MOODY'S RATINGS

Rating Action: Moody's Ratings affirms Hoist Finance AB (publ)'s Baa2 long-term issuer rating, outlook changed to positive

07 Jul 2025

Stockholm, July 07, 2025 -- Moody's Ratings (Moody's) has today affirmed all the ratings and assessments of Hoist Finance AB (publ) (Hoist): the Baa2/P-2 long- and short-term issuer ratings, the Baa2 senior unsecured debt rating, the junior senior unsecured rating of Ba1, the senior unsecured MTN program rating of (P)Baa2, the junior senior unsecured MTN program rating of (P)Ba1, the subordinate MTN program rating of (P)Ba2 and the subordinate debt ratings at Ba2. We also affirmed the long- and short-term Counterparty Risk Ratings (CRR) of Baa2/P-2 and the long- and short-term Counterparty Risk Assessments (CR Assessment) of Baa2(cr)/P-2(cr). Finally, the Baseline Credit Assessment (BCA) and the Adjusted BCA were also affirmed at ba2.

The outlook on the long-term issuer and senior unsecured debt ratings was changed to positive from stable.

RATINGS RATIONALE

Hoist's Baa2 senior unsecured debt and long-term issuer ratings reflect the bank's standalone creditworthiness, as expressed by a ba2 BCA, and a three-notch uplift to reflect extremely low loss given failure deriving from Hoist's large stock of subordinated liabilities.

Hoist's ba2 BCA reflects our expectation that the bank will continue on its trajectory of improving profitability driven by efficiency gains and scale advantages, while maintaining high collection performance on its non-performing loan (NPL) portfolio, sound capitalisation levels, comfortably above regulatory requirements, and competitive funding costs as a regulated bank with access to insured retail deposits across six European countries.

Furthermore, following enhanced regulatory guidance, Hoist is now on track to qualify as a Specialised Debt Restructurer (SDR) from 2026. Being an SDR would exempt Hoist from the prudential backstop regulation that requires banks to provision for problem loans according to a predefined calendar when calculating regulatory capital ratios. Hoist's designation as SDR is credit positive, because it will result in a simplified business model less reliant on complex securitisation structures. We expect Hoist to maintain its strengthened liquidity position in order to meet higher regulatory requirements under the SDR status. These strengths are balanced against Hoist's ambitious growth objective, with the bank aiming to increase the investment portfolio to SEK36 billion in 2026 from SEK29 billion in March 2025.

OUTLOOK

The positive outlook on Hoist's long-term senior unsecured debt and issuer ratings reflects the bank's significant improvement in recurring profitability, which could drive an upgrade if sustained over the coming 12 to 18 months while capitalisation remains sound, and provided that there is an ongoing stability in management and board composition.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of the ratings could be triggered by Hoist maintaining the recent stronger recurring profitability while capital remains comfortably above regulatory requirements and management and board composition remains stable.

Hoist's ratings could be downgraded if the BCA is downgraded, or in case of a lower buffer of loss-absorbing liabilities.

Hoist's BCA could be downgraded if (1) the bank demonstrates a higher risk appetite such as expansion into more chunkier problem loans, (2) its recurring profitability falls, (3) its capital decreases below the regulatory requirement due for example to larger than expected impairment losses, or (4) its reliance on market funding materially increases.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at https://ratings.moodys.com/rmc-documents/432741. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

Hoist's "Assigned BCA" score of ba2 is set three notches below the "Financial Profile initial score" of baa2 to reflect expected trend of capitalisation, the issuer's focus on a niche market and limited track record of stability in management and board structure combined with a high growth strategy.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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