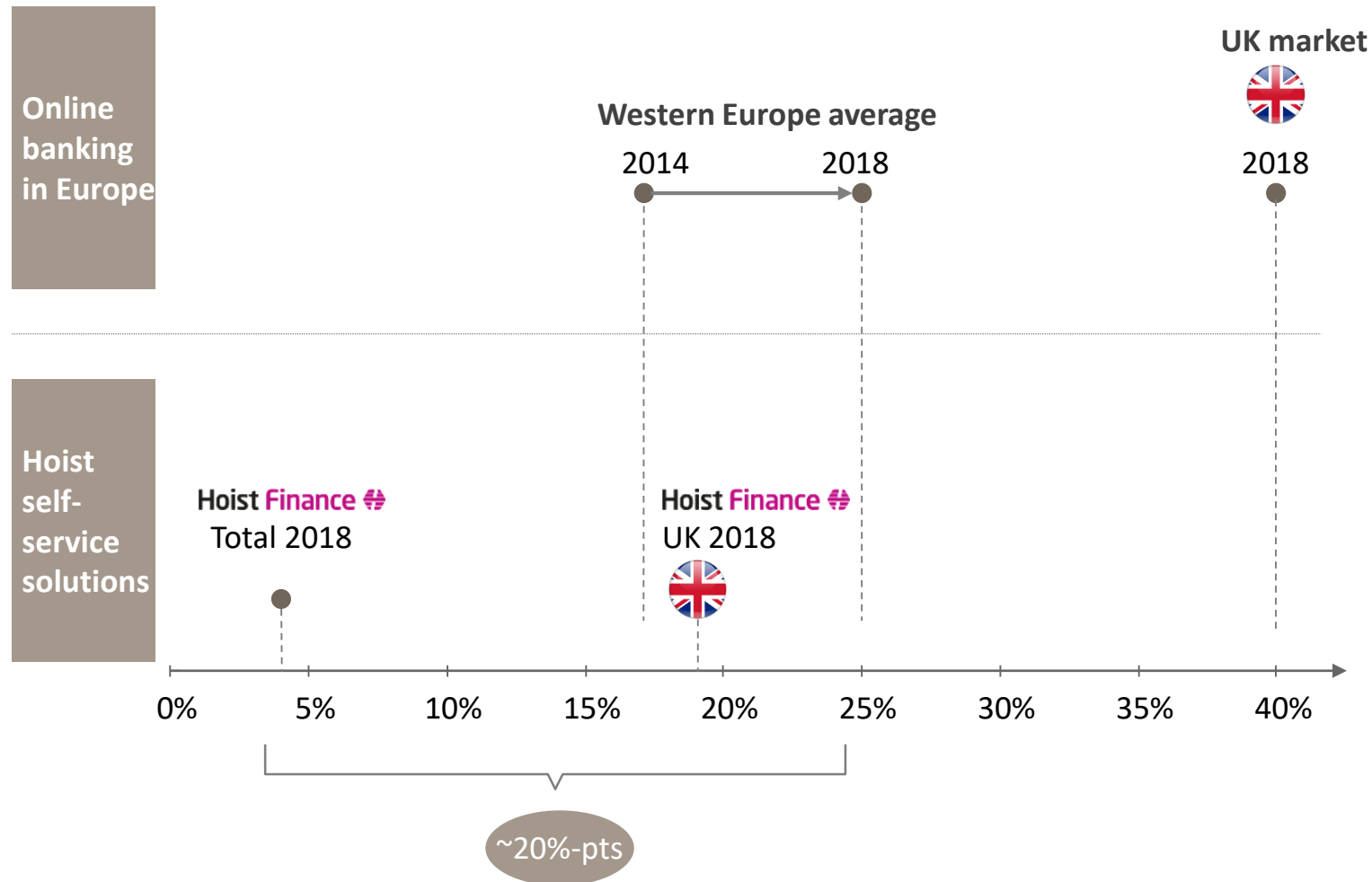


- As expected there is a significant cost advantage for Digital Channels
- Leveraging advanced analytics will enable to drive low cost channels by better segmentation and targeting

1 Cost per channel / cash per channel from Hoist Finance internal data

Successful pilot in UK underlines great potential

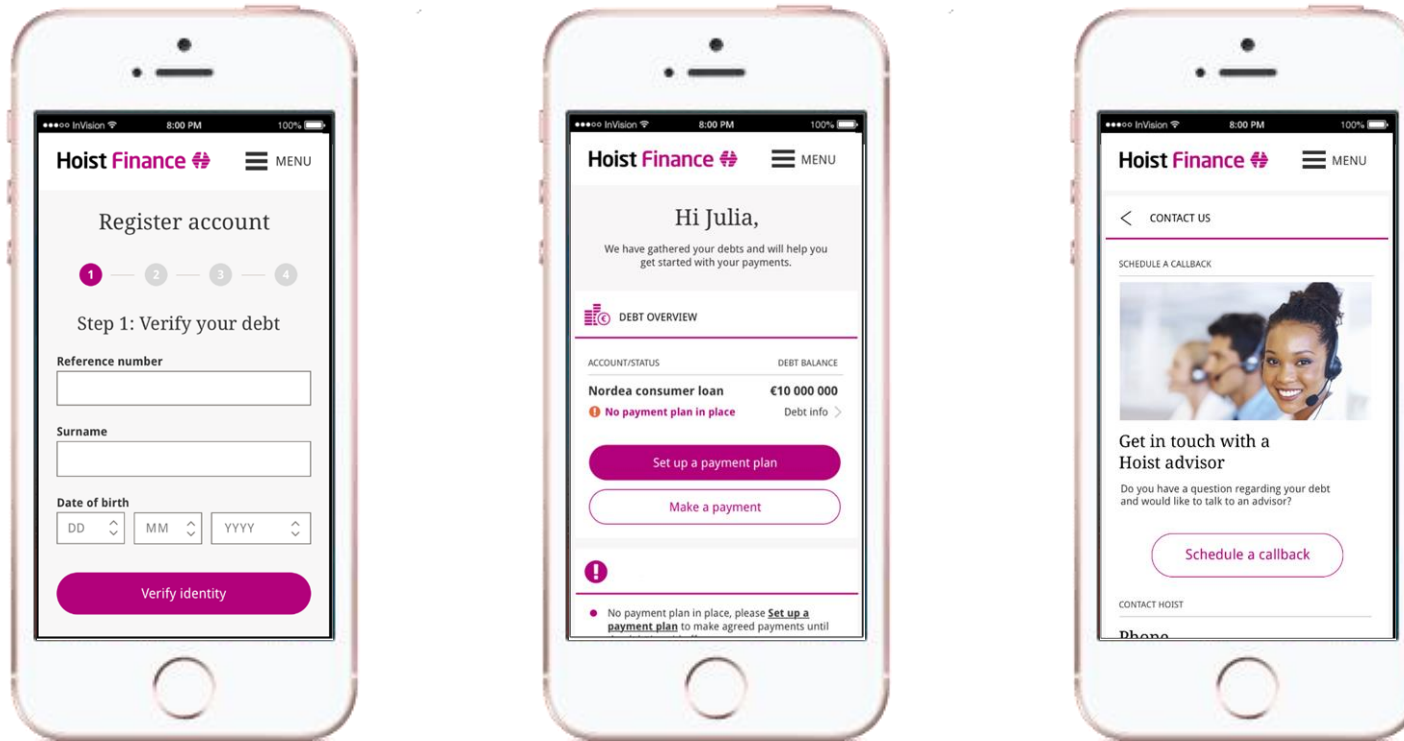
Digital core product sales penetration – Hoist Finance compared to online banking in Europe,
Digital core product sales / total core product sales



- Hoist Finance UK pilot shows the potential for self-service in debt collection – and the overall potential is even higher given what we see in online banking

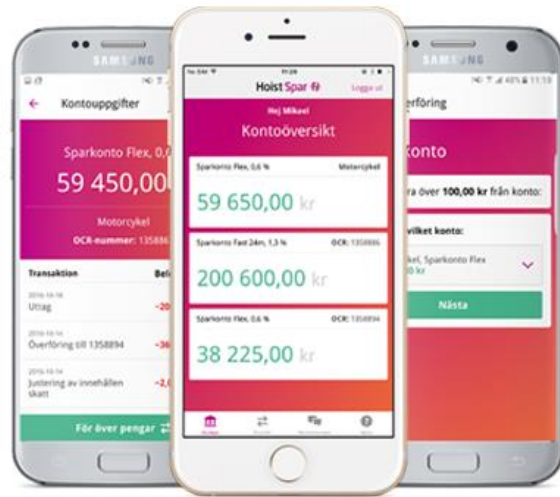
Roll-out of UK platform is underway - a key milestone

Self-service solution proven in the UK and being rolled out across markets



- Hoist Finance online self-service in UK with ~20% collection and 35% adoption after 1 year
- Cost to collect in self-service channel is ~1/15th of cost in the manual amicable channel
- Capex to set up the platform is fairly low
- Self-service is being rolled out and updated across markets

Highly efficient saving platform already in place today



Sweden

- Deposits SEK 11,3Bn
- 135,000 active accounts



Germany

- Deposits SEK 4,2Bn
- 18,700 active accounts

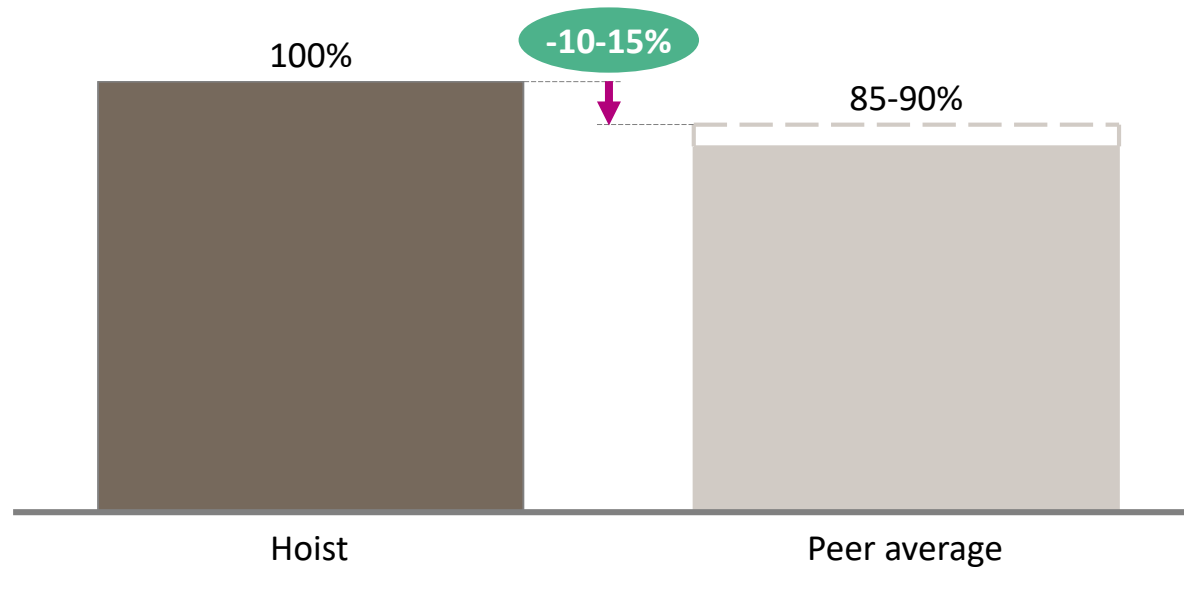
Finanztest Bestenliste				
0,96 % p.a.	1 Jahr	Hoist Finance #	Schweden in EUR	+ 480 € + 50 € Prämie
Angebotsdetails	Bank	Einlagensicherung	Alle Angebote der Bank	

- Pure online savings offer in Sweden and Germany
- Operated by 3 full-time employees
- Sweden – the savings offer is under the name of Hoist Spar which is a online/app solution
- Germany – the savings offer is provided on the savings platform WeltSparen managed by Raisin
- Competitive interest rates and simple account regulations
- Deposits fully protected for amounts up to SEK 950,000 by the Swedish Deposit Guarantee Scheme

