

## Bane NOR Eiendom AS

Full Rating Report

## LONG-TERM RATING

A

## OUTLOOK

Stable

## SHORT-TERM RATING

N2

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## RATING RATIONALE

Our 'A' long-term issuer rating on Norway-based property manager and developer Bane NOR Eiendom AS reflects the company's strong credit metrics, solid average remaining lease-term, and highly creditworthy tenants. The rating is supported by the company's de facto monopoly over domestic railway stations and workshops and its importance to the national railway infrastructure. The rating also reflects the company's large land bank, which supports future development opportunities.

The rating is constrained by Bane NOR Eiendom's management portfolio which is average in size in comparison with those of its peers, though this is mostly offset by the specialised nature of the properties. It is also constrained by the company's geographic revenue concentration and the risk of reduced footfall through its railway stations as passenger throughput has yet to recover fully to pre-COVID-19 levels. Bane NOR Eiendom's project development portfolio increases overall risk and represents a negative rating factor.

We add two notches to our standalone credit assessment to reflect Bane NOR Eiendom's 100% indirect ownership by the Norwegian government and our view that the government has a strategic interest due to the company's role as a provider of critical public transport infrastructure.

## STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Bane NOR Eiendom's credit metrics will remain strong despite increasing interest rates and potential financial headwinds in the form of high inflation and reduced economic prosperity. It also reflects our expectation that the company will maintain its successful development portfolio and achieve competitive prices. In addition, we expect footfall through the company's railway stations to return towards pre-COVID levels, effectively consolidating occupancy ratios and increasing the attractiveness of the property locations.

## POTENTIAL POSITIVE RATING DRIVERS

- Strengthened financial policy through tighter leverage targets.
- Increased revenue diversity and management portfolio while maintaining highly creditworthy tenants.
- Significantly reduced NCR-adjusted loan to value (LTV) ratio (towards 20%) and stabilising NCR-adjusted EBITDA margin (above 65%).

## POTENTIAL NEGATIVE RATING DRIVERS

- Increased leverage, reflecting NCR-adjusted net LTV above 35% combined with NCR-adjusted net interest coverage below 3.5x.
- Deteriorating market fundamentals.
- Change in government relationship or policy role.

Figure 1. Bane NOR Eiendom key credit metrics, 2018–2024e

NOKm	2018	2019	2020	2021	2022e	2023e	2024e
Rental income	739	795	888	939	958	1,037	1,058
Other income	1,558	1,107	794	1,069	604	823	601
NCR-adj. EBITDA	1,810	1,259	1,036	1,321	877	1,163	1,033
NCR-adj. investment property	16,258	17,897	19,035	23,584	24,888	25,195	26,215
NCR-adj. net debt	5,950	5,091	5,748	6,653	7,629	7,276	7,796
Total assets	8,823	8,701	10,261	12,019	13,045	13,136	13,751
NCR-adj. net debt/EBITDA (x)	3.3	4.0	5.6	5.0	8.7	6.3	7.5
NCR-adj. EBITDA/net interest (x)	16.8	14.8	10.2	13.8	5.5	5.6	4.6
NCR-adj. net LTV (%)	36.6	28.4	30.2	28.2	30.7	28.9	29.7
NCR-adj. FFO/net debt (%)	27.6	20.7	15.8	17.0	9.2	12.8	10.2

Based on NCR estimates and company data. e–estimate. FFO–funds from operations. All metrics adjusted in line with NCR methodology.

**ISSUER PROFILE**

Bane NOR Eiendom is a Norwegian property management and development company, which develops, owns and manages railway stations and workshops and develops commercial and residential real estate for sale. Previously known as ROM Eiendom AS, the company was established in its current form in 2017 following a restructuring of Norway's railway system. All domestic railway stations and workshops were transferred to Bane NOR Eiendom, along with a substantial land bank in areas close to railway stations. The company own 926 buildings but reflects the value of only 24 on its balance sheet. These 24 buildings total 744,000 sqm, with a reported value of NOK 14bn. The remaining buildings are not included in our analysis but support the company's business position. The land bank amounts to 5m sqm and development projects have a total value of NOK 10bn.

Bane NOR Eiendom is wholly owned by government-owned Bane NOR SF, which owns and operates the country's rail network and platforms. The Norwegian government categorises Bane NOR SF as a "Category 3" holding, reflecting its role in pursuing highly efficient public policy targets on behalf of the Norwegian Ministry of Transport. We regard this as an indication of the company's importance to national infrastructure. Bane NOR Eiendom's stated purpose is to develop and increase the attractiveness of the country's railway stations to increase train usage.

**BUSINESS RISK ASSESSMENT**

Business risk assessment 'bbb+'

Our business risk assessment reflects Bane NOR Eiendom's de facto monopoly position over railway stations and workshops, tenant and geographic concentrations, and high proportion of government-funded tenants. We view the company's strong occupancy rate and long average remaining lease term as positive rating factors, but project development risk weighs on our assessment.

