# Hoist Finance
# A Leading European NPL Asset Manager

Debt Investor Presentation

May 2024

# Disclaimer

IMPORTANT: The following applies to this document, the oral presentation of the information in this document by Hoist Finance AB (publ) (the "Company") or any person on behalf of the Company, and any question-and-answer session that follows the oral presentation (collectively, the "Information").

The Information has been prepared and issued by the Company solely for use at the presentation held by the Company in relation to the Company's operations and position. This Presentation does not purport to contain comprehensive or complete information about the Company and is qualified in its entirety by the business, financial and other information that the Company is required to publish in accordance with the rules, regulations and practices applicable to companies listed on Nasdaq Stockholm. The Information has not been independently verified and will not be updated. Unless otherwise stated, any market data used in the Information is not attributed to a specific source, are estimates of the Company, and have not been independently verified. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results.

THE INFORMATION IS BEING MADE AVAILABLE TO EACH RECIPIENT SOLELY FOR ITS INFORMATION AND BACKGROUND.

The Information does not constitute or form part of, and should not be construed as (a) an offer or the solicitation of an offer to subscribe for or purchase any securities issued by the Company, or (b) any form of financial opinion, recommendation or investment advice with respect to any securities or financial instruments.

The Information contains forward-looking statements. All statements other than statements of historical fact included in the Information are forward-looking statements. Forward-looking statements give the Company's current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "estimate," "plan," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the Company's actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which it will operate in the future. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Agenda

» **Business overview**

» Market update

» Financial update

» Capital, funding and liquidity

» Credit highlights

# Hoist Finance

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

- Hoist Finance, rated BBB-/pos, is a credit market company for non-performing loans (NPLs). We have embarked on a journey to become the leading NPL asset management company in Europe for consumer secured and unsecured loans. We add value to society by contributing to a financially healthy and resilient Europe, supporting our banks and consumers. This is our purpose.
- We are a partner to European credit institutions, supporting them to free up resources for their respective core business by reducing complexity, costs, and capital requirements. This is how we promote a well-functioning financial system in which our partners banks can continue to finance our societies, contribute to growth and higher level of prosperity. We offer banks and financial institutions extensive support with debt restructuring solutions based on reliable experience, knowledge of the regulatory environment and presence across Europe.
- We are a partner to people and companies in a debt situation and strive to be the most trusted organisation to resolve people's debt in default and get them back on track financially. This is how we support financial inclusion. We apply individual solutions to support solving people's debt in default and to ensure they can be included in the financial system going forward.
- We believe we serve our society and partners best by being regulated by the same and high regulatory standards as our partner banks and financial institutions. This is why we are a regulated credit market institute. Consequently, we are organised like a bank with three lines of defence, including legal, finance, risk, compliance, security and internal audit group functions.
- In most of our markets, the daily contact with our customers is handled in our local offices, ensuring local expertise and cultural awareness. In some cases, we have established relationships with some of the most well-renowned players in the sector, performing loan management on our behalf. Regardless of operational set-up, we are at the forefront of customer care, ethics and compliance, ensuring industry-leading loan management with quality and cost efficiency at its core.
- By catering to the financial needs of both banks, SMEs and individuals, we ensure a financially healthy and resilient Europe.

# Hoist Finance in numbers

Q1 2024

| | | | |
|---|---|---|---|
| **+25** | Years of experience | **1,300** | Employees |
| **26.3** | SEKbn, total portfolio | **Baa3/Pos** | Rating, Moody’s |
| **13** | European markets | **22.07%** | Total Capital ratio |
| **19%** | Return on equity as per Q1 2024 | **14.31%** | CET1 ratio |
| **2.1** | SEKbn, acquired loan portfolios as per Q1 2024 | | |

## Pan-European presence

# Strategic purpose

Regulated status as a Credit Market Institution

**Investment management**

Well-functioning financial system & supporting 2nd NPL markets

**Loan management**

Financial inclusion

A financially healthy and stable Europe

We serve society and our partners best by being regulated by the same and high regulatory standards as our partner banks and financial institutions

HoistFinance

# We contribute to a financially healthy and resilient Europe

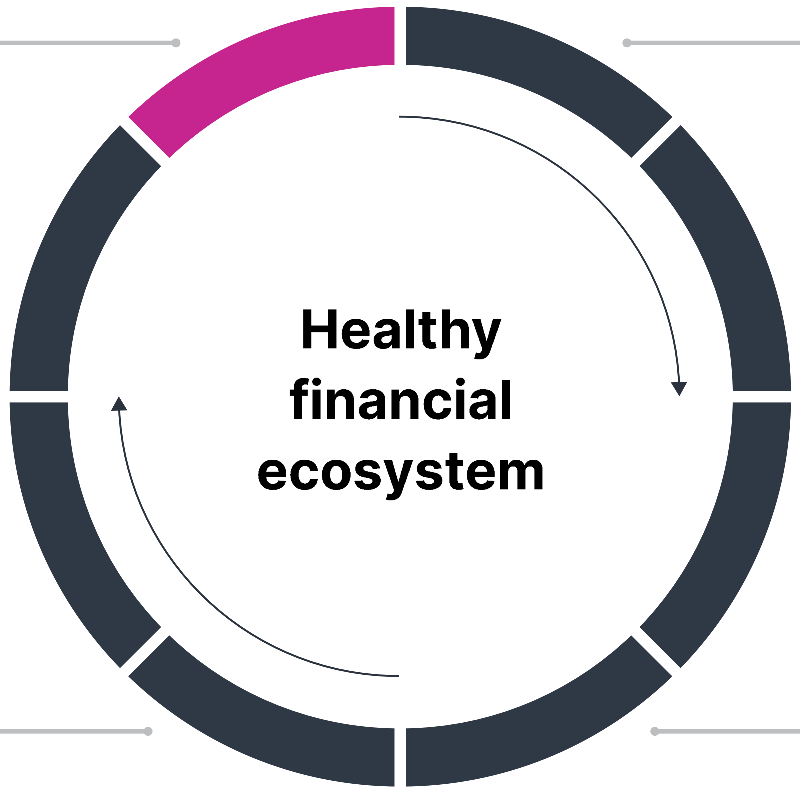
Hoist Finance acquires non-performing loans from banks

