MOODY'S
INVESTORS SERVICE

CREDIT OPINION
20 July 2021

Update

Rate this Research

Hoist Finance AB (publ)

Update to credit analysis

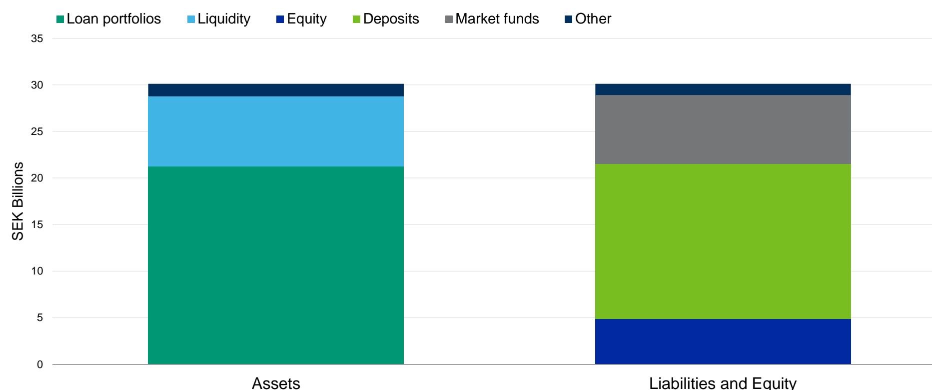
Summary

We assign a ba3 Baseline Credit Assessment (BCA), Baa3 long-term (LT) issuer and senior unsecured debt ratings, along with (P)Ba3 junior senior (often referred to as senior non-preferred) and Ba3 subordinate debt ratings to Hoist Finance AB (publ) (Hoist). The LT issuer and senior unsecured debt ratings carry a negative outlook.

Hoist's ba3 BCA reflects its profile as debt purchaser with a banking license, meaning it is subject to minimum regulatory capital requirements and has the ability to raise retail deposits (see Exhibit 1). These strengths are balanced against the negative impact of coronavirus related disruption on collections, along with the valuation and pricing risks associated with the acquisition of nonperforming debt portfolios and regulatory challenges that impact the issuer's regulated monoline business model.

Hoist's LT debt ratings incorporate the results of our Advanced Loss Given Failure (LGF) analysis, which takes into account the severity of loss faced by different liability classes in resolution, and our expectation of a low probability of government support.

Exhibit 1
Hoist's balance sheet structure as of end-March 2021
Hoist has a large deposit base and liquidity reserve



Source: Company's financial report

RATINGS

Hoist Finance AB (publ)

Domicile	Sweden
Long Term CRR	Baa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa3
Type	Senior Unsecured - Fgn Curr
Outlook	Negative
Long Term Deposit	Not Assigned

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
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Japan	81-3-5408-4100

Credit strengths

- Solid and diversified market position in the European debt-purchasing business
- Adequate capitalisation and regulatory capital minimum requirements, which improves its risk profile
- Strong funding profile, driven by a large and low cost deposit base
- Large liquidity portfolio, which provides flexibility

Credit challenges

- Bank regulation puts Hoist at a disadvantage compared to non-bank peers in terms of taking on new nonperforming loans (NPLs)
- Model risk associated with the valuation and pricing of the purchased portfolios
- Modest profitability, further negatively impacted by the coronavirus aftermath and idiosyncratic issues
- Event risk arising from potential litigation or legislative actions, and complexity of operations

Outlook

The negative outlook reflects uncertainty regarding Hoist's future liability structure and balance sheet, including a risk that future loss absorption amounts protecting the senior unsecured debt ratings could be lower, warranting a lower notching as indicated by Moody's Advanced Loss Given Failure (LGF) analysis.

Factors that could lead to an upgrade

Hoist's BCA could be upgraded if the company (1) improves its profitability significantly on a sustained basis, without increasing earnings volatility from its current levels; (2) increases its capital targets significantly and demonstrates the ability to maintain higher capital levels; or (3) diversifies its business model.

An upgrade of Hoist's issuer and senior unsecured debt ratings would be prompted by an upgrade of the company's BCA. At the same time, the junior senior unsecured programme and subordinated ratings could be upgraded either as a result of an upgrade of the BCA, or if the company were to increase the size of its subordinated debt significantly. The junior senior unsecured programme ratings could also be upgraded, and the outlook on the senior ratings return to stable, if there is sufficient certainty around maintaining the current subordination levels also over the medium term.

