MOODY'S INVESTORS SERVICE

CREDIT OPINION
5 May 2022

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 following affirmation of ratings, outlook changed to negative

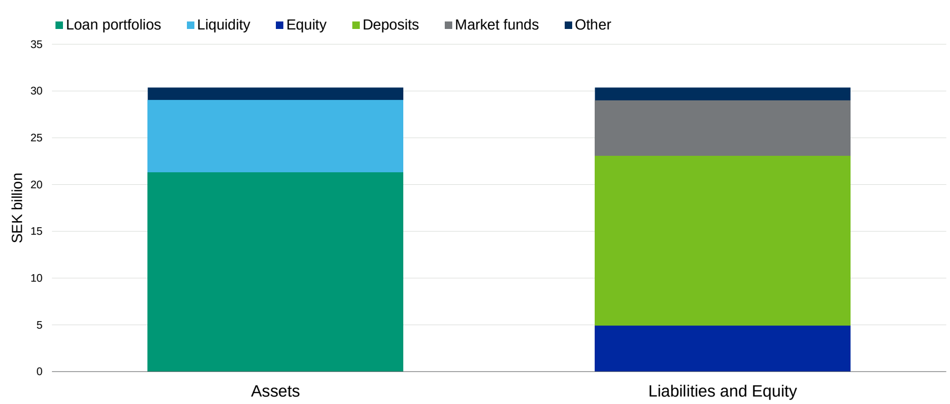
Summary

We assign a ba3 Baseline Credit Assessment (BCA), Baa3 long-term (LT) issuer and senior unsecured debt ratings, along with (P)Ba2 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 incorporates the company's regulated nature, with prudential capital and liquidity requirements, providing stability and predictability as well the bank's new, but as yet unproven, strategy aimed at restoring profitability, which has already resulted in the sale of its UK unsecured business. This is, however, balanced against weak financial performance during the pandemic, with high impairments and limited new business. The BCA also includes one negative adjustment for corporate behavior reflecting Hoist's dependence on exogenous factors in growing its loan book, such as banks' willingness to offload non-performing credits, in line with peers in the debt purchasing industry, as well as the heightened risks of governance failures. The BCA also reflects the issuer's 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 year-end 2021
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 underpinned by regulatory capital requirements, which strengthen its risk profile versus peers

» Strong funding profile, driven by a large and low cost deposit base

» Large liquidity portfolio, which provides enhanced financial flexibility

Credit challenges

» Elevated corporate government risk, reflect by the ousting of the Board of Directors in February 2022

» Bank regulation puts Hoist at a disadvantage compared to peers in terms of taking on nonperforming loans (NPLs) due to backstop, meaning full provisioning of old NPL's, and higher risk weights

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

» Modest profitability, negatively impacted by the coronavirus pandemic and difficulties in implementing cost cutting efforts

» Event risk arising from potential litigation or legislative actions, and complexity of operations

Outlook

The negative outlook reflects Moody's mounting concern that the multiple changes to the board of directors and executive management are signs of governance weaknesses and inability to address some of the strategic challenges, including high cost to collect and operational inefficiencies, that the company faces.

During the last year, the composition of the board of directors has been changed twice, increasingly reflecting the dominance of the largest two owners. In particular, the latest overhaul of the board of directors is an indication of the challenges in agreeing on a successful long-term strategy and appointment of executive management. The acting CEO, appointed 15 March 2022, is now implementing a new cost reduction and growth strategy which focuses on shedding inefficient operations, such as selling the UK unsecured operations and investing in higher yielding business.

The outlook period will be used to assess the execution of the updated strategy and whether it will improve profitability without increasing risk appetite. The evolving composition of assets and their origin will be an important aspect of that assessment, potentially altering the company's weighted macro profile

Factors that could lead to an upgrade

An upgrade is unlikely due to the negative outlook, but a stabilization of the outlook could be triggered by managerial continuity coupled with successful execution of cost efficiency measures and improved performance, including: (1) improving recurring profitability, (2) maintaining adequate capital levels above regulatory requirements, (3) not expanding into riskier assets or jurisdictions, and (4) minimizing conduct risk and ad hoc provisions.