Substantial opportunity to reduce indirect costs

Cost baseline for organisation and indirect spend

Index = 100 % for Hoist Finance indirect spend as % of revenues



Large cost categories with potential identified

- Professional services
- Travel
- Support functions

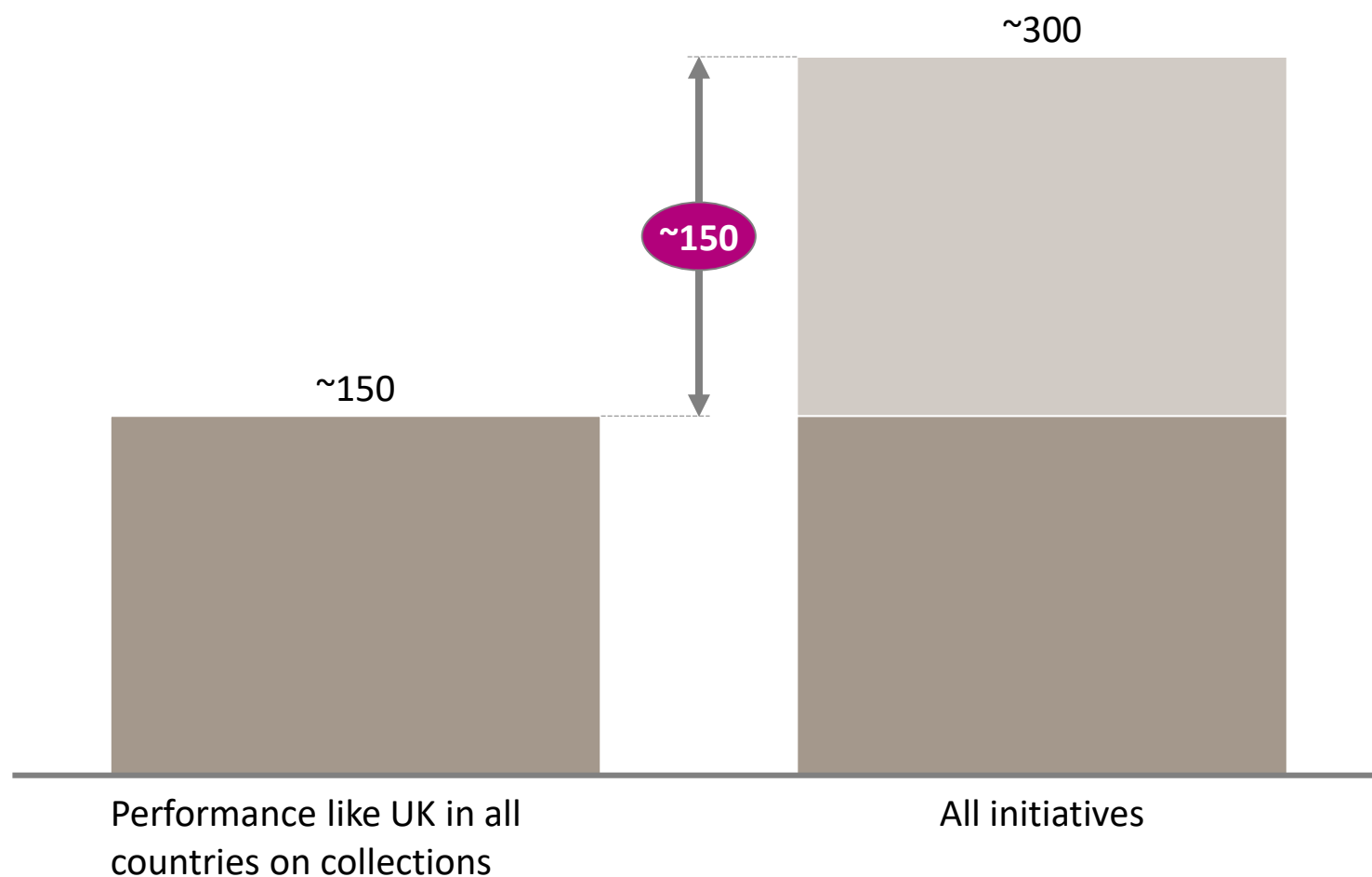
- Majority of potential can be achieved through simple measures, e.g.,
 - Increased demand management through stricter purchase policies and authorization processes
 - Improved supplier control and selection across cost categories through review and rationalization of current base
 - Leveraging consolidation to re-negotiate and establish frame agreements
 - Harmonization and standardization of work and processes across regions to improve efficiency
- Certain measures already implemented in some of our markets – seek to share knowledge across

We balance short and long term actions

	Near-term plan (next ~1 year)	Mid-term objectives (~3 years)
Collections efficiency	<ul style="list-style-type: none"> Cover larger share of the book through performance management Deploy skill-based routing with high-value team 	<ul style="list-style-type: none"> 80% of collections in low-cost channels to concentrate in market presence on complex high-value cases
Collections Analytics	<ul style="list-style-type: none"> Introduce near-shoring for first countries 	<ul style="list-style-type: none"> Continue our work to consolidate sites
Digitization of customer interface	<ul style="list-style-type: none"> Deploy analytics across markets for first use cases (contact strategy, segmentation, tracing) 	<ul style="list-style-type: none"> Analytics deployed for more advanced use-cases, e.g. AI
Indirect cost/ Organization	<ul style="list-style-type: none"> Roll out current self-service solution in all countries 	<ul style="list-style-type: none"> 30-50% collections through digital channels and self service adoption
	<ul style="list-style-type: none"> Introduction of stricter purchase policies and authorization processes, selective renegotiation of contracts Streamline organizational setup reducing duplications 	<ul style="list-style-type: none"> Harmonization and standardization of procurement processes across regions Fully harmonized organization eliminating all duplications leveraging synergies across all markets

Deploying UK Best Practices will get us to 50% of target

Run-rate expected improvement potential,
SEKm



- UK is most operationally mature in Hoist Finance - performance shaped by tough customer requirements, regulation and competition
- Getting all markets to the same performance as UK will be part of first step of operational improvement, leveraging Centers of Excellence being built around UK competences (e.g. analytics, performance management)
- To reach the 300 MSEK potential, additional improvements needs to be done for all markets to improve beyond current UK level



Q&A

**Lunch break
45 minutes**



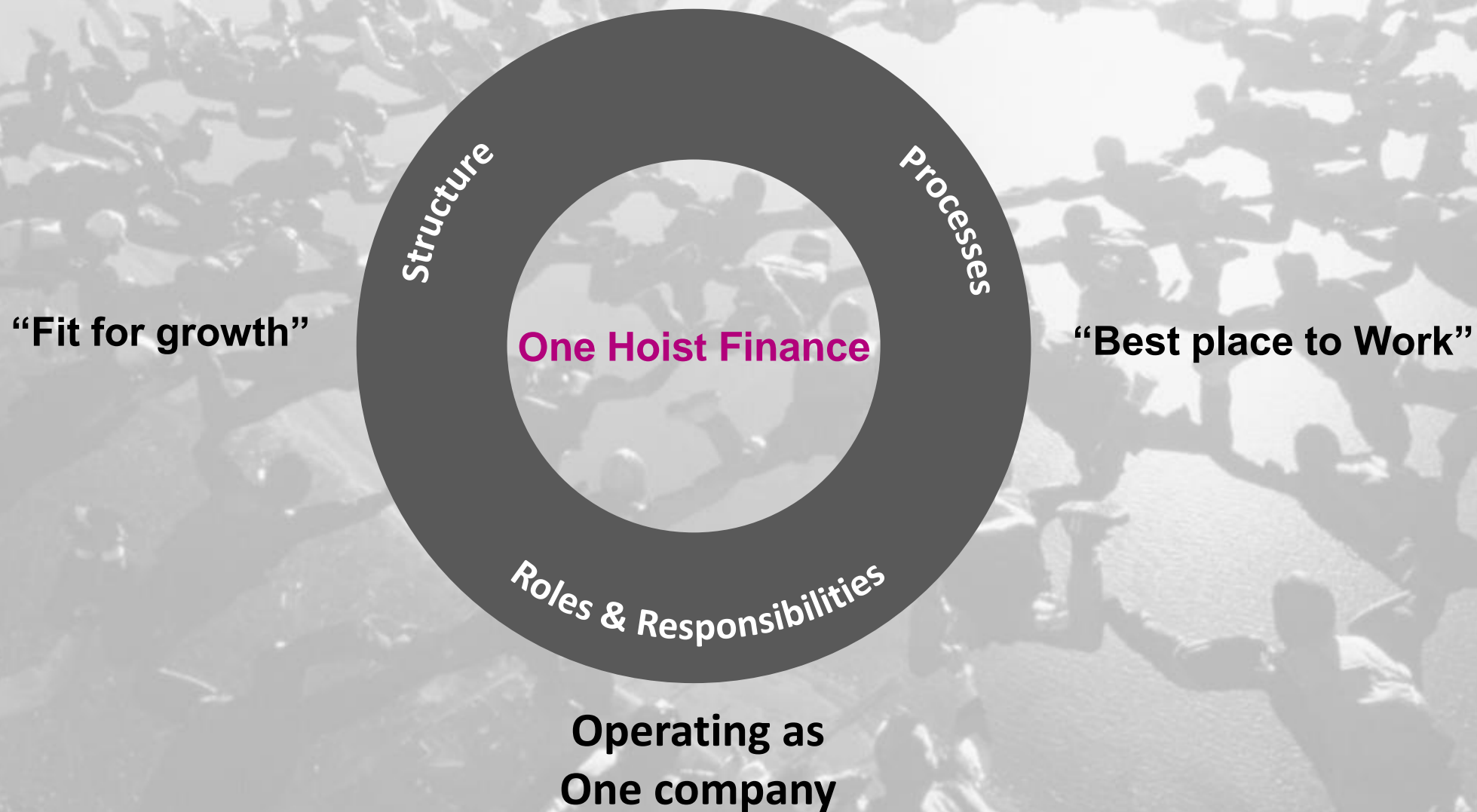


5

One Hoist Finance

Designing principles for our new Operating model

– establishing a harmonised and more efficient way of working



We have already started to implement our strategy through several initiatives

Based on the design of the new operating model, we have done the following...

 **Functional organization**

 **Removed number of reporting layers**



Introduced two new units:

- Business Development & Communication
- Operations (removing regions)



Centralise IT into one IT-organization



Investigating near-shoring of back-end operations and for call-centres



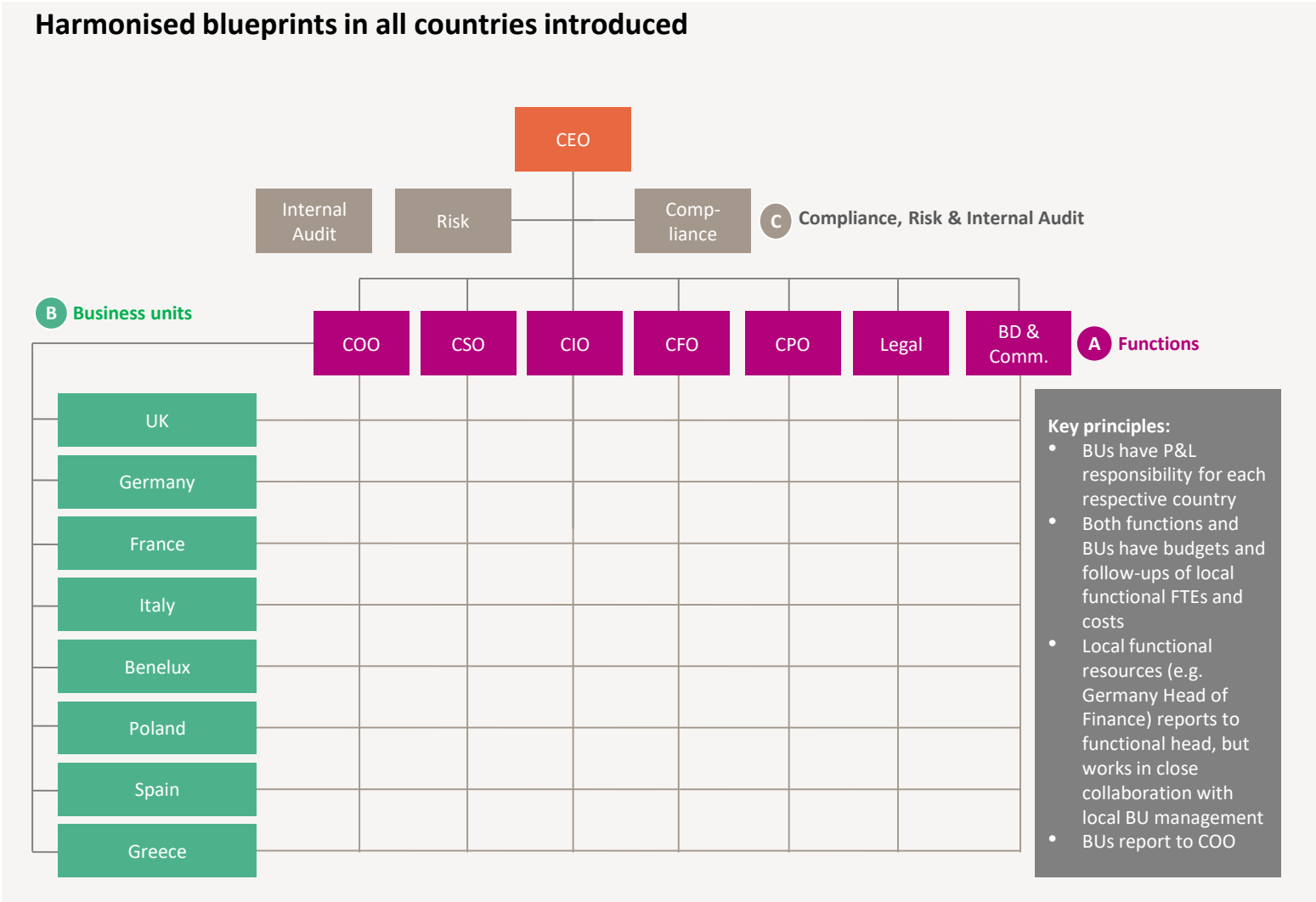
Harmonising processes throughout functions



Setting up Centres of Excellence within functions



Defined committee structure and meeting forums



New Function: Business Development and Communication



Customer journeys

Business Development

- Leveraging the potential of our banking license, expanding value proposition
- Exploiting digitalization potential and opportunities
- Partnerships and collaborations
- Develop customer journeys
- Building industry intelligence



Helping people keep their commitments

Sustainability

- Centre of Excellence
- Integrated part of daily business
- Embedded in decision making processes
- Support financial inclusion



Who we are

Communication

- Develop brand positioning
- Be relevant and personalised in all customer interaction points
- Attract and retain talents
- Reflect our purpose and culture



A photograph of two men in an office setting. The man on the left, with short brown hair and a beard, is wearing a dark blue suit jacket over a red and white checkered shirt. The man on the right, with a beard and glasses, is wearing a blue denim shirt. They are both looking down at a document held by the man on the left. The background is a blurred office environment with large windows and other people working.