**Market fundamentals still strong despite COVID-19**

Operating environment 'bbb+'

Bane NOR Eiendom's property management portfolio directly reflects the company's role on behalf of Bane NOR SF; the properties are located mainly at railway stations throughout Norway. Occupants include commercial and public-sector tenants, as well as train operators on government contracts. The company's commercial premises are dependent on footfall, which fell sharply following the onset of the COVID-19 pandemic, resulting in lost revenues for tenants. Supportive government initiatives have reduced the impact on property managers and related industries, but increasing working from home, digital meetings, and the effect of a weaker economy could reduce railway station footfall by up to 24% from pre-pandemic levels according to the Norwegian Railway Directorate.

Figure 2. Bane NOR Eiendom rental value by property type, 31 Dec. 2021

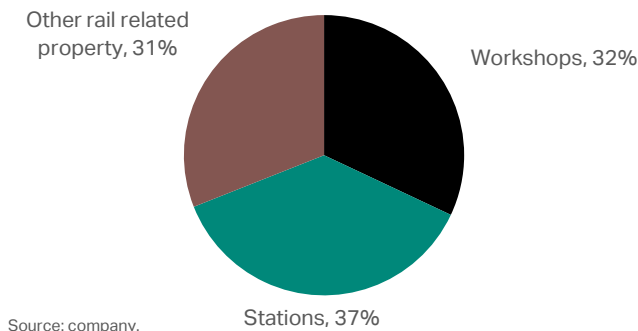
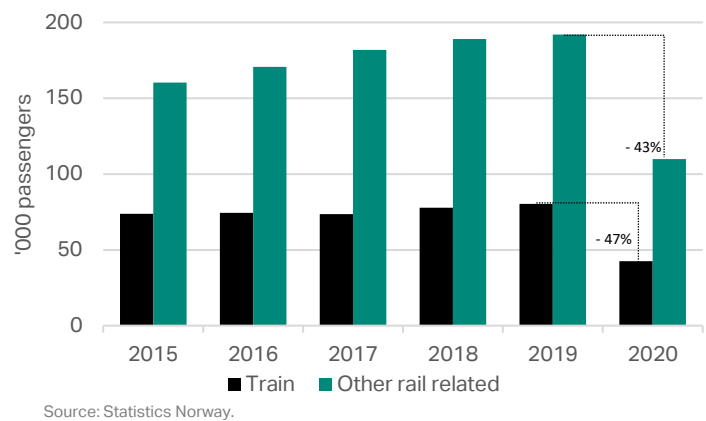


Figure 3. Norway passenger throughput, 2015-2020



The Norwegian government aims to increase use of public transport and to encourage rail freight rather than road freight. We expect future governments to maintain this environmental focus. Following the restructuring of the country's railway system, under which freight and passenger services were privatised, commercial train operators bid competitively for specific routes, but are effectively obliged to use Bane NOR Eiendom's workshops and stations (due to high barriers to entry for the property type), thereby diversifying the company's counterparties.

Figure 4. Bane NOR Eiendom rental value from top 10 exposures, 31 Dec. 2021

Train station/Workshop	Municipality	Share of rental value (%)
Oslo Central Station	Oslo	17
Grorud Workshop	Oslo	8
Sundland Workshop	Drammen	7
Lodalen Workshop	Oslo	5
Marienberg Workshop	Trondheim	4
Lillestrøm Station	Lillestrøm	3
Trondheim Station	Trondheim	3
Skien Workshop	Skien	3
Kvaleberg Workshop	Stavanger	2
Bergen Workshop	Bergen	2
<b>Total</b>	<b>-</b>	<b>54</b>

Source: company.

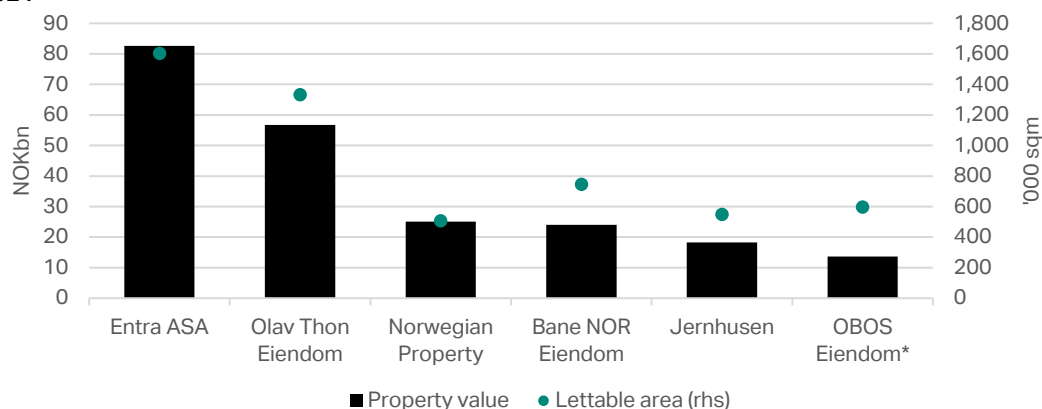
Bane NOR Eiendom has a significant project portfolio of commercial and residential properties, mostly located in prime locations, typically at or near railway stations. Many of these projects will not come on stream for quite some time. Risk related to delays, cost fluctuations, increasing raw material prices, or lack of demand can reduce the attractiveness of properties built for sale, especially commercial properties. We reflect this in our assessment of the operating environment.