Factors that could lead to a downgrade

Conversely, Hoist's BCA could be downgraded if (1) its profitability or capital decreases significantly, among other things, as a result of the regulatory changes in respect of NPL exposures or complexity of the organisation; (2) the company materially increases its reliance on market funding; or (3) our assessment of Hoist's asset risk deteriorates.

In terms of the issuer, senior unsecured, junior senior unsecured and subordinated ratings, a downward movement is likely in the event of a downgrade of Hoist's BCA or a lower notching from our Advanced LGF analysis.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Hoist Finance AB (publ) (Consolidated Financials) [1]

	03-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (SEK Million)	30,111.0	31,864.0	34,387.0	29,255.0	22,537.0	9.3[4]
Total Assets (USD Million)	3,454.6	3,879.9	3,673.4	3,299.7	2,752.6	7.2[4]
Tangible Common Equity (SEK Million)	3,882.0	4,137.0	3,826.0	3,336.0	2,561.0	13.7[4]
Tangible Common Equity (USD Million)	445.4	503.7	408.7	376.3	312.8	11.5[4]
Problem Loans / Gross Loans (%)	96.5	96.6	96.3	95.0	--	96.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	11.5	12.3	10.1	9.8	13.0	11.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	482.9	481.7	669.4	628.9	--	565.7[5]
Net Interest Margin (%)	8.0	8.3	9.1	9.8	-1.6	6.7[5]
PPI / Average RWA (%)	0.5	1.1	1.4	1.8	2.9	1.5[6]
Net Income / Tangible Assets (%)	-3.3	-0.1	1.6	2.0	2.0	0.5[5]
Cost / Income Ratio (%)	93.7	85.0	82.1	83.4	78.7	84.6[5]
Market Funds / Tangible Banking Assets (%)	22.1	20.3	17.5	20.7	19.6	20.0[5]
Liquid Banking Assets / Tangible Banking Assets (%)	24.7	28.6	25.2	25.9	30.8	27.0[5]
Gross Loans / Due to Customers (%)	130.9	118.2	111.6	119.1	111.9	118.4[5]

[-] Further to the publication of our revised methodology in July 2021, for issuers that have "high trigger" additional Tier 1 instruments outstanding, not all ratios included in this report reflect the change in treatment of these instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

Hoist Finance AB (publ) (Hoist) is one of the largest debt purchasers in Europe, with SEK33 billion (€3.2 billion) in estimated remaining collections over the next 180 months as of the end of March 2021. Hoist is a credit market company regulated by the Swedish Financial Supervisory Authority (SFSA). The company manages debt receivables in 11 countries across Europe.

Hoist primarily funds itself by accepting retail internet deposits in Sweden (Aaa stable) and in Germany (Aaa stable).

Recent developments

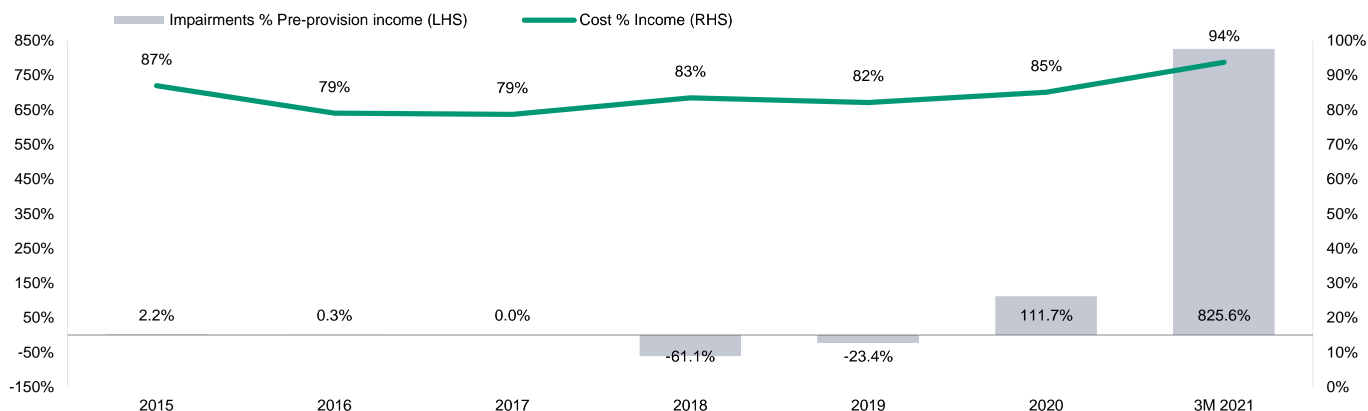
Disparities in controlling the COVID-19 pandemic and in levels of policy support are resulting in an asynchronous global economic recovery. Although we expect significantly stronger global economic activity this year than last year, the recovery is multispeed and diverging across and within advanced and emerging market countries.

