

Svensk FastighetsFinansiering AB (publ)

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N3

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RATING RATIONALE

Our 'BBB+' long-term issuer rating on Svensk FastighetsFinansiering AB (publ) (SFF) reflects the company'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 (see Appendix III) provided by the owners, which limits near-term refinancing risk. We add an upward notch to our indicative credit assessment to reflect the credit support to SFF from its owners in addition to the collateral pool available to bondholders.

These strengths are partly offset by an increasingly high net loan-to-value (LTV) ratio and 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 will improve diversity in the collateral pool and increase new bond issuance to refinance upcoming maturities. We also expect SFF's risk appetite will remain low, given restrictions in its medium-term note (MTN) prospectus. Furthermore, we expect SFF will remain an attractive funding source for its five owners and its current ownership to stay unchanged.

POTENTIAL POSITIVE RATING DRIVERS

- Significant improvement in collateral pool diversity and portfolio quality, combined with a sustainable reduction in net LTV to below 45%.

POTENTIAL NEGATIVE RATING DRIVERS

- Failure to improve collateral pool diversity through our forecast period ending 2026.
- Material deterioration in creditworthiness or withdrawal of one or more of the owners.
- Increase in net LTV to above 55% over a protracted period.

Figure 1. Key credit metrics, 2020–2026e

SEKm	2020	2021	2022	2023	2024e	2025e	2026e
Total assets	9,326	9,430	6,954	5,752	6,362	7,223	8,331
Collateral value	15,091	16,524	11,020	8,586	8,957	10,529	12,376
Gross debt	8,290	8,395	5,918	4,670	5,270	6,166	7,219
Gross LTV (%)	54.9	50.8	53.7	54.4	58.8	58.6	58.3
Net LTV (%)	51.9	48.0	49.5	48.9	53.4	53.8	53.8

Source: company and NCR. e=estimate. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

SFF is a joint venture founded in 2014 with common stock divided equally among Catena AB (publ), Diös Fastigheter AB (publ), Faberge AB (publ), Platzer Fastigheter Holding AB (publ) and Wihlborgs Fastigheter AB (publ). The company is a financing vehicle for its owners, issuing secured bonds with collateral in the form of selected properties associated with its owners' core businesses, in accordance with its MTN prospectus. By pooling the assets of the owner companies, SFF provides its owners with an alternative to bank financing and is the only source of secured capital market financing for each of its owners. The company's administration is managed by its service agent Hansan AB, owned by Backahill AB (an investment company owned by the family of Swedish businessman Erik Paulsson). Backahill AB is a major shareholder in four of SFF's five owner companies. SFF's board of directors includes CFOs (or similar), from the five owner companies as well as SFF's CEO, who is also employed by Hansan AB.

SFF is an established issuer of domestic debt. It had SEK 5.27bn in outstanding bonds with collateral in 18 properties valued at SEK 9.0bn as of 31 Dec. 2024. SFF bonds accounted for 12% of the owner companies' interest-bearing debt as of 30 Sep. 2024. Wihlborgs has in 2024 decreased the proportion of its interest-bearing debt held via SFF and Diös has increased its loans from SFF. We believe that SFF remains a meaningful alternative to bank financing, commercial paper and senior unsecured bond financing for its owners.

Figure 2. SFF owners' interest-bearing debt and share of debt financed by SFF, 30 Sep. 2024



Source: companies, SFF.

SFF issues debt secured by mortgage certificates of specific, otherwise unencumbered, properties and pledged shares in directly related property-owning subsidiaries that are 100% owned and managed by their owners. Each bond is associated with specific properties, but also backed by the entire pool of properties and the creditworthiness of SFF's ultimate owners, via guarantees within the corporate structure and a legal requirement that owners add collateral when needed and replace or remove properties that no longer fulfil property level covenants from SFF's portfolio.

For details on the transaction and covenant structure, see Appendix II.

BUSINESS RISK ASSESSMENT

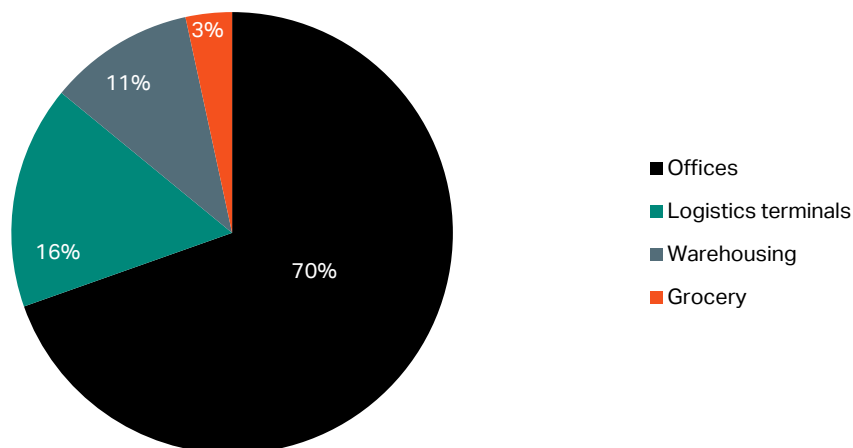
SFF is exposed to the Swedish property market both directly, through pledged properties, and indirectly, through owner guarantees. When assessing SFF's business risk, we consider the characteristics of the properties in the secured portfolio as well as SFF's market position and its benefits for its owners. Our business risk assessment reflects SFF's exposure to mainly office properties in prosperous municipalities. It also reflects a mix of tier 1 and tier 2 locations, and the substantial benefits SFF provides for its owners.

Operating environment

Operating environment dependent on Swedish office market

As of 30 Sep. 2024, 70% of SFF's secured property portfolio consisted of office properties, based on loan amounts. Our view is that demand for prime office space is still high, despite increasing vacancies in late 2024. Prime rents have remained stable and yields have widened in line with the overall real estate market. We believe vacancies will increase further in 2025 due to weak economic conditions, and that this trend will reverse by end-2025, but it will largely depend on the location and attractiveness of the property.

Figure 3. SFF's portfolio collateral by property type and loan amount, 30 Sep. 2024



Source: company.

Although office space dominates SFF's portfolio, 16% of exposure relates to logistics terminals on Sweden's major highways or at railway intersections. E-commerce has been growing rapidly for some years, a trend which has been accelerated by the COVID-19 pandemic. While the speed of this growth has fallen, we expect e-commerce to account for a growing proportion of total consumer spending. The logistics sector has grown rapidly in Sweden in recent years, and we believe attractive locations are vital to attract tenants. For prime properties, we expect strong demand to support low vacancies and the ability to raise rents as costs increase.

SFF's industrial and warehousing exposures are largely dependent on the overall performance of the Swedish economy. We expect them to follow the economic cycle, with increased vacancies and a reduced ability to pass on costs through rent increases in comparison with other sectors over the next few years.

Most of SFF's pledged properties are located in municipalities whose populations are expected to grow much faster than the national average. We believe that the strong fundamentals of SFF's locations reduce the risk of a broad decline in demand for the company's properties.

