



Capital Markets Update

12 September 2024

Classification: Public



Agenda

Introduction | Lars Wollung, Chairman of the Board

Strategy and business model | Harry Vranjes, Chief Executive Officer

Investment management | Fabien Klecha, Chief Investment Officer

Capital and funding | Christian Wallentin, Deputy CEO & CFO

Risk management | Christian Wallentin, Deputy CEO & CFO

Q&A with country heads

Specialised Debt Restructurer | Christian Wallentin, Deputy CEO & CFO

Financial targets and follow-up | Harry Vranjes, Chief Executive Officer

Summary and Q&A

What sets us apart

Lars Wollung, Chairman of the Board

Agenda

01



Industry dynamics/what ?

02



Purpose/why ?

03



Winning formula/how ?



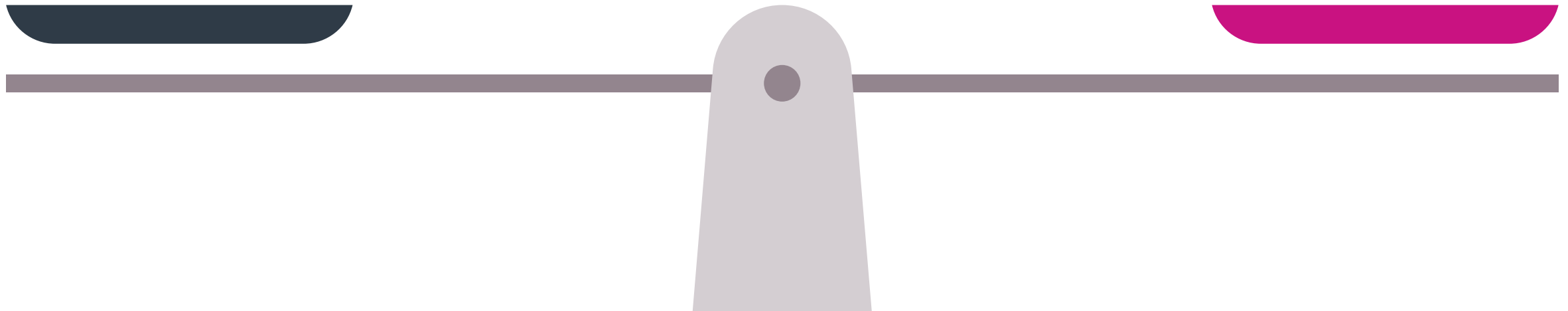
The concept of debt



**Fundamental
value driver
for society**

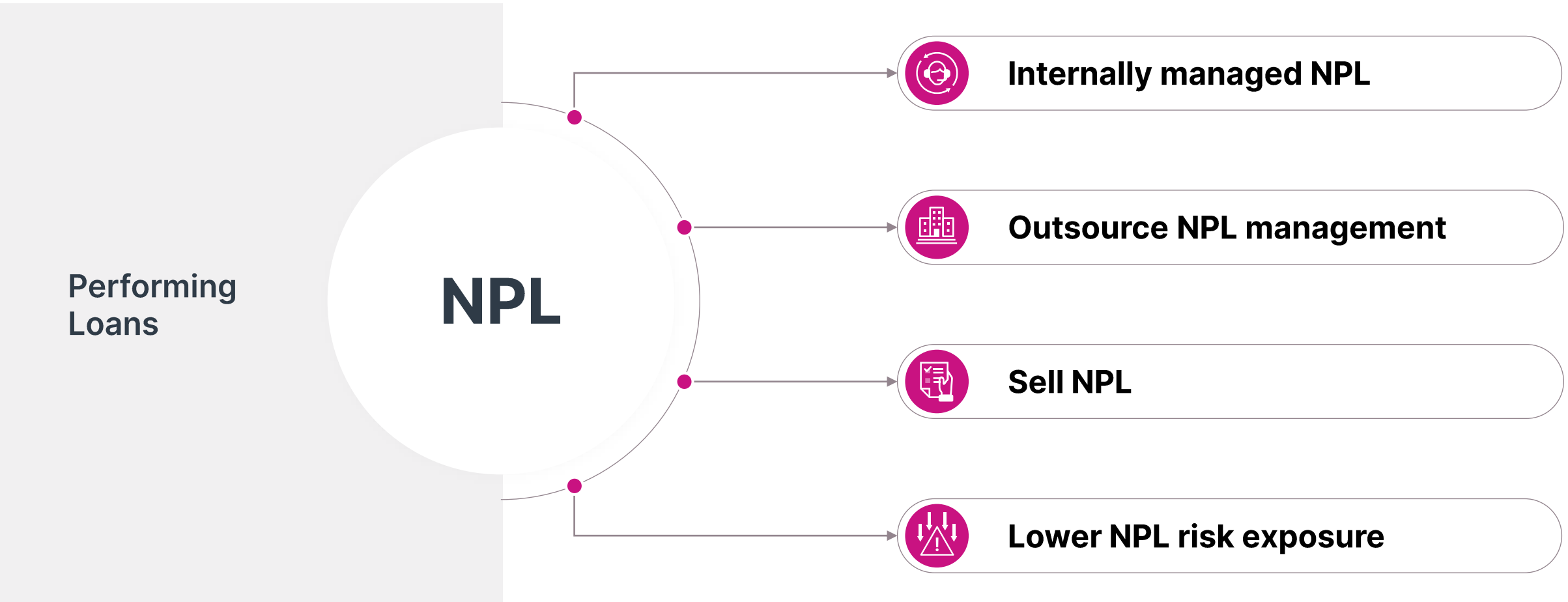


**Risk
and value
destruction**



Non-Performing Loan (NPL) management

Origination bank



Long-term driving forces



Internally
manage NPL

01

Specialisation and focus

02

Data-driven decisions

03

Regulation



Externally
manage NPL

Suppliers of NPL management

Origination bank goals

Increase capital

Reduce risk

Reduce operational costs

Increase cash flow

Fulfill ESG objectives



NPL service companies



Hybrid service and NPL acquisition companies



NPL investment companies/funds





Banks specialised in NPL management


Reasons to select Hoist Finance as NPL partner




1 
Banking regulated

2 
Stable financing

3 
Sustainability

4 
Dedication

5 
Portfolio pricing

Agenda

01



Industry dynamics/what ?

02



Purpose/why ?

03



Winning formula/how ?



Agenda

01



Industry dynamics/what ?

02



Purpose/why ?

03



Winning formula/how ?



Aspired risk / return profile



Balance sheet management

Assets



NPL portfolio

- » No single risk exposure
- » Diversified portfolio



Liquidity

- » Minimal risk

Total assets

Liabilities and equity



Savings accounts

- » Consumer only, max EUR 100 000, 120 000 investors
- » Diversification
 - Austria, Germany, Holland, Ireland, Poland, Sweden, UK



Bonds

- » Diversification
 - Time
 - Investors










Equity

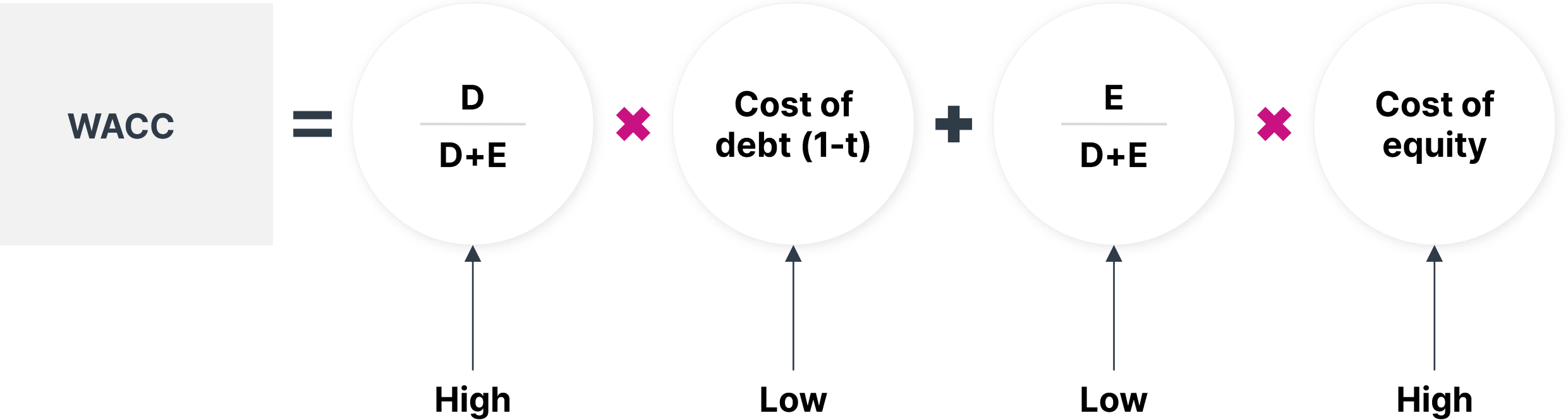
Total liabilities and equity

Risk overview

Risk assessment: a low and stable risk profile with active risk management

Types of risk	Comment	Risk assessment
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Liquidity risk	<ul style="list-style-type: none"> » High level of ongoing liquidity reserve » SDR NSFR 130% 	 LOW
Regulatory, statutory risk	<ul style="list-style-type: none"> » Purpose fully aligned with regulatory objectives » Regulatory status in level 1 text in banking package » Pan-European multi-jurisdictional structure 	 LOW to MEDIUM

Weighted Average Cost of Capital (WACC)