On 30 May, Hoist announced that Klaus-Anders Nysteen had left his position as CEO with immediate effect and that board member Per Anders Fasth was appointed interim CEO. The abrupt change of CEO is credit negative and reflects unexpectedly poor levels of profitability following slow progress in cost reduction and overoptimistic external projections of coronavirus-related losses. The change of CEO and most of the board in April also raises questions about Hoist Finance's medium term strategy.

The CEO turnover follows a first-quarter SEK221 million loss because of a SEK322 million impairment. Although the company's lacklustre performance in the first three months of 2021 and last year largely reflect events outside of executive control, CEO Nysteen's messaging at the company's capital markets day a month earlier was positive. Consequently, the impairment was unexpected, increasing the gap between the firm's projections and its results.

The company aims to reduce its cost to income ratio to under 65% amid deteriorating efficiency since 2017 (Exhibit 3). Nysteen, appointed CEO in 2018, was unable to break this trend and the company's performance has lately lagged that of peers.

Exhibit 3
Poor performance reflects ineffective cost-efficiency measures and large pandemic-related impairments



Sources: Company reports and Moody's Investors Service

The change in the company's operational leadership has reflected a more active role by the newly constituted board, with 6 of the 9 directors being new appointments. Fasth was CEO of SBAB Bank AB (publ) (A1/A1 stable, baa1) and held senior roles at SEB AB (Aa2/Aa2 stable, a3). With the newly elected board supporting the transition, Fasth will use the next six to 12 months as interim CEO to accelerate cost reductions and focus on open and clear communication with investors. However, it will be some time before a permanent leadership team is in place, and investors will need to regain full confidence in the company's trajectory. Should the immediate measures that the interim CEO is taking to step-up operational efficiency and make cost savings not be sufficient to meet investor's medium term expectations, it raises the risk of a possibility of a more substantive strategic shift

Christian Wallentin will also replace Christer Johansson as CFO in the fall. Because of the planned handover, key man risks can be managed, even though both the interim CEO and CFO will be new in their roles.

On July 7 Hoist announced that it expects to record a loss of approximately SEK50 million for Q2 2021, reflecting a decision to provision for a potential tax risk.

Detailed credit considerations

Status as a regulated debt purchaser supports credit profile, but regulatory changes pose challenges

We consider the supervision by the SFSA a credit strength. The regulatory scrutiny imposed by the SFSA is similar to that of regular banks, and Hoist is required to report its capital adequacy and liquidity performance on a regular basis.

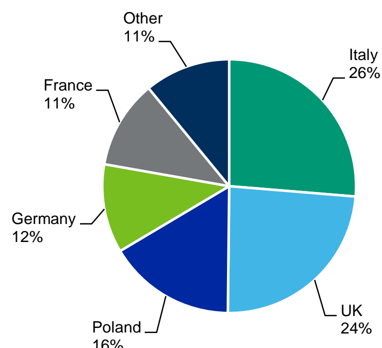
Nevertheless, regulatory changes post 2018 also pose challenges to Hoist's business model, in contrast to its unregulated competitors. Unsecured NPLs now carry risk weights of 150%[1], making it more capital intensive for Hoist to grow with respect to this asset class within a regulated structure. Furthermore, the European Union's (EU) NPL prudential backstop legislation, introduced in April 2019, requires unsecured NPLs originated after 26 April 2019 to be written down in full after three years from when the loan became non-performing (NPLs secured on movable collateral need to be written down in full after seven years).

Hoist took a number of actions to mitigate the effects of the regulatory changes, including implementing a securitisation programme. In 2019, Hoist completed its first securitisations backed by existing portfolios of unsecured NPLs, and in Q1 2021 it announced a partnership agreement with an investment manager, Magnetar Capital, that covers new unsecured NPL portfolio acquisitions.

