MOODY'S INVESTORS SERVICE

CREDIT OPINION

7 January 2021

Update

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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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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.

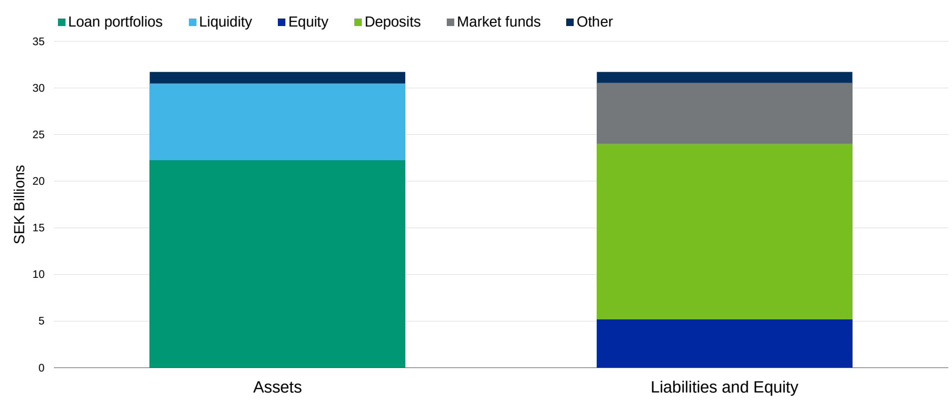
Hoist's ba3 BCA reflects its sound capitalisation, coupled with a retail deposit-based funding profile and large liquidity reserve (see Exhibit 1). These strengths are balanced against the impact of deteriorating operating conditions on collections as a result of the impact of the Coronavirus, along with the valuation and pricing risks associated with the acquisition of nonperforming debt portfolios and regulatory changes resulting in increased risk weights which challenge 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-September 2020

Hoist has a large deposit base and liquidity reserve



Source: Company's financial report

Credit strengths

» Solid and diversified market position in the European debt-purchasing business

» Adequate capitalisation, which improves its risk profile

» Strong funding profile, driven by a large deposit base

» Large liquidity portfolio, which provides flexibility

Credit challenges

» Regulatory changes resulting in increased risk weights

» Model risk associated with the valuation and pricing of the purchased portfolios

» Modest profitability, which will be further negatively impacted by the coronavirus outbreak

» Event risk arising from potential litigation or legislative actions

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 recent regulatory changes; (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.

Key indicators

Exhibit 2
Hoist Finance AB (publ) (Consolidated Financials) [1]

	09-20[2]	12-19[2]	12-18[2]	12-17[2]	12-16[2]	CAGR/Avg.[3]
Total Assets (SEK Million)	31,711.0	34,387.0	29,255.0	22,537.0	19,149.9	14.4[4]
Total Assets (USD Million)	3,543.1	3,673.4	3,299.7	2,752.6	2,108.0	14.9[4]
Tangible Common Equity (SEK Million)	3,717.0	3,826.0	3,336.0	2,561.0	2,302.4	13.6[4]
Tangible Common Equity (USD Million)	415.3	408.7	376.3	312.8	253.4	14.1[4]
Problem Loans / Gross Loans (%)	96.3	96.3	95.0	--	--	95.9[5]
Tangible Common Equity / Risk Weighted Assets (%)	10.8	10.1	9.8	13.0	13.7	11.5[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	568.1	669.4	628.9	--	--	622.1[5]
Net Interest Margin (%)	8.4	9.3	9.8	-1.6	-1.7	4.8[5]
PPI / Average RWA (%)	1.2	1.6	1.8	2.9	2.9	2.1[6]
Net Income / Tangible Assets (%)	-0.3	1.8	2.0	2.0	2.2	1.6[5]
Cost / Income Ratio (%)	84.7	80.3	83.4	78.7	79.1	81.2[5]
Market Funds / Tangible Banking Assets (%)	18.2	17.5	20.7	19.6	16.6	18.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	25.7	25.2	25.9	30.8	31.1	27.7[5]
Gross Loans / Due to Customers (%)	118.3	111.6	119.1	111.9	104.8	113.2[5]

[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 SEK35 billion (€3.3 billion) in estimated remaining collections over the next 180 months as of the end of September 2020. Hoist is a credit market company regulated by the Swedish Financial Supervisory Authority (SFSA). The company manages debt receivables in 11 countries across Europe and has plans to expand into new markets over the coming years.