**Market position supported by de facto monopoly**

The company has a strong market position due to its portfolio mix and the fact that two-thirds of its management portfolio give it a de facto monopoly. The remainder of the portfolio is subject to competition within the hotel, restaurant, office and retail segments.

Bane NOR Eiendom's property portfolio is of average size in comparison with those of its domestic peers. As of 31 Dec. 2021, the property portfolio comprised 926 properties and projects valued at NOK 24bn. The company's market position is strengthened by its substantial land bank and position as one of Norway's leading hub developers. Compared with its peers, Bane NOR Eiendom (and Jernhusen, its Swedish equivalent) have significantly higher levels of public-sector tenants. Moreover, their specialised properties increase the likelihood of high occupancy rates and long-term tenant relationships and contracts. The company's large land bank is situated in prime locations, providing a competitive advantage.

Figure 5. Bane NOR Eiendom peer group breakdown by property value and lettable area, 31 Dec. 2021



Source: companies. \*As of 30 Jun. 2021.

Bane NOR Eiendom's management properties are located mainly in Oslo. This geographic concentration is mitigated by the fact that the development projects are located throughout Norway. While geographic concentration is high, proximity to public transport generally increases footfall.

While Bane NOR Eiendom's tenant concentrations are significant (the top 10 tenants generate 59% of rental revenue), most tenants are government related, including its parent company. In total, 65% of

Market position, size and diversification 'bbb+'

revenues are linked to either the Norwegian or Swedish governments, mitigating concerns about tenant concentration.

Figure 6. Bane NOR Eiendom tenant concentration, 31 Dec. 2021

Tenant	Type of tenant	Share of rental income
Vy	Commercial tenant, government funded	14.4%
Bane NOR SF	Government	13.3%
Mantena AS	Commercial tenant, government funded	12.1%
SJ Norge AS	Commercial tenant, government funded	4.8%
Reitan	Commercial tenant, retail	3.4%
Go-Ahead Norge AS	Commercial tenant, government funded	3.0%
Spordrift AS	Commercial tenant, government funded	2.8%
Hotel Østbanehallen AS	Commercial tenant, hotel	2.3%
Select Service Partner AS	Commercial tenant, government funded	1.7%
Norske Tog AS	Government	1.4%
<b>Top 10 tenants</b>	<b>-</b>	<b>59.2%</b>

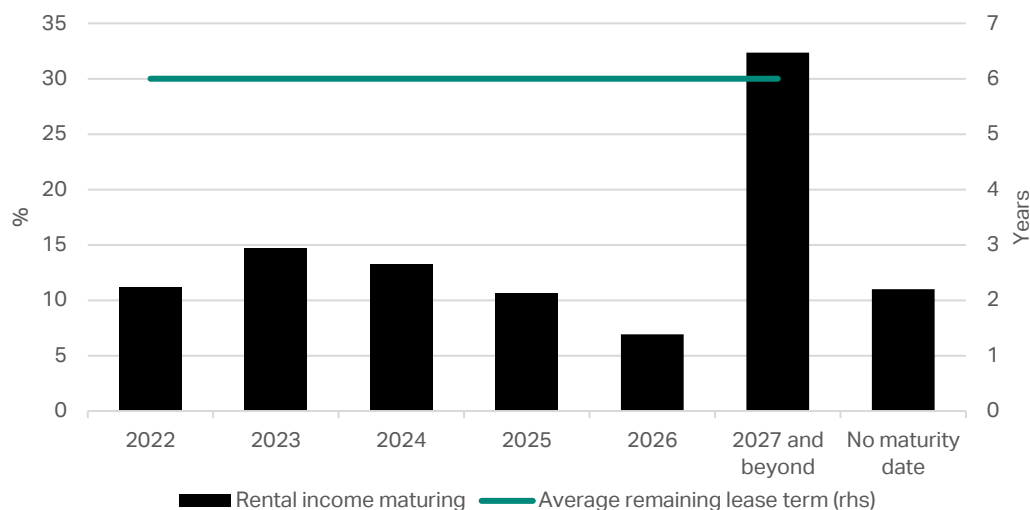
Source: company.