Factors that could lead to a downgrade

Hoist's BCA could be downgraded if (1) further substantive changes to strategy or management are made, (2) its recurring profitability remains at current low levels, (3) its capital decreases, (4) its reliance on market funding materially increases; or (5) our assessment of Hoist's asset risk deteriorates. In terms of the issuer, senior unsecured, junior senior unsecured MTN program and subordinated debt 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]

	12-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (SEK Million)	30,372.0	31,864.0	34,387.0	29,255.0	22,537.0	7.7[4]
Total Assets (USD Million)	3,357.2	3,879.9	3,673.4	3,299.7	2,752.6	5.1[4]
Tangible Common Equity (SEK Million)	3,948.0	4,137.0	3,826.0	3,336.0	2,561.0	11.4[4]
Tangible Common Equity (USD Million)	436.4	503.7	408.7	376.3	312.8	8.7[4]
Problem Loans / Gross Loans (%)	97.0	96.6	96.3	95.0	--	96.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	11.4	12.3	10.1	9.8	13.0	11.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	478.2	481.7	669.4	628.9	--	564.5[5]
Net Interest Margin (%)	7.9	8.3	9.1	9.8	-1.6	6.7[5]
PPI / Average RWA (%)	0.4	1.1	1.4	1.8	2.9	1.5[6]
Net Income / Tangible Assets (%)	-0.7	-0.1	1.6	2.0	2.0	1.0[5]
Cost / Income Ratio (%)	94.0	85.0	82.1	83.4	78.7	84.6[5]
Market Funds / Tangible Banking Assets (%)	17.3	20.3	17.5	20.7	19.6	19.1[5]
Liquid Banking Assets / Tangible Banking Assets (%)	25.2	28.6	25.2	25.9	30.8	27.1[5]
Gross Loans / Due to Customers (%)	120.1	118.2	111.6	119.1	111.9	116.2[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 SEK33 billion (€3.2 billion) in estimated remaining collections (ERC) over the next 180 months as of year-end 2021. Hoist is a credit market company regulated by the Swedish Financial Supervisory Authority (SFSA). The company manages debt receivables in 13 countries across Europe.

Hoist primarily funds itself by accepting retail internet deposits in Sweden (Aaa stable), in Germany (Aaa stable) and since 2021 also in the United Kingdom (Aa3 stable).

Recent developments

High turnover of top management and Board of Directors in the last two years

During the last two years, the Board of Directors have been changed twice, a CEO has been ousted, and the third largest owner has left the nomination committee in protest to the latest nomination process. The management shake-ups are signs that the Board of Directors has been struggling to find a successful long-term strategy.

The new CEO has set out a new [1] cost reduction and growth strategy, which includes shedding of inefficient operations. such as selling the UK unsecured operations[2] and investing in portfolios yielding higher long-term risk-adjusted returns.

In the end of March 2022, Hoist acquired the Greek portfolio of non-performing loans from Alpha Bank, previously announced on 28 December 2021, comprising of unsecured consumer loans and a small share of SME loans and secured loans.

Detailed credit considerations

Status as a regulated credit institution supports credit profile, but also creates challenges

We consider the supervision by the SFSA a credit strength. The regulatory scrutiny imposed by the SFSA is similar to that of other Swedish 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. The European Union's (EU) non-performing loans (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). Furthermore, unsecured NPLs carry risk weights of 150%[3], making it more capital intensive for Hoist to grow with respect to this asset class within a regulated structure. However, on 13 December 2021, the EBA published their final report on draft regulatory technical standards (RTS) on the calculation on credit risk adjustments, which will, if and when endorsed by the European Commission (EC), revert the risk weights for unsecured NPLs to 100% from the current 150%.