Market risk in SFF's portfolio is reduced by property-specific covenants that prevent new lending for, or refinancing of, properties with significant vacancies, while LTV covenants are likely to be breached if vacancies at existing properties increase substantially. Consequently, much of the risk associated with declining property values is passed through to the owners, which would have to find alternative financing or add collateral to reduce property level LTV below initial levels.

Figure 4. Loan amount by municipality, 30 Sep. 2024

Municipality	Share of rental value	Population, 2023	Expected population change among 15–64-year-olds, 2024–2045	Unemployment, Sep. 2024
Göteborg	32%	604,616	7.5	7.0
Stockholm	16%	988,943	1.9	6.3
Borlänge	11%	51,735	-7.1	7.5
Halmstad	9%	105,796	5.7	7.0
Malmö	8%	362,133	10.3	12.3
Skellefteå	7%	76,542	4.9	3.2
Solna	6%	85,426	5.1	4.7
Burlöv	5%	19,844	10.9	10.3
Luleå	4%	79,352	-2.5	4.5
Upplands-Bro	1%	32,453	13.1	7.4
Total/Sweden average	100%	10,551,707	2.4%	6.4%

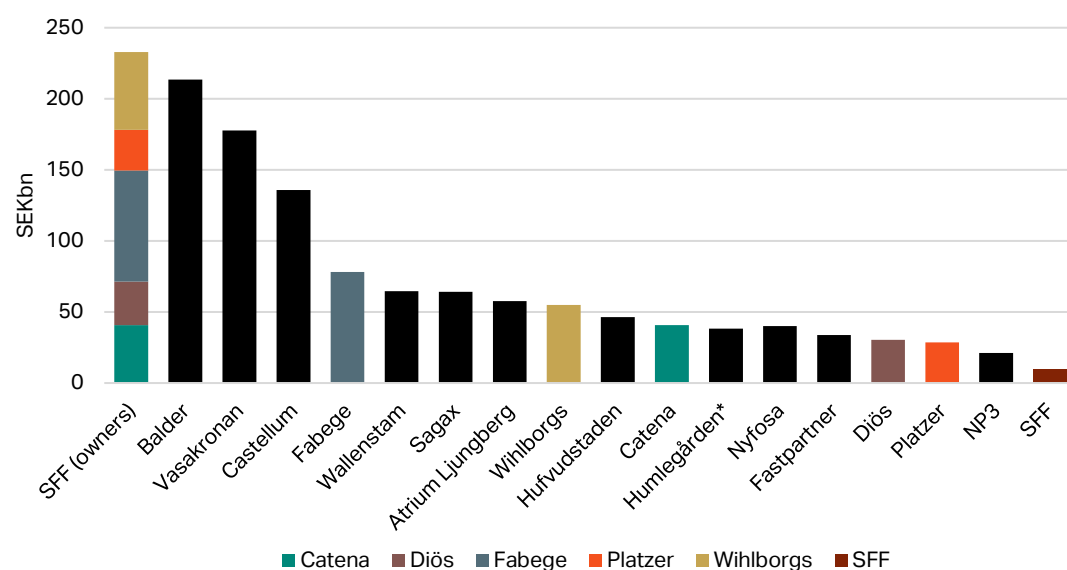
Source: company, Statistics Sweden and the Swedish Public Employment Service (Arbetsförmedlingen).

Substantial market diversification among owners, but high tenant concentration in pledged portfolio

Market position, size and diversification

SFF's market position is defined by the scope of its owners and the benefit that the company provides by giving them access to financing. SFF's pool of collateral is made up of 18 properties with a market value of SEK 9.0bn as of 31 Dec. 2024. Compared with the portfolios of its Swedish peers, the company's portfolio of pledged properties is relatively modest in size and has decreased significantly over the past three years. The substantial market value of properties within the owner aggregate indicates the breadth of the owners, which provide guarantees and support within the structure. In addition, we believe the owners' aggregate portfolio indicates potential for SFF to add considerably to its existing portfolio. In our view, the decrease in portfolio size is due to difficulty in capital market conditions and does not reflect negatively on the owners.

Figure 5. SFF peer group breakdown by property values, 30 Sep. 2024



Source: companies. *as of 30 Jun. 2024.

SFF provides its owners with an alternative source of financing, thereby increasing the diversity of their funding. However, if SFF is to remain an attractive source of financing, the company must also offer competitive terms compared with those of secured bank financing. The financial benefit for SFF's

owners varies over time. At times, the margin gap between financing through SFF and bank financing has been tighter. We believe it is important to the owner companies to have a diverse funding structure and note that issuing bonds through SFF is cheaper for most of them than issuing bonds by themselves. Consequently, we expect SFF to refinance its bonds maturing in 2025 in the market, while increasing the overall volume of outstanding debt finance in the course of the year.

Over the past three years, the number of properties in the collateral pool, as well as the number of property types, has decreased. While SFF maintains good covenant headroom, we are concerned by the reduced diversity. The collateral pool fell to 18 properties in 2024 from 46 in 2020, while the number of property types has fallen to five from more than 10 over the same period. We expect SFF to increase its property diversity as bond issuance picks up and the collateral pool grows. For a property to be eligible for financing via SFF it has to be located in its respective owner's priority market (see Figure 6), implying that the owners' market coverage and portfolio level covenants ensure geographic diversity, even if the collateral pool diminishes.

Figure 6. SFF owners' priority markets

Owner	Priority market
Catena	Locations along major highways (E4, E6, E20 and E22) between Malmö, Helsingborg, Gothenburg and Stockholm, as well as logistics terminals at major railway intersections (Nässjö, Katrineholm and Hallsberg).
Diös	More northerly cities of Borlänge, Falun, Gävle, Luleå, Skellefteå, Sundsvall, Umeå and Östersund.
Fabege	Central Stockholm (Stockholm City, Södermalm, Norrmalm, Östermalm and Kungsholmen), Hammarby Sjöstad and Solna (Solna Business Park and Arenastaden).
Platzer	Gothenburg, Mölndal and Härryda municipalities.
Wihlborgs	Malmö, Lund, Helsingborg and Burlöv municipalities.

Source: company.

The five largest tenants in SFF's portfolio accounted for 35% of rental income as of 30 Sep. 2024, indicating a high degree of tenant concentration. We note that there are no limits on tenant concentrations in the portfolio. However, under the property level covenants, if more than 85% of a property's rental income comes from one tenant, the weighted-average lease expiry (WALE) must exceed 30 months at the point of financing, instead of the usual 24 months.

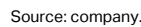
Portfolio dominated by offices in Sweden's three major cities

SFF's bonds are secured by a pool of mortgage certificates of specific, otherwise unencumbered, properties and pledged shares in directly related property-owning subsidiaries that are 100% owned and managed by one or more of the five owners.

We consider most of the assets in the pool occupy good locations in major cities, with a mix of tier 1 and tier 2 locations. We note that portfolio level covenants ensure that the portfolio remains focused primarily on offices in Stockholm, Gothenburg and the Öresund region in southern Sweden. In addition, the inclusion of properties owned by Catena and Diös in the pool is reflected by exposures to logistics terminals, warehouses and office properties in more northerly locations. We anticipate that the mix of assets will remain diverse and of similar quality, but note that our assessment of the portfolio could change as new properties are added.