Banks release capital to generate new lending

Consumers and companies take out loans from the bank increasing investments

Higher rate of economic growth

More job opportunities



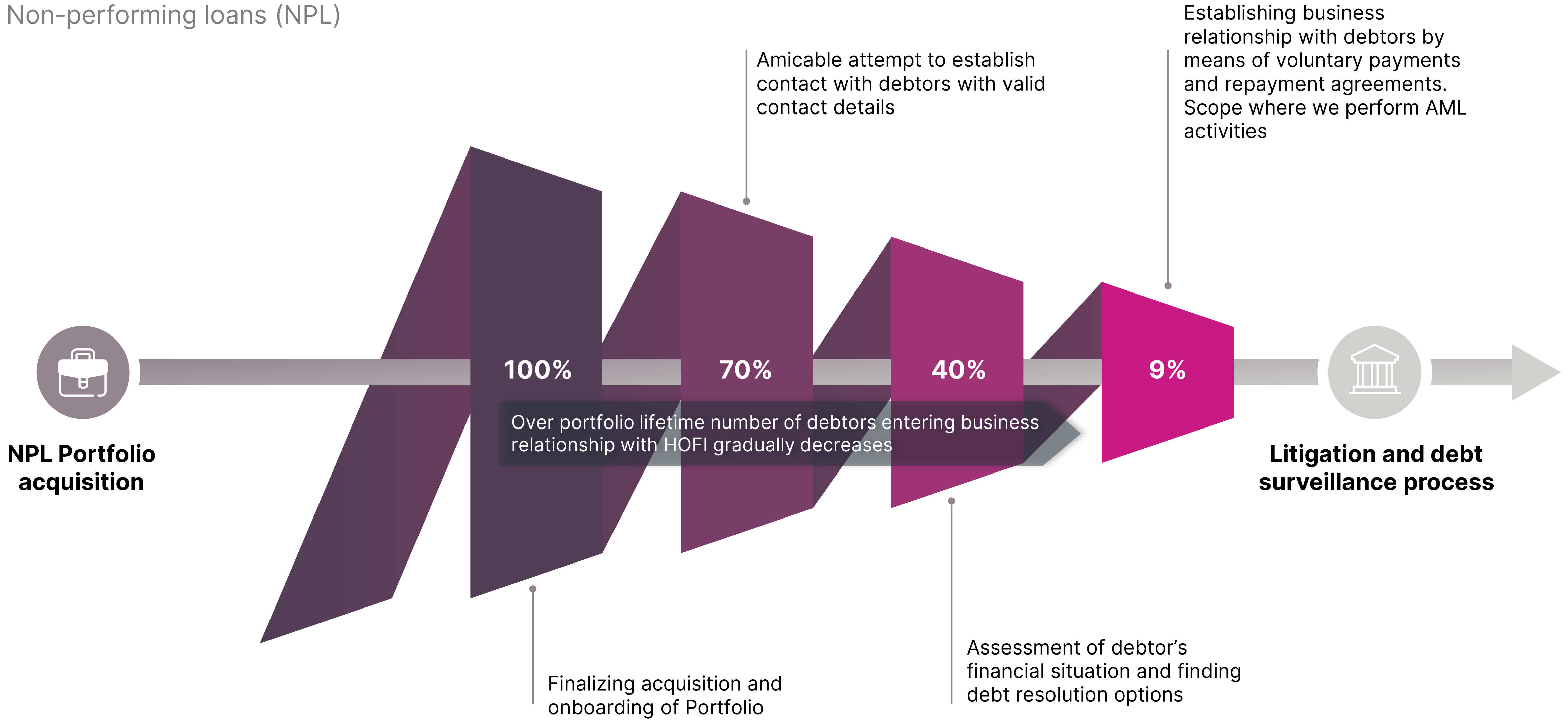

Larger household income

Increased purchasing power

Increased government revenues

# Collection

Non-performing loans (NPL)



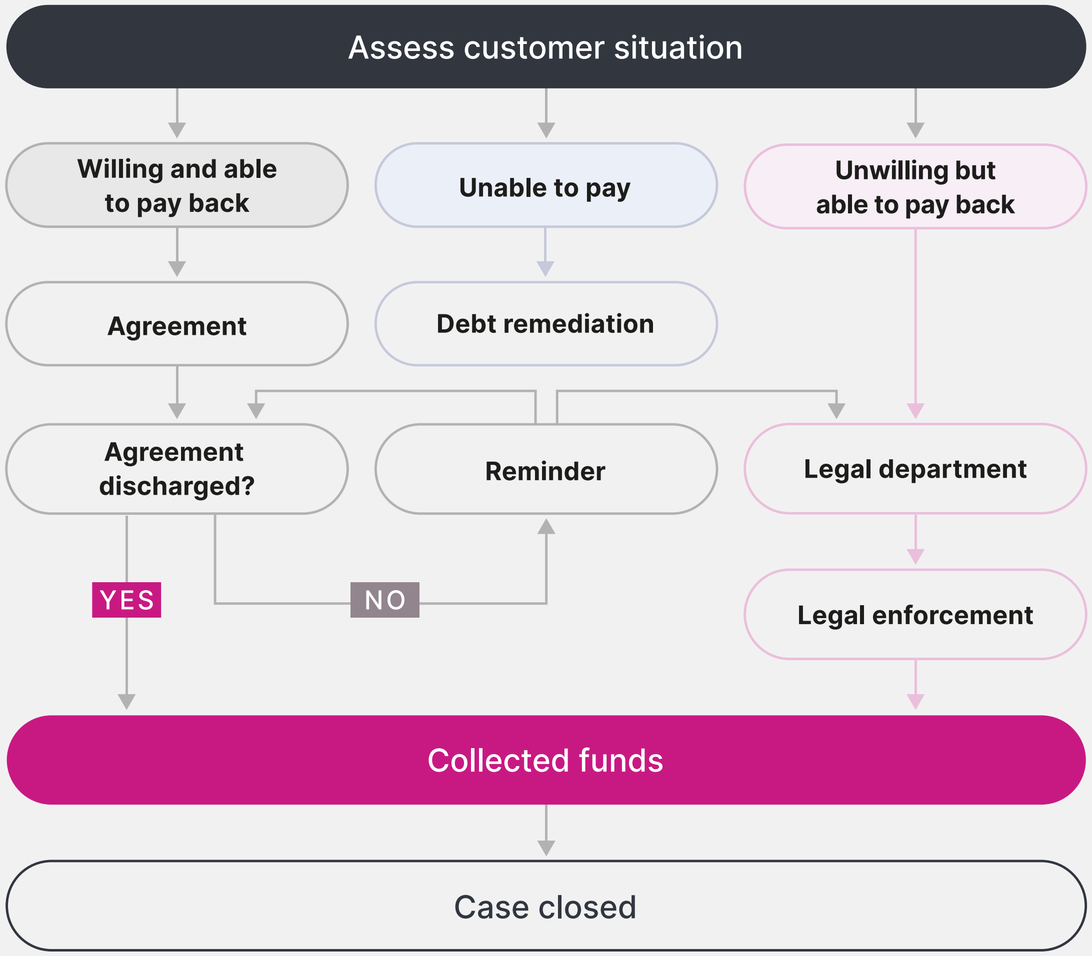
# NPL Collection process

### Amicable and sustainable agreements

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

### Legal and enforcement actions

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



# Operating model

## Regulated status as a Credit Market Institution

### Investment management

- Bank support, pricing & valuation
- Data access & insight
- Active asset management

### Loan management

- Strategic loan management
- Operational loan management
- Active collections management

### Savings bank & central functions

- Savings offering
- ALM & robust well-diversified funding mix
- Central functions