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

Recent developments

We expect advanced economies collectively to contract in 2020, followed by growth in 2021. An economic recovery is underway, but its continuation will be closely tied to containment of the virus. However, pandemic fears will continue to hinder complete recovery. Even with a gradual recovery, we expect 2021 real GDP in advanced economies to be below pre-coronavirus levels.

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 since 2018 also pose challenges to Hoist's business model, in contrast to its unregulated competitors. The increase in risk weights for unsecured nonperforming loans (NPLs) to 150% from 100% (announced by the SFSA in December 2018) has lowered Hoist's capital ratio and made it more capital intensive for Hoist to grow with respect to this asset class within a regulated structure. Furthermore, the European Union's (EU) new NPL prudential backstop legislation 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). To mitigate the effects of the backstop, Hoist plans to securitise acquired loans that are subject to the NPL prudential backstop legislation and sell transaction junior and mezzanine tranches to external investors. According to Hoist, the Swedish Financial Supervisory Authority (SFSA) has assessed and concluded that Significant Risk Transfer is achieved in Hoist Finance's securitisations.

In 2015, Hoist's shares were listed on the OMX Nordic Exchange in Stockholm, leading to increased transparency and reporting requirements. Hoist's board of directors mostly includes independent directors with long experience in the financial industry. Hoist has a separate risk-control function, and it employs three lines of defence and a companywide risk-management framework. All these elements contribute to a strong risk and governance framework compared with that of most of its peers.

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

Hoist's debt-purchasing business primarily focuses on the acquisition and collection of nonperforming unsecured consumer receivables originated through financial services institutions. Although Hoist will continue to face competition in a number of markets, we believe that the company's scale will allow it to consolidate its market share and expand its geographical coverage, in the absence of any negative reputational or conduct developments.

In 2015, Hoist expanded in (1) the UK through the acquisition of Compello, a British debt-purchasing company; and (2) Italy, where it acquired a small and medium-sized enterprise portfolio from an Italian bank. Hoist further strengthened its presence in Italy by acquiring a portfolio of secured assets in the third quarter of 2016. Hoist formally entered the Spanish market in June 2016 by acquiring a portfolio of NPLs. In September 2016, it acquired Optimus, a master servicing company offering a platform for future acquisitions of NPLs in Spain. Furthermore, in 2016, Hoist announced a strategic partnership with the Bank of Greece, the national central bank, to manage the aggregated NPL portfolio of 16 Greek banks under liquidation. In December 2019 Hoist acquired a €375 million French non-performing mortgage portfolio, its largest portfolio investment to date.

While we believe Hoist's international expansion creates opportunities, it also brings challenges for the company because of its exposure to more volatile operating environments in countries such as Italy and Greece. In Q4 2018, Hoist acquired its first Greek portfolio of consumer NPLs and small and medium-sized enterprise NPLs. In Q2 2019, Hoist finalised the acquisition of PLN400 million of assets held by the Polish debt management and collection company GetBack, making it the second-largest debt collector in Poland. It also finalised the acquisition of the Italian debt-collection company Maran Group.

We believe that the decision of the UK to leave the EU will not have any material impact on Hoist's credit fundamentals, primarily because the company, like all debt purchasers, does not use a regulatory passport, as each country regulates the debt-management business on a standalone basis; and the company's geographical footprint is relatively diversified, with the UK accounting for 25% of its outstanding acquired portfolio as of the end of September 2020.

Despite its stronger market position and 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.