Portfolio assessment

Figure 7. SFF portfolio by property type, and municipalities by loan volume, 30 Sep. 2024



The average remaining lease term in SFF's portfolio was 5.4 years as of 30 Sep. 2024, which is substantially longer than the minimum two years required at each point of financing. We note that some of the tenants are government-related entities but view the tenant quality of the portfolio as a generally neutral factor. Covenants require properties to be free from development, reducing potential adverse effect on rental income, which we consider a strength. However, given the owners' collective focus on sustainability, we expect they will make value-adding improvements to some properties to ensure eligibility for green financing and to maintain their appeal to tenants.

Strong occupancy rate and margins considered neutral

We consider SFF's earnings performance a neutral factor given the company's low fixed costs and the fact that nearly all expenses are associated with the issuance of bonds and the administration of associated collateral. According to its financial policy, SFF is not required to generate profits and must adjust its administrative fees to minimise net financing costs for its owners. SFF's income consists of token interest charges for primary loans to holding companies (HoldCos). These charges are used to pay administrative costs and can be adjusted at any time by a board decision if expenses exceed or fall short of expectations. The cash reserves held by SFF are invested in low-risk financial assets such as bank accounts, covered bonds and debt instruments issued by government and government-related agencies rated 'AA-' or higher. Issuance fees to banks are reflected in a minor difference between the principal amount on outstanding bonds and loans to the owners.

Property level covenants prohibit new lending for, or refinancing of, properties exceeding the maximum vacancy limits of 10% (see Appendix II). Once a property is financed via SFF, LTV covenants will capture any decline in occupancy leading to a decline in value. Vacancy risk is consequently passed through to the respective owner, which would then be obliged to find alternative financing (or increase cash) to reduce property level LTV so they can continue financing such properties via SFF. The aggregate vacancy rate of SFF's portfolio was 0% as of 31 Dec. 2024, well below the vacancy limit for new lending or refinancing.

FINANCIAL RISK ASSESSMENT

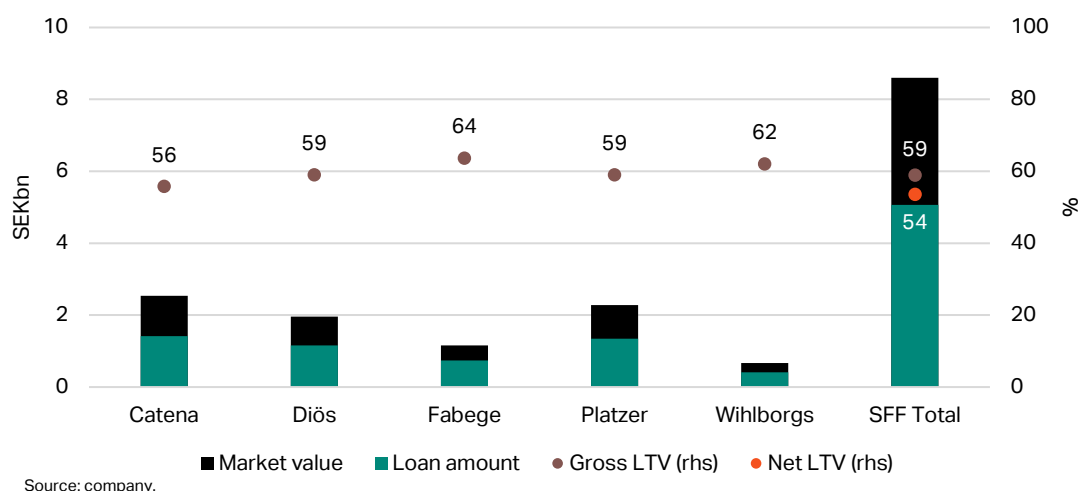
Our financial risk assessment balances SFF's increasingly high financial gearing (measured by net LTV) for the rating level and its low-risk appetite, which is clearly outlined in portfolio and property level covenants. We consider the strength of the various checks and balances within the structure, as well as the oversight of the security agent, the owners and the legal review associated with each loan, as supportive of a somewhat stronger financial risk assessment than a purely ratio-driven assessment.

Continued high financial gearing, but significant headroom under covenants

Our assessment of SFF's financial risk profile takes account of the company's LTV ratios (gross and net) and its property level LTV limits. Our calculations of net LTV subtract 100% of cash, since, although

they are restricted, SFF's cash reserves can be used only for the benefit of bondholders. If SFF were to be liquidated, cash reserves and primary loans would be used to repay MTN investors. However, we do not adjust LTV for primary loans as these loans are associated with credit risk.

Figure 8. SFF market value, loan amount and LTV by owner, 30 Sep. 2024



SFF's LTV limits are specified at the property level and vary by owner company and property type (see Figure 31). SFF's reported gross LTV was 59% as of 30 Sep. 2024, leaving significant headroom under LTV covenants ranging between 72% and 77% (the cancellation limit). Net LTV was 54% on the same date. Gross LTV increased in 2024 with the replacement of some early amortised loans and the uptake of new ones. We assume that the loan portfolio will grow by 10% in both 2025 and 2026. We expect net LTV will remain stable around 54% over 2025-2026.

SFF is not intended to generate earnings, and interest expenses from loans (HoldCo loans) to the owner's HoldCo (within the SFF structure) are passed directly through to MTN investors (see Figure 28), ensuring perfect net interest coverage as long as the owners can make coupon payments. We note that all owners have substantial credit facilities with their banks. Consequently, we anticipate no problems with coupon payments, and note that SFF maintains considerable cash buffers, as well as access to a subordinated SEK 50m committed credit facility from its owners.

Transaction structure and covenant details support the rating

SFF's risk appetite is closely connected with the transaction structure and covenants stipulated in SFF's MTN prospectus (see Appendix II). This framework is, in our view, supportive of a stronger financial risk assessment than a purely ratio-driven assessment. Our risk appetite assessment takes into account the strength of the various checks and balances within the structure, as well as the oversight of the security agent, the owners and the legal review associated with each loan.