6

Financial review

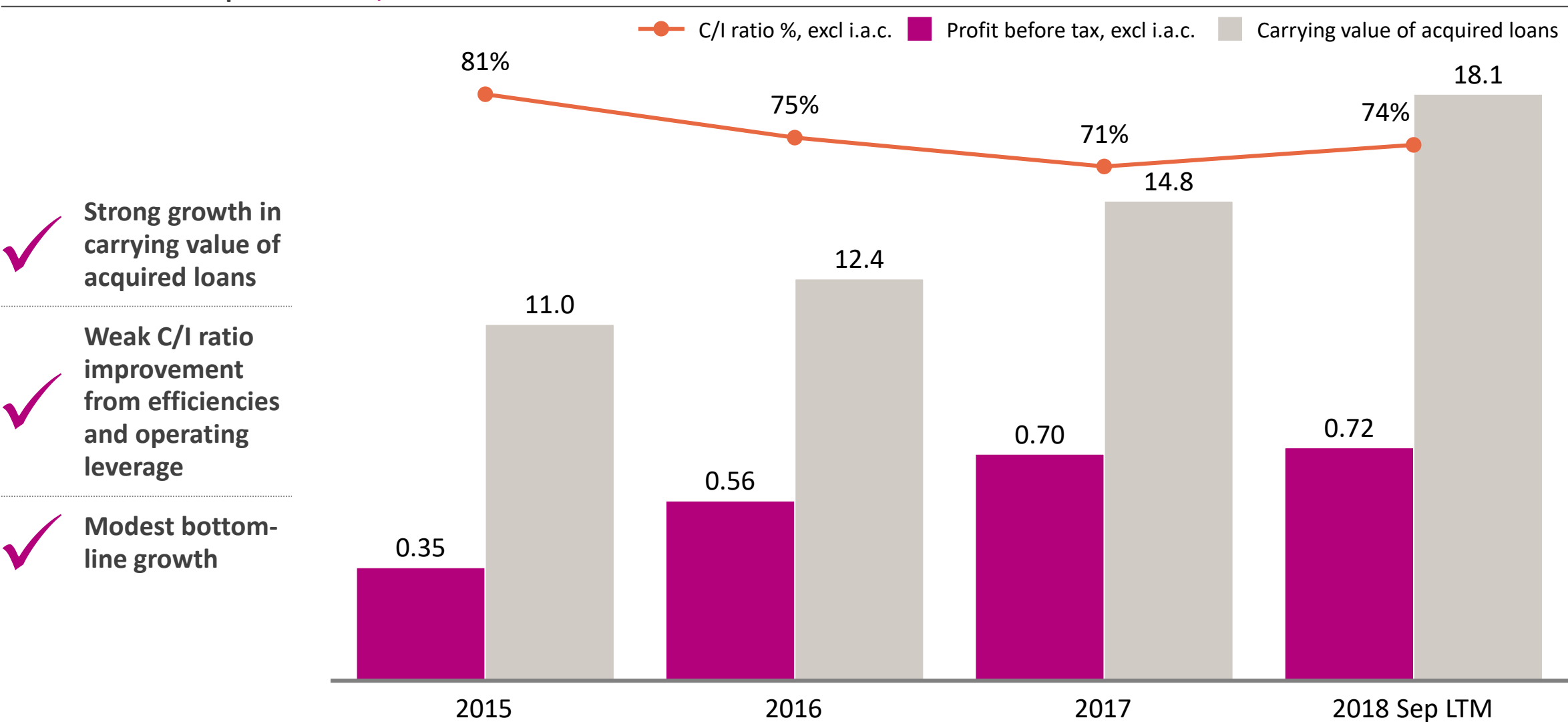
Predictable top-line income

Efficient and sustainable funding

Operating leverage and cost efficiency

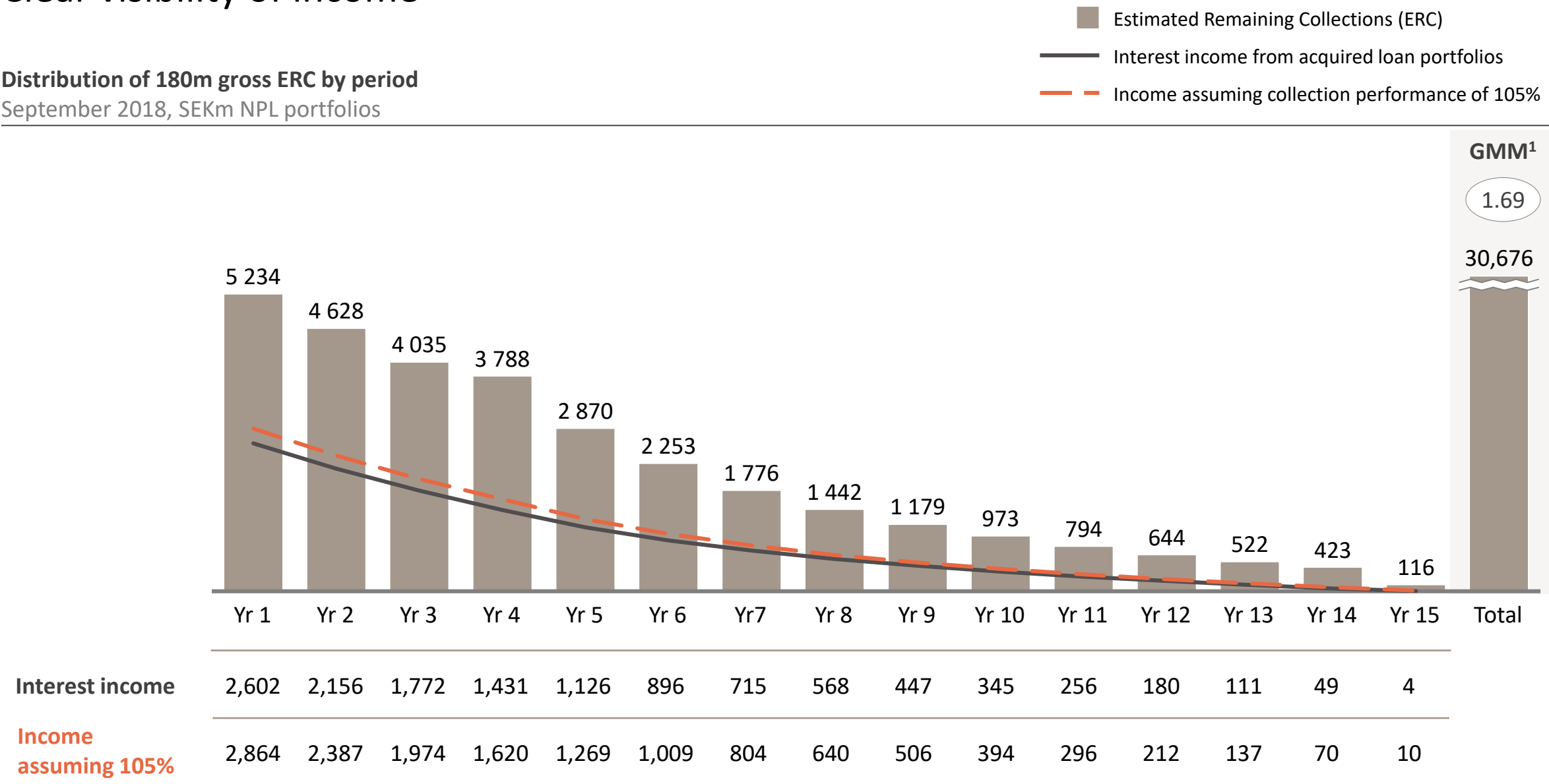
Historical financial performance

Historical financial performance, SEKbn

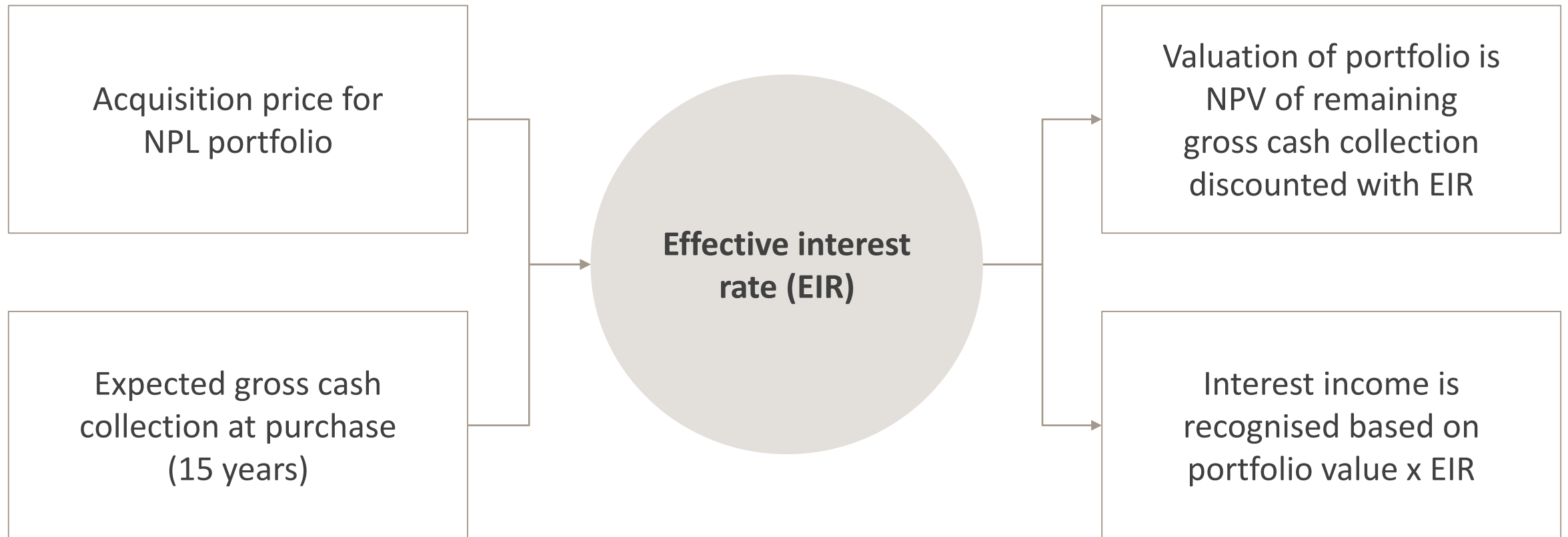


Clear visibility of income

Distribution of 180m gross ERC by period
September 2018, SEKm NPL portfolios



Transparent bookkeeping for NPL acquisitions



Transparent accounting principles

Illustrative example

Comments

- Portfolios recognised at amortised cost using the effective interest method
- Revenue accrued monthly based on EIR¹
- 15-year accounting period

Illustrative assumptions

- Acquisition cost: 100 EURm
- Money multiple: 1.7x
- Gross IRR (EIR): 17.1%
- Illustrative performance: 105%