### Specialised properties support long-term contracts

Bane NOR Eiendom's properties are located throughout Norway. We view the company's position as a leading hub developer as a strength, while the proximity of its properties to railway stations and transportation hubs increases the attractiveness of the overall portfolio.

Bane NOR Eiendom has an average remaining lease term of more than six years (excluding contracts with no maturity date, which account for 11% of the rental income). Among the top 10 tenants, 6.5% of rent is generated by contracts with no maturity date, while the average remaining contracted lease term is 6.7 years. The top 10 tenants are contracted through about 150 separate contracts, reducing vacancy risk. Maturities are well spread, with no more than 15% of expiries (as measured by rental value) falling in a single year.

Figure 7. Bane NOR Eiendom lease maturity profile, 31 Dec. 2021



Source: company.

Bane NOR Eiendom has significant market value in its wholly owned development pipeline (42% of reported market value) and a proven track record of property development. However, only 5–10% of its pipeline consists of ongoing projects. The projects are often large in scale and constructed over several phases. We expect ongoing projects to represent 5–10% of the total portfolio on a continuing basis. Typically, Bane NOR Eiendom seeks 50% pre-letting for commercial properties and 50% pre-sales for residential properties prior to construction start (depending on location and the company's assessment of associated risk). Accordingly, the project portfolio contains some speculative elements,

Portfolio assessment 'a'

even though risk is mitigated by the projects' generally attractive locations. In most cases, commercial properties are sold on completion. However, the company has also maintained completed properties on its own balance sheet for future divestment.

Figure 8. Bane NOR Eiendom large projects in progress, 31 Dec. 2021

Project	Property type	Total investment (NOKm)	Estimated completion
Knutepunktet Voss	Commercial	300	2022*
Proffen Hageby phase 2	Residential	400	2023
Bellevue Brygge phase 2	Residential	250	2024
Quadrum building A & B	Community service	500	2023
Quadrum building E	Commercial	250	2022*
<b>Total</b>	-	<b>1,700</b>	-

Source: company. \*Completed Q1/22.

Besides its wholly owned projects, Bane NOR Eiendom is involved in several joint venture (JV) development projects with large established partners. In our opinion JV structures mitigate development risk. Bane NOR Eiendom's equity contributions to JVs are often in the form of land acquired at low cost. Moreover, the company provides no guarantees to its JVs. Both factors reduce related risk in our view.

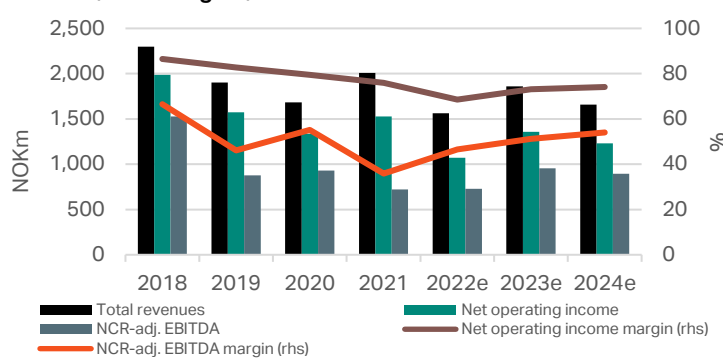
**Margins squeezed by operational commitments**

Bane NOR Eiendom's historical revenues and EBITDA are volatile, reflecting the unstable nature of property development for sale. In addition, the company's EBITDA margin from property management is lower than those of its purely commercial peers. We expect adjusted EBITDA margins (excluding dividends from JVs) to increase to 54% from 48% over our forecast period as the company reduces low-margin non-core business activities.

Historically, Bane NOR Eiendom's occupancy ratio has been stable, with a minor decline since the onset of the COVID-19 pandemic. We expect it to remain close to 95% during our forecast period due to the company's long average remaining lease term, long-term public-sector contracts, and large number of city centre locations.

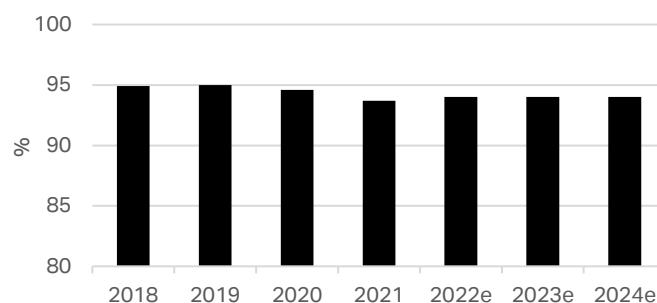
Operating efficiency  
'bbb-'

Figure 9. Bane NOR Eiendom revenues, net operating income, EBITDA\*, and margins, 2018–2024e



Based on NCR estimates and company data. e—estimate. \*Excluding dividends from JVs.

Figure 10. Bane NOR Eiendom occupancy rate, 2018–2024e



Based on NCR estimates and company data. e—estimate.