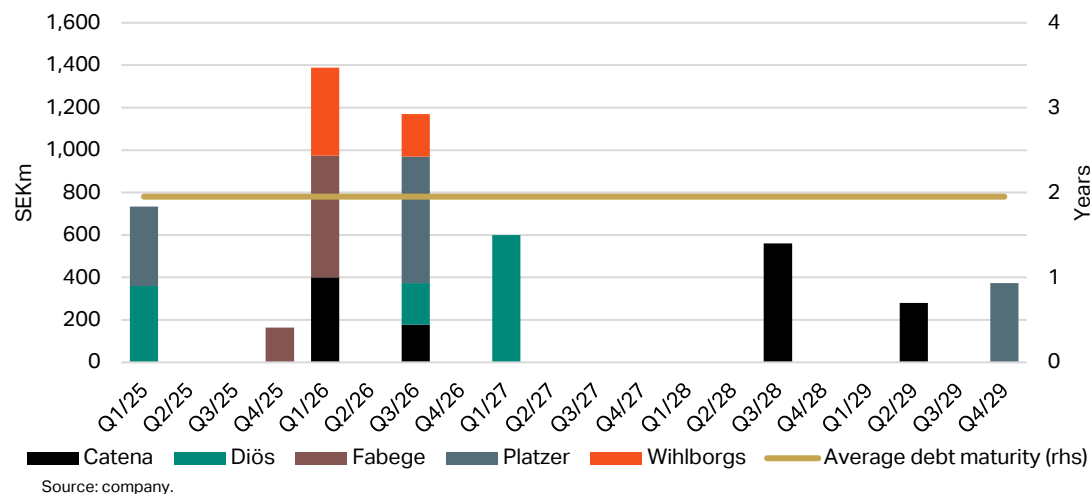
We view the various covenants within the structure as adequate, while the processes outlined satisfactorily ensure that pledged securities are managed in an orderly fashion. Furthermore, we note that, although property level covenants, other than the LTV covenant, are applicable only at the point of financing, they continuously ensure that the quality of the pledged portfolio remains high, as loans are refinanced regularly. For example, if the occupancy of a specific property were to decline substantially, we would expect this to be captured by the LTV covenant. However, in the event that this were not detected, such deterioration would be captured at refinancing as the property no longer meets the minimum occupancy requirement, resulting in the property being excluded from the collateral package. This ensures that the quality of the collateral package is frequently restored. SFF assesses the need for loan-loss provisions in accordance with IFRS9, which uses economic models to estimate the risk of losses in the loan portfolio of a financial institution. No provisions have been necessary during the last three years.

We believe that SFF's owners intend to maintain existing risk levels and note that the company has evidence that the various triggers within the structure work and have resulted in additional cash collateral when vacancies have affected the valuations of single properties. SFF's average debt

Risk appetite

maturity was two years as of 31 Dec. 2024, with 14% of loans due to mature in the first quarter of 2025. This share of near-term maturities has been high at times, but we note that according to the liquidity assurance (see Appendix III), the respective owner companies are required to guarantee financing at least three months prior to maturity.

Figure 9. SFF debt maturity profile by owner loan, 31 Dec. 2024



ADJUSTMENT FACTORS

Adjustment factors

Adjustment factors are assessed as neutral and have no effect on the rating.

Liquidity

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 a company with an investment grade rating ('BBB-' or above) to cover its liquidity needs, with limited need for external funding over the coming 12 months.

We assess SFF's liquidity profile as adequate. The company has a liquidity surplus of SEK 992m over the 12 months ending 30 Jun. 2025. In the six months ended 31 Dec. 2024, SEK 494m was refinanced outside SFF, and SEK 760m was issued. At the time of writing, all remaining maturities until 30 Jun. 2025 fell within the three-month period in which the owners had to provide liquidity assurances (see Appendix III).

All owner companies had substantial credit facilities as of 30 Sep. 2024. In addition, we believe that most, if not all, of the pledged properties are of sufficiently high quality to enable refinancing through alternative funding channels, thereby reducing refinancing risk.

Figure 10. Liquidity analysis (stressed scenario) 30 Jun. 2024–30 Jun. 2025

Liquidity, next 12 months	Amount (SEKm)
Cash and cash equivalents (100%)	477
Matured bonds refinanced by owners	494
Owner assurances for near-term maturing debt	734
Estimated minimum fully cancellable primary loans	79
New borrowings since 30 Jun. 2024	760
Unutilised credit facilities	50
Total sources	2,594
Debt maturities	1,602
Total uses	1,602

Sources/uses (x)	1.6
Sources-uses (SEKm)	992

Source: company and NCR.

Environmental, social and governance factors

ESG factors

Given the nature of SFF, the company's sustainability and environmental, social and governance (ESG) initiatives are heavily dependent on its owners' financing demands and the efforts of its servicing company, Hansan AB. SFF follows Swedish governance guidelines (*Svensk kod för bolagsstyrning*) but has decided to deviate from some of these guidelines, such as the inclusion of independent board members. We consider the deviations minor and reasonable given the nature of SFF's operations.

SFF's environmental profile is dependent on the type of properties its owners finance via SFF. However, the owners each have a stated objective to improve their own environmental profile by enhancing energy efficiency and increasing the proportion of environmentally certified properties under management.

Figure 11. ESG considerations

Issue	Risk	Mitigating efforts	Result
Governance	Unintended breach of covenants.	Oversight by security agent and legal advisor. Board members have veto rights on any board decision.	Carefully managed structure. No issues in the past. Unanimous board decisions.
Increased environmental focus by financial markets	Adverse effect on financing possibilities or higher financing costs due to subpar environmental efforts.	Established green bond framework certified medium green by Shades of Green.	As of 31 Dec. 2024, outstanding green bonds totalling SEK 4.3bn, or 82% of outstanding debt.

Source: company. See [ESG factors in corporate ratings](#).

OWNERSHIP ANALYSIS

Ownership

Our view of SFF's creditworthiness is not directly connected to that of its overall owners, or restricted by the weakest owner(s), despite material linkages, guarantees and liquidity commitments. SFF maintains its own liquidity reserves, mandated minimum equity requirements, and the ability to sell all the properties in its portfolio for the benefit of its MTN investors (see Appendix II). We view SFF as a standalone entity on the basis of the secured assets in its existing pool and the risk appetite defined in its MTN prospectus.

Conversely, we assign an additional notch to SFF's standalone credit assessment to reflect the continuous support from SFF's owners, and any 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 collateral if LTV levels were to rise, and for the owners to confirm available liquidity/bank facilities three months prior to any loan maturity. Furthermore, although no guarantees exist between the owners, the security agent has the ability to sell any of the pool properties for the benefit of MTN investors, which, together with strong ownership ties between the five companies, provides incentives for the owners to resolve any issues collectively. Upon SFF's inception, the five owners were partly owned by Erik Paulsson and/or his family's private investment company, Backahill AB. Although Backahill AB relinquished ownership of Platzer in 2017, it has historic ties to the company.

Owner profiles can be found in Appendix I.

ISSUE RATINGS

SFF is financed only by secured senior obligations. In line with our 'BBB+' long-term issuer rating on SFF, we also assign 'BBB+' long-term issue ratings to bonds issued within the company's MTN programme.

SHORT-TERM RATING

The 'N3' short-term rating reflects the company's liquidity profile relative to the 'BBB+' long-term issuer rating. The company's ratio of committed sources to uses stood at 1.6x on 30 Jun. 2024 according to our liquidity analysis. We see this as indicative of an adequate, but not exceptional, liquidity profile for the long-term issuer rating.

METHODOLOGIES USED

- (i) [Corporate Rating Methodology](#), 8 May 2023.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

RELEVANT RESEARCH

- (i) [Swedish real estate outlook 2025](#), 23 Jan. 2025.
- (ii) [Swedish real estate snapshot \(Q3 2024\): continued cautious optimism in the air](#), 26 Nov. 2024.

Appendix I: Owner profiles

CATENA AB (PUBL)

Catena manages and develops logistics properties – terminals, distribution and warehouse facilities – in Sweden's largest cities and along connecting railways and highways. The company was assigned a public rating by NCR in 2021. See Catena's [NCR issuer page](#) for further information.