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

# Our strategy

## Investment management

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

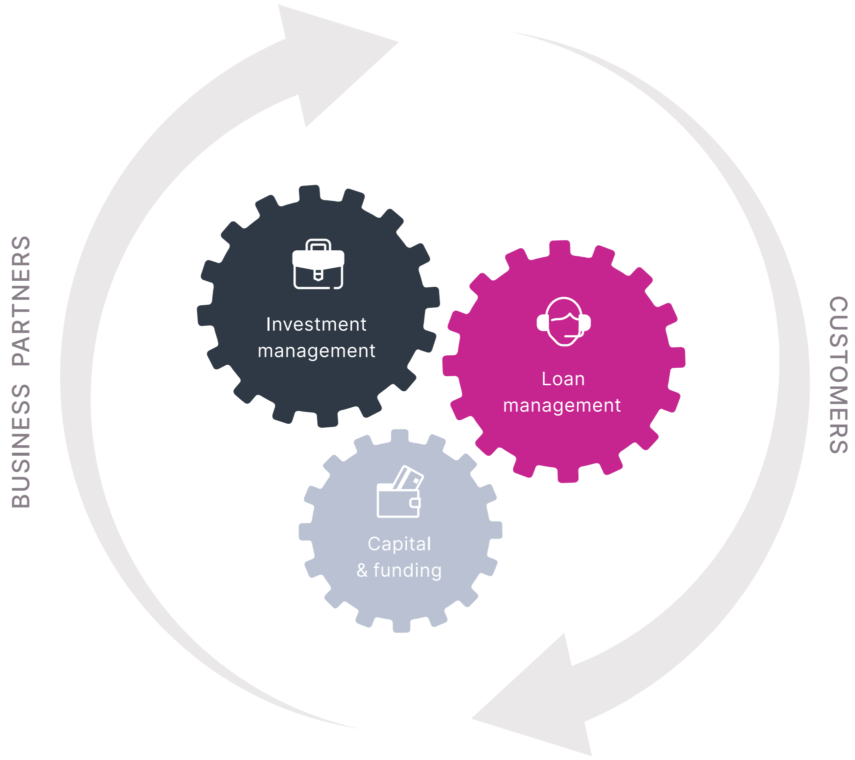
## Loan management

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

## Capital & Funding

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

# Business model




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

# Asset classes

## Unsecured

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

Personal loans, credit cards, overdrafts, consumer finance loans

Average claim size SEK 93,000

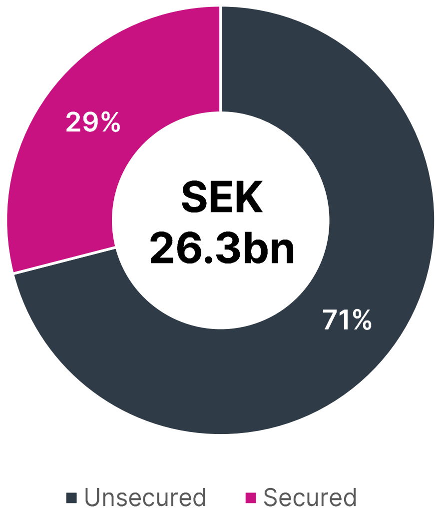
## Secured

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

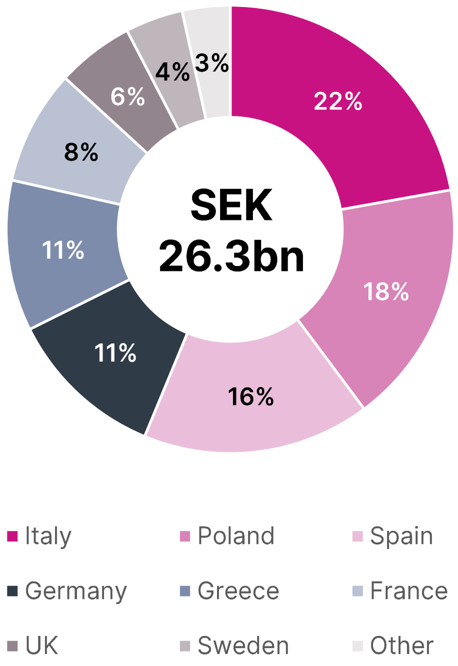
Mortgage, leasing contracts, collateralised guaranteed business loans

Average claim size SEK 772,000

### Book value by asset class




### Book value per market



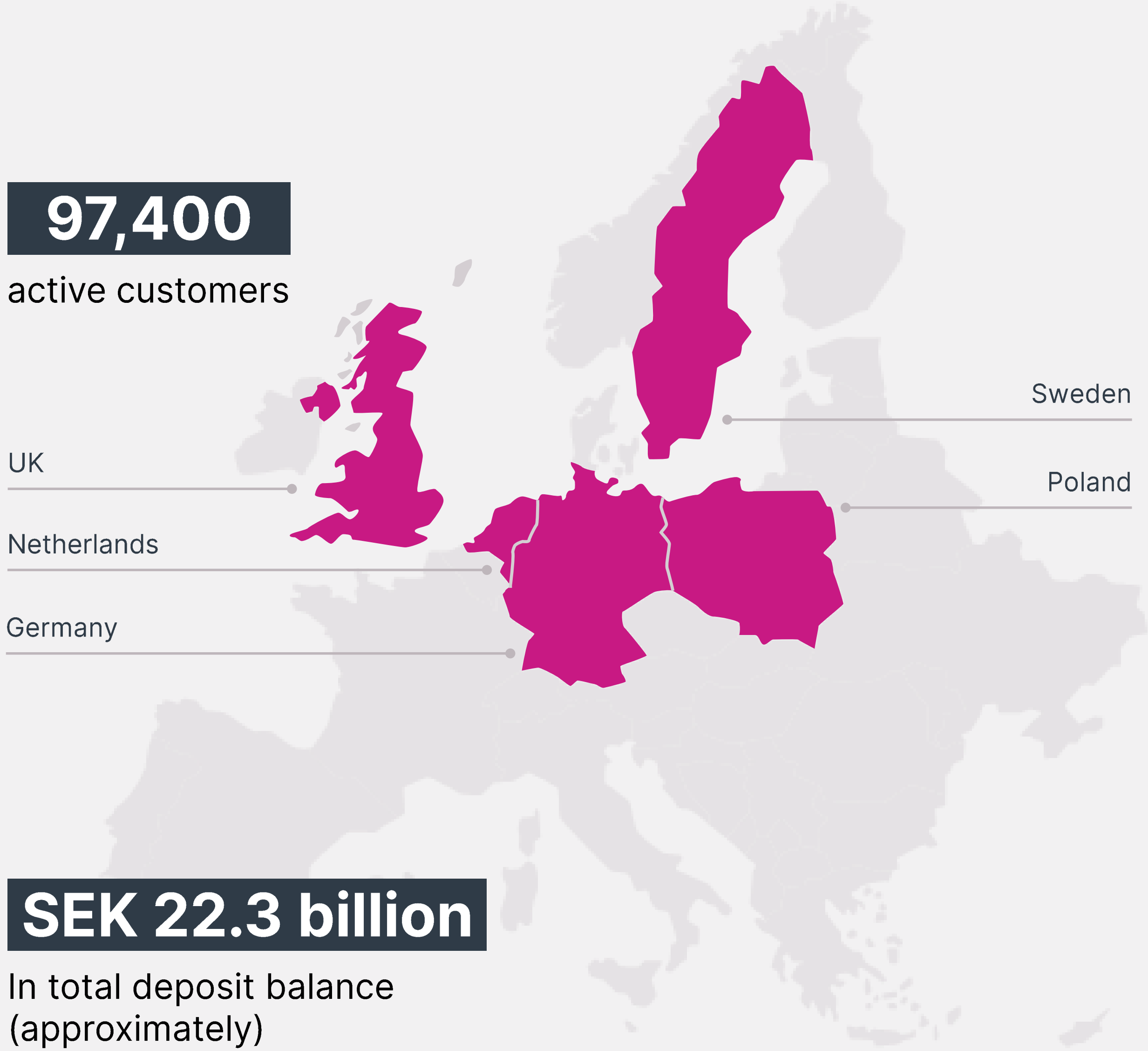

- Granular portfolio consisting of 4.7 million loans with largest exposure making up less than 0,1% of total portfolio
- Repricing in all markets continuing
- Vintages 2022-2024 make up 55% of current credit portfolio
- Improved geographical diversification

# Deposit offering

- As a regulated credit market institution under the supervision of the Swedish FSA, Hoist Finance is able to offer deposits to the general public.
- Deposit are offered under the HoistSpar brand in Sweden, Germany, Poland, the Netherlands and the UK since the launch in Sweden 2009.
- Hoist Finance has passported its credit market license through cross-border services in Germany, Poland and the Netherlands.
- In the UK, the current setup does not require any banking licence in the UK since all regulated activities are conducted under the Swedish banking licence.

**97,400**

active customers




**SEK 22.3 billion**

In total deposit balance (approximately)

# Financial targets

HoistFinance

| Profitable growth | Solid capitalisation |
|---|---|

**>15%**

**Return on Equity[1]**

**> 15% CAGR**

Over a business cycle

**EPS growth[2]**

**2.3-3.3 pp.**

14.31% as per Q1 2024. 6.07 pp. above regulatory requirements

**CET1 ratio**

**25-30%**

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

Notes:

1) Net profit for the period adjusted for accrued unpaid interest on AT1 capital calculated on annualized basis, divided by equity adjusted for AT1 capital reported in equity, calculated as an average for the financial year based on quarterly basis;
2) Adjusted for AT1 costs;

# Sustainability & ESG at Hoist Finance

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

HoistFinance

## Our Four Strategic Pillars & Material Topics

SOCIAL

### We contribute to an inclusive financial ecosystem

- Financial inclusion and financial literacy
- Enable stable and healthy financial ecosystem for partners and society
- Ethical and fair customer treatment
- Enhanced customer experience
- Vulnerable customer treatment

SOCIAL

### We create a great place to work

- Diversity, equality and inclusion
- Fair remuneration and decent labour conditions
- Healthy and safe workplaces
- Professional development

GOVERNANCE

### We uphold the highest ethical standards

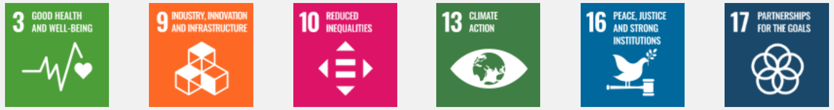
- Business ethics and anti-corruption
- Data protection and customer integrity
- Cybersecurity

ENVIROMENTAL

### We reduce our environmental impact

- Reduced climate impact

## Our contribution to the SDGs:



# Agenda

- » Business overview
- » **Market update**
- » Financial update
- » Capital, funding and liquidity
- » Credit highlights


