

Svensk FastighetsFinansiering AB (publ)

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

PRIMARY ANALYST

Marcus Gustavsson
+46700442775
marcus.gustavsson@nordiccreditrating.com

SECONDARY ANALYST

Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

Svensk FastighetsFinansiering AB (publ) 'BBB+' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB+' long-term issuer rating on Sweden-based [Svensk FastighetsFinansiering AB \(publ\)](#) (SFF). The outlook is stable. At the same time, the 'N-1+' short-term issuer rating and the 'BBB+' senior secured issue ratings were also affirmed. The issuer and issue ratings are no longer under criteria review.

Rating rationale

On 18 Feb. 2022, NCR published its new [Group and Government Support Methodology](#) and placed the issuer rating and senior secured issue ratings on SFF under criteria review. SFF's common stock is divided equally among Catena AB (publ), Diös Fastigheter AB (publ), Fabega AB (publ), Platzer Fastigheter Holding AB (publ), and Wihlborgs Fastigheter AB (publ). The company is effectively a financing vehicle for its five owners, issuing secured bonds with security in the form of selected properties associated with its owners' core businesses in accordance with the prospectus for its medium-term note (MTN) programme. Under the new criteria, NCR may elect to reflect material credit enhancement and/or legally binding support agreements in cases of diversified ownership, even if the standalone credit assessment is higher than the credit quality of any or all of its owners.

NCR factors in continual support from SFF's owners by adding an additional notch to the 'bbb' standalone credit assessment to take account of the credit enhancement not reflected elsewhere within the assessment. In particular, we factor in a requirement for the owners to replace non-performing assets and/or provide additional security if loan-to-value (LTV) levels were to rise, and for the owners to confirm available liquidity/bank facilities three months prior to any loan maturity. Furthermore, while we note that there are no guarantees between the owners, the security agent has the ability to sell any of the company's pool properties for the benefit of MTN investors, which, together with the strong ties between the five owners, provides incentives for them to resolve any issues collectively.

Stable outlook

The stable outlook reflects our expectations of stable performance by both SFF's property operations and its owners. We expect the company to maintain net LTV at around historical levels and risk appetite to remain low, given the restrictions in the MTN prospectus. Furthermore, we expect SFF to remain an attractive funding source for its five owners and its current ownership structure to remain unchanged. We could raise the rating to reflect: a sustainable reduction in NCR-adjusted net LTV to below 45%; an improvement in portfolio quality and/or a greater proportion of pledged residential properties; or a greater number of pledged properties, together with improved tenant diversity. We could lower the rating to reflect: an increase in risk appetite or changes to and/or non-compliance with covenants; a deterioration in the creditworthiness or withdrawal of one or more of the owners; or an increase in NCR-adjusted net LTV to above 55% over a protracted period.

Rating list

	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Stable	Stable
Short-term issuer credit rating:	N-1+	N-1+
Senior secured issue rating:	BBB+	BBB+

Figure 1. SFF rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bbb-	bbb-
Market position, size and diversification	12.5%	bb+	bb+
Portfolio assessment	12.5%	bbb	bbb
Operating efficiency	5.0%	bbb+	bbb+
Business risk assessment	50.0%	bbb-	bbb-
Ratio analysis		bb	bb
Risk appetite		a	a
Financial risk assessment	50.0%	bbb	bbb
Indicative credit assessment		bbb	bbb
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer comparisons		Neutral	Neutral
Stand-alone credit assessment		bbb	bbb
Support analysis		+1 notch	+1 notch
Issuer rating		BBB+	BBB+
Outlook		Stable	Stable
Short-term rating		N-1+	N-1+

Figure 2. Capital structure ratings

Seniority	To	From
Senior secured	BBB+	BBB+

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 13 Feb. 2020.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
Primary analyst:	Marcus Gustavsson, +46700442775, marcus.gustavsson@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, sean.cotten@nordiccreditrating.com
Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Rating Methodology published on 18 Feb. 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 NCR's Rating Principles published on 16 Sep. 2019 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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