PLATZER FASTIGHETER HOLDING AB (PUBL)

Platzer focuses on commercial properties in Gothenburg, representing one of the more geographically concentrated portfolios of the five owners. The company was assigned a public rating by NCR in 2021. See Platzer's [NCR issuer page](#) for further information.

DIÖS FASTIGHETER AB (PUBL)

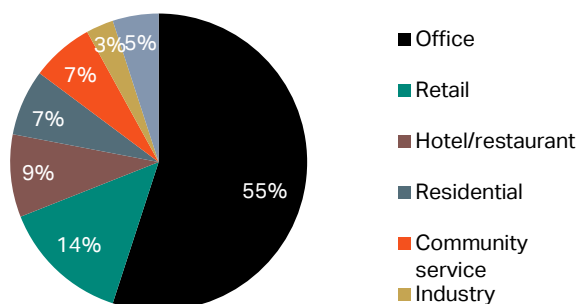
Diös focuses on property management and development in the cities along the north-eastern coast of Sweden, as well as the inland regions of Dalarna and Östersund. The company's portfolio contains more diverse property types than those of the other owners and only 18% of revenues come from its top 10 tenants, which are primarily government or government-related entities. The average remaining lease term is four years and the vacancy rate is 8%.

Figure 12. Diös key metrics, 2019-September 2024

	2019	2020	2021	2022	2023	2024*
Property portfolio ('000 sqm)	1,483	1,455	1,511	2,229	1,621	1,549
Property value (SEKbn)	22.9	24.5	28	31.1	31.2	30.5
Vacancy (%)	9	9	11	7	7	9
Average debt maturity (years)	1.6	2.5	2	2.4	2.4	2.4
EBITDA margin (%)	60	61	62	62	65	66
Net debt/EBITDA (x)	11.1	11.7	11.2	11.8	10.5	9.6
EBITDA/net interest (x)	6.9	7.0	6.6	5.1	2.3	2.3
Net LTV (%)	54.1	54.4	48.7	52.2	54.7	52.8

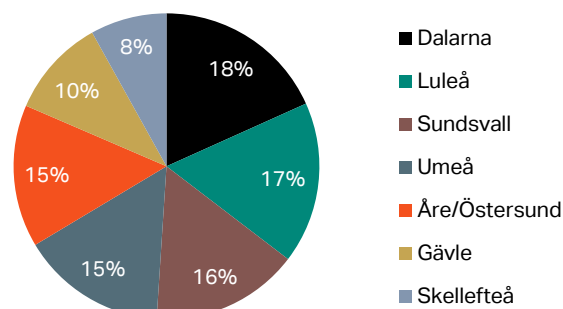
Based on company and NCR data. All metrics adjusted according to NCR methodology. *First nine months.

Figure 13. Diös property types by rental value, 30 Sep. 2024



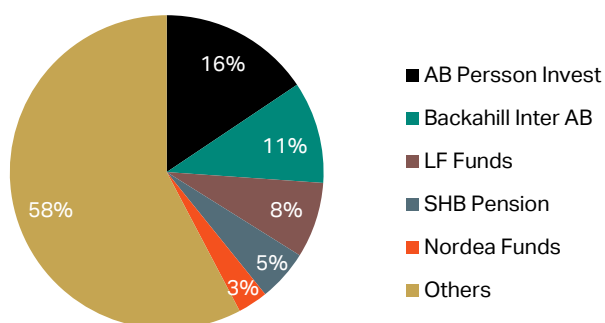
Source: company.

Figure 14. Diös locations by rental value, 30 Sep. 2024



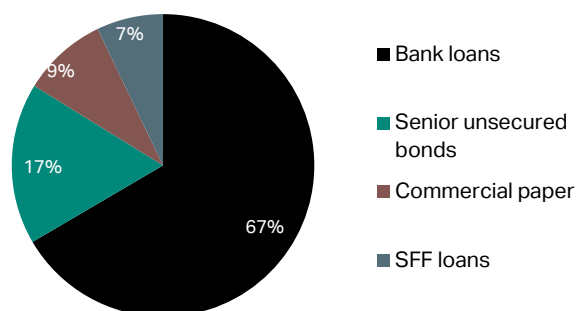
Source: company.

Figure 15. Diös ownership structure, 30 Sep. 2024



Source: company. SHB- Svenska Handelsbanken. LF-Länsförsäkringar.

Figure 16. Diös interest-bearing debt, 30 Sep. 2024



Source: company.

FABEGE AB (PUBL)

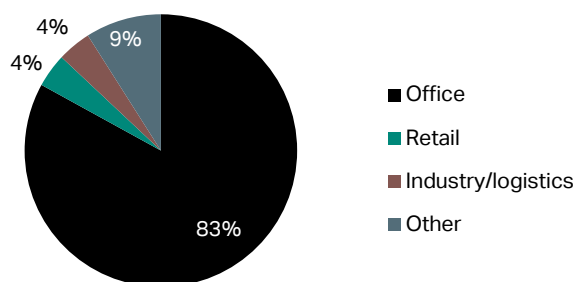
While not the largest owner by lettable area, Fabege is the largest of SFF's five owners in terms of property value at SEK 78.2bn as of 30 Sep. 2024. The company focuses on office space in central Stockholm and nearby Solna, Hammarby Sjöstad and Flemingsberg. Fabege's credit metrics have deteriorated since 2021, with net LTV of 43% and interest coverage at 2.5x on 30 Sep. 2024. The company's top 10 tenants account for 26% of rental revenues. Vacancy levels remain above historical levels, at 11% as of 30 Sep. 2024.

Figure 17. Fabege key metrics, 2019- September 2024

	2019	2020	2021	2022	2023	2024*
Property portfolio ('000 sqm)	1,255	1,245	1,247	1,290	1,246	1,260
Property value (SEKbn)	74.3	76.6	83.3	86.3	78.1	78.2
Vacancy (%)	6	9	10	11	9	11
Average debt maturity (years)	5.8	5.2	4.9	4.7	4.1	3.4
EBITDA margin (%)	72	72	70	62	62	65
Net debt/EBITDA (x)	13.3	13.6	15.2	16.8	13.9	13.8
EBITDA/net interest (x)	4.2	4.1	3.9	3.2	2.4	2.5
Net LTV (%)	36.4	35.5	36.8	39.0	43.2	43.0

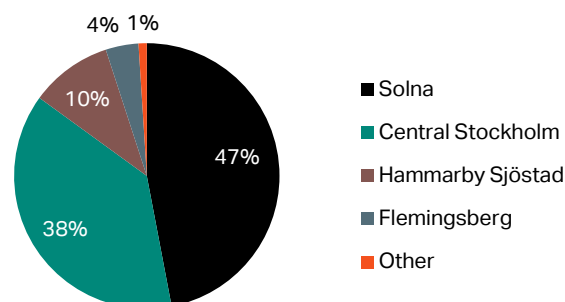
Based on company and NCR data. All metrics adjusted according to NCR methodology. *First nine months.