# Highlighted:
# A changing secondary market

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

# Strategic attractiveness for SDR

**SDR formally signed by EU parliamentary vote**

**Specialized Debt Restructurer**

- European banking package on track and includes the establishment of Specialised Debt restructurers
- Package passed in EU parliamentary vote April 24th
- Process expected to conclude late spring / summer
- In force 1 January 2025
- In discussions with authorities regards qualification and implementation
- Should Hoist choose to become a SDR we would be exempt from backstop regulations, simplifying our business model

# Long-term trends in the NPL market

### Regulations

- The financial sector is highly regulated, and regulatory changes have a significant impact.
- Stricter EU requirements for credit servicers, including authorization and disclosure, are expected.
- In April 2019, the EBA implemented a "prudential backstop" regulation for minimum loss coverage of NPLs, under which unsecured NPL exposures must be fully deducted from own funds after three years from default under this regulation.
- Part of the EU banking package, a derogation of the back-stop regulation for SDR (Specialised debt restructurer) is expected to be implemented in January 2025. Entities meeting the qualifications will not be subject to the back-stop regulation

### Specialisation

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

### Competition

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

### Growth in the secondary market

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

### New technology and data

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

### Increased focus on consumer protection

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

# Agenda

» Business overview

» Market update

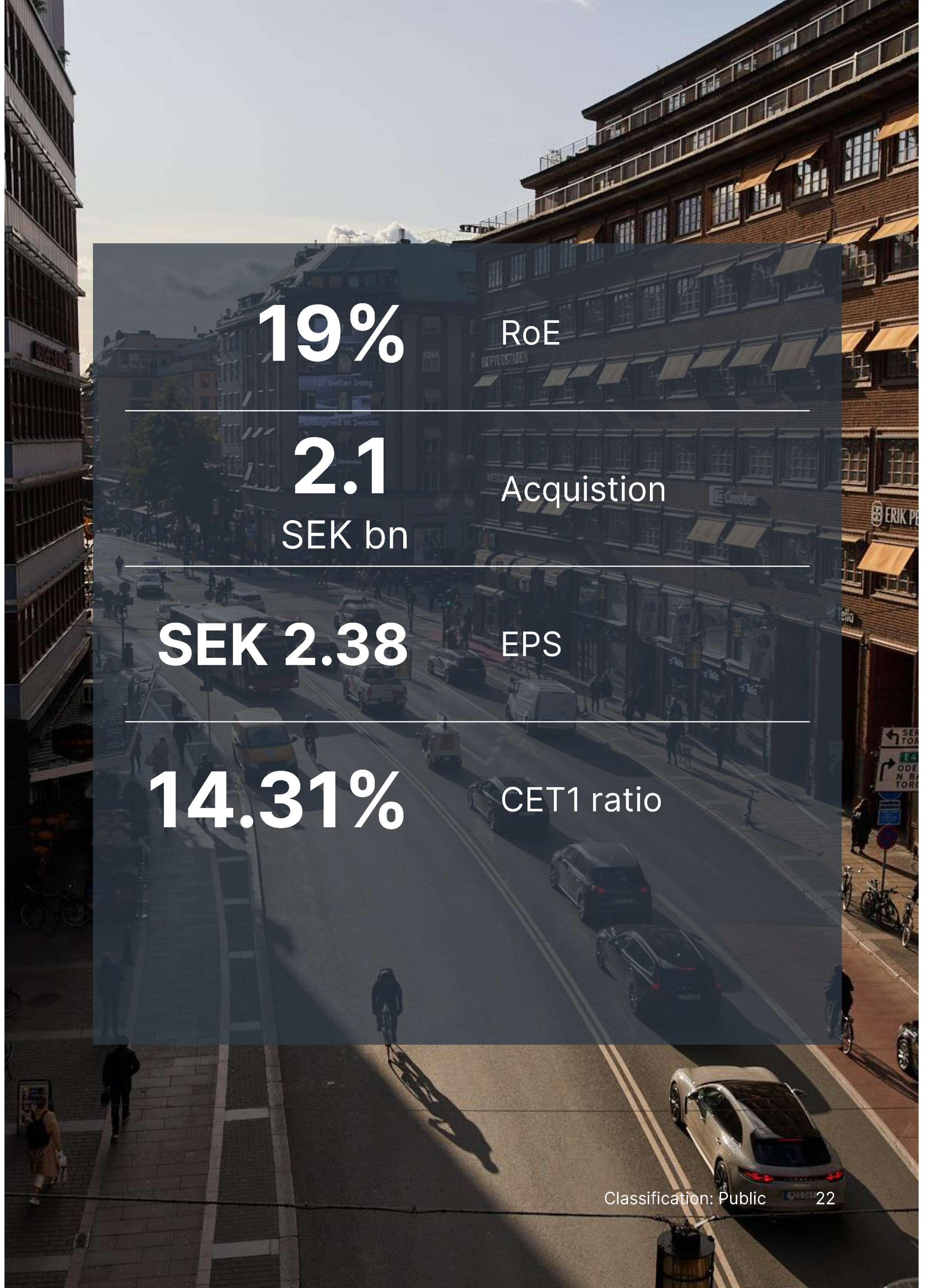
» **Financial update**

» Capital, funding and liquidity

» Credit highlights

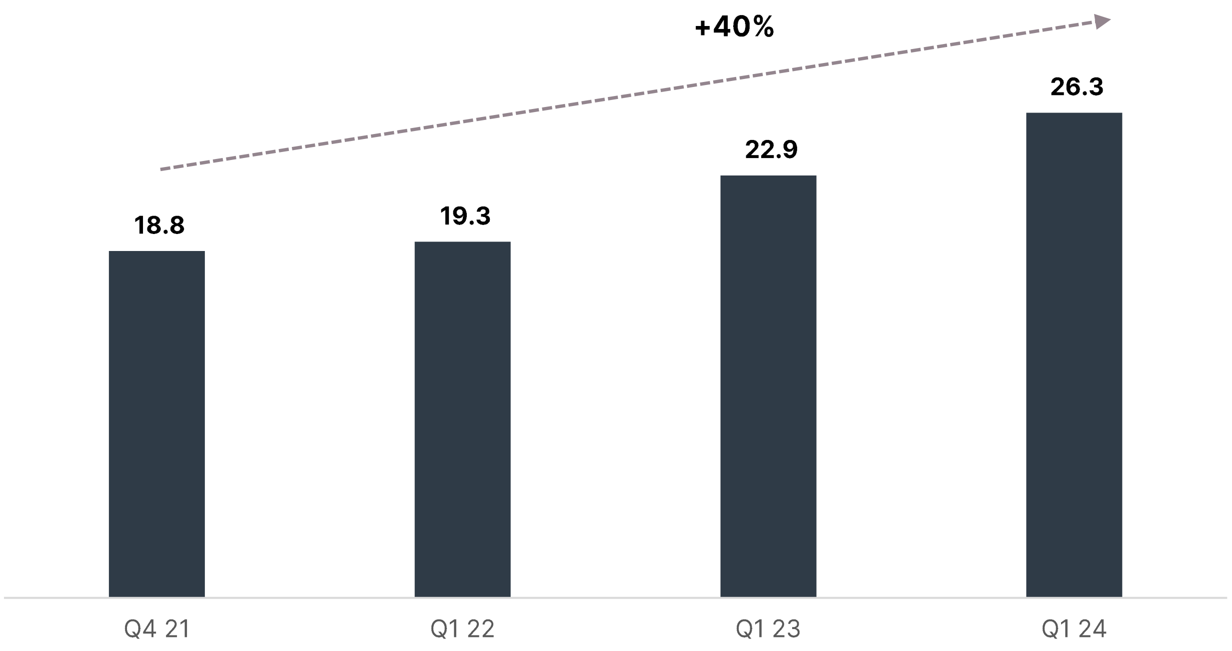
# Key highlights Q1

- Profit before tax amounted to SEK 284m, compared to SEK 144m for the same quarter last year
- Return on equity amounted to 19 per cent, compared to 6 per cent same quarter last year
- Investments in new portfolios at SEK 2.1bn in the first quarter, with an additional SEK [0.2bn] closed or agreed with sellers after quarter closing
- Continued stable collection performance of 106% across the markets
- Book growth of 15% driving an increase in total operating income of 27% supported by a total cost increase of 10% leading to an almost doubling of profit before tax
- Continued program of operational efficiency within each market along with commencing the insourcing of IT services
- Confirmation from the SFSA on Pillar 2 requirements at 0.5 per cent. This is within the existing buffer, so the target range remains unchanged
- Share repurchase scheme commenced in Q1 and concluded early Q2
- Bond issuance during quarter with senior bonds issued at 325-375 bps vs a spread of 450-500bps same quarter last year
- Strong capital and liquidity position, significantly above regulatory requirements with a CET1 ratio of 14.31 per cent