Solid and diversified market position in the European debt-purchasing business, but limited product offering constrains the rating

Hoist is well diversified geographically, with presence in 12 European countries. Its prioritised markets of France, Italy, Poland, Germany and the UK collectively accounted for 89% of its acquired loan portfolios as of the end of March 2021 (see Exhibit 4).

Exhibit 4
Carrying amount of Hoist's acquired loan portfolios, March 2021



Source: Company's financial report

Hoist's operating environment is primarily influenced by developments in the markets in which it acquires debt portfolios, with the overall Macro Profile for Hoist being Strong, as it balances countries with Strong+ Macro Profiles such as the UK and Germany with exposures in several countries with weaker Macro Profiles, such as Italy (Moderate+) and Poland (Strong-). This is also consistent with our expectation that Hoist will continue to acquire portfolios in countries across Europe that have weaker Macro Profiles, particularly given that such countries offer a large outstanding stock of debt portfolios.

Hoist's debt-purchasing business primarily focuses on the acquisition and collection of nonperforming unsecured consumer receivables originated through financial services institutions. Since 2018 however, and partly as a response to the higher risk weights for unsecured NPLs, Hoist has developed in capacity in other asset classes also, mainly secured NPLs, which as of December 2020 represented 16% of book value, and performing loans, which represented 4%.

Despite its strong market position in various geographies and higher flexibility accorded by its evolving business model, Hoist's ratings are constrained by the company's monoline business activities. Most of the company's revenue is generated by its debt-purchasing businesses, driving us to apply a negative notch for business diversification.

Strong track record as a debt purchaser, but acquired nonperforming consumer loan portfolios are inherently risky

Hoist has developed a robust database over the last 20 years, which has historically contributed to it achieving a high degree of pricing accuracy. The pricing of receivables is based on a comprehensive modelling and analytical approach, while the portfolio of purchased receivables remains extremely granular. However, the continued successful operating performance of the business is dependent upon this accuracy, and a material mispricing of purchased portfolios could potentially lead to underperformance or even loss. The pandemic resulted in a lag in collections, together with highlighting operational inefficiences, resulting in losses and lower efficiency.

While an elevated stock of NPLs is inherent to a debt-purchasing business model, Hoist's asset risk weighs on its overall creditworthiness, reflected in its assigned b3 Asset Risk score. Our assessment of Hoist's asset risk is driven by (1) the company's debt portfolio, which is nearly fully composed of NPLs, with problem loans/gross loans of 96.5% as of the end of March 2021; and (2) the speculative nature of these assets.

The receivables that Hoist acquires are, or have been, in arrears and are therefore speculative in nature. In addition to this, we note three key risks inherent in the business model: (1) model risk in relation to the valuation and pricing of its purchased receivables; (2) concentration risk related to suppliers (that is, debt originators or vendors); and (3) event risk arising from potential litigation or legislative actions.

Adequate capital mitigates risk

Our assigned baa3 Capital score reflects our view that Hoist's capitalisation is a strength for the issuer. Hoist's nominal leverage ratio, calculated as tangible common equity (TCE)/total assets, was 12.9% as of the end of March 2021. Although Hoist's leverage ratio

is significantly higher than that of most other banks we rate in Sweden (because Hoist is subject to similar capital requirements as commercial banks), we believe that it is a reflection of the risks inherent to the debt-purchasing business.

Hoist reported a Common Equity Tier 1 (CET1) capital ratio of 9.8% as of the end of March 2021, which gives a 1.8% buffer to the regulatory requirement of 8.01%. Under normal conditions, the company aims to have a CET1 ratio that is 1.75%-3.75% above the regulatory requirement.

Although regulatory changes since 2018, make it more capital intensive for Hoist to fund its acquisitions in comparison to its unregulated peers, we believe that the issuer's mitigating actions have partly addressed these challenges. We also note that EBA's consultation paper in the context of risk weight calculation for NPL exposures[2] may have a positive effect for Hoist's capitalisation if implemented, lowering its risk weights on non-performing loans to 100% from 150%.