The winning formula



Low cost of capital

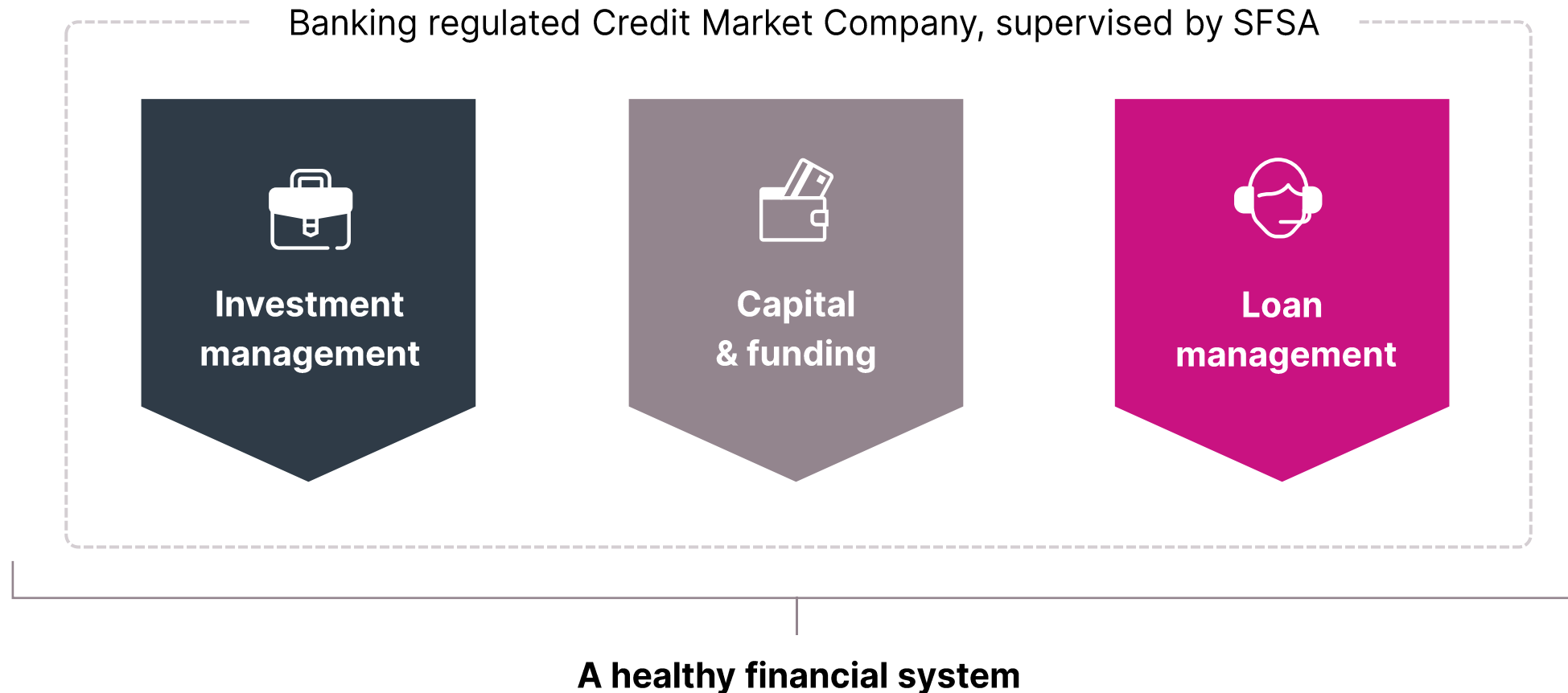


Operational excellence

Positioned for continued profitable growth

Harry Vranjes, CEO

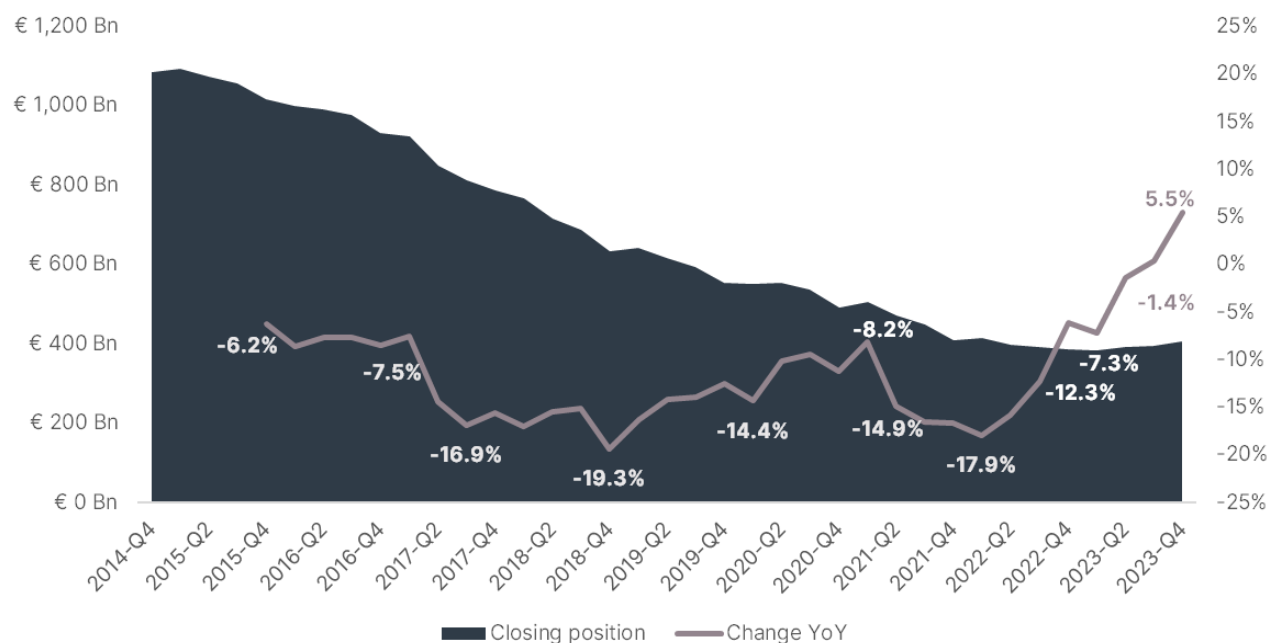
A leading European asset manager of unsecured and secured Non-Performing consumer Loan portfolios



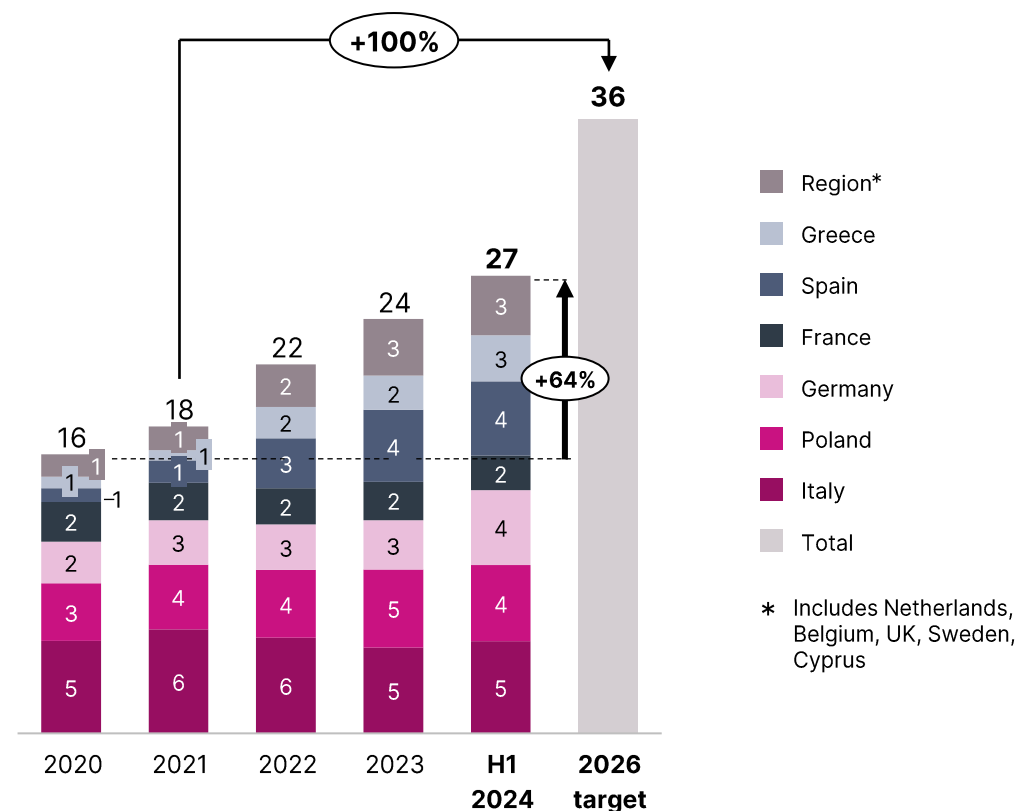


Investment Management

Non-performing exposure gross carrying amount for EU domestic banks



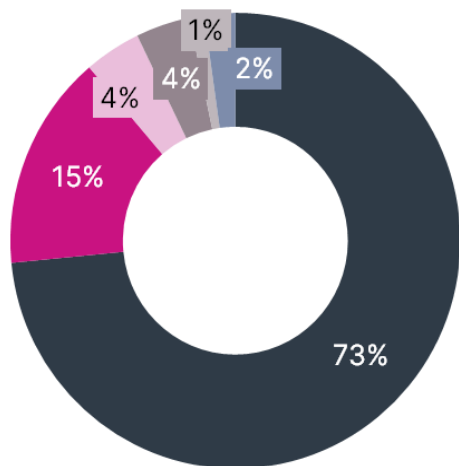
Portfolio book value SEKbn, continued operations only





Capital and funding

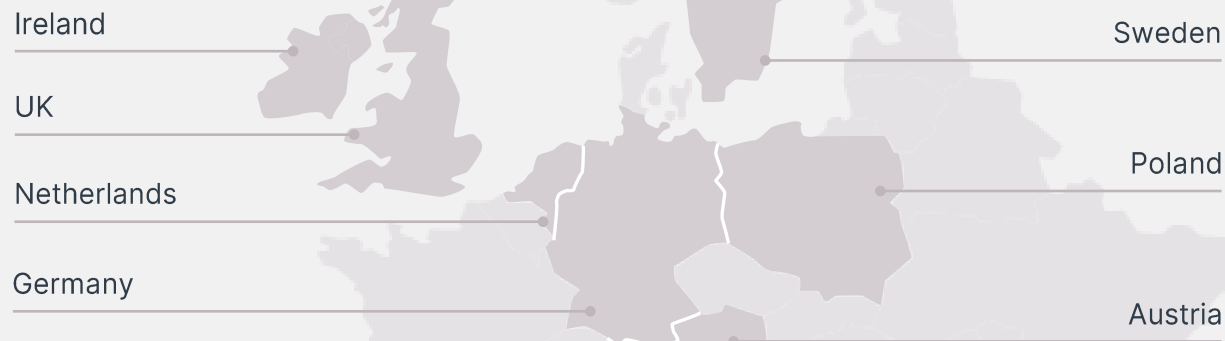
Distribution of funding



- HoistSpar
- Senior unsecured debt
- Subordinated debt
- AT1 instruments
- Notes issued by securitisation
- PLN loan

120,000

active customers



SEK 22.3 billion

Total deposits as of Q2 2024



Pan-European presence

» Steering by RoE as core target

» Loan Management

- Strategic loan management is always inhouse and always local
- Operational loan management is inhouse or outsourced and always local



Investment Management

Fabien Klecha, Chief Investment Officer



The investment function at Hoist Finance





Investment function in numbers

Q2 2024

26.8

SEKbn, total portfolio

47.4

SEKbn, Expected Remaining Collections (ERC)

42

FTEs

11

European markets

4.3

SEKbn, invested in H1 2024

20+

SEKbn, total value of deals in our live investment pipeline

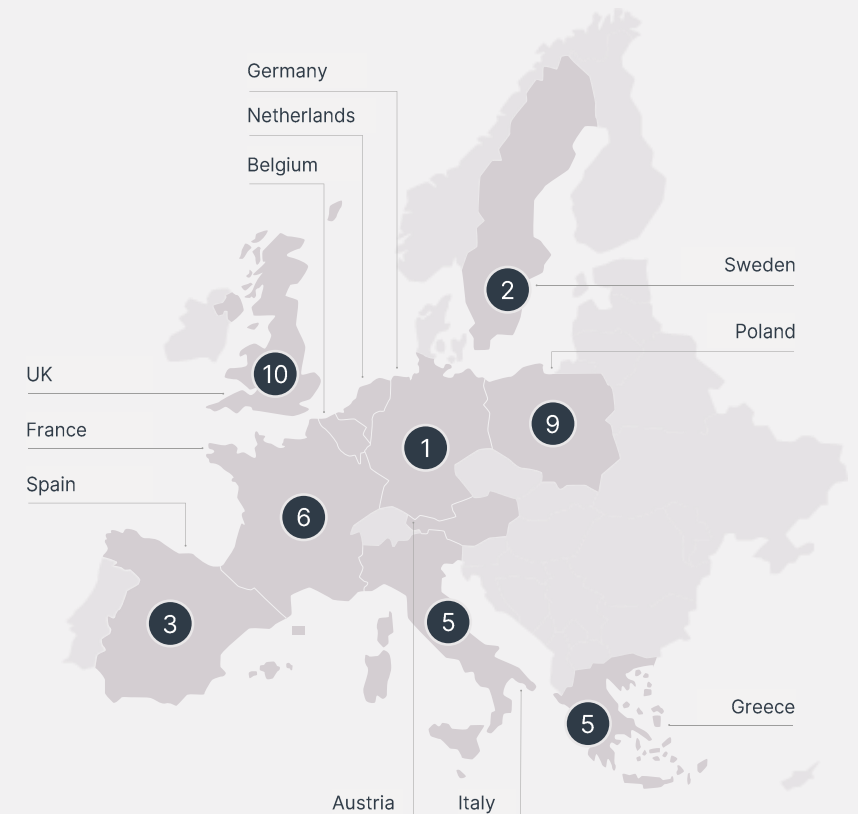
116%

Performance on vintages acquired since 2022

108%

Performance for all vintages

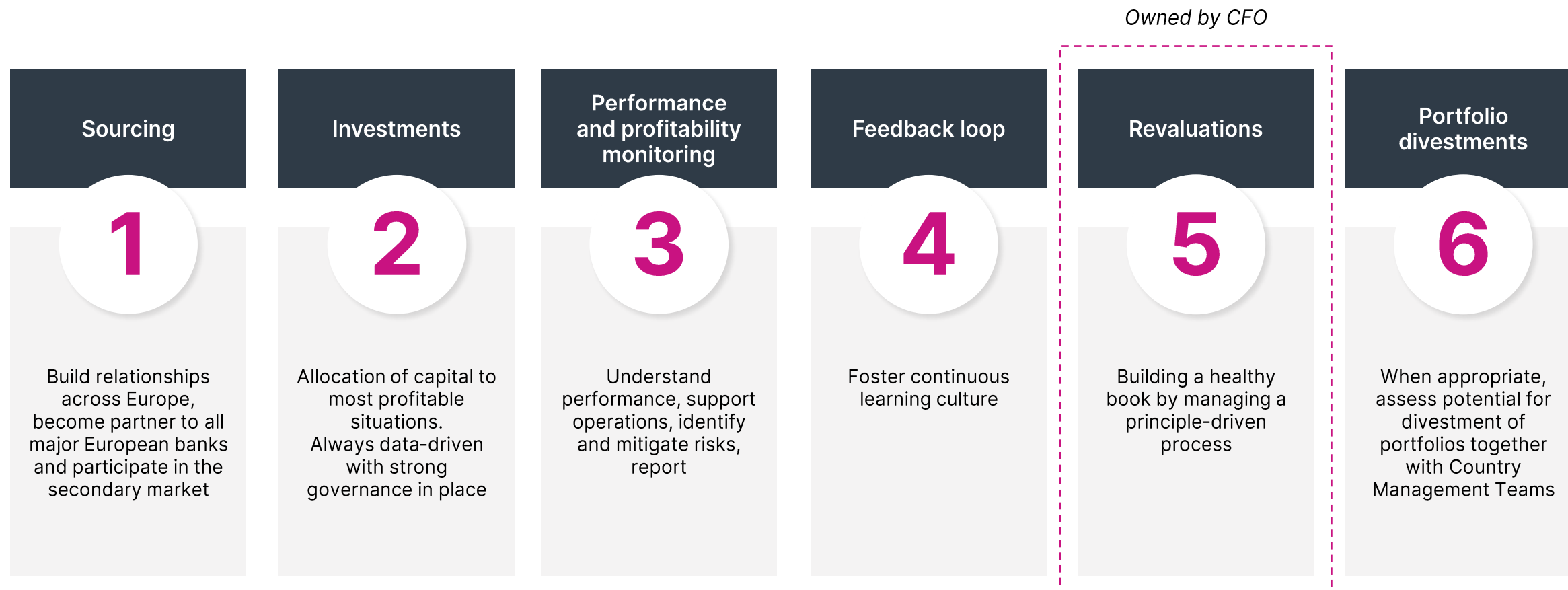
Pan-European presence (#of FTEs)