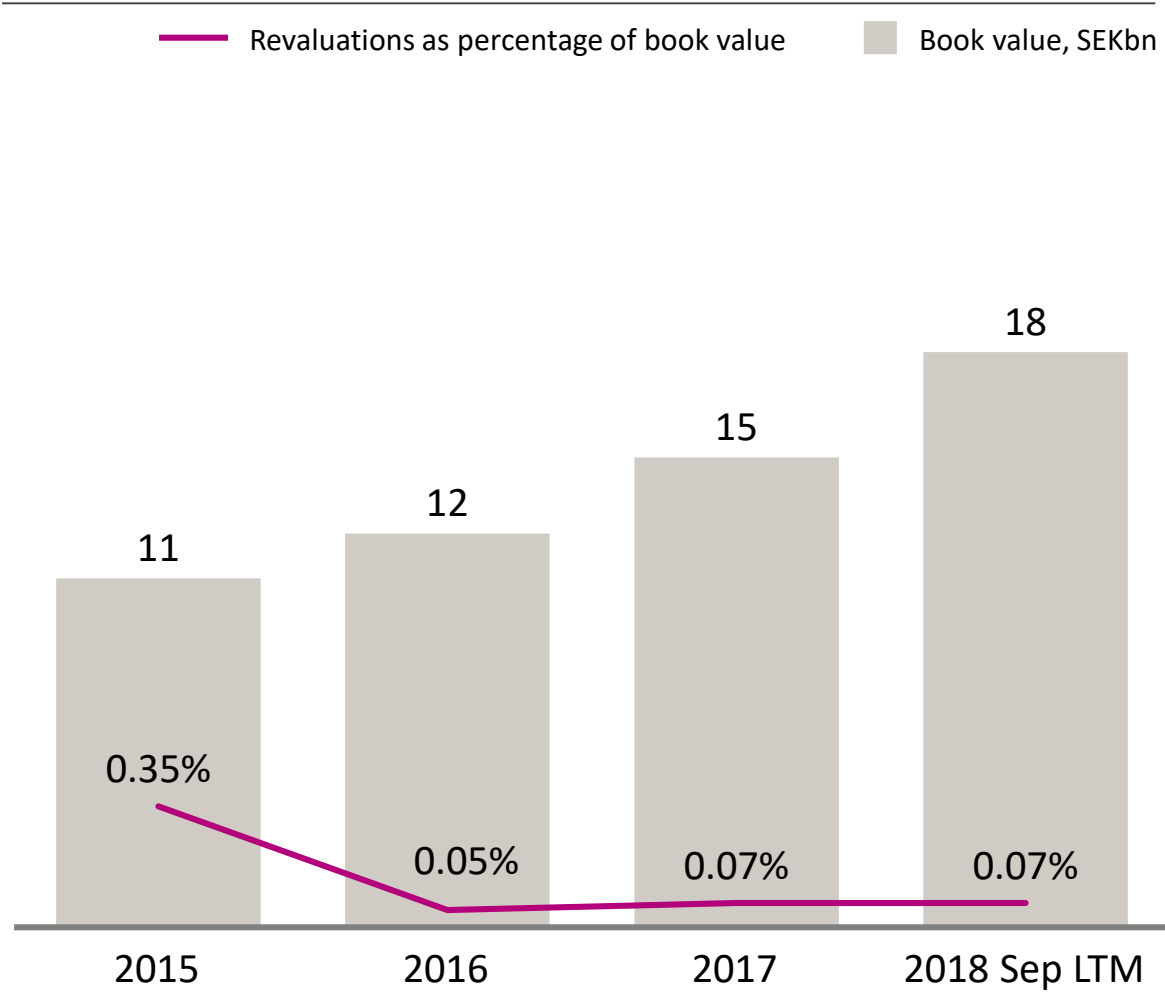
Financial statement effects

		Year 1	Year 2	Year 3	Year 4	Year 5
Cash flow	• Collections forecast	26.7	34.5	25.9	18.6	14.1
	• Collections difference	1.3	1.7	1.3	0.9	0.7
	Actual collections	28.0	36.2	27.2	19.5	14.8
	<i>Variance</i>	5%	5%	5%	5%	5%
Income statement	• Interest income ²	15.5	12.5	9.3	7.4	5.8
	<i>Collection differences</i>	1.3	1.7	1.3	0.9	0.7
	<i>Revaluations</i>	0.0	0.0	2.5	0.0	0.0
	• Impairment gains & losses	1.3	1.7	3.8	0.9	0.7
	Total operating income	16.8	14.2	13.1	8.4	6.5
Balance sheet	• Opening balance	100.0	88.8	66.8	52.6	40.6
	• Amortization	-11.2	-22.0	-16.6	-12.1	-9.0
	• Revaluations	0.0	0.0	2.5	0.0	0.0
	Closing balance	88.8	66.8	52.6	40.6	31.5

Low revaluations and solid performance

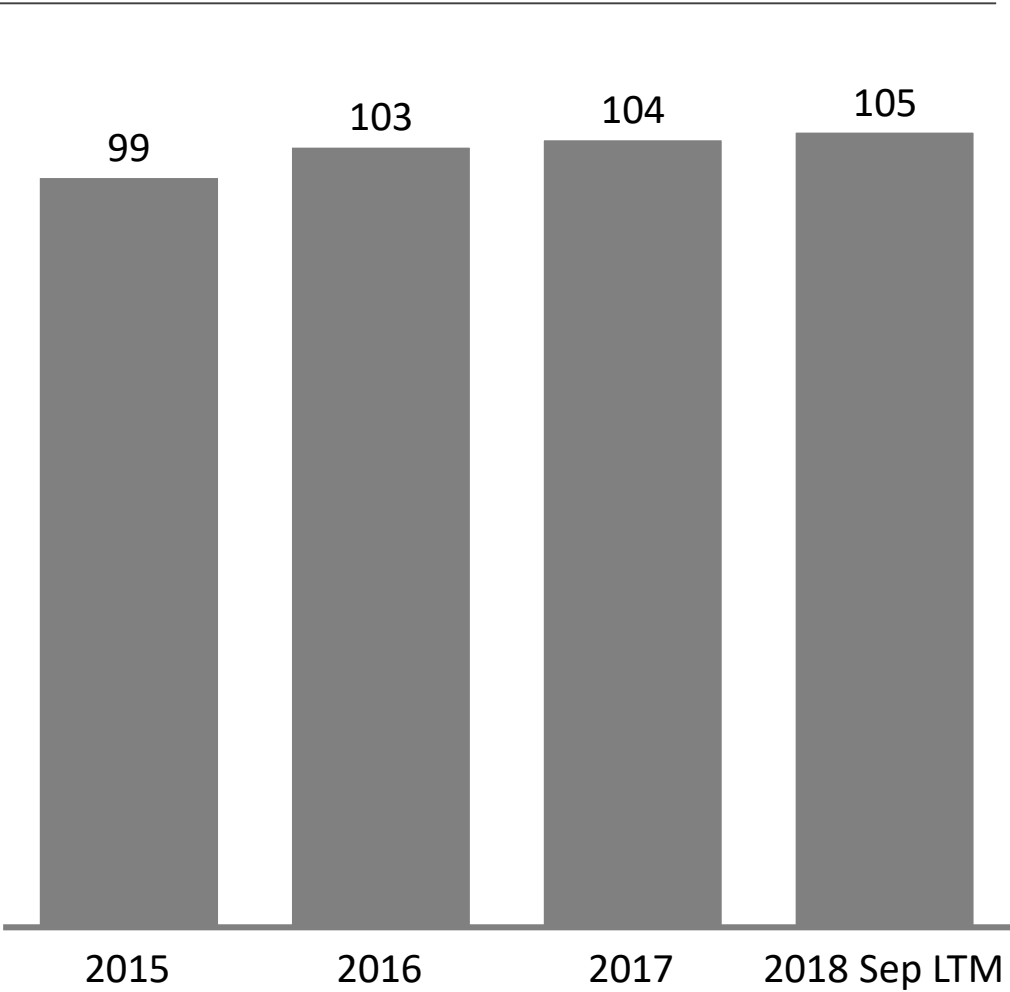
Revaluations as percentage of book value