Hoist's profitability, impacted by coronavirus crisis, will recover somewhat but remain challenged

Our assigned b1 Profitability score reflects our base case scenario that Hoist's profitability will recover during the next 12 to 18 months as a return to growth in European economies during 2021 and 2022 allows Hoist to improve its collection performance but will remain significantly below the 2017-2019 average due to operational inefficiencies. Should the economic recovery be disrupted, estimated remaining collections (ERCs) will reduce further, potentially reducing earnings or even driving further losses.

The debt purchasing companies have been particularly affected by the coronavirus crisis as measures taken by countries to limit the spread of the virus, including court closures and suspension of bailiffs, social distancing measures, combined with households' diminished ability to repay their debts, which meaningfully reduced debt purchasers' near-term cash collections. This led to a net income to tangible assets of -0.1% in 2020 for Hoist, compared to an average of 1.9% for 2017 - 2019.

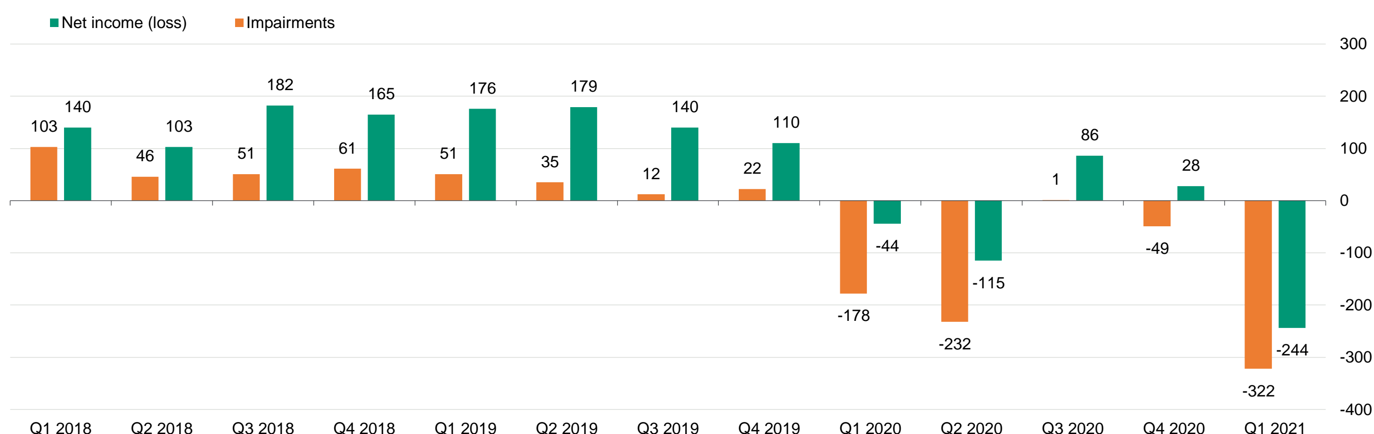
As the coronavirus related disruption continued in Q1 2021, Hoist made a loss of SEK244 million (Moody's adjusted) resulting in a net income to tangible assets of -3.3% for the period. This was caused by a negative SEK322 million in impairment gains and losses including realised collections against forecast during the period as well as forward-looking portfolio revaluations, and mainly related to portfolios in Spain and the UK, and to the progression of legal collection activity. Collection performance during the last four quarters is 92% of the pre-Covid 19 curves, and 103% versus the active forecast, revalued in Q2 2020. Usually, Hoist collections outperform the bank's projections, resulting in gains on impairments. For Q1 2021, net interest income was also 15% lower compared to Q1 2020, as limited investment volumes in 2020 affected revenue.

Hoist announced that it will be loss making in Q2 2021, primarily driven by a provision for tax risk. Although this may be considered as a one off event, it highlights the event risk and complexity the issuer faces in its operations.

Exhibit 5

Impairments drove the losses during Q1 2021

Net income and impairment gains and losses, SEK million



Net income is adjusted to include payments to Additional Tier 1 holders.

Source: Moody's Investors Service

Mainly deposit-funded profile, with increasing reliance on debt markets

We consider Hoist's funding profile a relative strength for the company. Hoist primarily funds itself through deposits, with retail deposits in Sweden and Germany, providing a significantly cheaper funding than other debt purchasers. Our assigned Funding Structure score of baa3 also reflects the fact that the deposits are collected through internet platforms, which we view as a potentially more volatile and less sticky form of funding than conventional bank deposits. Nevertheless, the deposit base is granular with 99% of deposits benefiting from deposit insurance.