Our responsibilities: investments in Hoist Finance

We are involved in all aspects of the portfolio lifecycle





A market leader in the asset management of NPL portfolios

Investment strategy



Pan-European market footprint



Markets in scope: Italy, Germany, UK, Poland, Greece, Sweden, Spain, France, Netherlands, Belgium



Focus on banking assets



Focus on banking assets with high origination quality



Granular asset types



Unsecured

Secured

SME



Pro-active management



Constant monitoring of performance metrics

Benchmarking

SPA monitoring



Pro-active sourcing



Problem solve for banks

Seek co-investor partnerships

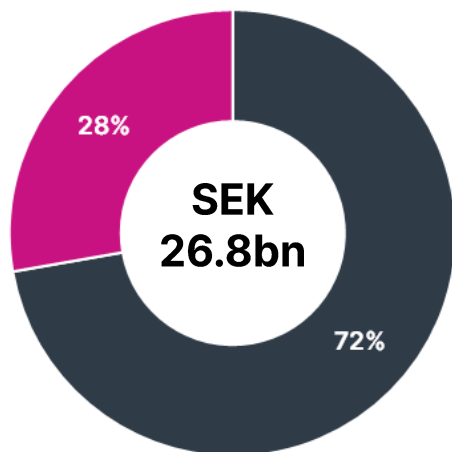
Secondary market opportunities



A highly diversified, granular collection of NPL assets

The Hoist Finance portfolio

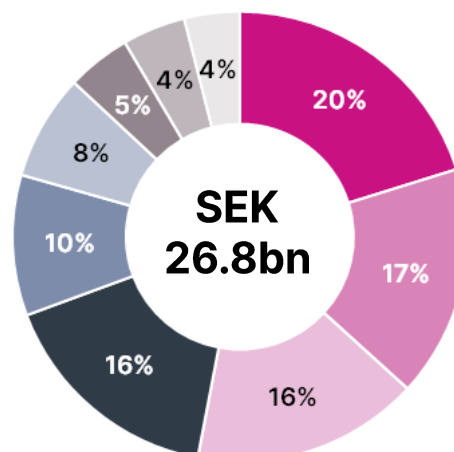
Book value by asset class



■ Unsecured ■ Secured

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

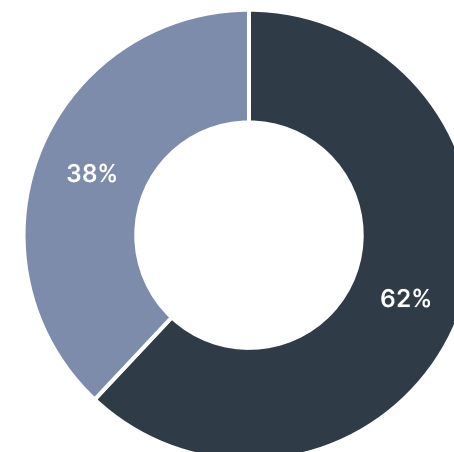
Book value per market



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

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

Internalised vs. Externalised

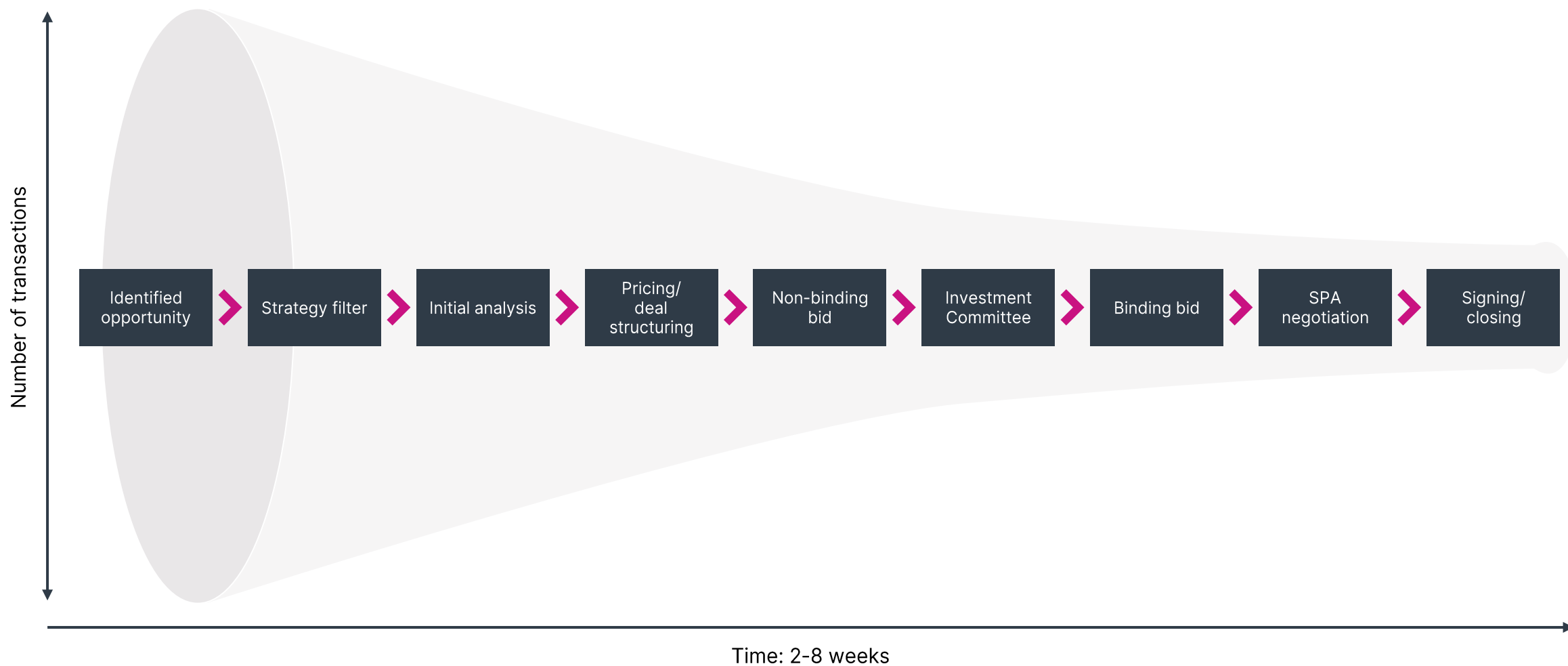


■ Internalised ■ Externalised

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



Typical investment process





Clear governance and monitoring

Decision committees

Full Board

Board Investment Committee

Management Investment Committee (chaired by CIO)

Preparation of the investment case jointly

Investment Team



Country Management Teams

Monitoring

External Audit

Internal Audit

Risk Function Review

Revaluation Committee
(chaired by CFO)

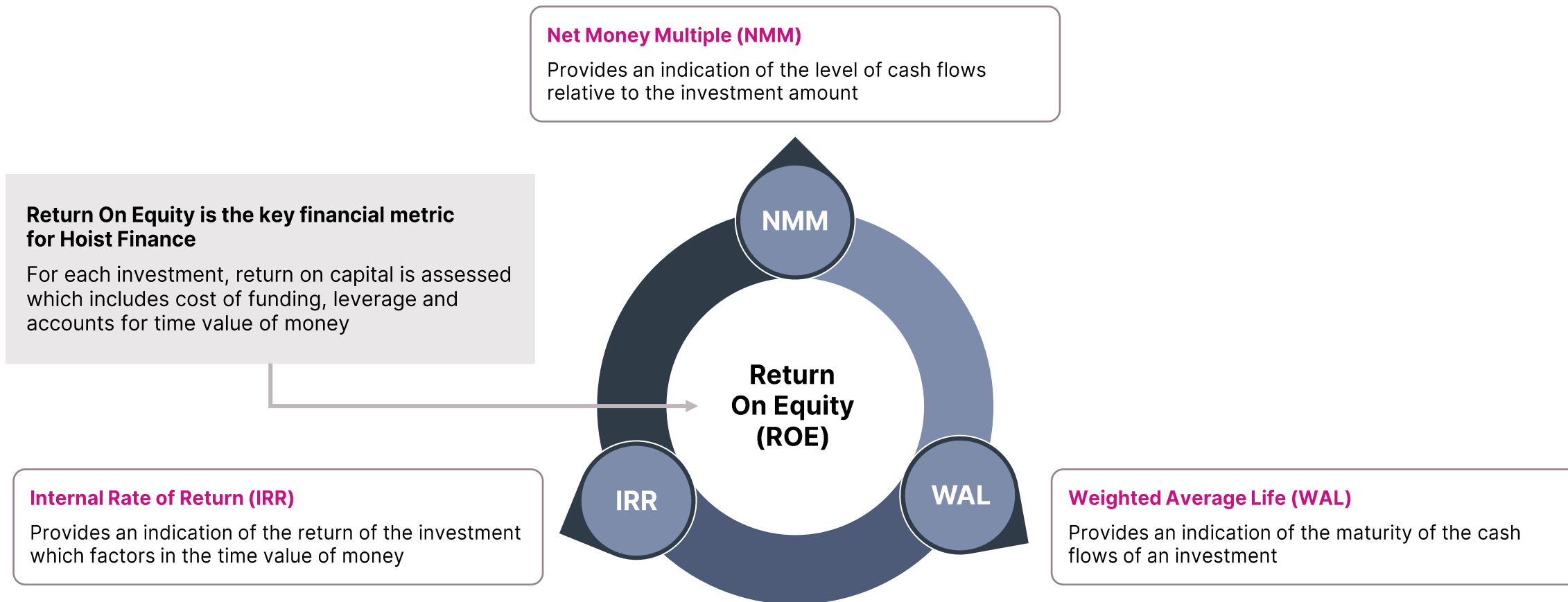
Independent Quality Review
(peer review)

Investment Committee feedback loop



Return metrics: how we assess investments

Each investment is assessed on how much it will contribute to the Hoist Finance ROE-target





Return metrics: how we assess investments (cont.)

Illustrative investment case

Return metrics sensitivity to Real Estate values

OMV ¹⁾ change	Implied IRR	Implied NMM	Implied ROE
10%	13.8%	1.55x	61.1%
5%	13.4%	1.54x	59.3%
0% (Base)	13.0%	1.52x	57.2%
-5%	12.5%	1.51x	54.8%
-10%	12.0%	1.49x	52.1%
-20%	10.7%	1.45x	45.1%

Return metrics sensitivity to timing of cash flows

Timing	Implied IRR	Implied NMM	Implied ROE
-3	14.3%	1.52x	63.8%
0 (Base)	13.0%	1.52x	57.2%
+3	11.9%	1.52x	51.5%
+6	11.0%	1.52x	46.7%
+9	10.2%	1.52x	42.5%
+12	9.5%	1.52x	38.9%

Other key considerations/analysis

- Concentration of ERC
- Asset liquidity
- Due Diligence findings
- Sale and Purchase Agreement
- Experience with portfolio/seller/assets


1) Open Market Value




Centralised data driven approach which utilises large data sets and local expertise to feed predictive models



Snowflake data lake and leading valuation technology



Databases
(eg. collection, operational, cost, pricing, collateral, etc.)