Figure 18. Fabege property types by rental income, 30 Sep. 2024



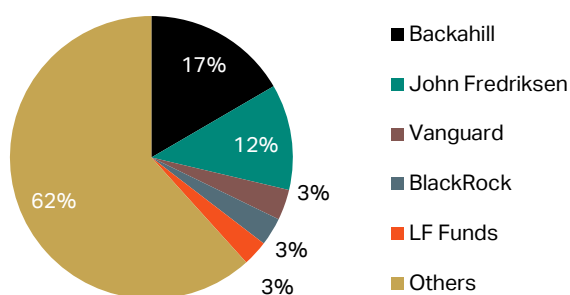
Source: company.

Figure 19. Fabege locations by market value, 30 Sep. 2024



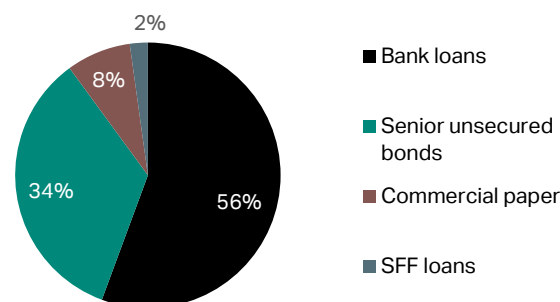
Source: company.

Figure 20. Fabege ownership structure, 30 Sep. 2024



Source: company. LF-Länsförsäkringar.

Figure 21. Fabege interest-bearing debt, 30 Sep. 2024



Source: company.

WHLBORGES FASTIGHETER AB (PUBL)

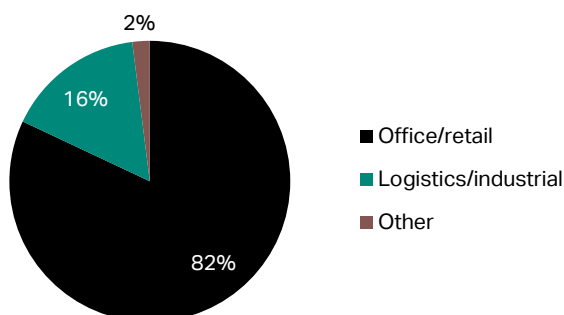
Wihlborgs focuses on properties in the Öresund region in southern Sweden and Copenhagen in Denmark. Most of the portfolio comprises office and retail space (82%), as well as some logistics or industrial properties. Its portfolio was valued at SEK 58bn as of 30 Sep. 2024. Wihlborgs's credit metrics have deteriorated since 2021, with net LTV near 51% and interest coverage at 2.5x on 30 Sep. 2024. The company's top 10 tenants account for 19% of rental revenues. Vacancy levels remain stable at 8% as of 30 Sep. 2024.

Figure 22. Wihlborgs key metrics, 2019-September 2024

	2019	2020	2021	2022	2023	2024*
Property portfolio ('000 sqm)	2,181	2,103	2,143	2,229	2,279	2,317
Property value (SEKbn)	45.5	46.1	50.0	55.2	55.9	57.9
Vacancy (%)	7	9	8	7	8	8
Average debt maturity (years)	5.7	6.1	6.0	6.1	6.0	5.6
EBITDA margin (%)	69	70	69	67	69	70
Net debt/EBITDA (x)	11.4	10.3	10.9	11.9	10.3	10.1
EBITDA/net interest (x)	6.3	6.8	7.0	5.6	3.0	2.5
Net LTV (%)	51.6	47.9	46.1	48.3	49.4	50.7

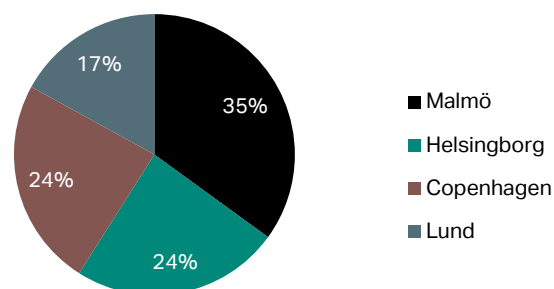
Based on company and NCR data. All metrics adjusted according to NCR methodology. *First nine months.

Figure 23. Wihlborgs property types by rental value, 30 Sep. 2024



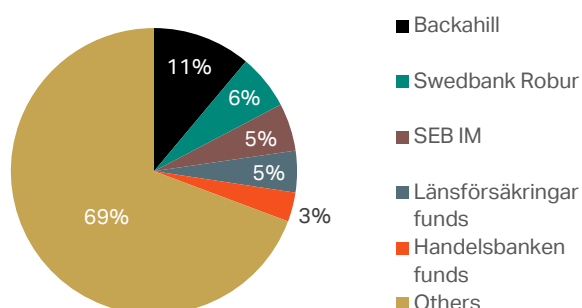
Source: company.

Figure 24. Wihlborgs locations by rental value, 30 Sep. 2024



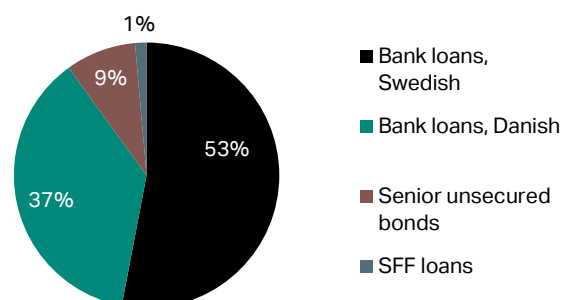
Source: company.

Figure 25. Wihlborgs ownership structure, 30 Sep. 2024



Source: company. SHB-Handelsbanken.

Figure 26. Wihlborgs interest-bearing debt, 30 Sep. 2024



Source: company and SFF.

Appendix II: Transaction structure and covenant details

SFF's issuance of senior secured bonds follows a strict process to ensure that the company maintains 10% minimum equity requirements, property and portfolio level covenants, and liquidity buffers. In addition, the owners provide guarantees throughout the structure, ensuring that SFF will receive timely payment as long as its owners do not default on their obligations to SFF. SFF's fulfilment of covenants and processes is monitored by Intertrust (Sweden) AB, acting as a security agent, and confirmed by law firm Born Advokater in a formal legal opinion for each bond prior to the disbursement of funds to SFF. Each calendar quarter, SFF submits a compliance certificate to the security agent, ensuring that property and portfolio level covenants are met.

Despite ownership interlinkages, no contractual obligation exists for the five owners to support each other within the structure. We note, however, that if one or more owners failed to meet their obligations to SFF, SFF can sell all the properties pledged within the pool (not just those of the distressed company). SFF has liquidity buffers in the event of delayed payment or delays in the realisation of collateral.

Details of the capitalisation and transaction processes are described below, followed by a description of property and portfolio level covenants.

Capitalisation and debt issuance

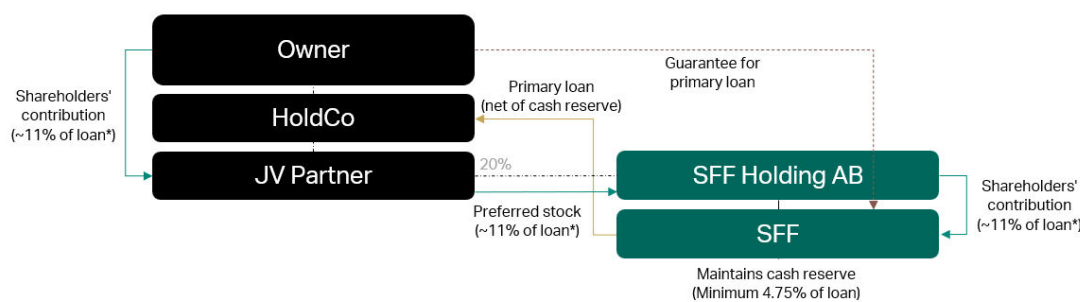
In the capitalisation process:

SFF Holding AB receives an injection of preferred stock from an owner via that owner's joint venture company. The proceeds are then used as an equity injection into SFF. To ensure a 10% equity ratio in SFF, the injection is approximately 11.1% of the loan amount to be issued (10% of the loan plus 10% of the capital).