**FINANCIAL RISK ASSESSMENT**

Financial risk  
assessment 'bbb+'

Our financial risk assessment reflects our expectation that Bane NOR Eiendom's credit metrics will remain strong. In our view, the company's financial policy indicates a greater risk appetite than warranted by its credit metrics, which lowers our overall financial risk assessment.

**Low leverage supports strong credit metrics**

Ratio analysis 'a-'

Bane NOR Eiendom runs its operations with low financial gearing; the company's NCR-adjusted net LTV has been below 30% since 2018. Volatile cash inflows from sales of development projects have resulted in strong, but unpredictable, net interest coverage. While Bane NOR Eiendom has benefited from low domestic interest rates in recent years, we expect interest costs to increase in response to inflation, resulting in a reduction in net interest coverage over our forecast period.

We adjust EBITDA to reflect cash dividends rather than the company's share of profits from JVs. We also adjust net debt by including shareholder loans (due to their relatively short tenor of 5-7 years) and leasing liabilities, while deducting cash holdings. Although the company uses Norwegian GAAP accounting and the book values of its property portfolio, we include market values from external valuation companies, as well as right-of-use assets, in our calculation of its LTV metrics.

In our base-case forecast of Bane NOR Eiendom's future performance, we assume:

- revenue growth of 2% in 2022, 8.3% in 2023, and 2.1% in 2024;
- an unadjusted EBITDA margin of 55-62%;
- annual capital spending of NOK 650-750m on investment properties and NOK 800-900m on projects held for sale;
- dividends from JVs reflecting 95% of JV revenues; and
- no valuation changes in investment properties.

On the basis of these assumptions, we estimate the following metrics for 2022-2024:

- NCR-adjusted net LTV of 29-30%;
- NCR-adjusted EBITDA/net interest of 4.6-5.5x; and
- NCR-adjusted net debt/EBITDA of 6.3-8.7x.

**Figure 11. NCR's adjustments to Bane NOR Eiendom's credit metrics, 2018–2024e**

NOKm	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	1,787	1,401	1,143	1,324	865	1,149	1,015
Share of profits in JVs	-259	-523	-214	-604	-158	-220	-144
Dividends received from JVs	282	382	107	601	170	234	162
<b>NCR-adj. EBITDA</b>	<b>1,810</b>	<b>1,259</b>	<b>1,036</b>	<b>1,321</b>	<b>877</b>	<b>1,163</b>	<b>1,033</b>
Net financial items	-108	-87	-165	-13	-158	-208	-224
Other financial income/costs	0	2	64	-83	0	0	0
<b>NCR-adj. net interest</b>	<b>-108</b>	<b>-85</b>	<b>-102</b>	<b>-95</b>	<b>-158</b>	<b>-208</b>	<b>-224</b>
<b>NCR-adj. EBITDA</b>	<b>1,810</b>	<b>1,259</b>	<b>1,036</b>	<b>1,321</b>	<b>877</b>	<b>1,163</b>	<b>1,033</b>
<b>NCR-adj. net interest</b>	<b>-108</b>	<b>-85</b>	<b>-102</b>	<b>-95</b>	<b>-158</b>	<b>-208</b>	<b>-224</b>
Current tax	-60	-122	-28	-96	-18	-23	-15
<b>NCR-adj. FFO</b>	<b>1,642</b>	<b>1,052</b>	<b>905</b>	<b>1,129</b>	<b>700</b>	<b>932</b>	<b>793</b>
Book value investment property	4,455	4,801	6,361	6,729	7,344	7,795	8,130
Book value assets held for sale	1,953	2,328	2,042	3,869	4,277	3,834	4,204
Non-current right-of-use assets	0	0	27	24	24	24	24
Market value adjustments	9,850	10,768	10,605	12,962	13,243	13,543	13,858
<b>NCR-adj. investment property</b>	<b>16,258</b>	<b>17,897</b>	<b>19,035</b>	<b>23,584</b>	<b>24,888</b>	<b>25,195</b>	<b>26,215</b>
Cash and cash equivalents	115	0	0	59	63	146	56
<b>NCR-adj. cash and equivalents</b>	<b>115</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>63</b>	<b>146</b>	<b>56</b>
Gross interest-bearing debt	6,065	4,801	4,644	5,344	6,074	5,804	6,234
Long-term leasing liabilities	0	0	27	24	24	24	24
Shareholder loans	0	290	1,077	1,344	1,594	1,594	1,594
<b>NCR-adj. cash and equivalents</b>	<b>-115</b>	<b>0</b>	<b>0</b>	<b>-59</b>	<b>-63</b>	<b>-146</b>	<b>-56</b>
<b>NCR-adj. net debt</b>	<b>5,950</b>	<b>5,091</b>	<b>5,748</b>	<b>6,653</b>	<b>7,629</b>	<b>7,276</b>	<b>7,796</b>

Based on NCR estimates and company data. e–estimate.