Centralised automated live reporting



Market leading valuation capabilities

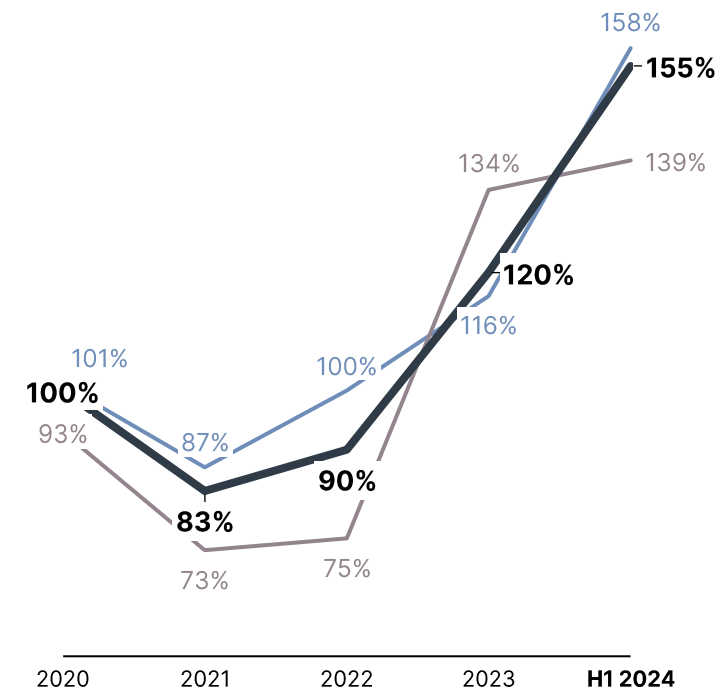
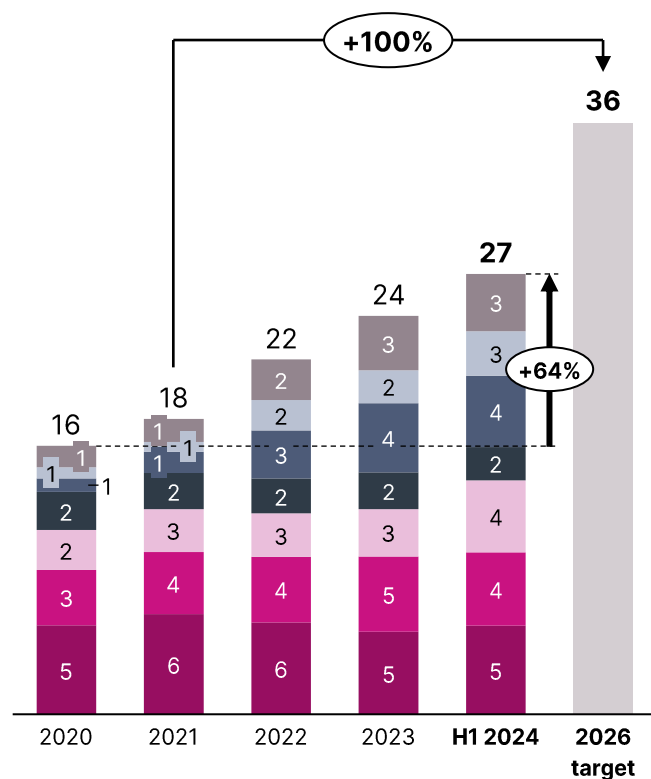
- » Manage large data sets efficiently and effectively with live audit trail
- » Run large simulations on our models which leverage deep data set and allow us to assess risks better
- » Real time reporting which allows investment cases to be monitored live
- » In depth operational analysis in short timelines



Book value & IRR

BV SEK Bn, continued operations only

10yr Net IRR Blended 2020 indexed at 100%



- » Growth on track
- » Diversification
- » Financial discipline and active repricing

Region¹⁾ Spain Germany Italy
 Greece France Poland Total

1) Includes outsourced collection markets: Netherlands, Belgium, UK, Sweden, Cyprus



Market outlook: multiplied growth opportunities

Regulation

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

Availability of funding

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

Growth of the secondary market

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



NPL Stock

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

NPL Ratios & outlook

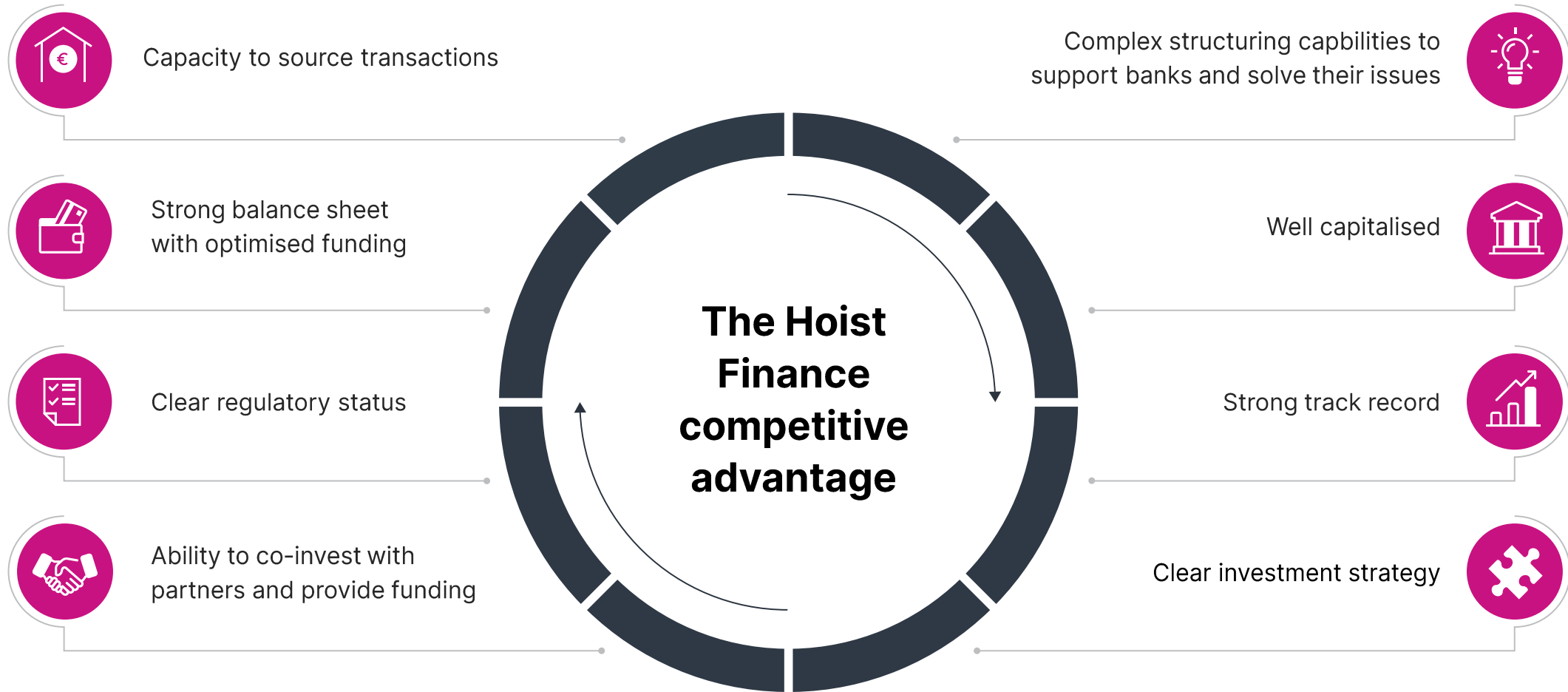
- NPL Ratio has reduced from a peak of ~7% in 2014 to a low of 1.8% in 2022
- Since 2024 NPL ratio has begun to increase (+5%), showing signs of potential stress in bank's balance sheets

Investable market

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



Highly competitive investor with abundant capital



Capital and funding

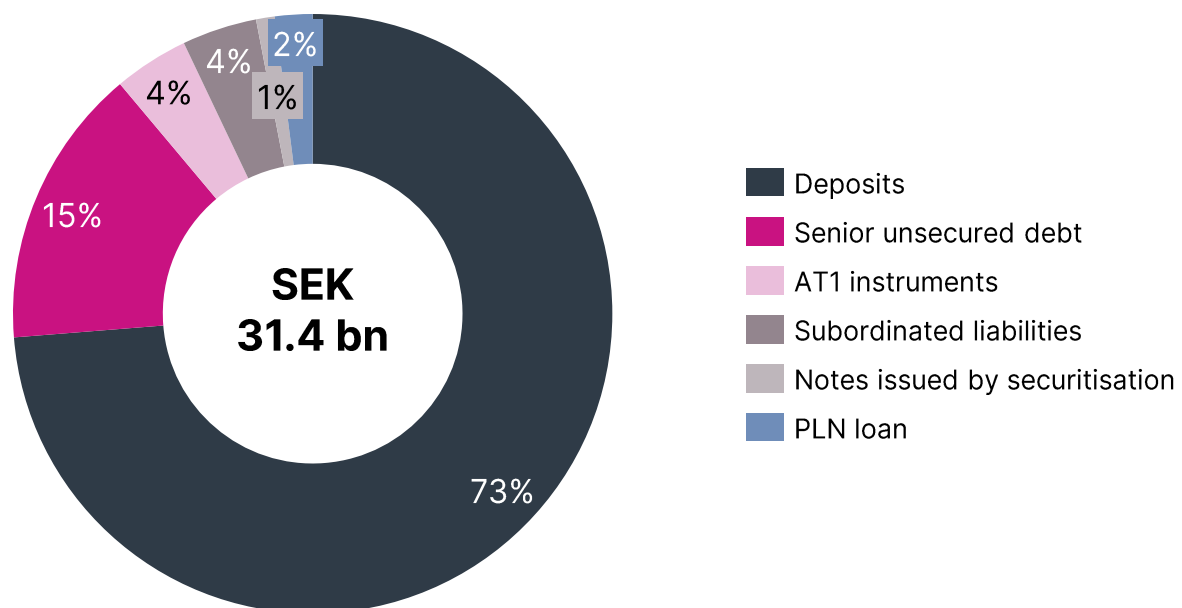
Christian Wallentin, Deputy CEO & CFO



Competitive funding platform with a stable deposit base

Our funding platform

Funding distribution



- » Sustainable, low-cost and diversified funding structure with continuous access to funding markets
- » Deposit platforms across Europe with attractive savings offering
- » Investment grade EMTN market platform with outstanding issuance in SEK and EUR



European savings offering

- Granular and diversified offering under deposit guarantee scheme
- Real time funding access
- Highly competitive funding cost

120,000

active customers

Ireland

UK

Netherlands

Germany

Sweden

Poland

Austria

SEK 22.3 billion

In total deposit balance
(approximately)



The sole Investment Grade rated issuer in the industry

NPL industry credit rating overview

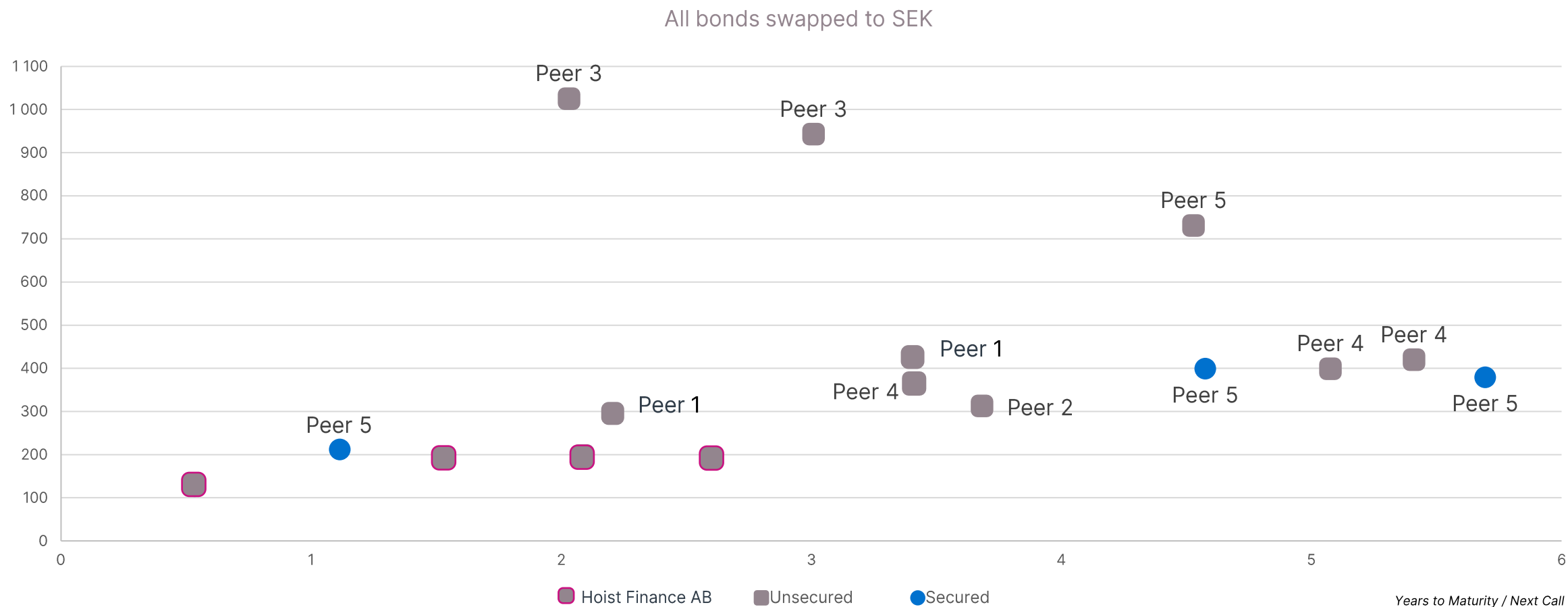
Corporate credit ratings

	Hoist Finance	Peer	Peer	Peer	Peer	Peer	Peer	Peer	Peer
Fitch	-	CCC	-	B+	CCC	-	-	BB+	BB+
S&P	-	CC	BB-	B	-	BB-	B	-	-
Moody's	Baa3	Caa2	Ba2	B2	B3	Ba1	B2	-	Ba2