# Portfolio book value, excluding FX

SEKbn




- Updated investment and sourcing strategy continue yielding results
- Long-term portfolio growth target on track
- 40% growth since Q4 2021

*FX rates as of Q4 23

# Q1 Financial summary

## vs Prior year & Investors

| SEKm | Quarter 1 2024 | Quarter 1 2023 | Change |
|---|---|---|---|
| Interest income | 985 | 799 | 23% |
| Other interest income | 74 | 42 | 78% |
| Interest expense | -282 | -171 | 65% |
| **Net interest income** | **777** | **670** | **16%** |
| Other income (incl. impairments) | 180 | 90 | >100% |
| Net result from financial transactions | 16 | 6 | >100% |
| **Total operating income** | **973** | **765** | **27%** |
| **Total operating expenses** | **-696** | **-633** | **10%** |
| Share of profit from joint ventures | 7 | 11 | -36% |
| **Profit before tax** | **284** | **144** | **97%** |
| Tax | -10 | -51 | -81% |
| **Net Profit** | **274** | **93** | **>100%** |

| Key ratios | Quarter 1 2024 | Q1'23 | Change |
|---|---|---|---|
| Return on Equity | 19% | 6% | |
| Portfolio acquisitions | 2,090 | 1,909 | 9% |
| Portfolio book value | 26,334 | 22,892 | 15% |

» 16% increase in net interest income vs a growth in acquired loans of 15%

» Collection performance at 106% for Q1

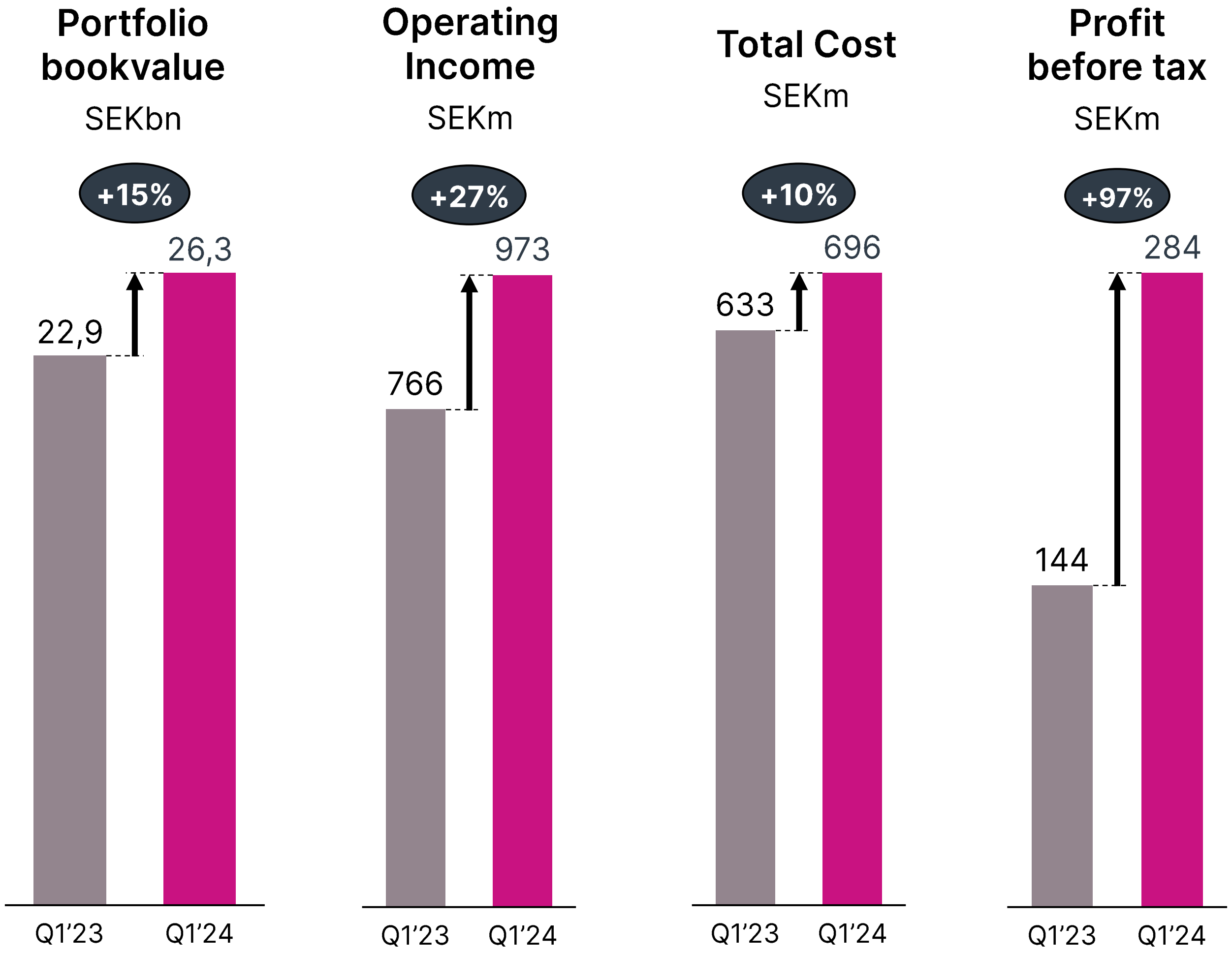
» Total operating income 27% higher year on year

» Q1 collections are 25% higher year on year, with total costs 10% higher

» Profit before tax SEK 140m higher vs previous year

» Low effective tax rate in the quarter due to timing with full year expected effective tax rate at historical average levels