BCA supported by its Strong Macro Profile, despite our expectations of economic deterioration

Hoist's operating environment is primarily influenced by developments in the markets in which it acquires debt portfolios. The firm's exposures to the UK and Germany, countries with Strong+ Macro Profiles, accounted for 34% of its geographical exposure as of the end of September 2020. At the same time, Hoist has exposures in several countries with weaker Macro Profiles, such as Italy (Moderate+), Poland (Strong-) and Spain (Strong-), which drives the overall Macro Profile down to 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.

The debt-purchasing and debt-collection businesses are exposed to different regulatory regimes, and could be affected by reputational damage from customers' complaints. However, these concerns are partially mitigated by Hoist's historically low level of complaints and the stable regulatory framework in the countries in which it currently operates.

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 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.

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 96.3% as of the end of September 2020; and (2) the speculative nature of these assets. Mitigating factors include the company's track record of accurately estimating the collections and the fact that the portfolios are acquired at prices substantially below par values, so a large proportion of the debt is already written off.

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.

While purchased receivables are extremely granular in terms of customer accounts, Hoist has a high level of concentration related to its suppliers. We recognise the fact that supplier concentration is common to debt-purchasing companies in Europe, given the limited number of debt originators that have the scale, and financial and IT capabilities to sell NPLs in the market. However, Hoist's operations are geographically diversified, reducing its relative exposure to country-specific factors and mitigating the concentration risk.

Adequate capital mitigates risk

We consider Hoist's capitalisation a positive rating driver. Hoist's nominal leverage ratio, calculated as tangible common equity (TCE)/ total assets, was 11.7% as of the end of September 2020. 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 10.4% as of the end of September 2020, which gives a 2.7% buffer to the regulatory requirement of 7.7%. Under normal conditions, the company aims to have a CET1 ratio that is 1.75%-3.75% above the regulatory requirement.

In December 2018, the SFSA announced that it will follow the European Banking Authority 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), although the underlying risk of these assets is unchanged.

As a response to the higher risk weights and nominal capital requirements, Hoist cancelled dividend payments in 2018 and 2019. The company also lowered the management CET1 target range by 0.75 percentage points from the target under the previous lower risk weights. Further mitigating actions include (1) speeding up the process to implement an internal ratings-based model to better reflect the underlying credit risk in the portfolios, (2) risk transfer through securitisations, (3) alternative investment fund structures, and (4) changes in the business mix. These would allow some capital relief.

As part of these strategies, in 2019 Hoist securitised a portfolio of Italian unsecured NPLs, placing the junior and mezzanine tranches with an external investor, whilst retaining the senior tranche. The transaction reduced Hoist's risk-weighted exposures.

Hoist's profitability will recover as European economies return to growth

Our assigned ba2 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 late 2020 and 2021 allows Hoist to improve its collection performance. Should the economic downturn persist beyond 2020 with additional closures, estimated remaining collections (ERCs) will reduce further, potentially reducing earnings or even driving further losses.

Compared with other debt-purchasing companies, since 2019 Hoist has performed better than most in terms of return on average assets, due to its more stable earnings. Because the other debt collectors we rate do not need to meet the same strict regulatory minimum capital and liquidity requirements as Hoist, they can devote more resources to higher-yielding nonperforming debt portfolios, which are also higher risk.