Peer pricing

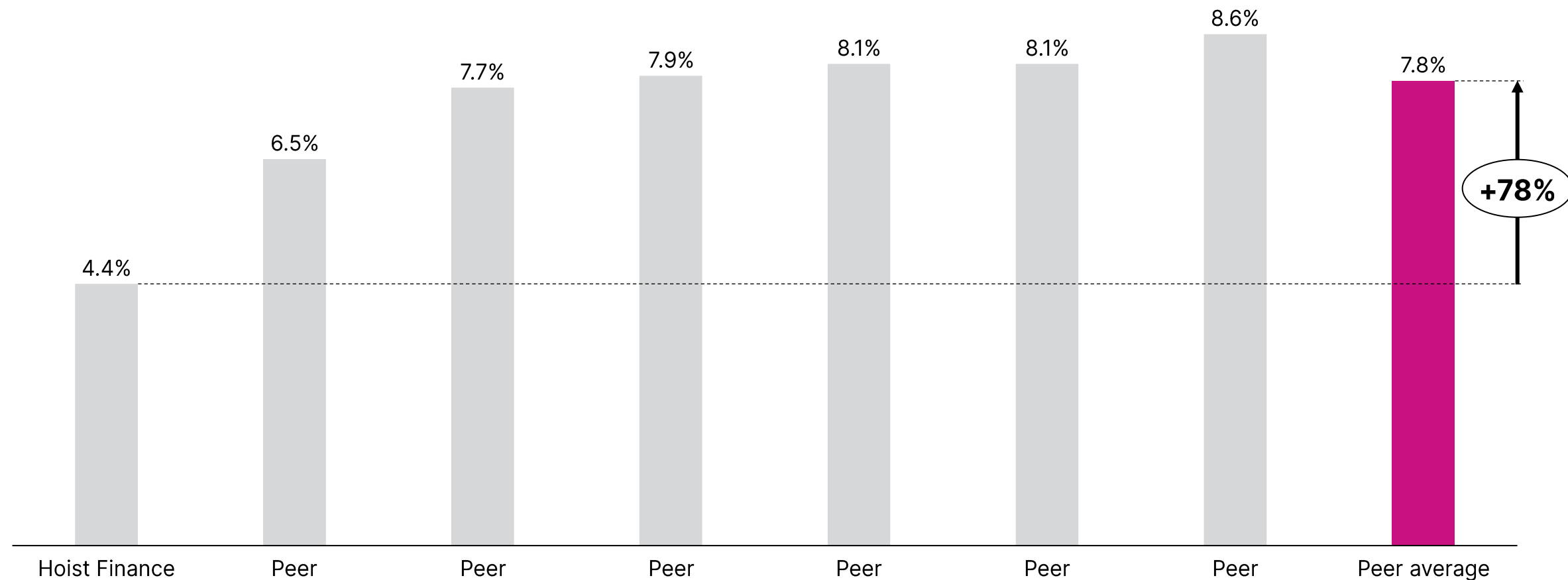
Current pricing of selected NPL senior bonds





The most competitive funding cost in the industry

Overview of industry weighted average cost of debt (%)










1) Weighted average cost of debt, based on traded instruments and estimates of non-traded instruments. Source FactSet, Bloomberg, peers public disclosures

Risk management

Christian Wallentin, Deputy CEO & CFO

Risk overview

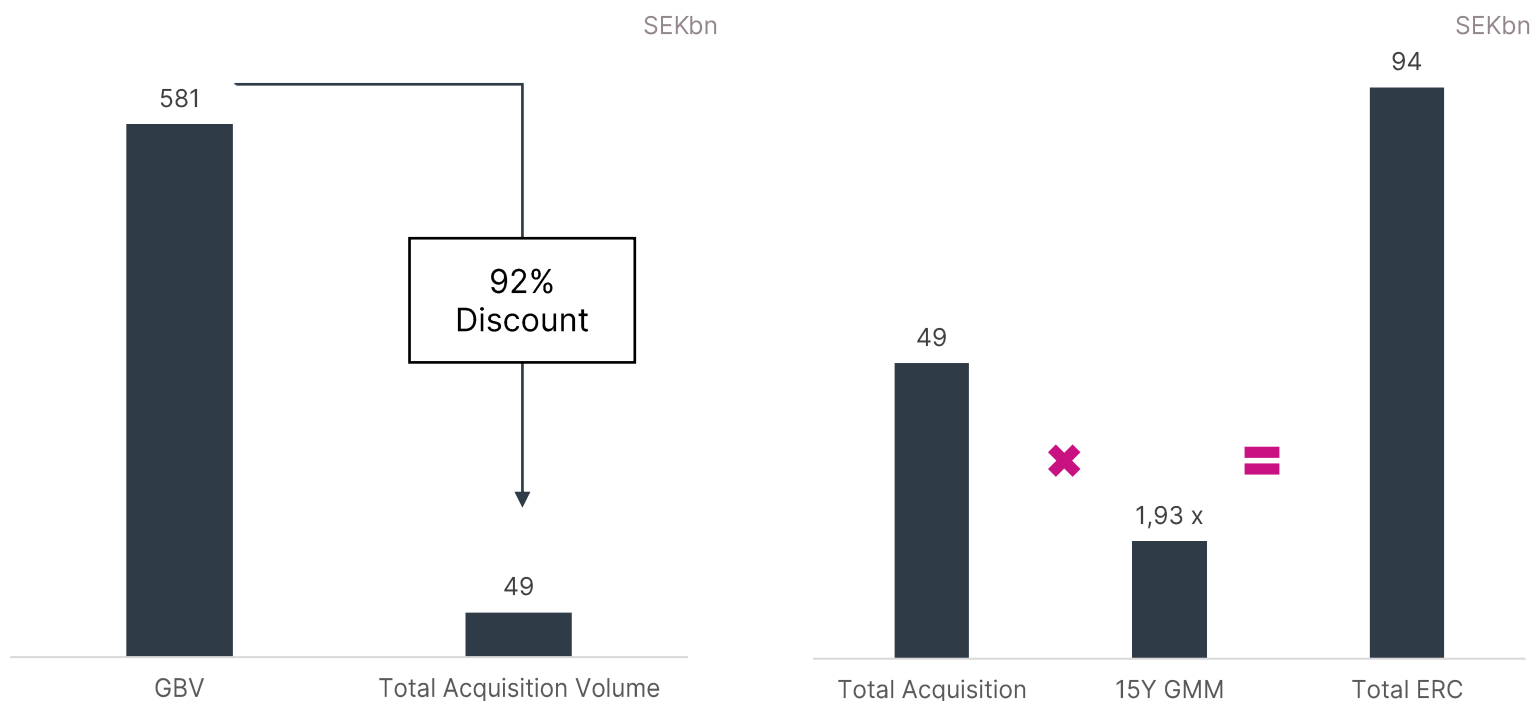
Risk assessment: a low and stable risk profile with active risk management

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Active risk management

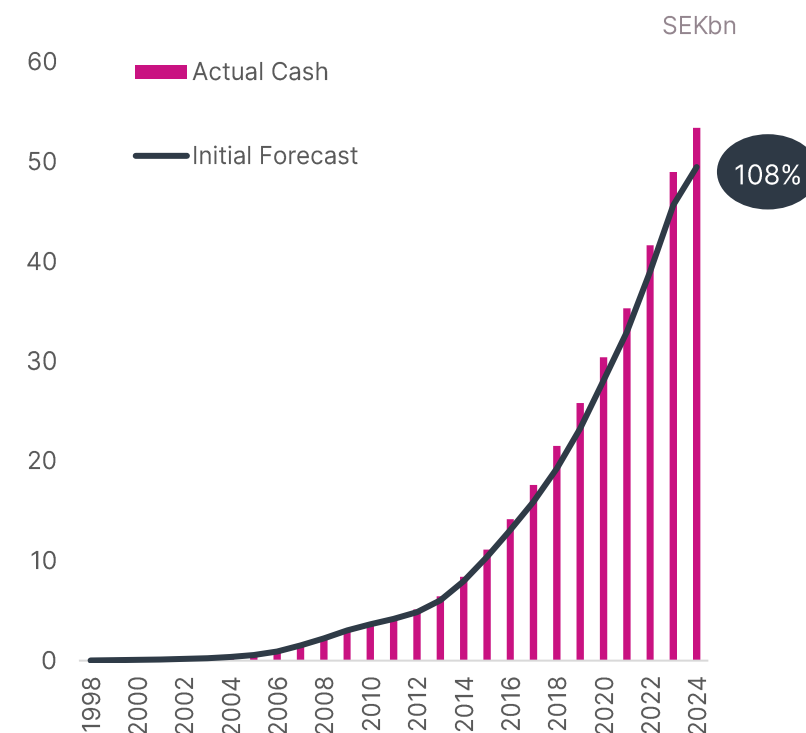
Hoist Finance is using pricing to de-risk portfolios to drive borrower relief and stable financial performance

De-risking NPLs ¹⁾



Borrower relief

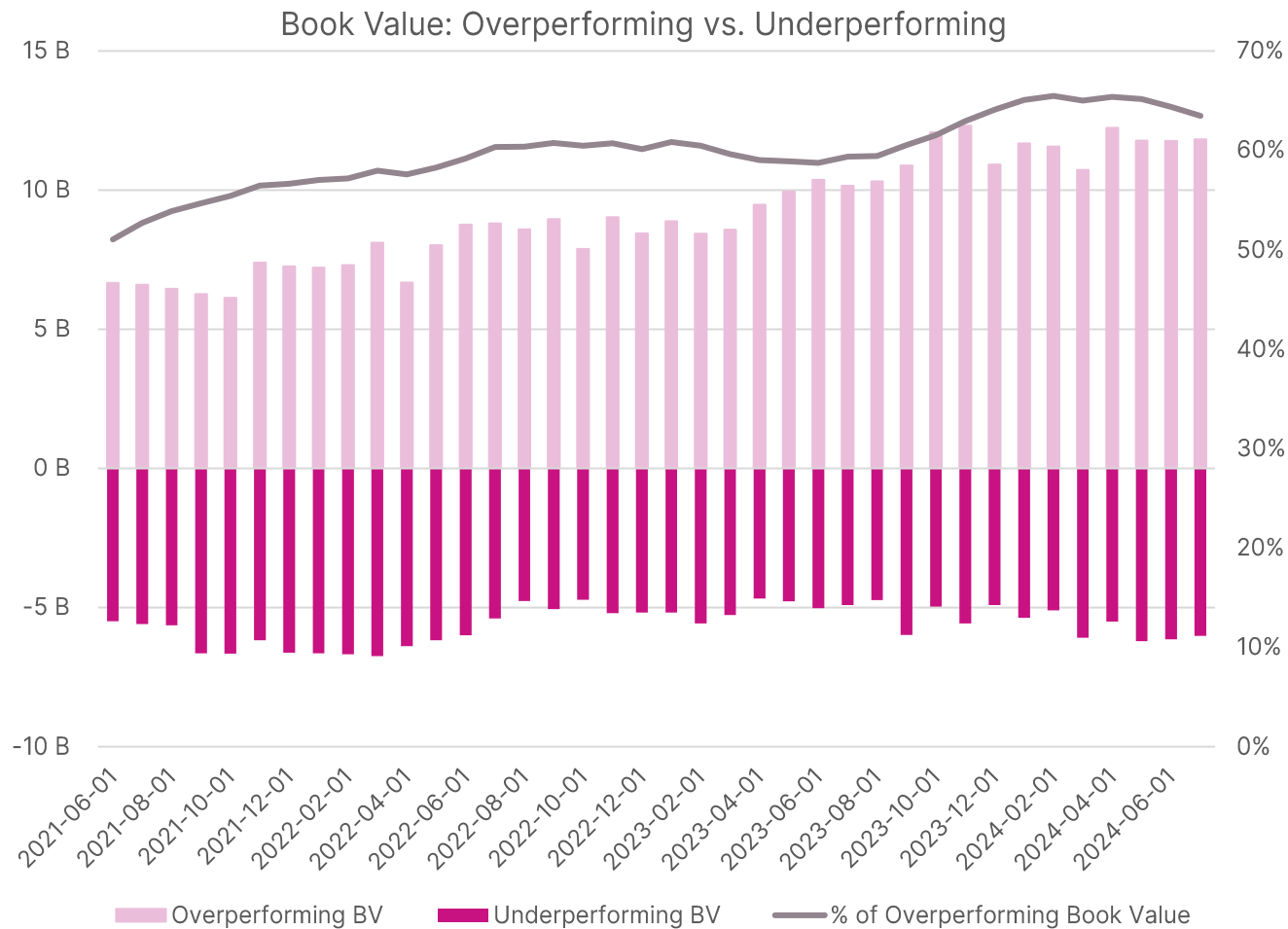
Stable & predictable performance



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

Portfolio management

Conservative and active portfolio management to ensure a healthy book



- » Stable and predictable collection performance with buffer to absorb unforeseen performance shocks
- » Centralised governance and follow-up framework
- » Outlier focus
- » Principle of prudence
- » Feedback loops
- » Strict overview by external auditor