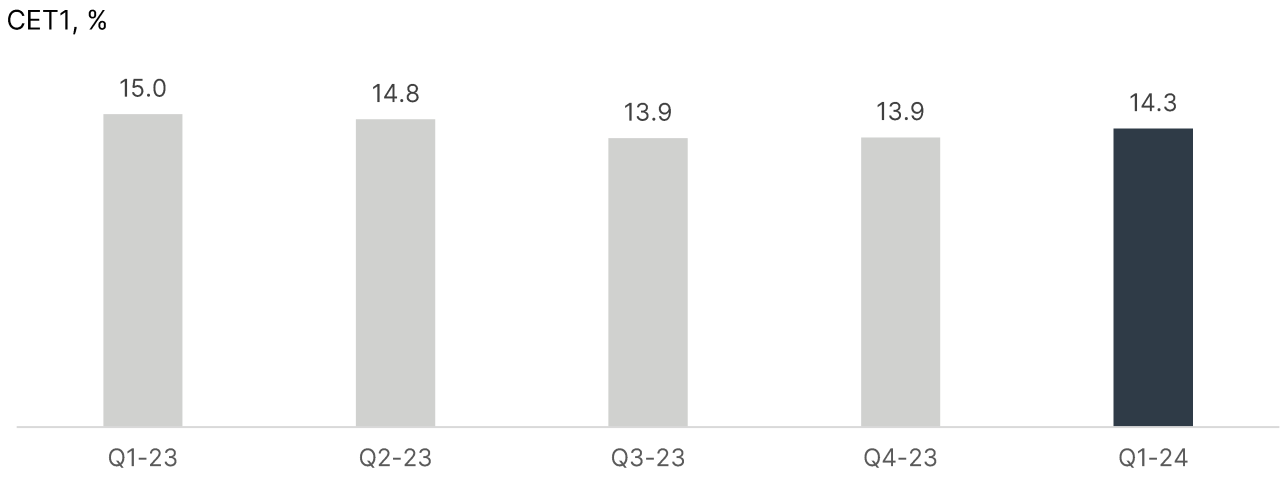
# YTD Operating leverage development

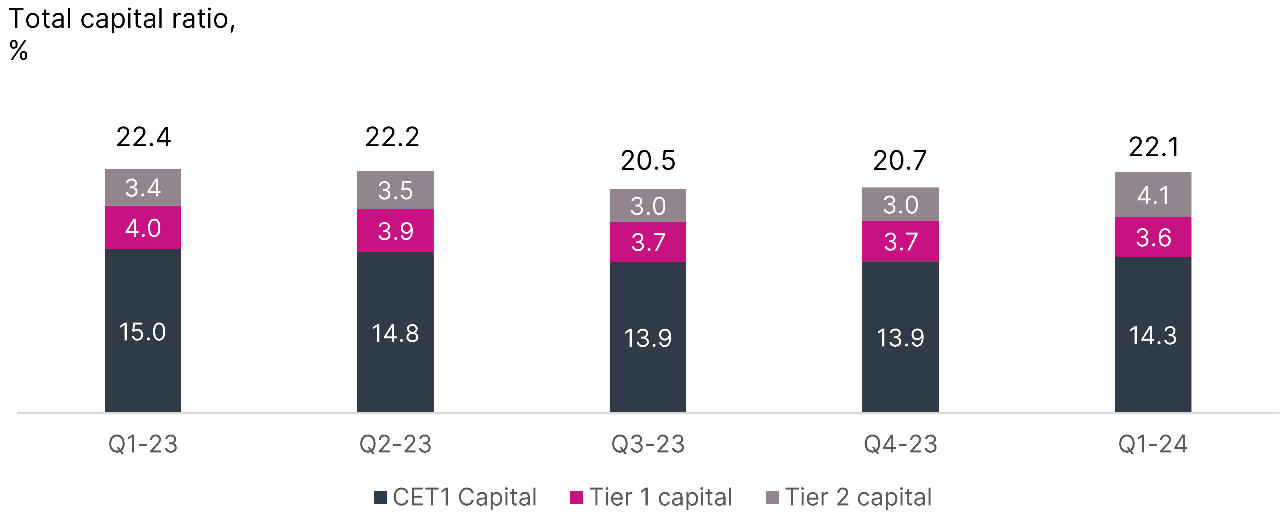



- Book value growth of 15%
- Significant operating leverage during the quarter leading to an almost doubling of profit before tax
- Total operating income +27% up, supported by a strong book and underlying collections
- 2024 expenses include SEK 9m of exceptional costs for IT dual running and restructuring in Bucharest (FTE and lease costs)

# CET1 and total capital development





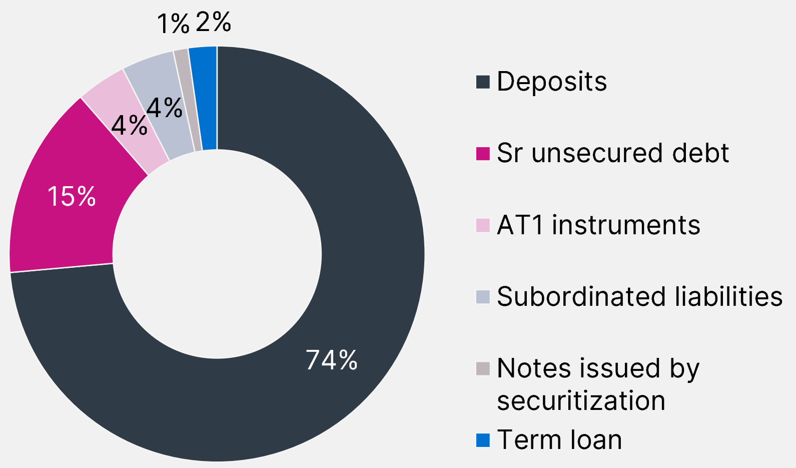

- Strong capital and liquidity position
- Total capital amounts to SEK 6,716m for Q1