Figure 12. Bane NOR Eiendom NCR-adj. investment properties, net debt, and net LTV, 2018–2024e

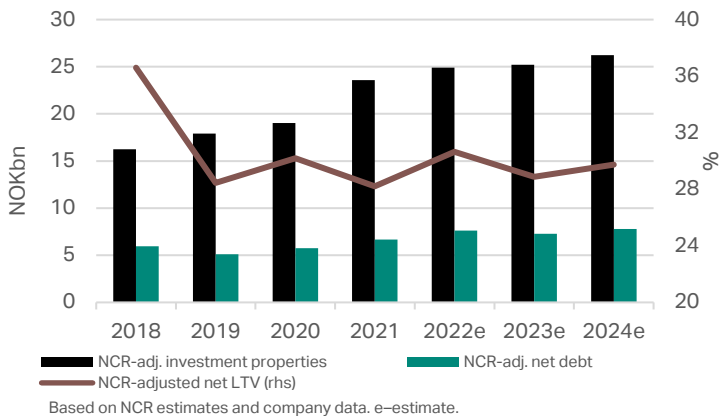
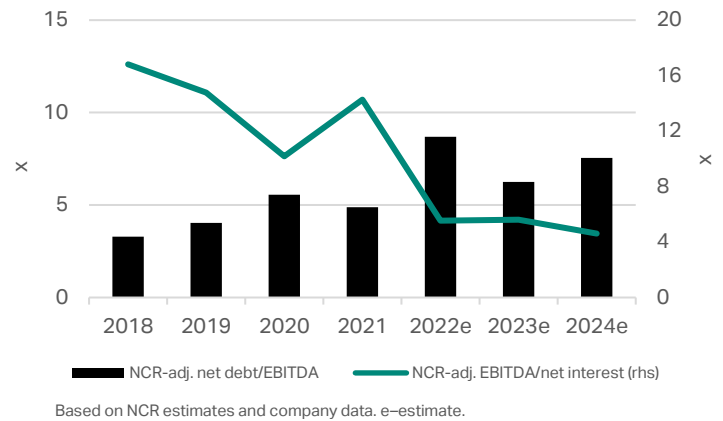


Figure 13. Bane NOR Eiendom NCR-adj. net debt/EBITDA and EBITDA/net interest, 2018–2024e



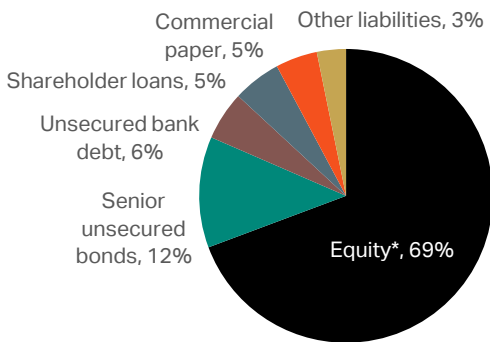
**Covenant headroom significant, funding profile solid**

Risk appetite 'bbb+'

In our view, Bane NOR Eiendom's financial policy indicates a somewhat greater risk appetite than warranted by its financial ratios. Our assessment reflects the company's financial policy, which stipulates that LTV must be maintained below 50%. In addition, we take into account the volatile nature of dividends received from JVs and the risk of lower market values for the company's properties due to increasing interest rates. While the ownership affects the level of financial risk the company is prepared to accept, we have addressed this in our ownership analysis (see Ownership support).

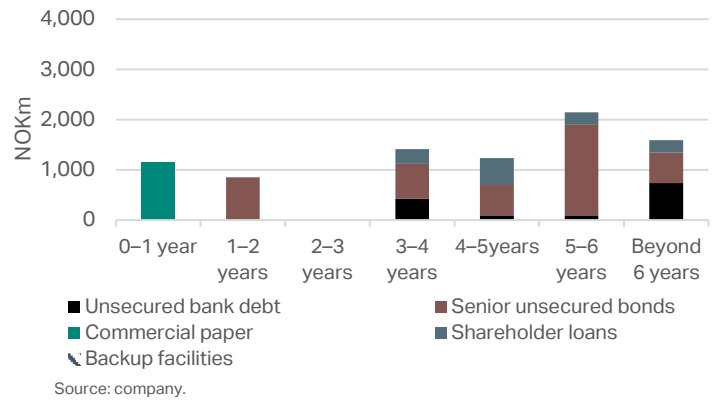
Bane NOR Eiendom finances its operations primarily through common equity, unsecured bank loans, commercial paper, and senior unsecured bonds. In addition, the company has a NOK 1.5bn revolving credit facility and a NOK 0.5bn overdraft facility. As of 31 Dec. 2021, the average debt maturity was 3.8 years with maturities evenly distributed. Bane NOR Eiendom uses interest rate swaps to reduce the impact of interest rate fluctuations, with more than 50% of current interest rates hedged as of 31 Dec. 2021.