Q&A with country heads



Makram Chebli
Country manager France



Enok Hanssen
Regional manager growth markets



Miguel Sotomayor
Country manager Spain



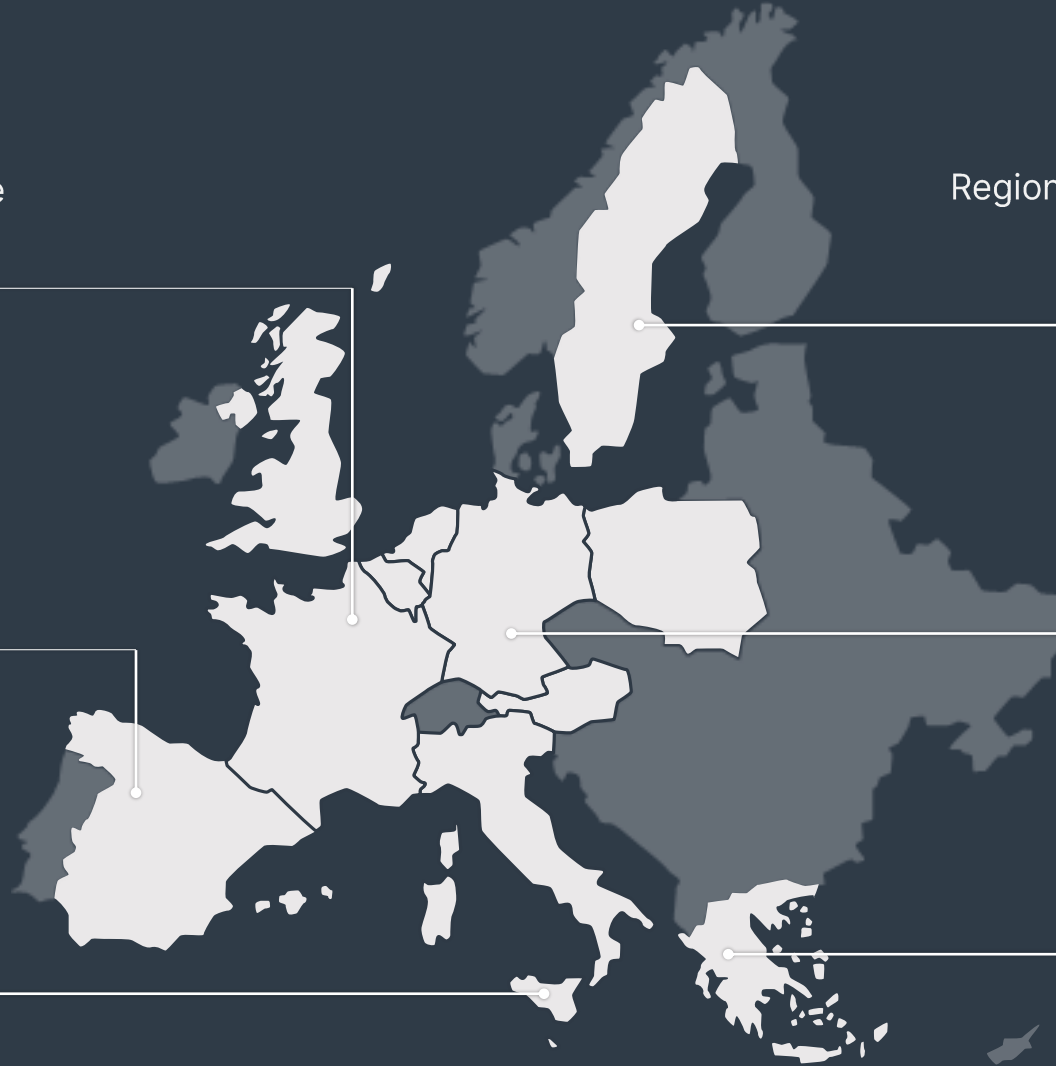
Mihails Mihailovs
Chief Operating Officer



Andrea Giovanelli
Country manager Italy



Sarah Salmona
Country Manager Greece



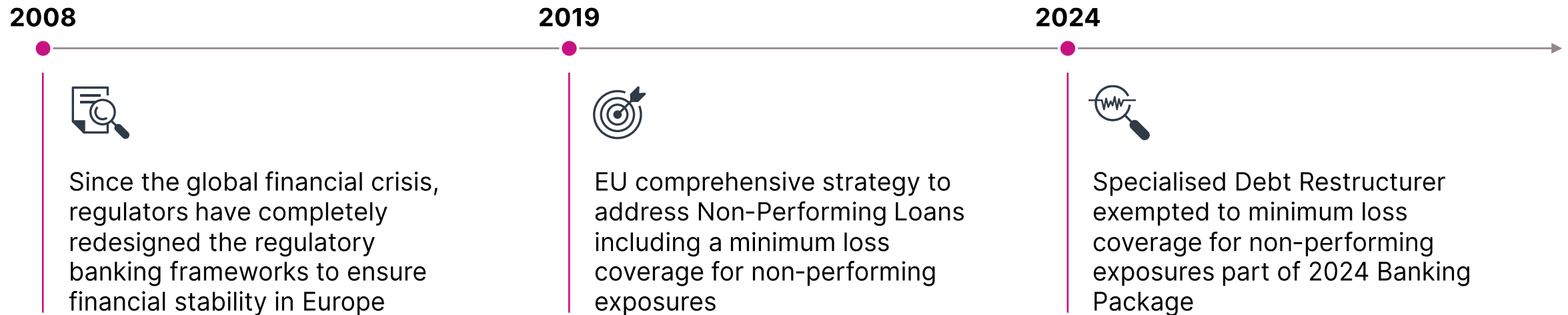
Specialised Debt Restructurer

Christian Wallentin, Deputy CEO & CFO

Banking regulatory environment

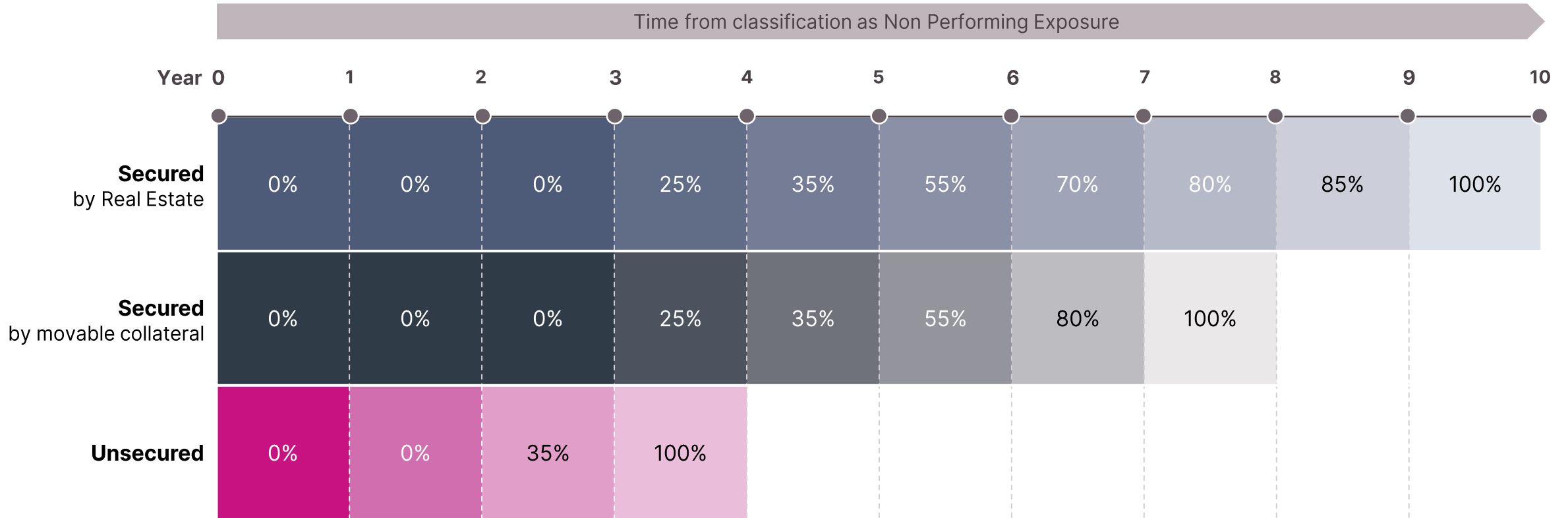
Hoist Finance purpose aligned with the intent of the regulators

Regulatory action plan to tackle Non-Performing Loans in Europe



Prudential backstop

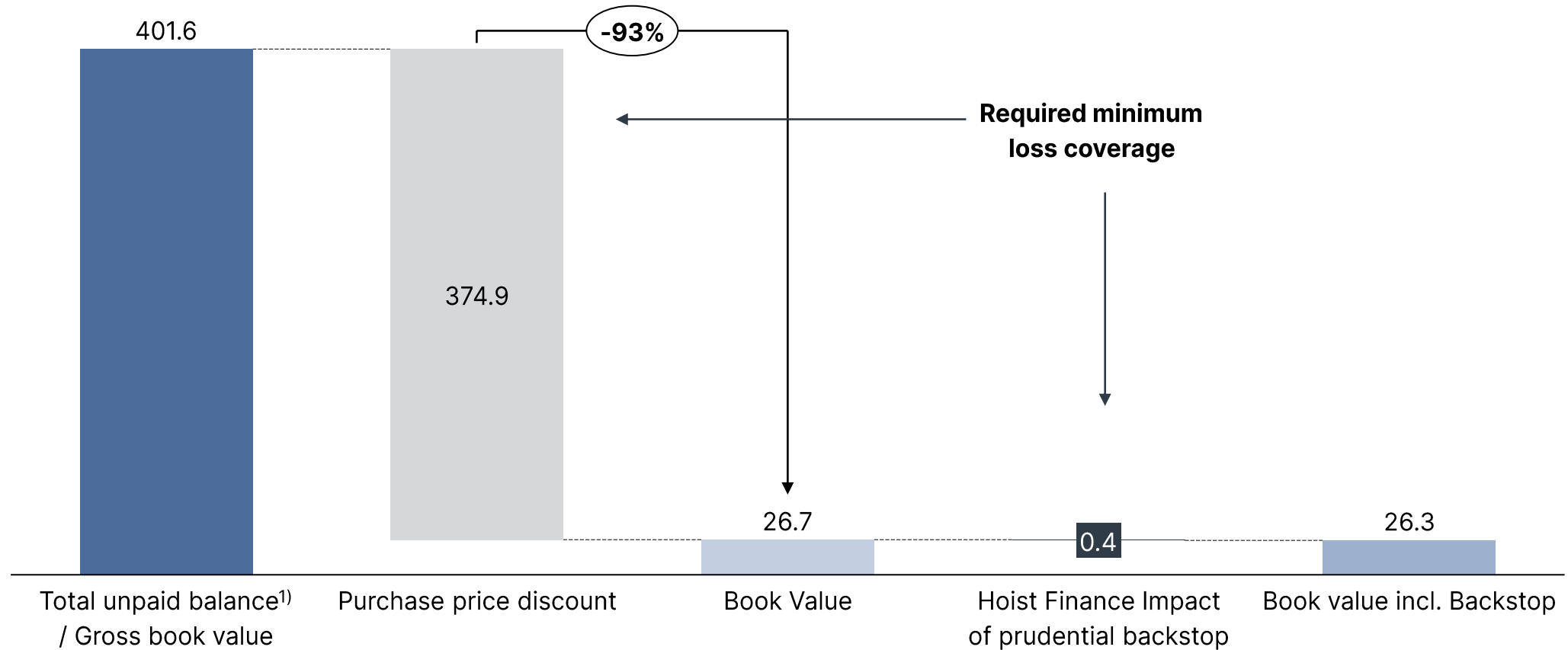
The longer an exposure has been non-performing, the lower the probability for the recovery of its value



Percentages above show the Minimum Loss Coverage (Prudential Backstop) required for Non Performing Exposures






Prudential backstop impact

Currently the prudential backstop has a limited impact on Hoist Finance



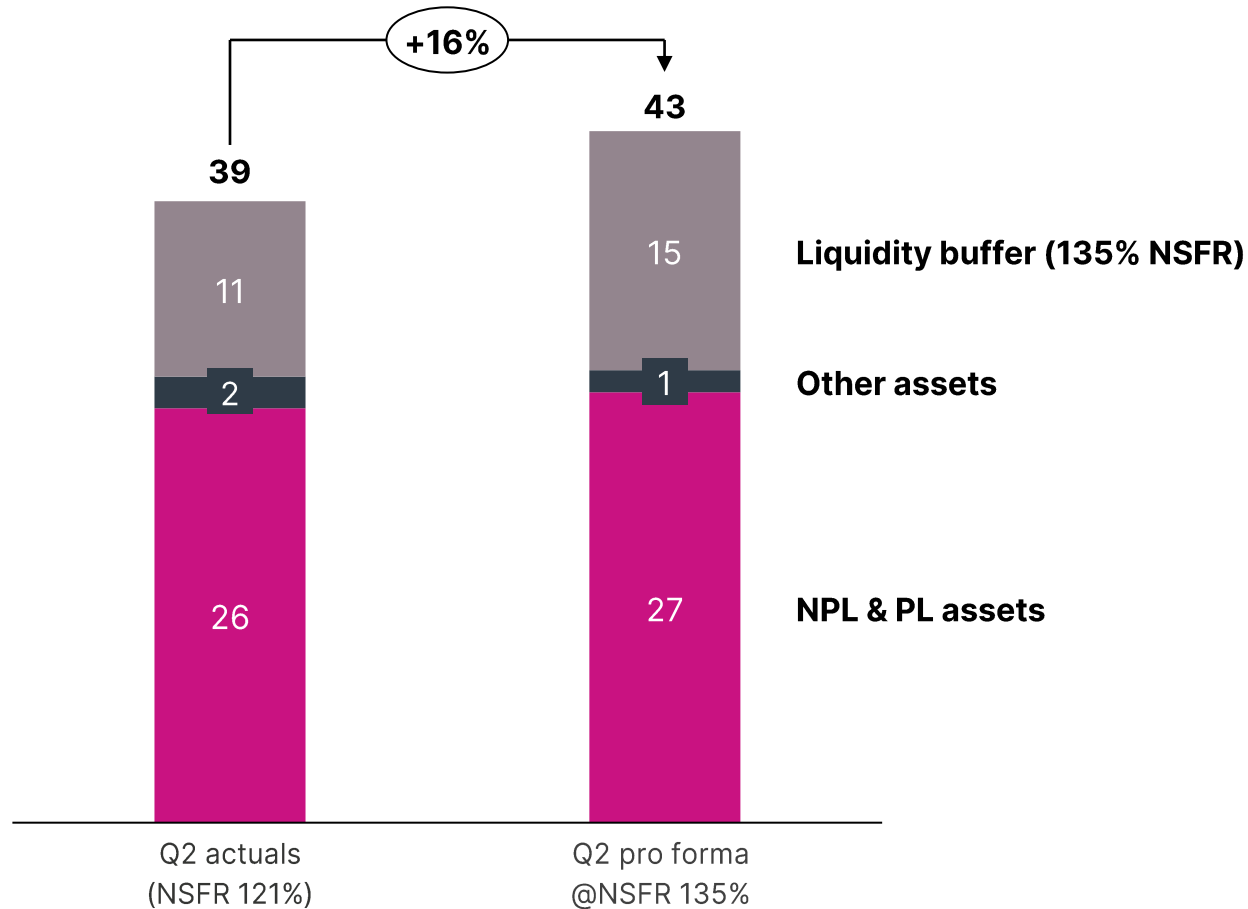
1) Current unpaid balance (Q2 2024)