Hoist has managed to remain attractive to savers, with retail deposits adding up to SEK16.6 billion as of the end of March 2021 (equivalent to 66% of total liabilities). Hoist launched a euro-denominated deposit-taking programme in Germany in September 2017.

Although Hoist primarily funds itself through deposits, wholesale debt has increased in significance, reflecting the company's funding strategy and favourable market conditions in past years, with the proportion of market funds to tangible assets reaching 22% as of the end of March 2021, up from 7.2% in 2015. Nonetheless, we do not expect a material change in the funding profile of Hoist in the near term.

Large liquidity portfolio provides flexibility

We view Hoist's strong liquidity (around 25% of tangible assets as of the end of March 2021) as one of its strengths. As a deposit-taking entity with liquidity requirements similar to those of regular banks, Hoist has to hold a large stock of liquid assets. However, the company does not have the same regulatory status as a bank and does not have access to central bank liquidity. Hoist has built up a significant liquidity portfolio of high-quality Treasury bills and Treasury bonds, overnight deposits with banks and covered bonds to offset this.

We view positively the fact that the large liquidity reserve gives Hoist the flexibility to acquire small debt portfolios without seeking additional funding or increasing leverage. It also enables the company to withstand stressed scenarios when wholesale refinancing would be more expensive or unavailable.

The lack of access to central bank liquidity, along with expected volatility in the liquidity reserve, is reflected in our assigned Liquidity score of baa3.

Environmental, social and governance considerations

In line with our general view for the banking sector, Hoist has a low exposure to environmental risks. See our Environmental risks heat map for further information.

Hoist's exposure to social risks is moderate, in line with our general assessment for the global banking industry. See our Social risks heat map for further information. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct are a further social risk. Social trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services increasing information technology costs, ageing population concerns in several countries, affecting the demand for financial services or socially driven policy agendas translating into regulations that affect banks' revenue base. Hoist does not offer any financial products except for deposits.

Governance is highly relevant for Hoist, as it is to all issuers in the industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven. Corporate governance remains a key credit consideration, particularly as Hoist is facing a number of regulatory challenges and the fact that the bad debt purchases business is associated with volatile balance sheets, and event risks from potential litigation or legislative actions. As such, it requires intense ongoing monitoring.

Support and structural considerations

Affiliate support

The ratings assigned to Hoist do not incorporate any uplift from affiliate support.

Loss Given Failure (LGF) analysis

We apply our Advanced LGF analysis to Hoist because the company is a regulated credit market company and, in the event of failure, we expect it to be subject to the EU Bank Recovery and Resolution Directive, which we consider an operational resolution regime. For this analysis, we assume a residual TCE of 3% and post-failure losses of 8% of total banking assets and a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions. Particularly for Hoist, we assume that Hoist does not source deposits considered junior, compared with the standard assumption of 26% of total deposits, as the company fully relies on a retail deposit base.

Hoist's senior unsecured, junior senior and subordinated debt ratings reflect our Advanced LGF analysis of the company's current balance-sheet structure. Hoist's senior unsecured creditors are likely to face extremely low loss-given-failure because of the loss absorption provided by its own volume and the amount of debt subordinated to it. This results in three notches of uplift from Hoist's Adjusted BCA for senior unsecured debt.

Hoist's junior senior and subordinated debt ratings are positioned at the same level as the Adjusted BCA, indicating a moderate loss given failure. Whereas the current balance sheet would suggest an additional notch of uplift for the junior senior unsecured (often referred to as senior non-preferred) programme rating, the affirmation of the (P)Ba3 junior senior unsecured programme rating at the level of the BCA reflects the uncertainty around the company's future liability structure, and the high likelihood that the proportion of liabilities subordinated to future junior senior debt issuance will fall as the balance sheet grows.

Counterparty Risk (CR) Assessment

Hoist's CR Assessment is Baa3(cr)/Prime-3(cr)

We assign a CR Assessment of Baa3(cr)/Prime-3(cr), three notches above the BCA of ba3. The CR Assessment is driven by the bank's BCA and by the considerable amount of subordinated instruments likely to shield counterparty obligations from losses.