Figure 14. Bane NOR Eiendom funding profile, 31 Dec. 2021



Source: company. \*Equity adjusted to reflect market value of properties.

Figure 15. Bane NOR Eiendom debt maturity profile, 31 Dec. 2021



Source: company.

Bane NOR Eiendom's debt is governed by LTV covenants with significant headroom. We expect the level of covenant headroom to remain unchanged in the near future. Historically, the company has paid dividends to its owner amounting to about NOK 250m annually. However, in recent years, it has avoided cash outflows by retaining prospective dividends in the form of a shareholder loan. We expect similar treatment of any dividends for 2021.

Figure 16. Bane NOR Eiendom financial covenants and reported metrics

Metric	Financial policy	Common loan covenants	Reported 31 Dec. 2021
LTV	<50%	<65%	28.2%

Source: company.

**ADJUSTMENT FACTORS**

Adjustment factors neutral

Adjustment factors are assessed as neutral and have no effect on our standalone credit assessment.

## Liquidity adequate

### Liquidity

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect an investment grade company to cover all liquidity needs over the coming 12 months.

We assess Bane NOR Eiendom's liquidity profile as adequate, as sources exceed uses by NOK 200m for the 12 months ending 31 Dec. 2022.

We estimate the following primary funding sources for the 12 months ending 31 Dec. 2022, totalling NOK 2.8bn:

- NOK 59m in cash and equivalents as of 31 Dec. 2021;
- NOK 300m from a senior unsecured bond issued in March 2022;
- NOK 525m in FFO (75% of estimated FFO over the period);
- NOK 250m in shareholder loans;
- NOK 1.5bn in unutilised revolving credit facilities; and
- NOK 206m in available overdraft facilities.

We estimate the following uses of funds for the 12 months ending 31 Dec. 2022, totalling NOK 2.6bn:

- NOK 1.2bn in maturing debt;
- NOK 1.1bn in committed capital spending;
- NOK 150m in committed acquisitions; and
- NOK 250m in dividends to shareholders.

### Environmental, social and governance factors

## ESG factors adequate

We assess Bane NOR Eiendom's environmental, social and governance (ESG) efforts as adequate. The main ESG factors that could affect our overall assessment of the company's creditworthiness are factors that might contribute to loss of revenues, increased costs, or higher capital spending or affect its relationship with its owner or the government. The company issues green bonds under a framework classified as "Medium Green" by climate research agency CICERO. The framework is intended to finance projects to provide clean transport and environmentally friendly buildings.

In line with the Norwegian government's goal of reducing road traffic emissions and increasing rail and other forms of transport, one of Bane NOR Eiendom's main aims is to promote rail transport. It also seeks to develop office premises and housing near train stations with a view to increasing mobility while reducing emissions. The company is committed to obtaining environmental certification for its larger development projects under the BREEAM-NOR certification system. Specifically, it is targeting Energy Performance Certificate Level A for new builds and Level B for renovation work. We expect such certification to support property values and selling prices for new developments.



**Figure 17. Bane NOR Eiendom ESG considerations**

Issue	Risk	Mitigating efforts	Result
CO <sub>2</sub> emissions	Increased costs due to regulatory and/or taxation changes.	Efforts to increase energy efficiency and reduce CO <sub>2</sub> emissions. Environmental certification of properties.	As of 31 Dec. 2021, the company reported reduction in energy usage of 0.6% from 2020 to 2021. Energy usage in 2020 was down 8%.
Impact of climate change on operations	Loss of revenues or increased capital spending.	Environmental certification of project properties. Ongoing efforts to identify climate risk at properties.	All ongoing office projects are to be environmentally certified.
Increased environmental focus from owners and financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO <sub>2</sub> dependence.	Strong financial position, limiting dependence on single projects. Environmental certification of development and refurbishment projects.	Successful issuance of bonds in the first quarter of 2022, green bond framework established.

Source: company.

### OWNERSHIP ANALYSIS

Ownership positive

We add two notches of support to our standalone credit assessment due to Bane NOR SF's 100% ownership by the Norwegian government. Our assessment also considers the parent to be a 'strategic interest' of the Norwegian government.

We view government support for Bane NOR SF as effectively transferrable to Bane NOR Eiendom given the latter's strategic importance to Norway's railway infrastructure. We consider that most of the company's operations are critical for national infrastructure and believe it would receive support from the government via Bane NOR SF if its role were jeopardised.

### ISSUE RATINGS

We rate Bane NOR Eiendom's senior unsecured bonds 'A' in line with the long-term issuer rating primarily because the company's secured debt accounts for less than 50% of outstanding debt (as of 31 Dec. 2021, the company had no secured debt). The senior unsecured debt rating also reflects Bane NOR Eiendom's low NCR-adjusted net LTV (28.2% as of 31 Dec. 2021), which would support meaningful recovery prospects for bondholders in an event of distress.