Absolute %



Collection on portfolio vs. management forecast

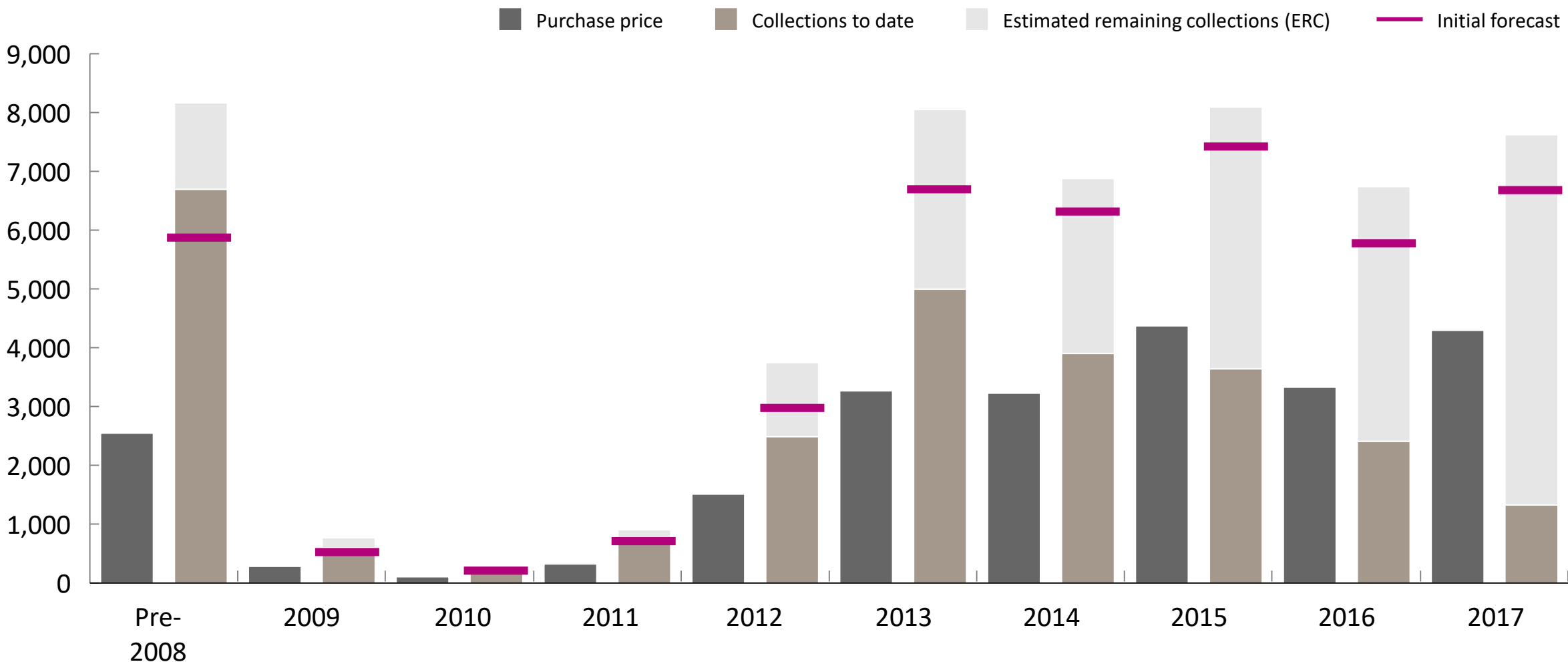
%



Conservative valuation at purchase supporting performance

NPL purchases and gross collections

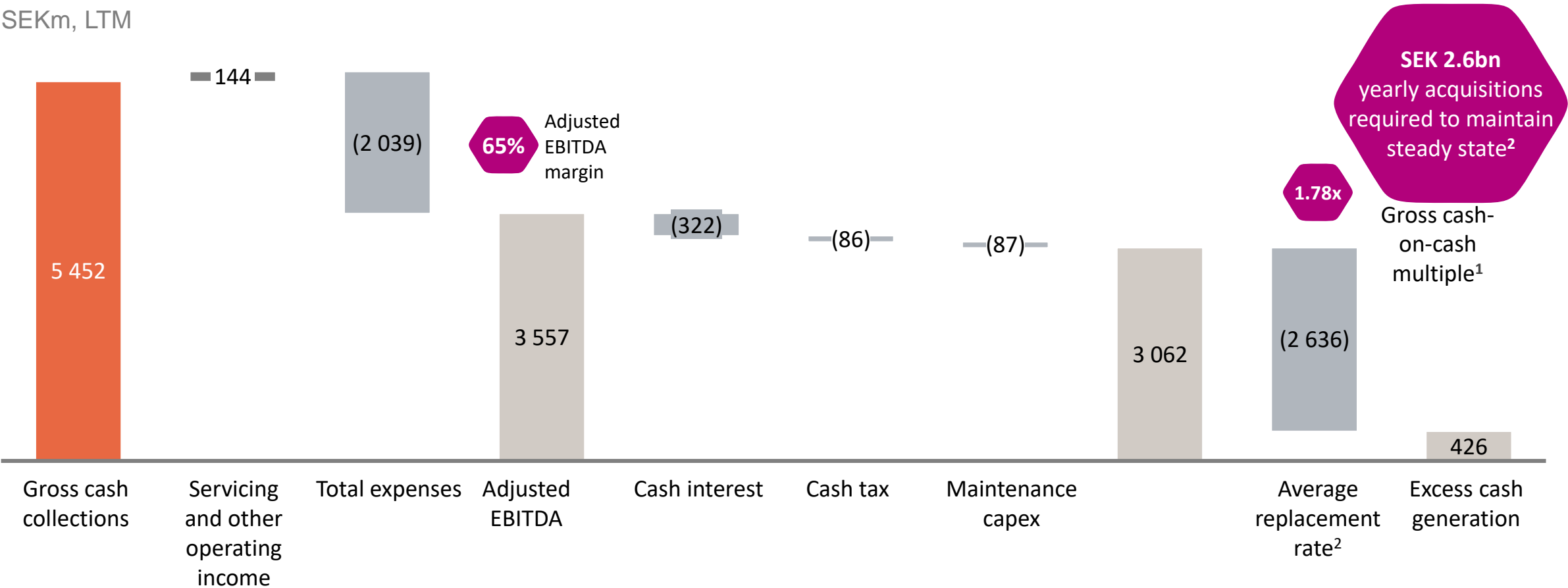
SEKm



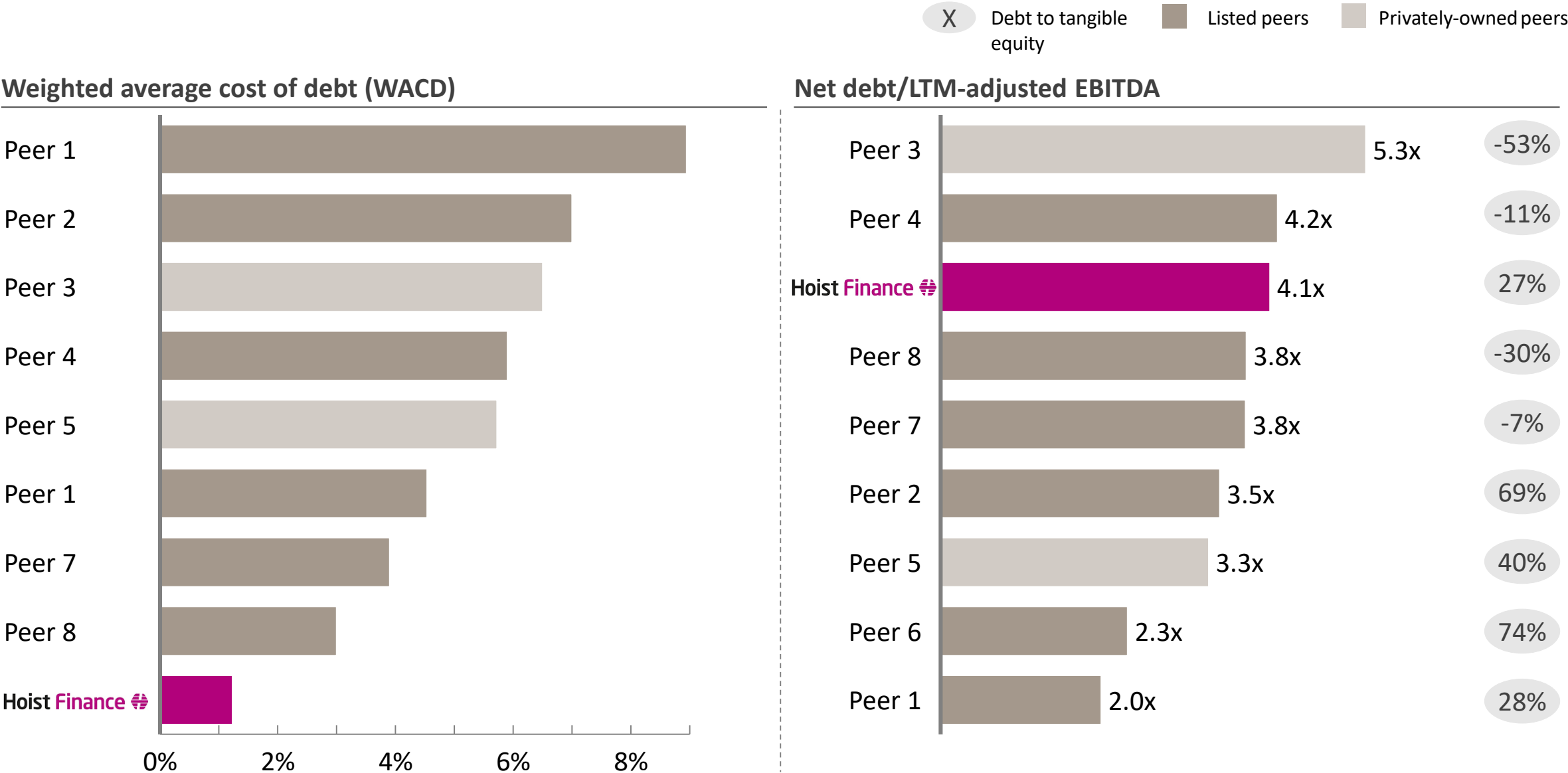
Significant excess cash generation

Annual excess cash generation (steady-state)

SEKm, LTM

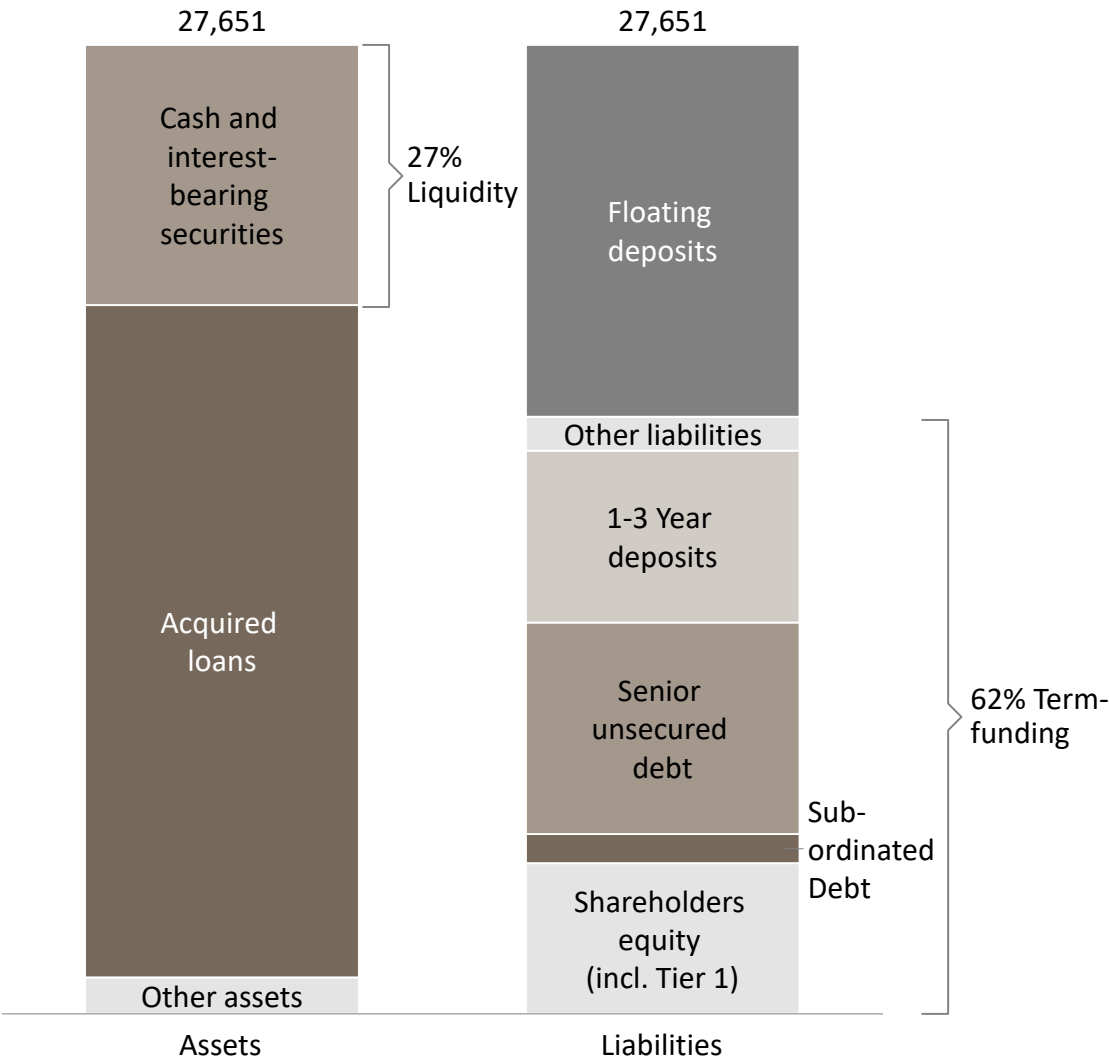


Lowest cost of funding among the peer group



Diversified and liquid balance sheet

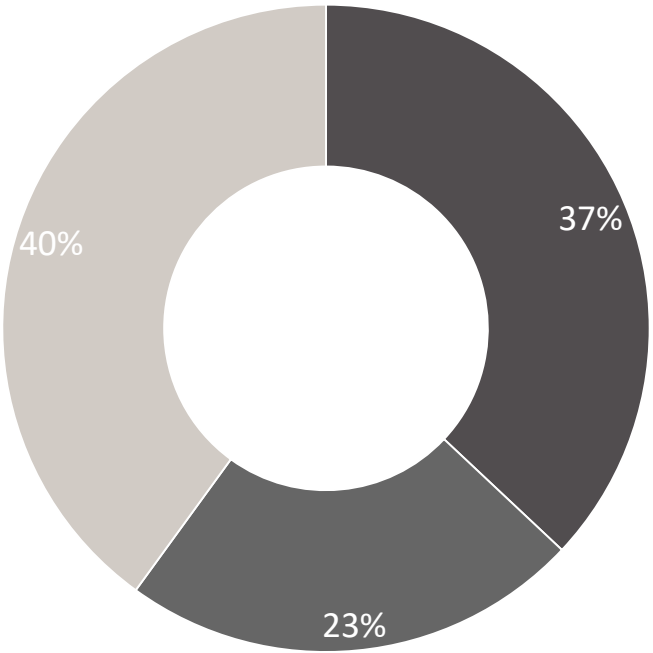
Balance sheet structure¹, SEKm



Significant liquidity reserve invested in a conservative manner, %

Large cash position and liquidity reserve totaling 7 SEKbn

- Treasury bills/bonds
- Bonds and other securities
- Lending to credit institutions



Gross portfolio payback time approximately 3.5-4 years

Increasing share of funding denominated in EUR

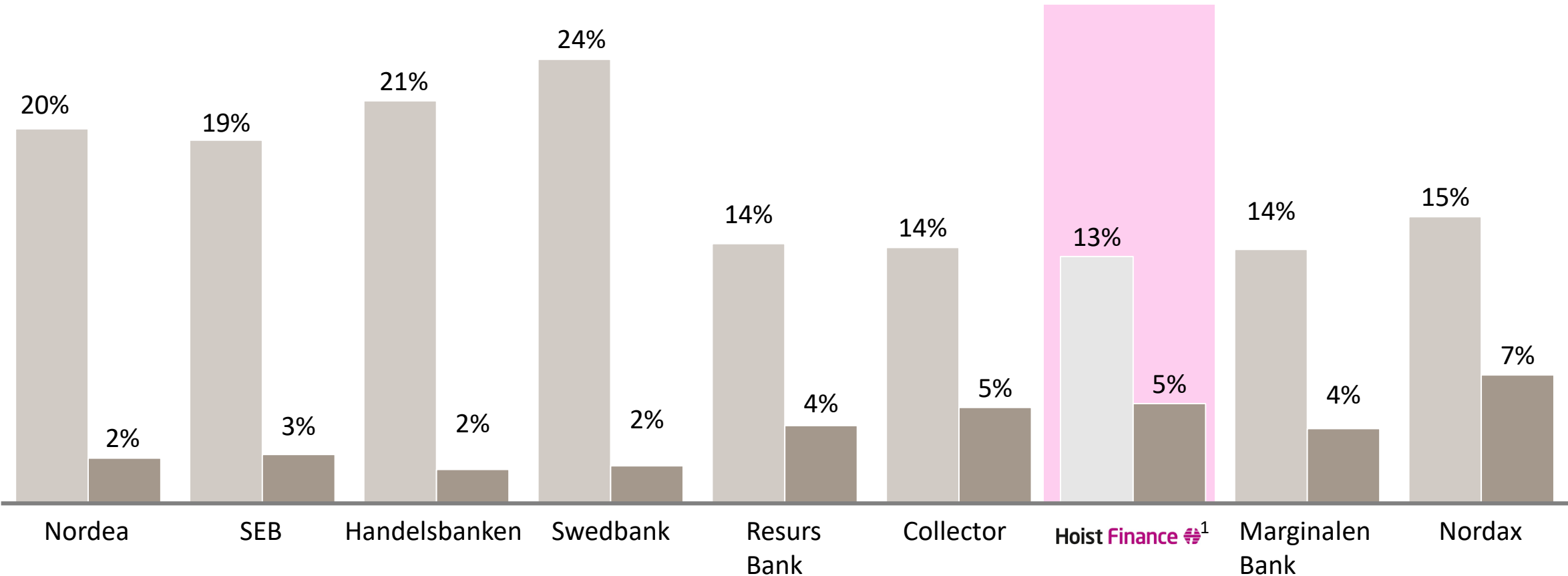
Senior unsecured funding has an average duration of ~3 years