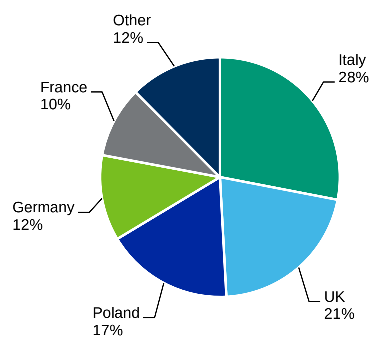
Hoist has taken a number of actions to mitigate the effects of the regulatory changes, including the implementation of a securitisation programme. In 2019, Hoist completed its first securitisations backed by existing portfolios of unsecured NPLs, and in Q1 2021 it announced a partnership agreement with an investment manager, Magnetar Capital, that covers new unsecured NPL portfolio acquisitions[4].

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 13 European countries. 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, France and Germany with exposures in several countries with weaker Macro Profiles, such as Italy (Moderate+) and Poland (Strong-).

Its main markets of Italy, Poland, Germany, France, and the UK collectively accounted for 88% of its acquired loan portfolios as of year-end 2021 (see Exhibit 3). However, considering the acquisition of the Greek portfolio (Greece Macro Profile is Weak+) and the divestment of the UK unsecured portfolio, which represents 19% of the portfolio, the geographical distribution may change over the next 12 to 18 months, and additional acquisitions in geographies with weaker macro profiles will place negative pressure on Hoist's weighted macro profile. A lower macro profile could have negative pressure on Hoist's Financial profile, and therefore on its BCA.

Exhibit 3
Carrying amount of Hoist's acquired loan portfolios, year-end 2021



Source: Company report

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 2021 represented 18% of book value, and performing loans, which represented 3%.

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. Furthermore, new acquisitions are to a large extent dependent on external factors, such as banks willingness to offload non-performing credits, affecting Hoist's ability to grow and replenish amortising loans. This strategic challenge is incorporated through a negative corporate behavior adjustment in the BCA.

High cyclicality of collections poses an elevated risk despite Hoist's strong track record as a debt purchaser

Hoist has developed a robust database over the last 25 years, which has historically contributed to it achieving a high degree of pricing accuracy, but the company has taken large provisions during the pandemic, showing the inherent riskiness of the business. The pricing of receivables is based on a comprehensive modelling and analytical approach. The 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.

The asset risk score of ba3 is in line with the Industry Risk score for most European debt purchasers, taking into account the high cyclicality of collections, giving rise to high impairments during downturns, and track record across jurisdictions. While an elevated stock of NPLs is inherent to a debt-purchasing business model, Hoist's asset risk weighs on its overall creditworthiness.

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 baa2 Capital score reflects our view that Hoist's capitalisation, with tangible common equity (TCE) to risk-weighted assets (RWA) of 11.4% at year-end 2021, is a strength. Hoist's nominal leverage ratio, calculated as TCE to total assets, was 13.0% as of year-end 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 9.56% as of year-end 2021, which gives a 1.65% buffer to the regulatory requirement of 7.91%. Under normal conditions, the company aims to have a CET1 ratio that is 1.75%-3.75% above the regulatory requirement. While downside risks remain in the operating environment, Hoist has adequate buffers to withstand further deterioration in its portfolios.

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[5] may have a positive effect for Hoist's capitalisation if implemented, lowering its risk weights on legacy unsecured non-performing loans to 100% from 150%. According to Hoist, if changed, this will have a positive effect on CET1 of 2.6 percentage points.

We expect that the sale of the UK business will improve Hoist's capitalisation and add 2.8 percentage points to the CET1. Furthermore, when the implementation of the technical standards to lower the risk weights on NPL's to 100% is executed, CET1 will increase by approximately 2.6 percentage points. However, Hoist will want to reinvest this temporarily excess capital and, in our view, the long-term capital ratio will not deviate meaningfully from the current one.

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

Our assigned ba1 Profitability score reflects our base case scenario that Hoist's profitability will recover during the next 12 to 18 months as recoveries in European economies and courts working through backlogs support an improvement in collection performance. During first three months of 2022, net income improved to SEK179 million, from a loss of SEK221 million in first quarter of 2021 due to higher revenues and lower impairments.

There are uncertainties due to emerging risks in the operating environment and should the economic recovery be disrupted, estimated remaining collections (ERCs) will reduce, potentially driving impairments and reducing earnings. We expect that the cost reduction and growth strategy, may lead to improved profitability by shedding inefficient operations (such as selling the UK unsecured operations and investing in higher yielding business).