Impact of SDR requirements on Hoist Finance

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

Specialised Debt Restructurer

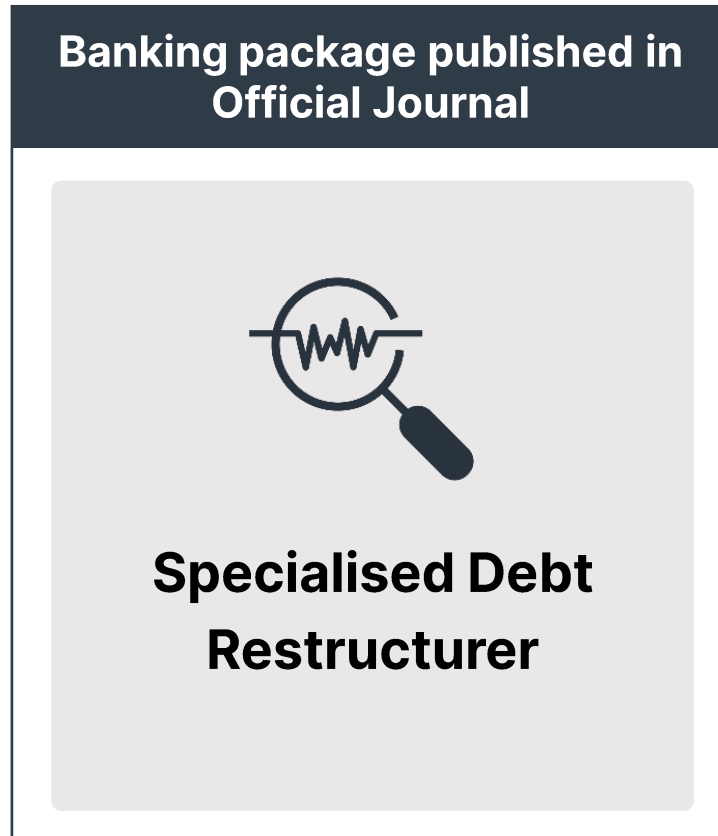
Illustrative impact of the 130% Net Stable Funding Ratio requirement



- » Key impact 130% NSFR requirement
- » Funding plan to fulfill 130% NSFR during H2 2024
- » Funding mix c. 80% deposits and c. 20% market funding
- » Estimated net funding costs of c. 65 SEKm per year with c. SEK 20m in 2024
- » The increased liquidity buffer will have limited impact on Hoist Finance's capital position
- » Full-year outlook and RoE target include costs of SDR

Specialised Debt Restructurer

Strong strategic attractiveness of becoming SDR



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

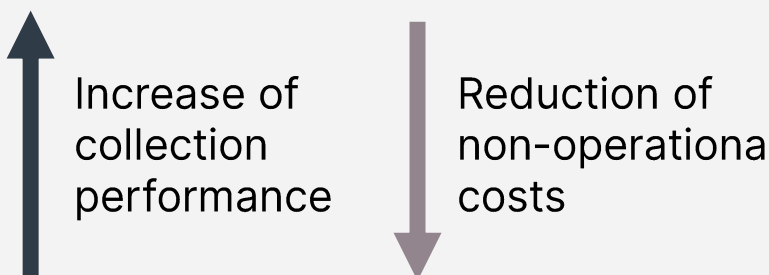
Financial targets and follow-up

Harry Vranjes, CEO

Our strategic focus 2021 to 2026

Become the leading European asset manager of non-performing unsecured and secured consumer loans portfolios from banks and financial institutions

2021 – 2023+ Achieve attractive RoE

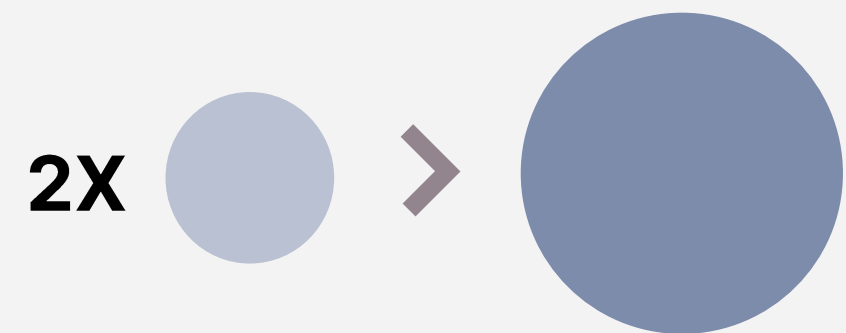


Increase of collection performance

Reduction of non-operational costs

Deliver a Return on Equity above 15%

2022 - 2026: Profitable growth



2X

Grow the total portfolio to SEK 36bn by the end of 2026

Banking regulated NPL asset manager model

Our financial targets



Profitability and return

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



Capital structure

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



Growth

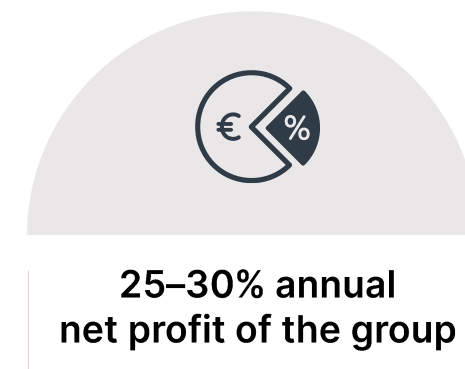
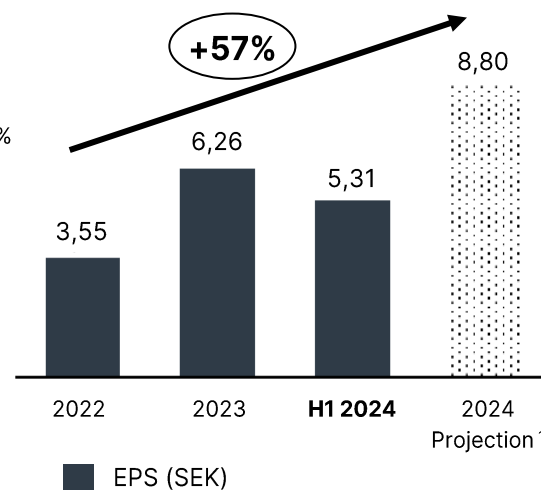
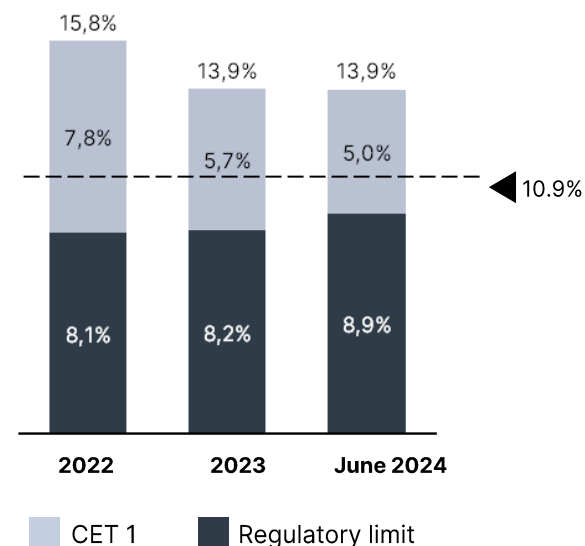
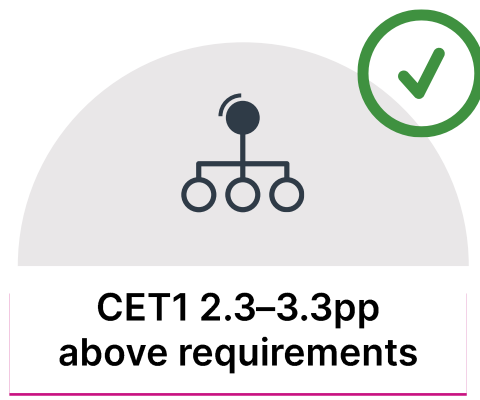
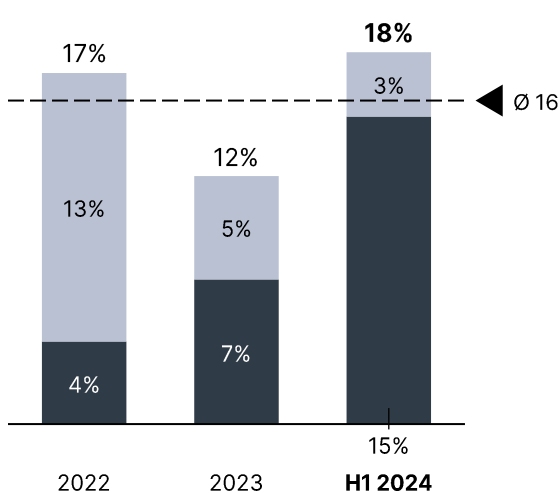
EPS (adjusted for AT1 costs) should grow by an average annual growth rate of 15 per cent over a business cycle



Dividend policy

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

Evaluation of financial targets

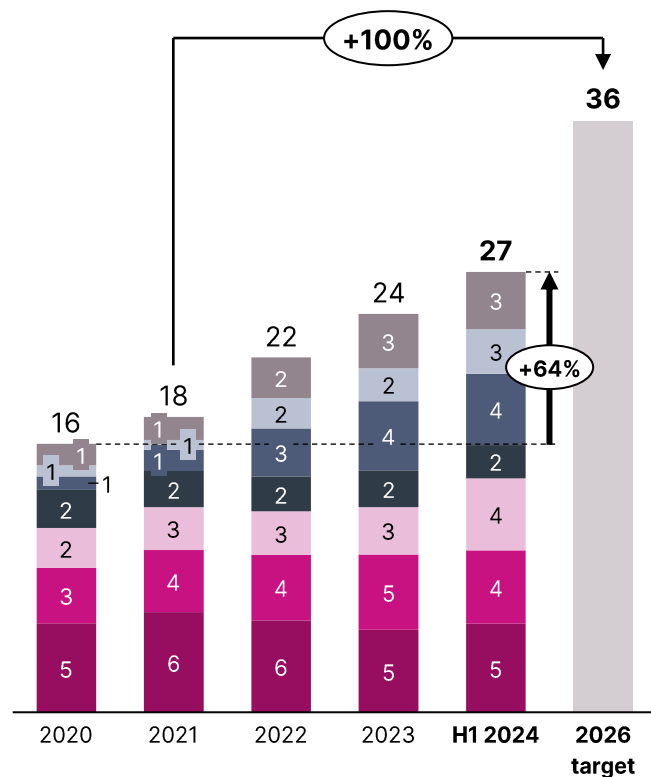


Dividend Policy remains unchanged

1) Projection based on current consensus estimate calculated as an average between Carnegie Equity Research and Nordea Equity Research current estimates