Average observed duration for floating interest rate accounts 3.5-4 years

Strong capital position

CET1 ratio Margin to regulatory requirements

Swedish large and niche banks

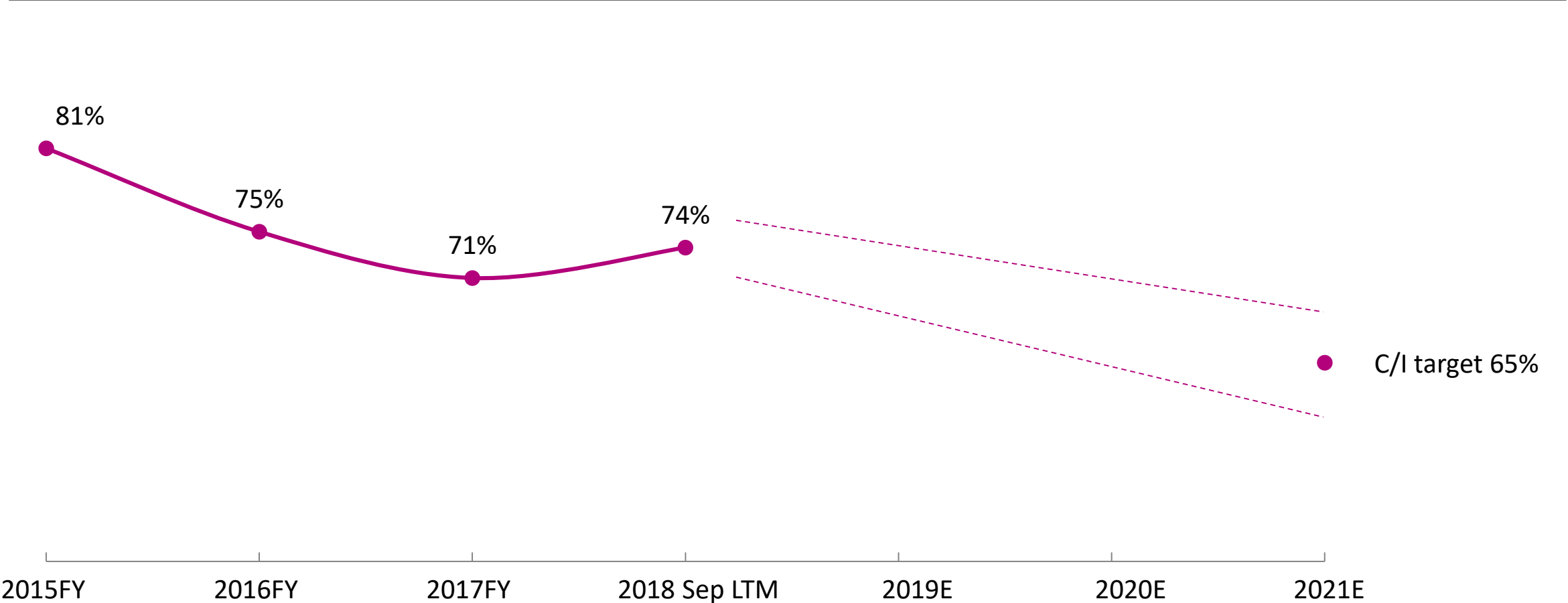


Sources: Finansinspektionen report on Capital requirements for the Swedish banks as of the second quarter 2018, and most recent interim and capital adequacy reports. Institution-specific CET1 requirement adjusted for Pillar 2 requirements where information is available

1. Shareholders' equity adjusted for new share issue
See Appendix for detailed definitions

Substantial potential to improve operational efficiency

Cost/Income ratio excluding i.a.c.
%

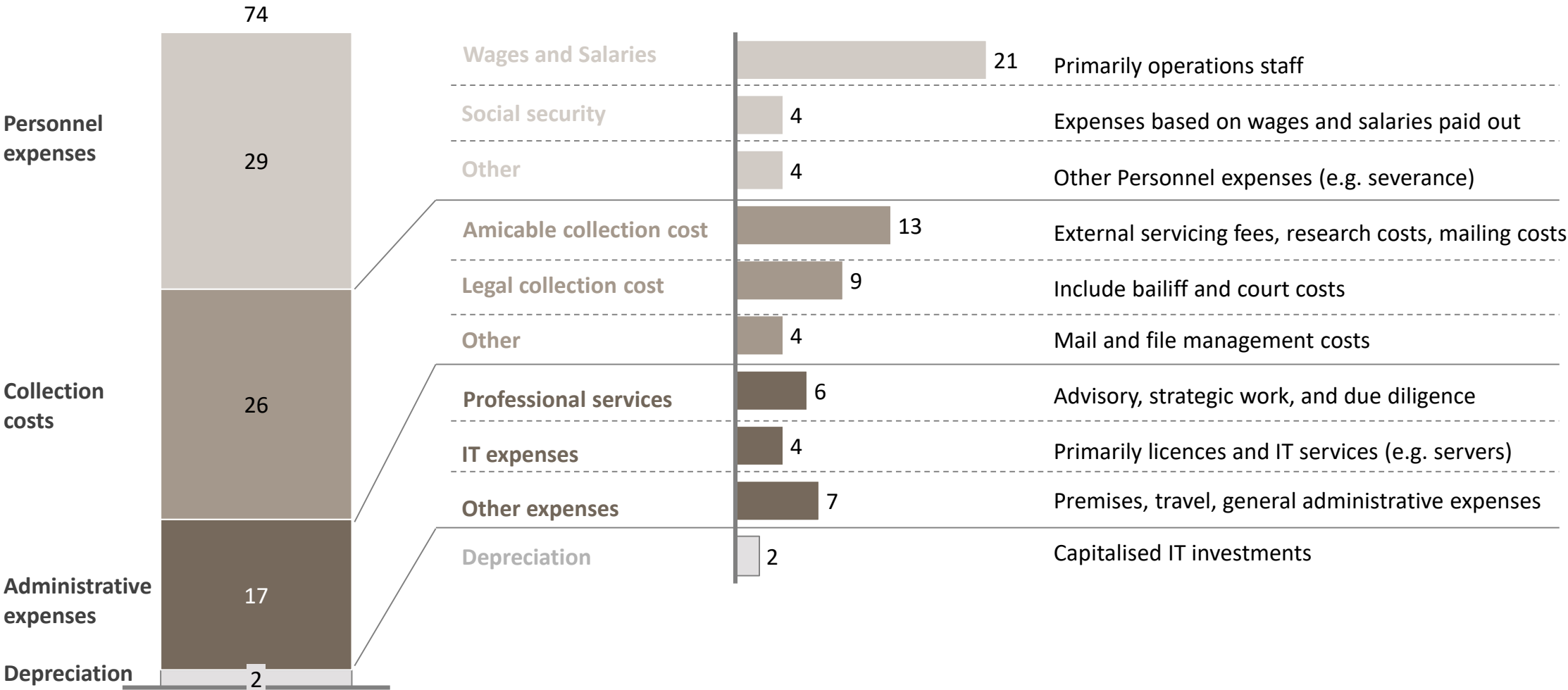


Cost contribution and drivers

C/I ratio for high-level cost categories¹
%

C/I ratio for subcategories¹
%

Description

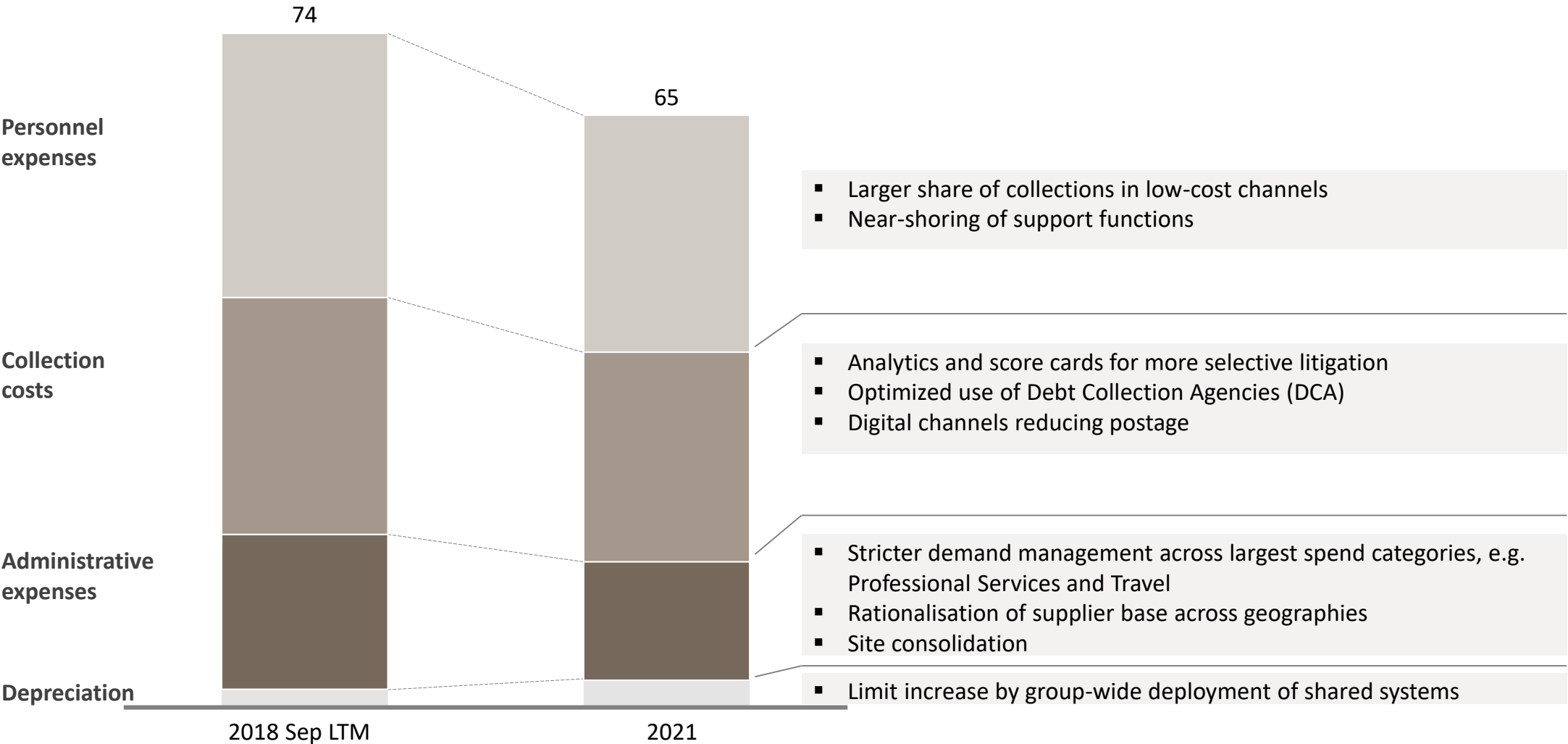


2018 Sep LTM

Cost contribution and drivers

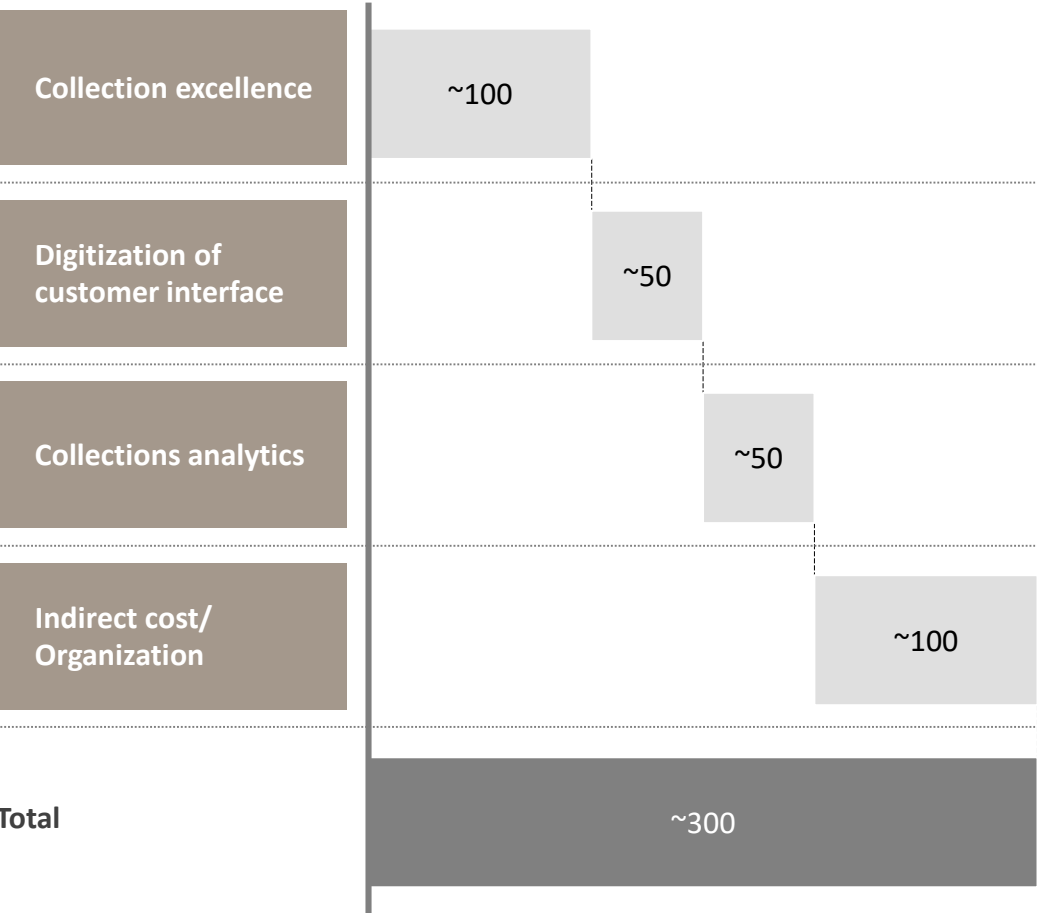
C/I ratio for high-level cost categories¹
%