Hoist's profitability was severely impacted by the pandemic driven by (i) impairments as the recession in various jurisdictions impacted Hoist's collections and timing of collections, and there were operational issues in Spain and (ii) lower revenues – as NPL volumes acquired were limited, and well below replacement values.

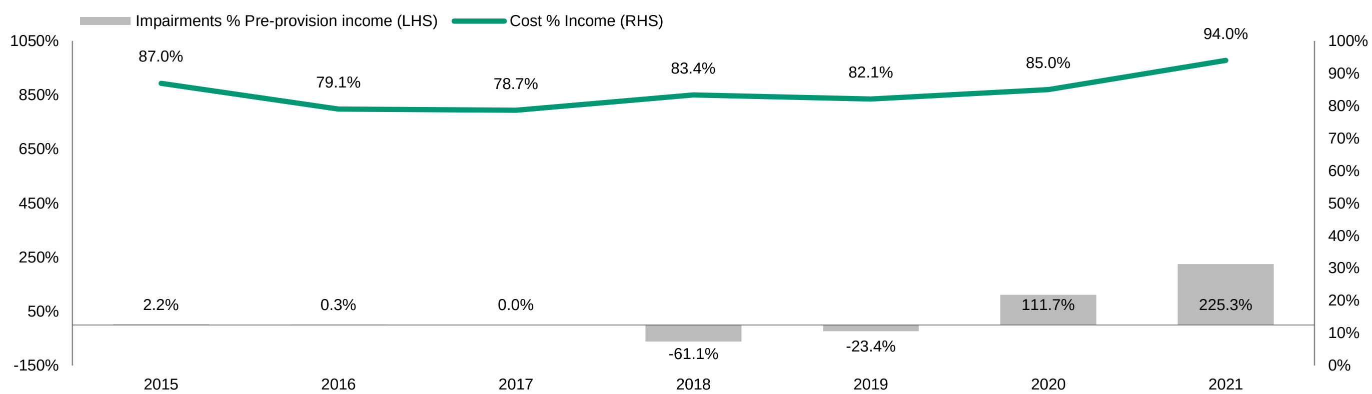
There were significant backlogs in the judicial systems particularly in the UK and Spain[6]. In addition to court delays, the Spanish operation continued to experience operational challenges in 2021. This led to a net income to tangible assets of -0.7% in 2021 for

Hoist and -0.1% in 2020, compared to an average of 1.9% for 2017 - 2019. For 2021, net interest income was also 11% lower compared to 2020, as limited investment volumes in 2020 affected revenue.

In Q1 2021, the coronavirus related disruption continued, leading to a negative SEK322million in impairment 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. In Q2, there was a small gain of SEK22 million mainly driven by realised collections outperforming forecasts (Exhibit 5). In Q2, Hoist was also impacted by a SEK97 million 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 4