SFF maintains a cash reserve amounting to a minimum 4.75% of the loan amount (depending on collateral pledged and STIBOR levels).

SFF issues a loan (primary loan) to the owner's SFF holding company corresponding to the net proceeds from the equity injection less the cash reserve. Primary loans are fully cancellable at SFF's discretion, and proceeds can be used to generate liquidity for SFF, if necessary.

Figure 27. Flow of capital proceeds from an owner to SFF prior to the issue of a loan



In the debt issuance process:

A property company (PropCo) within an owner group determines the need to finance a particular property that fulfils all property and portfolio level covenants.

SFF issues a senior secured bond to MTN investors (each bond can include loans associated with several properties from multiple owners).

The proceeds from the senior secured bond are lent to the owner's SFF HoldCo in exchange for pledges from the HoldCo and with a guarantee from the owner to SFF.

The proceeds from the HoldCo loan are lent to the PropCo (internal loan) in exchange for pledges from the PropCo and with a guarantee from the owner to the HoldCo.

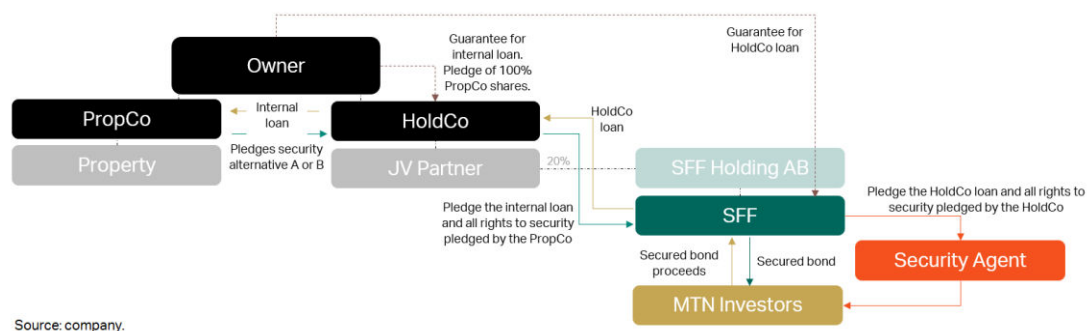
The PropCo pledges are either:

- Type A: All outstanding mortgage certificates corresponding to at least 100% of the loan amount plus 1% of the loan amount in additional cash reserves; or
- Type B: All outstanding mortgage certificates corresponding to 50–100% of the loan amount plus a pledge of 100% of the shares in the PropCo. When using this option, an undated and unsigned application for additional mortgage certificates up to 100% of the loan is submitted to the security agent.

SFF pledges the HoldCo loan, the PropCo loan, the HoldCo guarantee from the owner, the mortgage certificates and the shares in the PropCo to the security agent, which is responsible for monitoring the pool of secured assets.

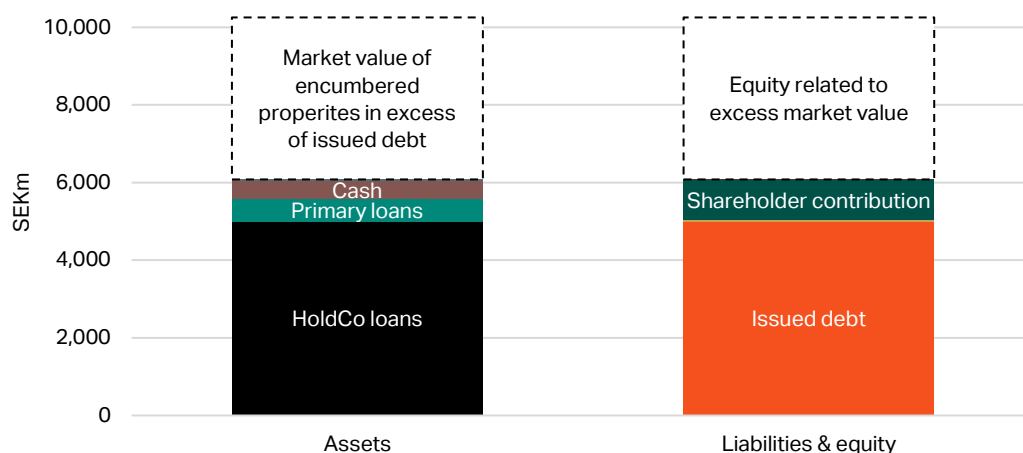
Corporate law firm Born Advokater then issues a legal opinion confirming that all steps of the process have been completed satisfactorily before funds are transferred to SFF's account.

Figure 28. Flow of proceeds and collateral from a PropCo to MTN investors



SFF's balance sheet as of 30 Jun. 2024 (see Figure 29) reflects the transactions. At all times, issued debt is equal to HoldCo loans due to SFF's pass-through structure. As of 30 Jun. 2024, preferred stock amounted to 20.9% of issued debt (17.2% of assets), cash and equivalents 9.4% and primary loans 11.4%, respectively. In addition, the company, via its owners and third-party valuations, reported an excess market value of encumbered properties amounting to 88.0% of outstanding debt.

Figure 29. SFF balance sheet and additional collateral, 30 Jun. 2024



Property level covenants

Property level covenants define eligible properties and specific requirements to be fulfilled when a loan is initiated or refinanced. In our view, the LTV limits (see Figure 30) could only be put under

pressure in two scenarios. Firstly, if one or more of the owner companies were unable or unwilling to add security to the pool to reduce LTV to within required limits, and secondly if one or more of the owners had no ability to refinance the property by means other than through SFF. This supports our view that the likelihood of SFF breaching property level covenants is a direct reflection of the creditworthiness of each of the owners.

The covenant thresholds reflect SFF's view of the underlying risk of each property type by requiring lower LTV, high occupancy rates and long lease contracts for volatile property types. The restrictions include a maximum LTV level when a loan is initiated (or refinanced) and make it clear when the security agent must begin adding cash to reduce the net debt on a property and/or exchanging collateral when a loan is to be cancelled. The property level covenants also state minimum occupancy rates and the minimum WALE for each property type, which are to be considered only upon initiation of a new loan.

Each property undergoes a 'desktop' valuation once a year, as well as a comprehensive valuation at the point of pledging and annually thereafter. Both valuations are performed by an approved third party. If a property's value declines such that LTV exceeds 75% (70% for industrial properties, hotels and restaurants), the security agent:

- Submits a pre-completed application for mortgage certificates on the property up to 100% of the loan amount and requests related stamp duty fees from the borrower; and
- Requests additional funds from the borrower, reducing the net loan amount and restoring the LTV to below the initial maximum limits (see Figure 30), or repaying the entire loan.