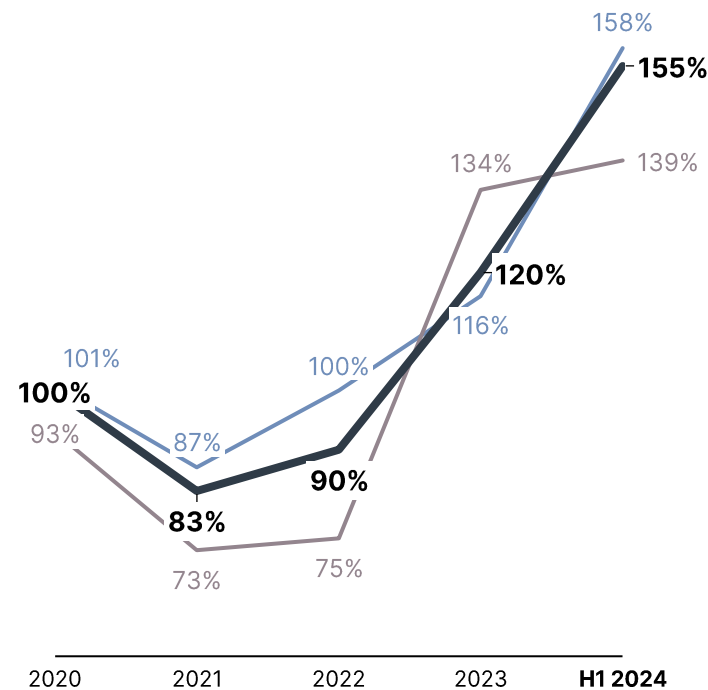
Book value & IRR

BV SEK Bn, continued operations only



Region¹⁾ Spain Germany Italy
Greece France Poland Total

10yr Net IRR Blended 2020 indexed at 100%



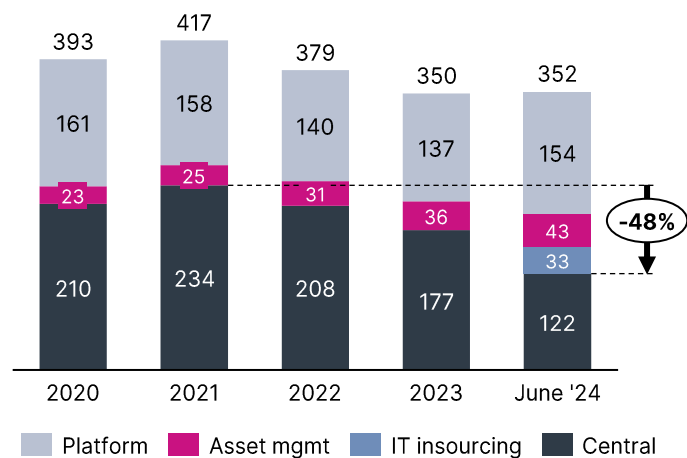
— Unsecured — Secured — Blended

- » Growth on track
- » Diversification
- » Financial discipline and active repricing

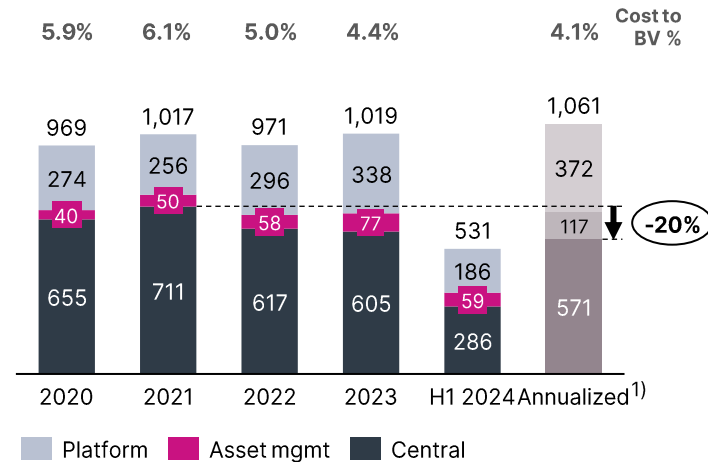
1) Includes outsourced collection markets: Netherlands, Belgium, UK, Sweden, Cyprus

FTE & costs

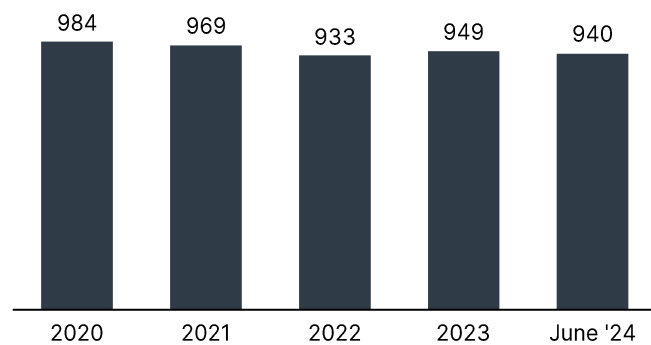
Indirect FTE ²⁾



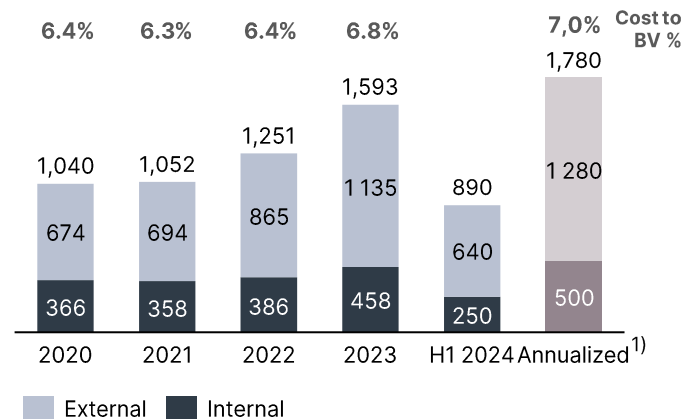
Indirect costs ²⁾ SEKm



Direct FTE ²⁾



Direct costs ²⁾ SEKm



- » Strong pro-active cost control
- » Operational scale of indirect costs
- » Continuing investment into key capabilities

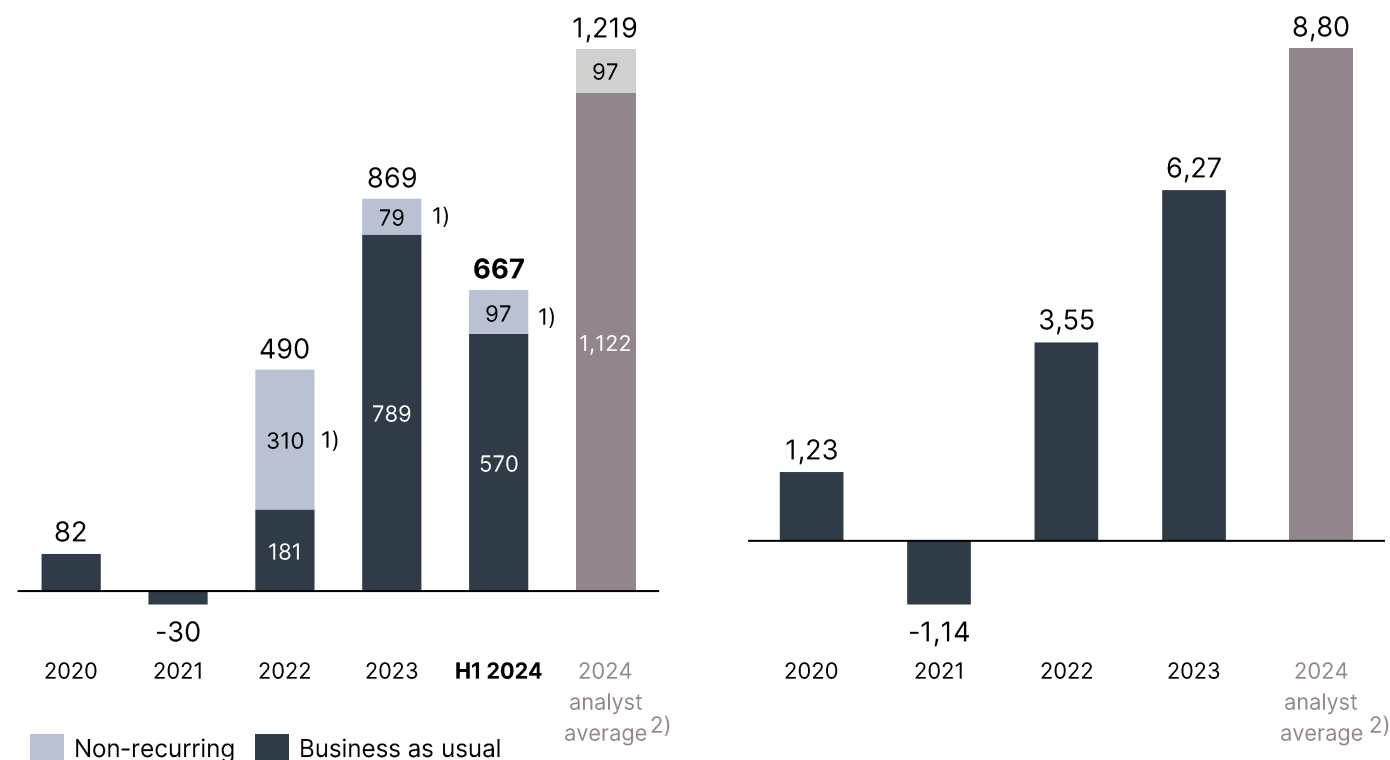
1) Annualized H1 2024

2) Continued operations, excl. Items affecting comparability

Earnings before tax & Earnings per share

EBT

EPS



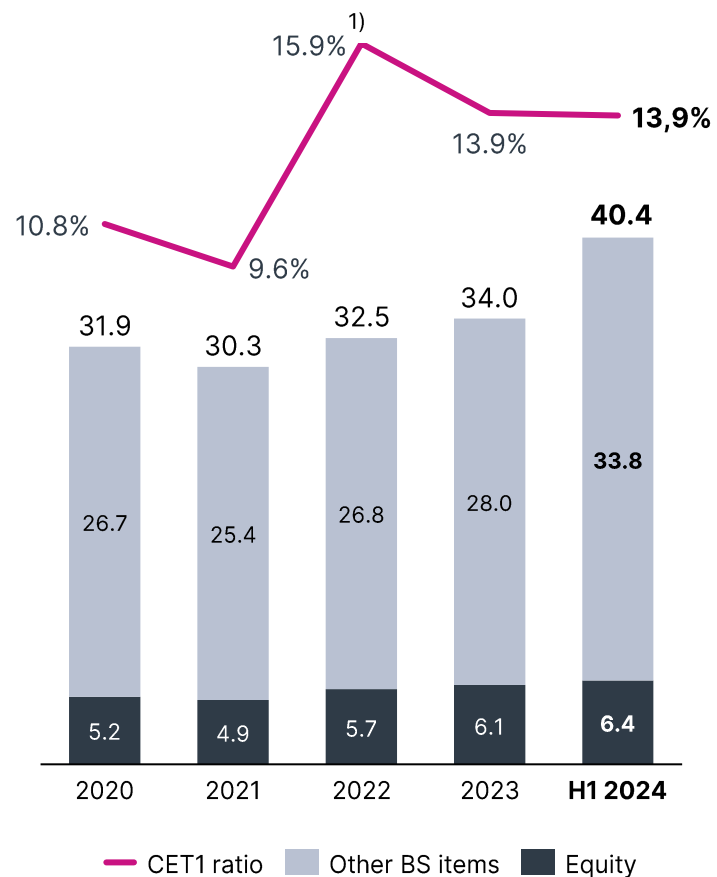
- » Scaling a strong organisation post rejuvenation
- » Growth book
- » Operational leverage

1) Non-recurring includes divestments, structural changes, and foreign exchange impacts. (e.g. UK Sale, joint venture dissolution and divestments in Italy & Germany)

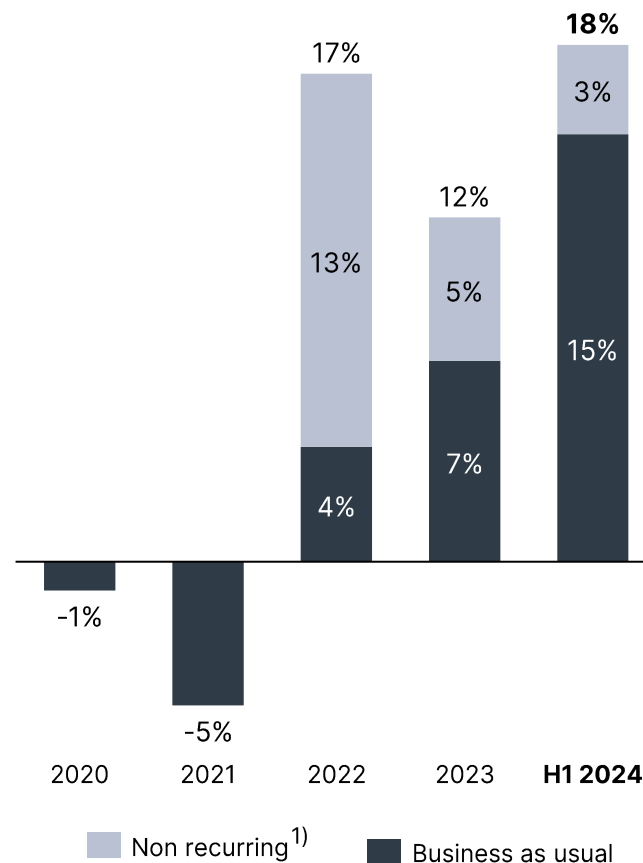
2) Consensus estimate calculated as an average between Carnegie Equity Research and Nordea Equity Research current estimates

Capital & RoE

Capital & Balance sheet, SEK Bn



RoE



- » Material purchasing power in supportive NPL market
- » Growth of equity
- » Strong return on equity

1) Non-recurring includes divestments, structural changes, and foreign exchange impacts. (e.g. UK Sale, joint venture dissolution and divestments in Italy & Germany)

Summary and Q&A

Just at the beginning of our journey

What makes Hoist Finance a winner in the industry

Ample growth opportunities in the European primary- and secondary NPL-markets



Thank you!



Disclaimer

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Appendix

Specialised Debt Restructurer

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

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

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

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

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

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

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