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



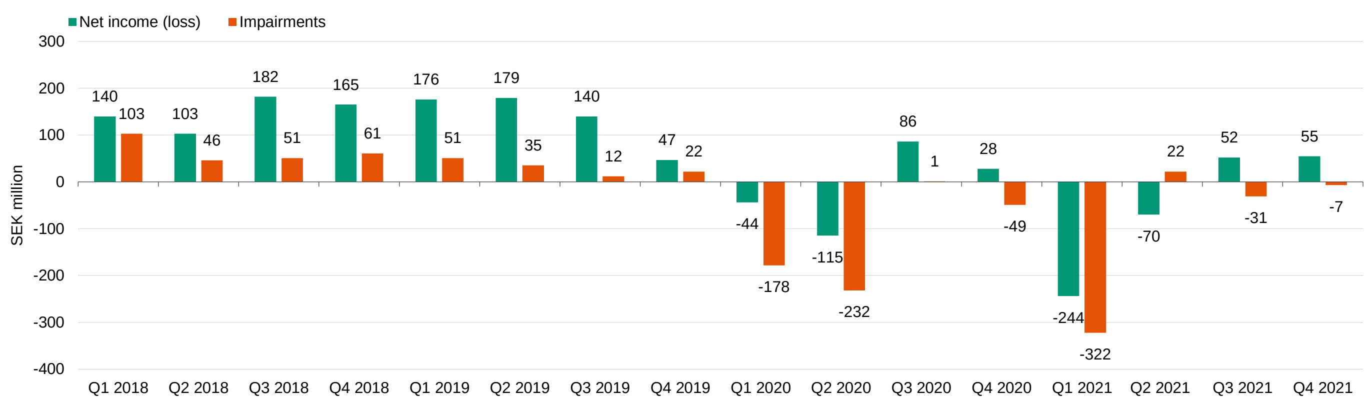
Source: Moody's Investors Service

For the first half of 2021, net interest income was also 16% lower compared to the first half of 2020, as limited investment volumes in 2020 affected revenue.

Exhibit 5

Further impairments and a tax risk provision drove the losses during Q1 and Q2 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

We expect profitability to improve in 2022 due to the new management's strong focus on costs and improving efficiency, and stronger collection performance.

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, Germany and in the United Kingdom, 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 SEK18.2 billion as of year-end 2021 (equivalent to 68% of non-equity funding). Hoist launched a euro-denominated deposit-taking programme in Germany in September 2017 and launched deposit taking activities in the United Kingdom in June 2021.

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 17% as of year-end 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 banking assets as of year-end 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.

ESG 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 event risks from potential litigation or legislative actions and volatile balance sheet growth. New acquisitions are to a large extent dependent on external factors, such as banks willingness to offload non-performing credits, affecting Hoist's ability to grow and replenish amortising loans. This strategic challenge is incorporated through a negative corporate behavior adjustment in the BCA.

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 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 unsecured programme rating is positioned one notch higher than the Adjusted BCA, indicating a low loss given failure.

Hoist's subordinated debt ratings are positioned at the same level as the Adjusted BCA, indicating a moderate loss given failure.

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 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	97.0%	caa3	↔	ba3	Long-run loss performance	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	11.4%	baa2	↑	baa2	Expected trend	
Profitability						
Net Income / Tangible Assets	-0.7%	caa1	↑↑	ba1	Expected trend	
Combined Solvency Score		b2		ba1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	17.3%	baa1	↔	baa3	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	25.2%	baa1	↔	ba1		
Combined Liquidity Score		baa1		baa3		
Financial Profile				ba1		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				-1		
Total Qualitative Adjustments				-2		
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	4,395	14.6%	5,303	17.7%
Deposits	18,169	60.5%	17,261	57.5%
Preferred deposits	18,169	60.5%	17,261	57.5%
Senior unsecured bank debt	4,602	15.3%	4,602	15.3%
Dated subordinated bank debt	818	2.7%	818	2.7%
Preference shares (bank)	1,128	3.8%	1,128	3.8%
Equity	900	3.0%	900	3.0%
Total Tangible Banking Assets	30,012	100.0%	30,012	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	24.8%	24.8%	24.8%	24.8%	3	3	3	3	0	baa3
Counterparty Risk Assessment	24.8%	24.8%	24.8%	24.8%	3	3	3	3	0	baa3 (cr)
Senior unsecured bank debt	24.8%	9.5%	24.8%	9.5%	3	3	3	3	0	baa3
Junior senior unsecured bank debt	9.5%	9.5%	9.5%	9.5%	1	1	1	1	0	ba2
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	1	0	ba2	0		(P)Ba2
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)Ba2
Subordinate	Ba3
ST Issuer Rating	P-3

Source: Moody's Investors Service

Endnotes

1 Announced 13 March 2022, please see link to press release

2 On 13 April 2022 Hoist announced the sale of its UK unsecured business, including operations, to Lowell. The UK unsecured business has been the least profitable business in terms of pre-provision income in recent years due to limited scale and has been the main driver for impairments. Please see link to press release.

3 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).

4 Ratings can be found on the landing page of Marathon SPV S.r.l.

5 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.

6 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.

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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