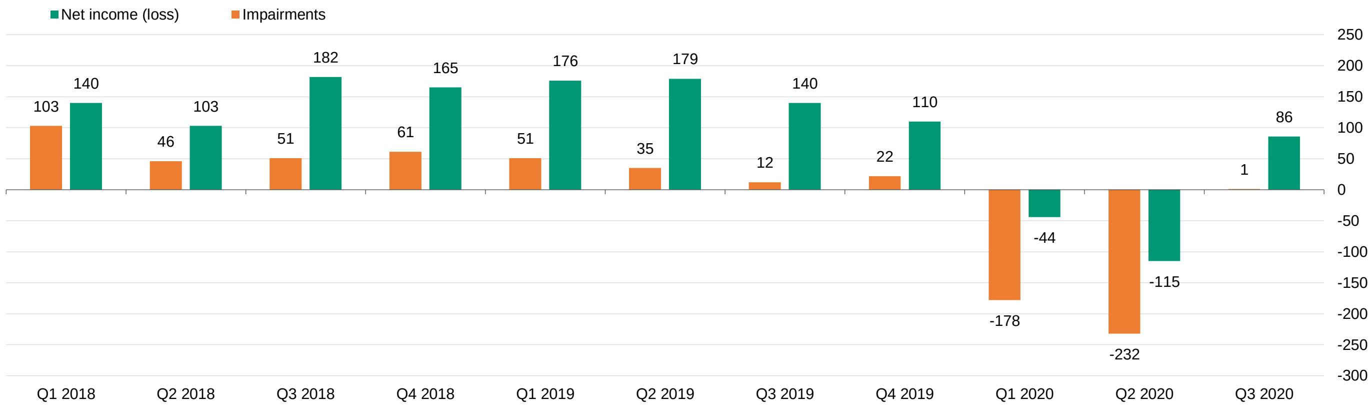
The debt purchasing companies have been particularly affected by the coronavirus crisis as measures taken by countries to limit the spread of the virus, including court closures and suspension of bailiffs, social distancing measures, combined with households' diminished ability to repay their debts, which meaningfully reduced debt purchasers' near-term cash collections.

During the nine months ended in September 2020, Hoist made a loss of SEK73 million (Moody's adjusted) caused by SEK 409 million in impairments as projected collection volumes were lowered due to Coronavirus, resulting in a net income to tangible assets of -0.3% for the period. Usually, Hoist collections outperform the bank's projections, resulting in gains on impairments. In the third quarter, collection performance was slightly better than the Coronavirus revised projections and no further impairments were needed.

Exhibit 3

Impairments drove the losses during first and second quarter 2020

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. Our assigned Funding Structure score of baa2 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 SEK18.9 billion as of the end of September 2020 (equivalent to 71% 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 around 18% as of the end of September 2020, 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 26% of tangible assets as of the end of September 2020) 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

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

Hoist's CR Assessment is positioned at 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)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR liabilities typically relate to transactions with unrelated parties. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in the event of a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivative transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

Hoist's CRRs are positioned at 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 4

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	96.3%	caa3	↔	b3	Long-run loss performance	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	10.8%	baa3	↔	baa3		
Profitability						
Net Income / Tangible Assets	-0.3%	caa1	↔	ba2	Expected trend	
Combined Solvency Score		b2		ba3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	17.5%	baa1	↔	baa2	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	25.2%	baa1	↔	baa3	Additional liquidity resources	
Combined Liquidity Score		baa1		baa2		
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	4,325	13.8%	6,250	19.9%
Deposits	18,870	60.2%	16,945	54.1%
Preferred deposits	13,964	44.6%	13,266	42.3%
Junior deposits	4,906	15.7%	3,680	11.7%
Senior unsecured bank debt	5,216	16.6%	5,216	16.6%
Dated subordinated bank debt	835	2.7%	835	2.7%
Preference shares (bank)	1,154	3.7%	1,154	3.7%
Equity	940	3.0%	940	3.0%
Total Tangible Banking Assets	31,341	100.0%	31,341	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	37.7%	37.7%	37.7%	37.7%	3	3	3	3	0	baa3
Counterparty Risk Assessment	37.7%	37.7%	37.7%	37.7%	3	3	3	3	0	baa3 (cr)
Senior unsecured bank debt	37.7%	9.3%	26.0%	9.3%	3	3	3	3	0	baa3
Junior senior unsecured bank debt	9.3%	9.3%	9.3%	9.3%	1	1	1	0	0	ba3
Dated subordinated bank debt	9.3%	6.7%	9.3%	6.7%	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 5

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

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454