

Svensk FastighetsFinansiering AB (publ)

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N3

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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 NCR affirmed the 'N3' short-term rating and the 'BBB+' senior secured issue rating.

Rating rationale

The affirmation reflects continued performance in line with our expectations. SFF has seen a decrease in outstanding debt, and corresponding collateral volume, since 2022, but we continue to expect that the trend will turn in 2024. We are now expecting bond and collateral volumes to increase more rapidly in 2024 and 2025 compared with our expectations one year ago. We are also expecting that SFF will focus on improving diversification in its collateral pool, something which has gradually worsened as the pool has decreased.

The long-term rating continues to reflect SFF's purpose as a financing vehicle for its owners, five of Sweden's largest real-estate companies. The rating also reflects the company's low risk appetite, the creditworthiness and continuous support provided by its owners, and the collateral available for senior secured bondholders. It is also indicative of the relatively long average remaining lease term and the high occupancy rates of the properties in the pledged portfolio, as well as the stable operating environment. In addition, the rating reflects liquidity assurance provided by the owners, which limits the near-term refinancing risk.

Downward pressure on property values has impacted net loan-to-value (LTV), which remains high for the rating level despite a strong cash position. The rating is constrained by the high net LTV (48.2% as of 30 Jun. 2023), as well as the company's short debt maturity profile, with large maturities concentrated in single years and quarters.

Stable outlook

The outlook is stable, reflecting our expectations of stable performance by both SFF's property operations and its owners. Net LTV is elevated, but we believe the owners will provide sufficient collateral to ensure the financial risk profile is maintained. We expect SFF to improve diversity in the collateral pool, and increase new bond issuance to refinance upcoming maturities. We also expect SFF's risk appetite to remain low, given restrictions in its medium-term note (MTN) prospectus. Furthermore, we expect SFF to remain an attractive funding source for its five owners and its current ownership to stay unchanged.

We could raise the rating to reflect a significant improvement in collateral pool diversity and portfolio quality, combined with a sustainable reduction in NCR-adjusted net LTV to below 45%.

We could lower the rating to reflect a failure to improve collateral pool diversity through our forecast period ending 2025, or a material deterioration in creditworthiness or withdrawal of one or more of the owners. We could also lower the rating to reflect 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:	N3	N3
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 calibration		Neutral	Neutral
Stand-alone credit assessment		bbb	bbb
Support analysis		+1 notch	+1 notch
Issuer rating		BBB+	BBB+
Outlook		Stable	Stable
Short-term rating		N3	N3

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.
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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 8 May 2023 NCR's Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 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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