Key drivers

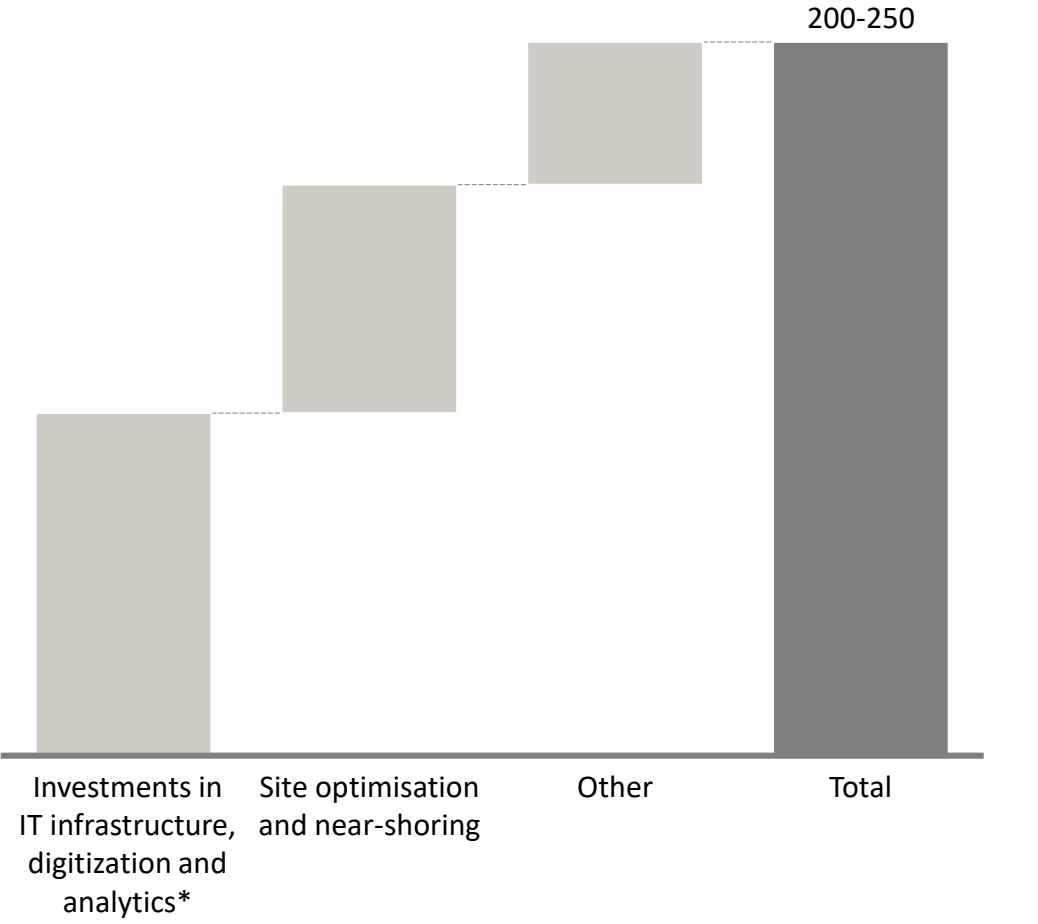


Expected one-off costs to realize run rate decreased cost of 300 SEKm in 2021 amounting to 200-250 SEKm

Run rate expected financial impact 2021, decreased cost in SEKm



Cash-to-achieve until 2021, SEKm



Our financial targets

Financial targets for 2021

RoE ¹	20%
EPS growth ²	15% CAGR ³
Cost-to-income ratio	65%
CET1 ratio	2.5-4.5 percentage points above regulatory requirements
Dividend	25-30% of net profits per annum



Q&A



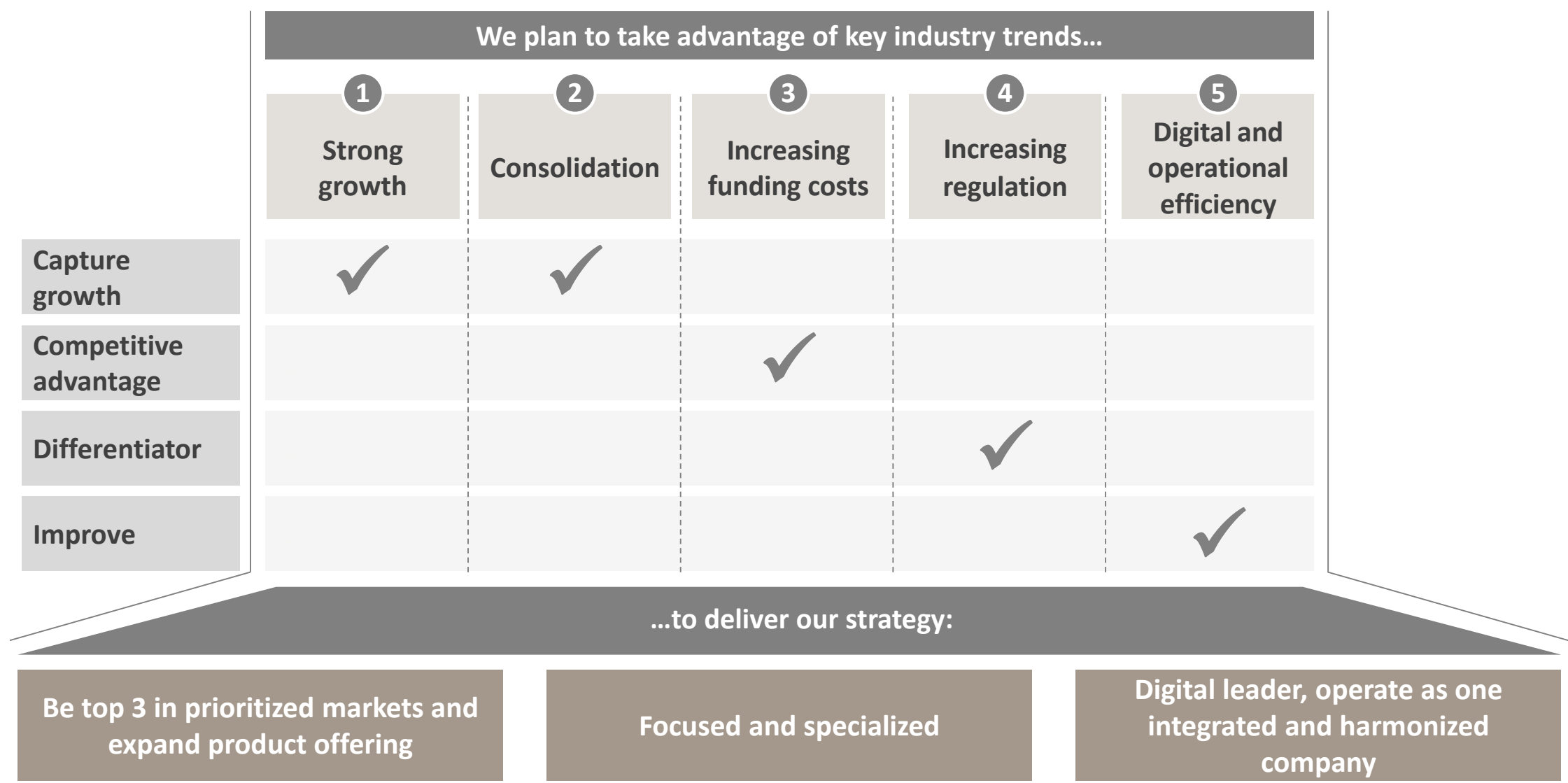
7

Summary

Today's key messages

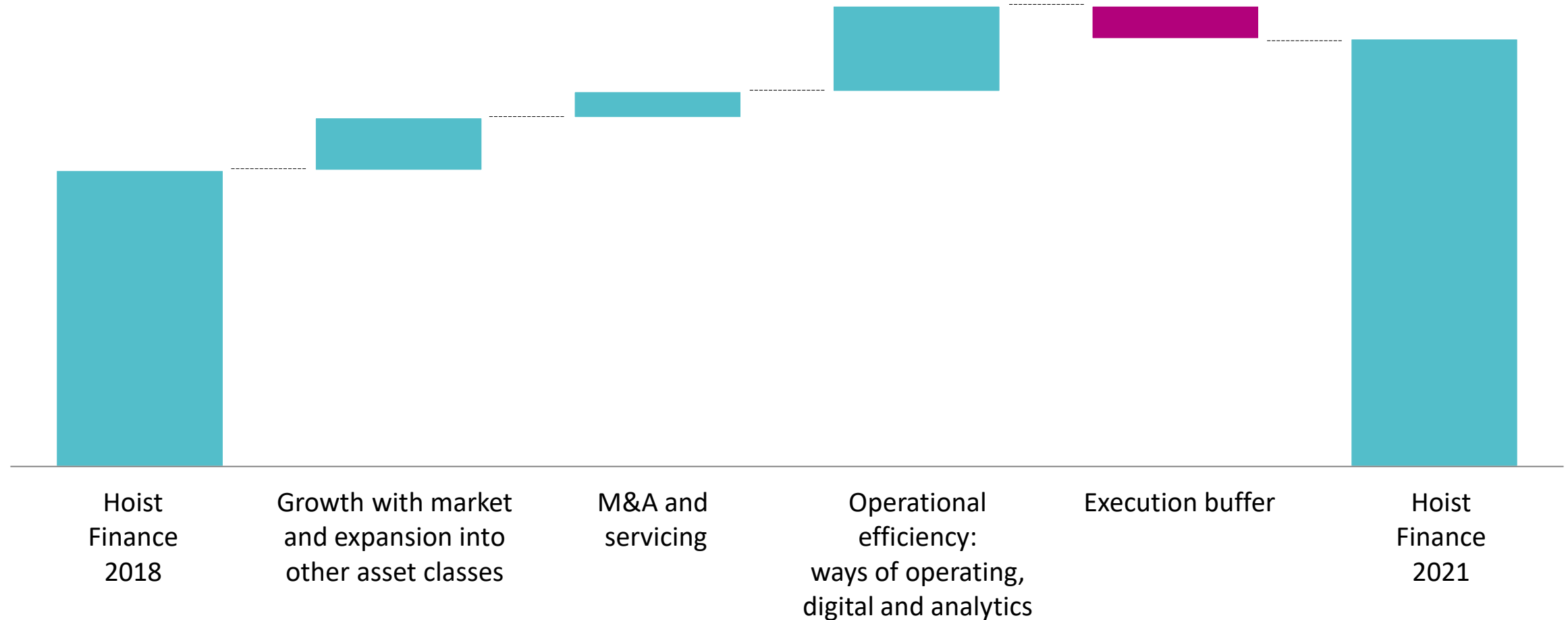
- Attractive market where **new asset classes offer substantial opportunities** for growth
- **Unique funding model** as a regulated credit market company offers significant advantage
- Tangible **opportunities to improve operational efficiency** and effectiveness; drive for focus and simplicity
- **Experienced new team** in place with a clear strategy to grow income and improve margins

A clear strategy to exploit market changes ...



... and setting clear initiatives to increase value creation ...

Hoist Finance 50% EPS growth 2018-2021



... to achieve a market-leading position with attractive returns

Financial targets for 2021

RoE ¹	20%
EPS growth ²	15% CAGR ³
Cost-to-income ratio	65%
CET1 ratio	2.5-4.5 percentage points above regulatory requirements
Dividend	25-30% of net profits per annum