**Figure 18. Bane NOR Eiendom key financial data, 2018–2021**

NOKm	2018	2019	2020	2021
<b>INCOME STATEMENT</b>				
Rental income	739	795	888	939
Gain from sale of properties	1,174	442	479	228
Share of profit in associated companies and JVs	259	523	214	604
Other	125	142	101	237
Total costs from operations	-310	-329	-345	-482
<b>Net operating income</b>	<b>1,987</b>	<b>1,574</b>	<b>1,337</b>	<b>1,526</b>
Administrative expenses	-200	-173	-195	-202
<b>EBITDA</b>	<b>1,787</b>	<b>1,401</b>	<b>1,143</b>	<b>1,324</b>
Depreciation and amortisation	-277	-216	-256	-281
Interest income	19	8	10	9
Interest expenses	-127	-93	-103	-86
Interest expenses, shareholder loans	0	0	-9	-19
Other financial costs	-0	-2	-64	83
Gains and losses on derivatives	22	11	0	0
<b>Pre-tax profit</b>	<b>1,425</b>	<b>1,108</b>	<b>721</b>	<b>1,030</b>
Taxes	-60	-122	-28	-96
<b>Net profit</b>	<b>1,365</b>	<b>986</b>	<b>693</b>	<b>934</b>
<b>BALANCE SHEET</b>				
Investment property	4,455	4,801	6,361	6,729
Interests in associates and JVs	751	915	1,070	863
Other non-current assets	126	149	280	147
<b>Total non-current assets</b>	<b>5,332</b>	<b>5,865</b>	<b>7,711</b>	<b>7,739</b>
Cash and cash equivalents	115			59
Other current assets	3,375	2,837	2,549	4,221
<b>Total current assets</b>	<b>3,490</b>	<b>2,837</b>	<b>2,549</b>	<b>4,280</b>
<b>Total assets</b>	<b>8,823</b>	<b>8,701</b>	<b>10,261</b>	<b>12,019</b>
Total equity	2,184	3,220	3,663	4,346
Non-current borrowings	3,150	3,950	2,900	4,100
Non-current borrowings, shareholder loans	0	0	827	537
Deferred tax liabilities	0	1	0	0
Other non-current liabilities	0	0	392	384
<b>Total non-current liabilities</b>	<b>3,150</b>	<b>3,951</b>	<b>4,119</b>	<b>5,021</b>
<b>Total current liabilities</b>	<b>3,488</b>	<b>1,530</b>	<b>2,479</b>	<b>2,651</b>
<b>Total equity and liabilities</b>	<b>8,823</b>	<b>8,701</b>	<b>10,261</b>	<b>12,019</b>
<b>CASH FLOW STATEMENT</b>				
Pre-tax profit	1,425	1,108	721	1,030
Depreciation and amortisation	0	0	256	281
Tax paid	-25	-66	-66	-48
Adjustments for items not in cash flow	-1,222	-778	-620	-932
<b>Cash flow from operating activities before changes in working capital</b>	<b>177</b>	<b>264</b>	<b>291</b>	<b>331</b>
Changes in working capital	95	-280	89	229
<b>Cash flow from operating activities</b>	<b>272</b>	<b>-16</b>	<b>380</b>	<b>560</b>
<b>Cash flow from investment activities</b>	<b>-589</b>	<b>1,418</b>	<b>-223</b>	<b>-1,209</b>
<b>Cash flow from financing activities</b>	<b>103</b>	<b>-1,517</b>	<b>-157</b>	<b>708</b>
Cash and cash equivalents at beginning of period	329	115	0	0
Cash flow for period	-214	-115	0	59
<b>Cash and cash equivalents at end of period</b>	<b>115</b>	<b>0</b>	<b>0</b>	<b>59</b>

Source: company.

**Figure 19. Bane NOR Eiendom rating scorecard**

Subfactors	Impact	Score
Operating environment	20.0%	bbb+
Market position, size and diversification	12.5%	bbb+
Portfolio assessment	12.5%	a-
Operating efficiency	5.0%	bbb-
<b>Business risk assessment</b>	<b>50.0%</b>	<b>bbb+</b>
Ratio analysis		a-
Risk appetite		bbb+
<b>Financial risk assessment</b>	<b>50.0%</b>	<b>bbb+</b>
<b>Indicative credit assessment</b>		<b>bbb+</b>
Liquidity		Adequate
ESG		Adequate
Peer comparisons		Neutral
<b>Stand-alone credit assessment</b>		<b>bbb+</b>
Support analysis		+2 notch
<b>Issuer rating</b>		<b>A</b>
Outlook		Stable
<b>Short-term rating</b>		<b>N2</b>

**Figure 20. Capital structure ratings**

Seniority	Rating
Senior unsecured	A

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