Counterparty Risk Ratings (CRRs)

Hoist's CRRs are Baa3/Prime-3

The CRRs are positioned three notches above Hoist's Adjusted BCA of ba3, reflecting extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities.

Government support

Because we expect the probability of government support for Hoist's senior liabilities to be low, the ratings do not incorporate any uplift from government support and the final issuer ratings are positioned at Baa3.

Rating methodology and scorecard factors

Exhibit 6

Hoist Finance AB (publ)

Macro Factors							
Weighted Macro Profile	**Strong**	**100%**					

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	96.5%	caa3	↔	b3	Long-run loss performance	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	11.5%	baa2	↓	baa3	Expected trend	
Profitability						
Net Income / Tangible Assets	-3.3%	caa3	↑↑	b1	Expected trend	
Combined Solvency Score		b2		ba3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	20.3%	baa2	↔	baa3	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	28.6%	baa1	↔	baa3	Additional liquidity resources	
Combined Liquidity Score		baa2		baa3		
Financial Profile				ba2		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				ba2 - b1		
Assigned BCA				ba3		
Affiliate Support notching				0		
Adjusted BCA				ba3		

Balance Sheet	**in-scope (SEK Million)**	**% in-scope**	**at-failure (SEK Million)**	**% at-failure**
Other liabilities	4,322	14.5%	5,152	17.3%
Deposits	16,605	55.8%	15,775	53.0%
Preferred deposits	16,605	55.8%	15,775	53.0%
Senior unsecured bank debt	6,001	20.2%	6,001	20.2%
Dated subordinated bank debt	802	2.7%	802	2.7%
Preference shares (bank)	1,127	3.8%	1,127	3.8%
Equity	892	3.0%	892	3.0%
Total Tangible Banking Assets	29,749	100.0%	29,749	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	29.7%	29.7%	29.7%	29.7%	3	3	3	3	0	baa3
Counterparty Risk Assessment	29.7%	29.7%	29.7%	29.7%	3	3	3	3	0	baa3 (cr)
Senior unsecured bank debt	29.7%	9.5%	29.7%	9.5%	3	3	3	3	0	baa3
Junior senior unsecured bank debt	9.5%	9.5%	9.5%	9.5%	1	1	1	0	0	ba3
Dated subordinated bank debt	9.5%	6.8%	9.5%	6.8%	0	0	0	0	0	ba3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	baa3	0	Baa3	Baa3
Counterparty Risk Assessment	3	0	baa3 (cr)	0	Baa3(cr)	
Senior unsecured bank debt	3	0	baa3	0		Baa3
Junior senior unsecured bank debt	0	0	ba3	0		(P)Ba3
Dated subordinated bank debt	0	0	ba3	0		Ba3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 7

Category	Moody's Rating
HOIST FINANCE AB (PUBL)	
Outlook	Negative
Counterparty Risk Rating	Baa3/P-3
Baseline Credit Assessment	ba3
Adjusted Baseline Credit Assessment	ba3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Issuer Rating	Baa3
Senior Unsecured	Baa3
Junior Senior Unsecured MTN	(P)Ba3
Subordinate	Ba3
ST Issuer Rating	P-3

Source: Moody's Investors Service

Endnotes

1 In December 2018, the SFSA announced that it will follow the European Banking Authority(EBA) guidance regarding the risk weights for purchased defaulted assets. This means that unsecured NPLs on Hoist's balance sheet are risk weighted at 150% (compared with 100% previously). On June 24, 2021 EBA launched a public consultation on amending the technical standards for the calculation of the risk weight of defaulted exposures under the Standardised Approach. This follows up on the European Commission's Action Plan to tackle non-performing loans in the aftermath of the COVID-19 pandemic, which indicated the need for a revision of the treatment of defaulted exposures under the Standardised Approach. According to EBA, the update is necessary to ensure the prudential framework does not create disincentives to the sale of non-performing assets.

2 On June 24, 2021 EBA launched a public consultation on amending the technical standards for the calculation of the risk weight of defaulted exposures under the Standardised Approach. This follows up on the European Commission's Action Plan to tackle non-performing loans in the aftermath of the COVID-19 pandemic, which indicated the need for a revision of the treatment of defaulted exposures under the Standardised Approach. According to EBA, the update is necessary to ensure the prudential framework does not create disincentives to the sale of non-performing assets.

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