8

Q&A



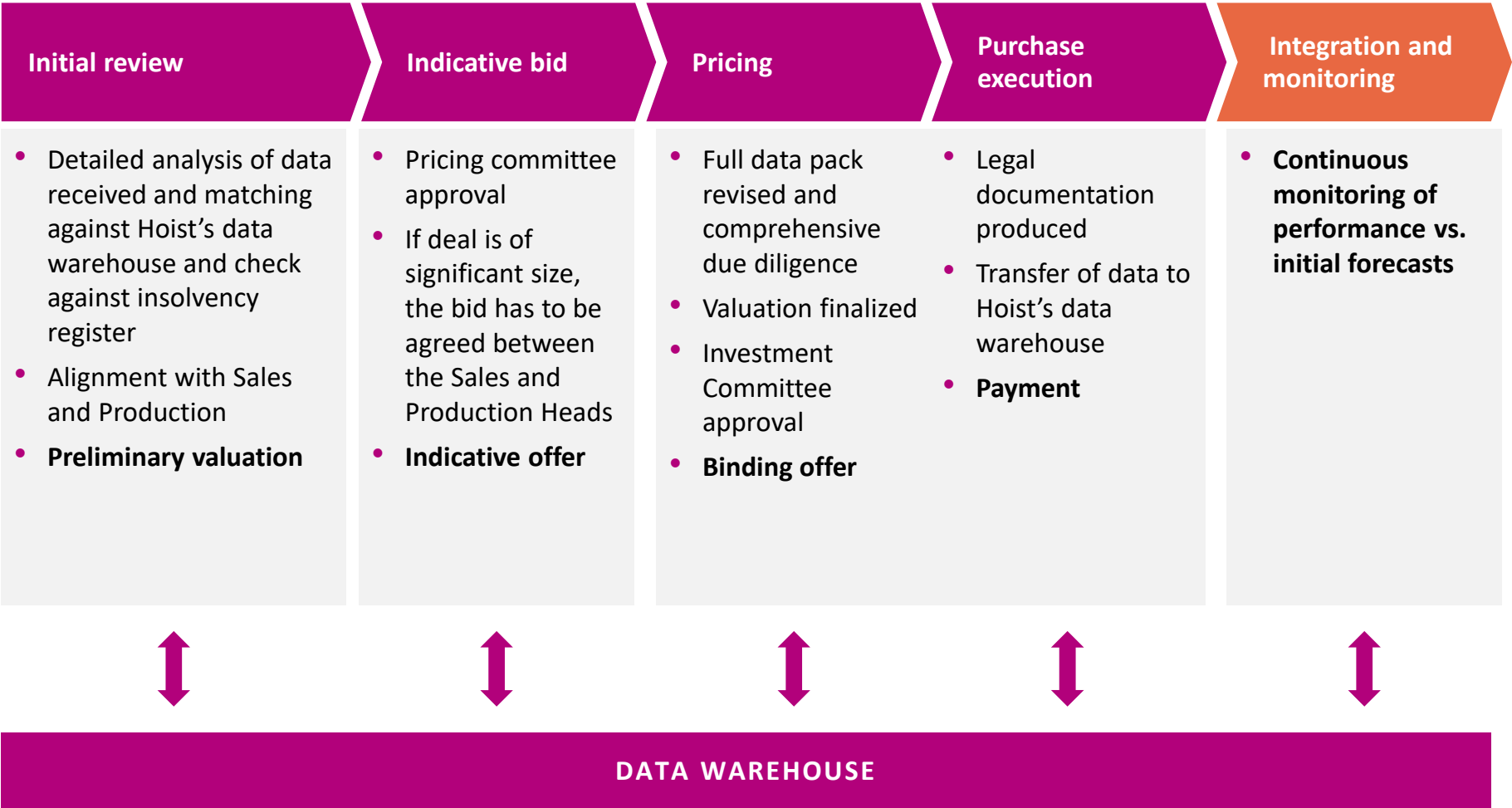
Helping people keep their commitments

Standardized and efficient pricing process

From initial review, through acquisition onto implementation and monitoring

Pre-Transactions

Post-Transactions



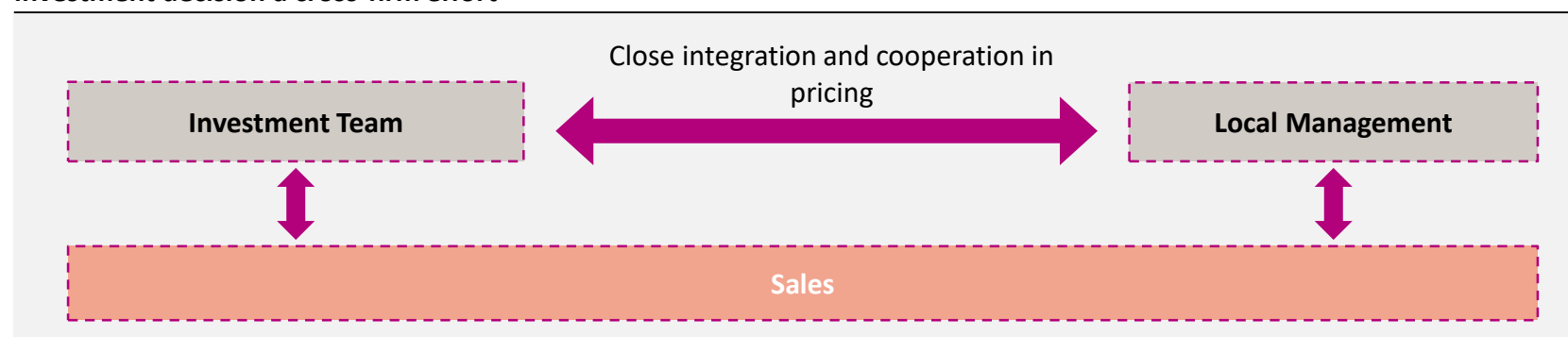
- Cooperation with Sales and Production throughout process
- Pricing fully aligns with operational approach
- Stringent process reflected in strong portfolio performance
- Focus on portfolio management ensures learnings benefit new transactions

Rigorous investment process

Clear structure of approvals and limits

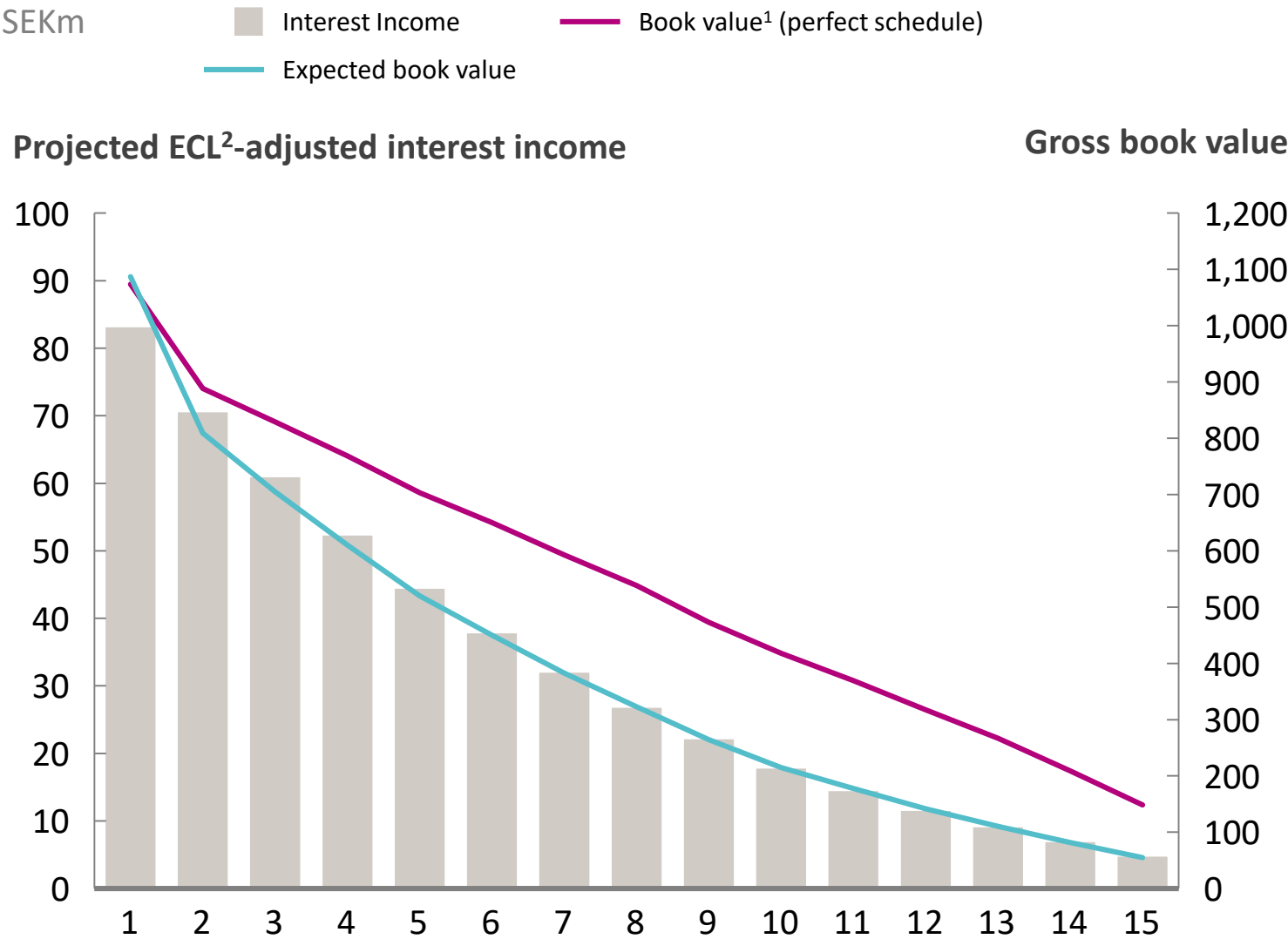
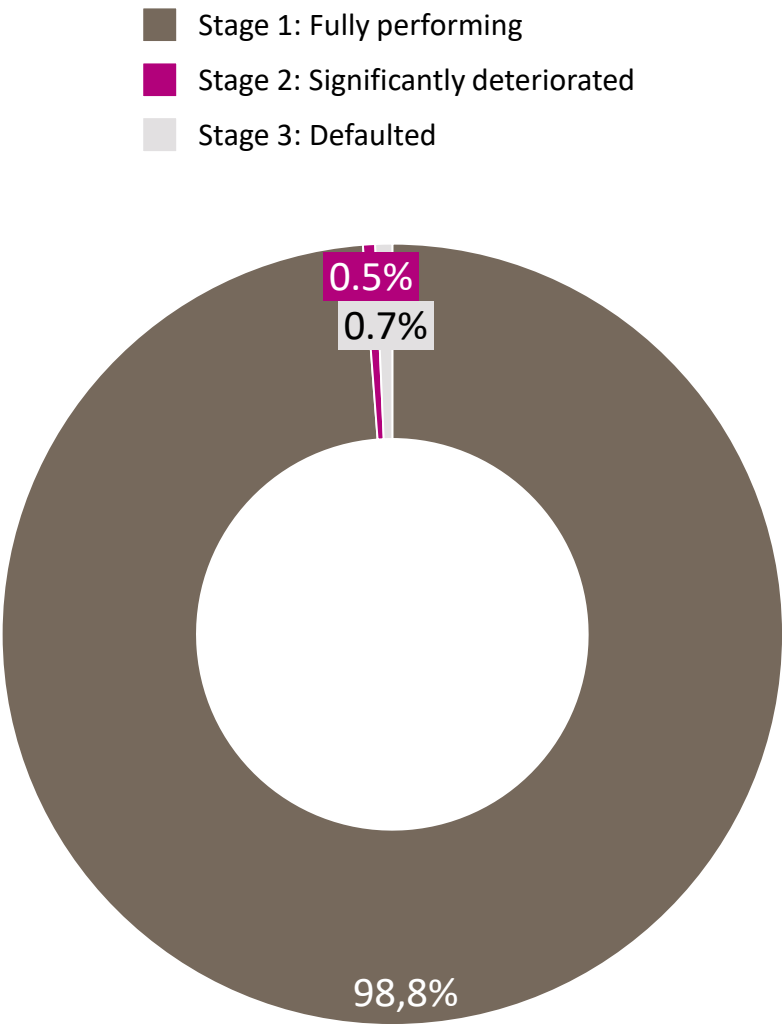
	Members	Chair	Description
Board Investment Committee	<ul style="list-style-type: none"> A subcommittee of the Board of Directors 	<ul style="list-style-type: none"> A Board member nominated by the Chair of the Board 	<ul style="list-style-type: none"> Applicability: Standard transactions greater than EURm 75, non-standard transactions greater than EURm 25
Management Investment Committee	<ul style="list-style-type: none"> CEO CFO COO CIO CSO (non-voting) Head of Risk (non-voting) 	<ul style="list-style-type: none"> CIO 	<ul style="list-style-type: none"> Applicability: All transactions Quorum for standard transactions: <ul style="list-style-type: none"> - <EURm 10: CIO + COO - EURm 10-25: CIO + COO + CFO - EURm 25+: CIO + COO + CFO + CEO Quorum for non-standard transactions: <ul style="list-style-type: none"> - <EURm 5: CIO + COO - EURm 5- 10: CIO + COO + CFO - EURm 10+: CIO + COO + CFO + CEO

Investment decision a cross-firm effort



- Established and approved process for portfolio purchases to ensure efficient operations
 - Before a binding bid can be submitted, investment approval must be obtained
 - Approval requirements will differ depending on transaction size
- Investment decisions reflect a collaboration between investments, sales, local management and the Investment Committee
- Process reflects buy-in from all parts of the organization and is designed to minimize the risk of incorrect pricing

Revenue generation from acquired performing loan portfolios



¹ Perfect schedule: assuming clients paying according to contractual terms

² Projected ECL adjusted interest income: income adjusted for expected impairment loss & gain based on how the ECL (expected credit loss) is projected to change in future periods



Definitions

CET1 capital

Capital instruments and the related share premium accounts that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council, and other equity items that may be included in CET1 capital, less regulatory dividend deduction and deductions for items such as goodwill and deferred tax assets.

CET1 ratio

CET1 capital in relation to the total risk exposure amount.

C/I ratio

Total operating expenses in relation to Total operating income and Profit from shares and participations in joint ventures.

Earnings per share

Net profit for the period, adjusted for interest on capital instruments recorded in equity, divided by the weighted average number of outstanding shares.

Gross 120/180-month ERC

"Estimated Remaining Collections" – the company's estimate of the gross amount that can be collected on the loan portfolios currently owned by the company. The assessment is based on estimates for each loan portfolio and extends from the following month through the coming 120/180 months. The estimate for each loan portfolio is based on the company's extensive experience in processing and collecting over the portfolio's entire economic life.

Return on equity

Net profit for the period adjusted for accrued unpaid interest on AT1 capital calculated on annualized basis, divided by equity adjusted for AT1 capital reported in equity, calculated as an average for the financial year based on a quarterly basis.

ERC replacement rate

Q3-17 and Q3-18 average 12-month ERC divided by gross lifetime 120-month cash on cash multiple at acquisition.