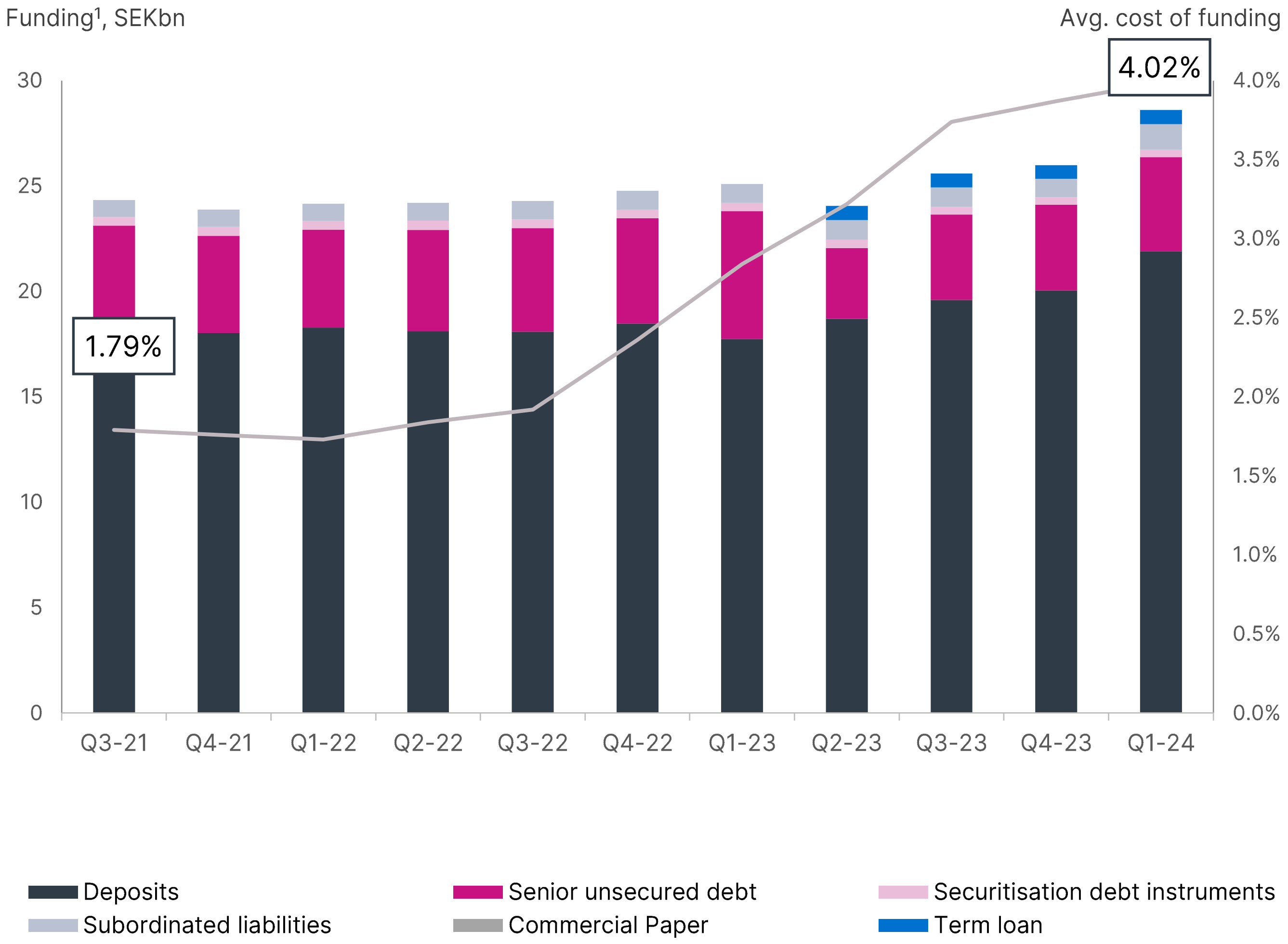
# Agenda

# Funding

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

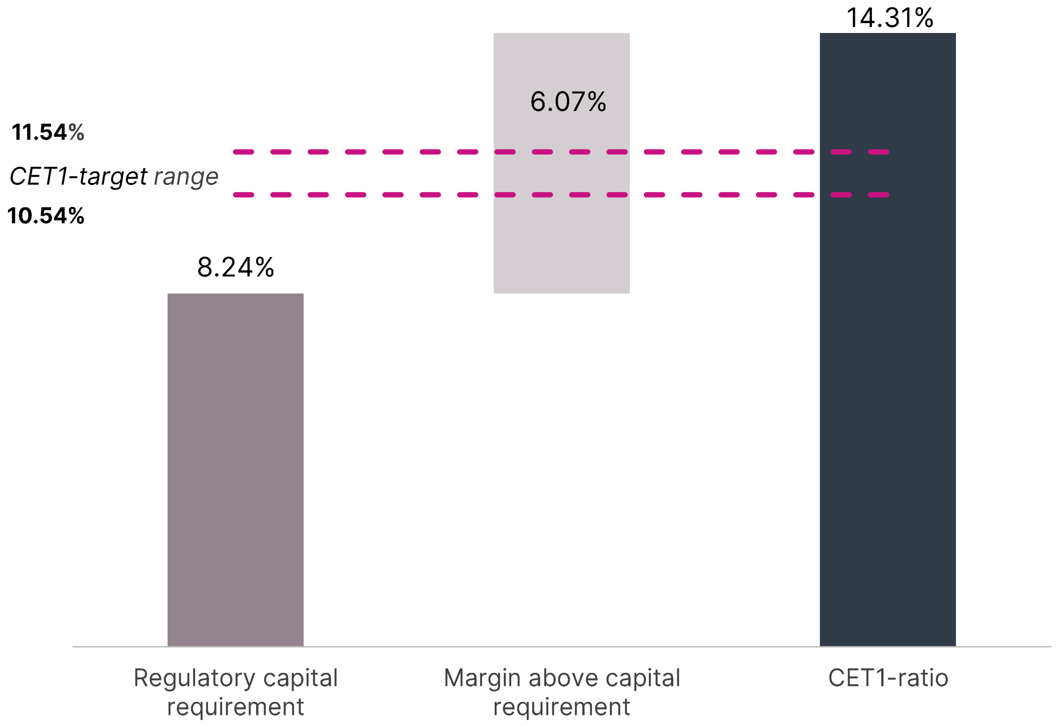
## Distribution of funding



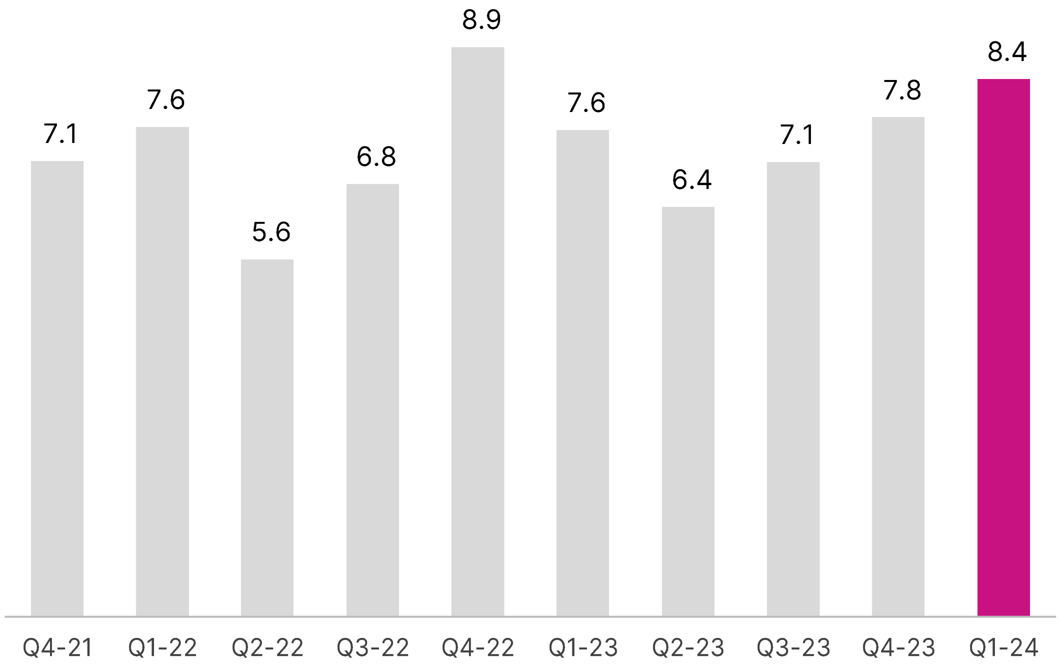



# Capital and liquidity position

## Capitalization, %




## Liquidity reserve, SEKbn



# Agenda

HoistFinance

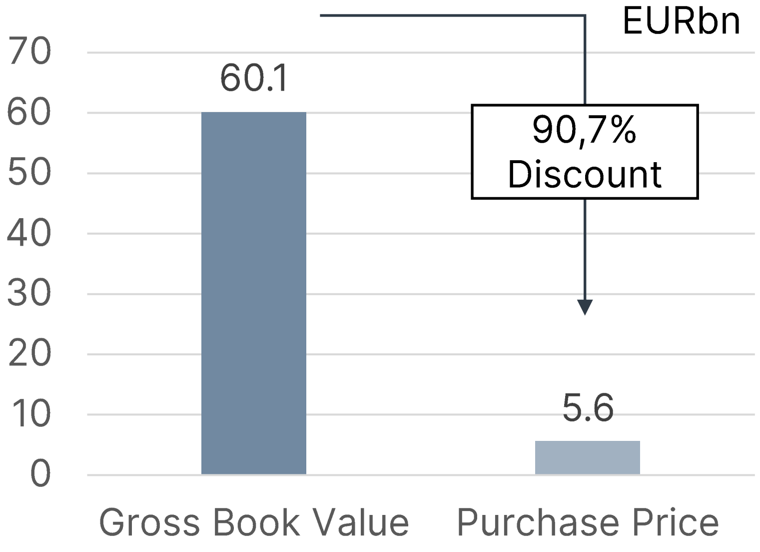
# Hoist Finance's key credit highlights

1. More than 25 years of experience and expertise from non-performing loan assets
2. Regulated status as a credit market institution provides for solid capitalisation, strong liquidity and access to cheap retail deposits as well as access to diverse wholesale funding
3. Through our regulated status, a trusted partner to Europe's large international banks selling non-performing loan assets
4. Active presence on 10 markets across Europe with a proven track record of strategically entering new markets
5. On a journey to become the leading NPL asset management company in Europe for consumer secured and unsecured loans, with completed rejuvenation programme creating competitive edge in our industry
6. Rating of Baa3 with a positive outlook makes Hoist Finance the only investment grade rated issuer in the NPL sector
7. Supporting underlying market trends

# Appendix

# How NPL buyers use pricing to de-risk portfolios…

**Non-performing loan value after purchase by Hoist [Gross Book value / Purchase price ]**



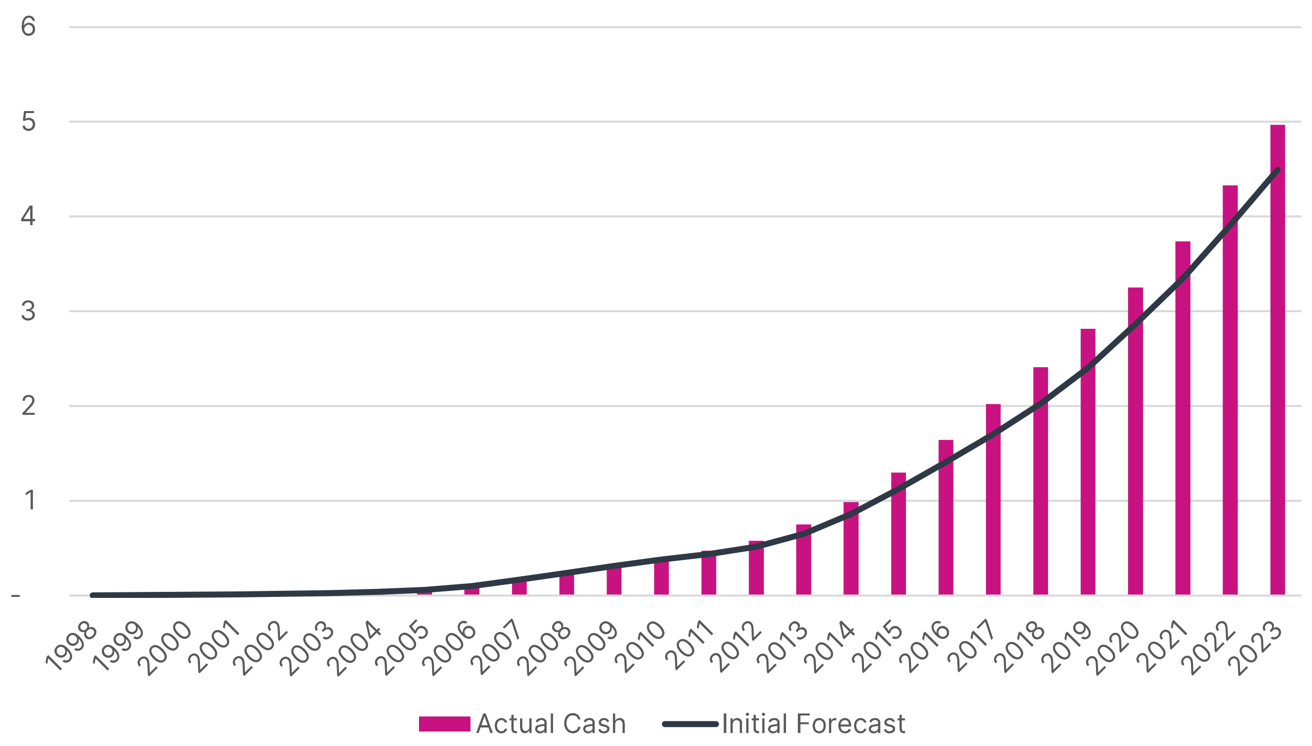

*Graph illustrates NPLs acquisition value (Hoist Gross book value) as a percentage of purchase price spent by Hoist. It gives an understanding of the extent of de-risking of these assets is achieved during a transaction at arms' length.*

- On the secondary market, loans are bought at a **discounted price reflecting the inherent and particular risk of each asset and portfolios**. A thorough analysis is performed as part of the underwriting process prior to purchase, to determine the risk profile and the true fair value of the loans and the level of risk associated (borrower situation, remaining amount, legal stage, contactability, historical payments, recovery rates, etc.)
- NPL buyer final pricing also includes financial and return expectations. Those **financial metrics are also driven by the level of risk identified** on the deal (seller, portfolio, borrowers, economic context, etc.) but also to reflect all other potential risks (data quality, legal, pricing assumptions, confidence on the reference data used, etc.)
- Overall, by acquiring loans at a discount to their face value, and by assessing the risk associated with a loan, **NPL buyers already includes in their business model a safety margin and reduce drastically the likelihood of potential losses**
- **By pricing the true risk profile to get to fair value of the loan, an open market purchase by a qualified NPL buyer transforms a high-risk NPL exposure to a performing like exposure, although still formally an NPL**

# Stable and predictable overperformance given robust track record and expertise

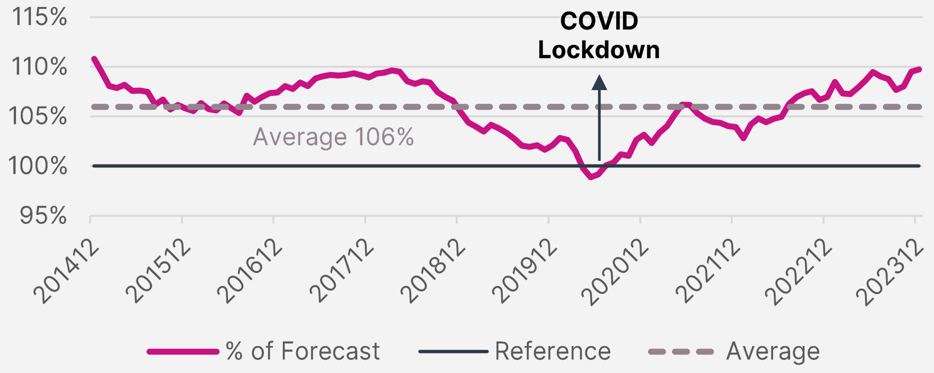
Annual cumulative actual cash vs *initial* forecast, secured & unsecured
EUR billion

111%




## Hoist Finance NPL book 12-month rolling performance

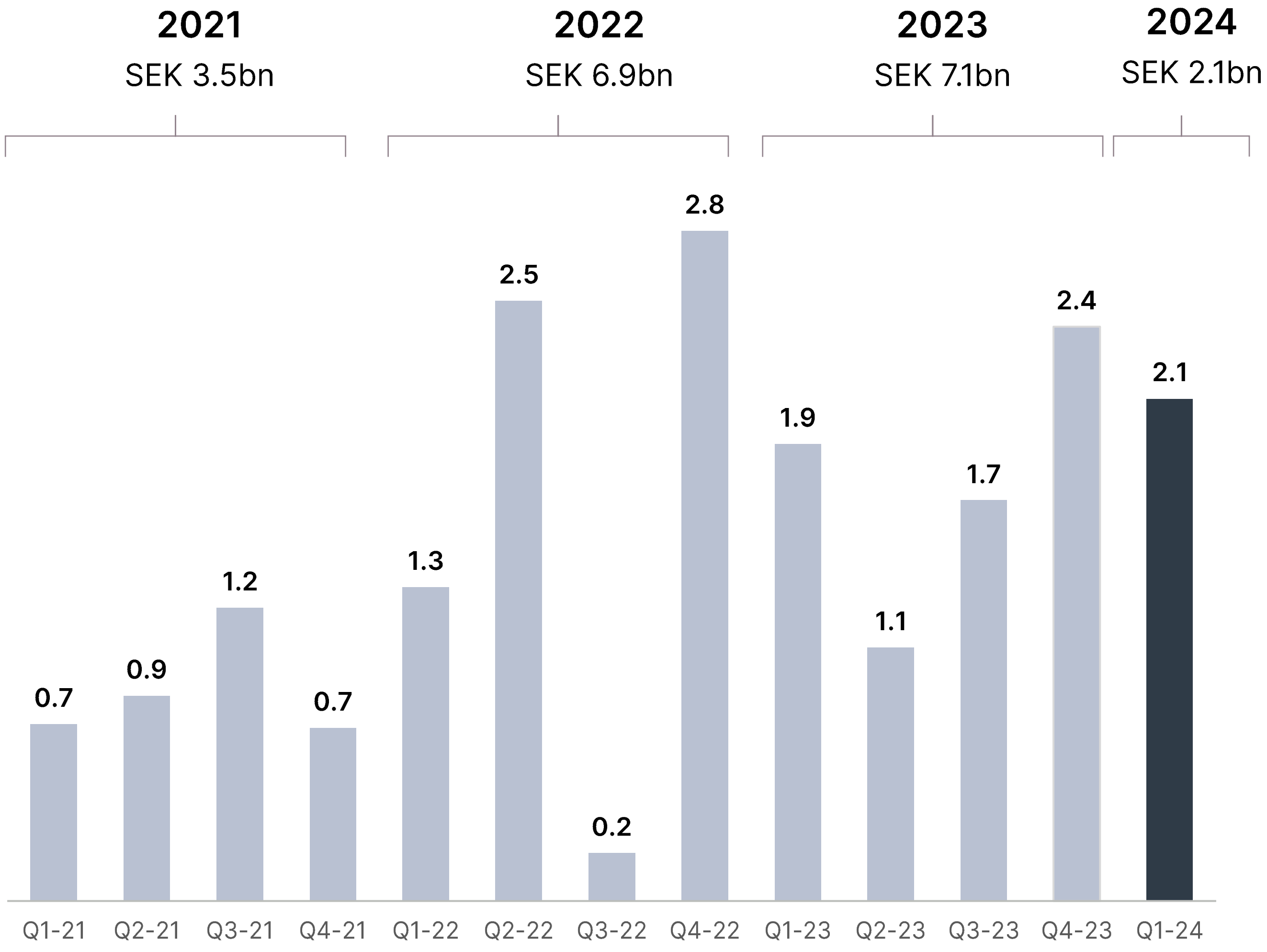
Cash Collections as % of *Current* Forecast 2014-2023




- We have achieved 111% of our underwritten forecast illustrating our ability and expertise to assess the value of these assets accurately.
- Since 2014, we have achieved an average performance of 106%, with highs of 110,8% over a 12-month rolling period and lows of 98,9% (driven by COVID Lockdowns). This demonstrates the resiliency, predictability and low-risk nature of NPL assets acquired by Hoist Finance. Increased size and diversification strengthens above characteristics

Our data shows that this is a remarkably stable and low-risk asset
Long term average 111% of initial forecasted collection levels, providing a margin of safety to absorb potential external shocks.
In addition, highly effective and quick recovery option to build capital and liquidity (stop investing)

# Portfolio acquisitions




» Supportive repricing continuing

» Steady investment levels continue

» Additional SEK [0.2] billion signed to date

# Thank you!

Hoist Finance