If a property's value declines such that LTV rises above 77% (72% for industrial properties, hotels and restaurants), this is grounds for cancellation and repayment of the loan unless LTV levels are restored to the initial maximum limits or the loan is repaid entirely within three months. To repay the loan, the security agent can cancel all primary loans (to HoldCos) at its own discretion and dispose of all properties pledged within the pool (not just those of the distressed company).

Figure 30. SFF's property level covenants (%)

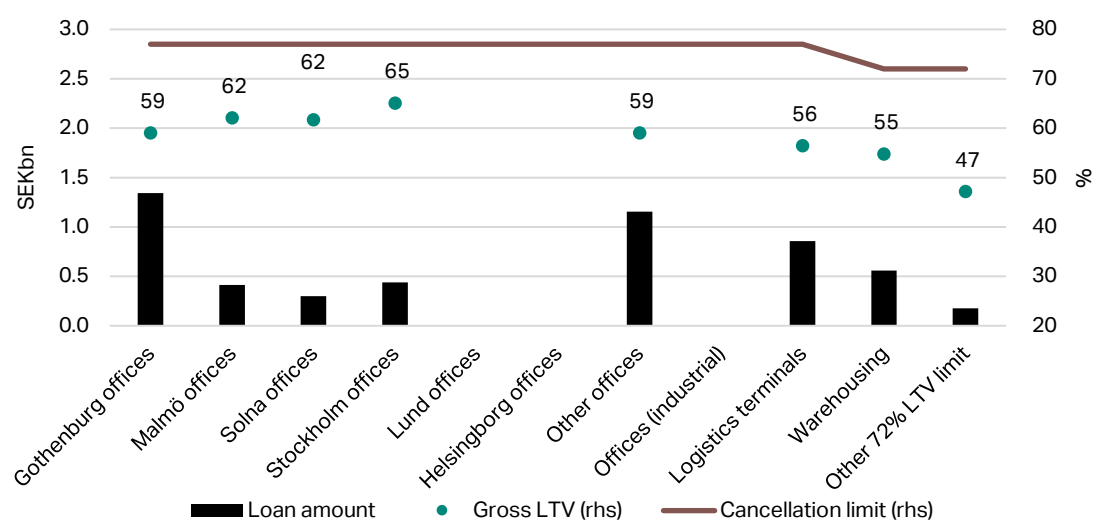
Property type	Initial LTV (max.)	Security agent notice (max. LTV)	Loan cancelled (max. LTV)	Vacancy rate (max.)	WALE, months (min.)*
Hotels and restaurants	60	70	72	5	30
Industrial properties, warehouses	60	70	72	5	24
Logistics properties	65	75	77	5	24
MFH with offices, offices, industrial offices	67	75	77	10	24
Care or cultural facilities, schools, logistics terminals	70	75	77	10	24
Multi-family housing	72	75	77	10	-

Source: company. All LTV figures are on a gross basis. MFH—multi-family housing. *WALE must be over 30 months for all properties with more than 85% rental income from a single tenant.

In addition to the stipulated covenants, individual properties must:

- Be within pre-defined priority markets for each of the owner companies (see Figure 6);
- Be free from any other encumbrance with other creditors, with SFF holding first-lien priority;
- Have appropriate insurance coverage;
- Be free from development or construction that negatively affects the rental income of the property;
- Have less than 20% of rental income associated with the borrower's owner; and
- Have a WALE of over 30 months when rental income from a single tenant exceeds 85% of the property's rental income.

Figure 31. SFF property type by loan amount, gross LTV, and maximum LTV covenants, 30 Sep. 2024



Portfolio level covenants

In addition to property level covenants, SFF's MTN prospectus outlines specific covenants at the portfolio level designed to limit concentrations related to specific owners, regions or property types in the pool of assets. Portfolio level covenants are not associated with market valuations and consequently prevent new properties from being added to the pool, rather than excluding existing properties, as with property level LTV restrictions.

- Logistics and industrial properties may account for a maximum of 20% of outstanding loans (16.3% as of 30 Sep. 2024).
- Hotels and restaurants may account for a maximum 5% of outstanding loans (0% as of 30 Sep. 2024).
- At least 65% of all office-related exposures (Swedish property tax codes 321, 325, 326) should be associated with Sweden's three largest cities (Stockholm, Gothenburg and Malmö) and surrounding regions (60%, 68% including Solna as of 30 Sep. 2024).
- No owner may account for more than 50% of outstanding loans (Catena accounted for 28% as of 30 Sep. 2024).

SFF has 15 working days to resolve any breaches of its portfolio covenants, except for the covenant prohibiting a share of more than a 50% by a single owner, which must be resolved within 20 working days.

NCR believes that a change in ownership would likely force the company to adjust its portfolio covenants. For example, if Faberge, Platzer or Wihlborgs were to withdraw from SFF, the share of pledged office properties in major cities would require a much larger volume from the other two owners. These three owner companies are also material contributors to lower-risk properties in the portfolio, so a change in ownership could affect our view of the strengths and weaknesses of the portfolio financed by SFF.

Appendix III: Liquidity assurance

SFF reduces refinancing risk by notifying its owners of impending debt maturities four months in advance. The owners must provide confirmation at least three months prior to the maturity that they will have available cash and/or available bank facilities to repay the loan in the event that SFF is unable to issue bonds. If an owner is unable to provide such assurance, SFF could, via the security agent, initiate the sale of the associated property to ensure repayment of the debt. As any sale can be time-consuming, SFF has the ability to use existing cash and cancel all primary loans to generate further cash to ensure timely payment to MTN investors until proceeds can be obtained.

Figure 32. SFF key financial data, 2021–2024

SEKm	FY	FY	FY	FY
Period-end	31 Dec. 2021	31 Dec. 2022	31 Dec. 2023	31 Dec. 2024
INCOME STATEMENT				
Rental income	–	–	–	–
Other income	–	–	–	–
Total costs from operations	–	–	–	–
Net operating income	–	–	–	–
Administrative expenses	-7	-7	-7	-8
Administrative expenses, project portfolio	–	–	–	–
EBITDA	-7	-7	-7	-8
Share of profit in associated companies and joint ventures	–	–	–	–
Interest expenses	-81	-107	-210	-247
Interest income	87	115	229	262
Interest expenses, shareholder loans	–	–	–	–
Financial costs from leasing	–	–	–	–
Other financial costs	–	–	-3	-2
Changes in investment property	–	–	–	–
Gain (loss) on financial assets held at fair value	–	–	–	–
Disposals of investment properties	–	–	–	–
Gain (loss) on derivatives	–	–	–	–
Depreciation and amortisation	–	–	–	–
Restructuring activities	–	–	–	–
Income (expense) on discontinued operations	–	–	–	–
Pre-tax profit	-1	1	9	6
Current taxes	–	–	-2	-1
Deferred taxes	0	-0	–	–
Net profit	-1	1	8	5
BALANCE SHEET				
Investment property	–	–	–	–
Other non-current assets	4,614	4,466	2,850	5,032
Total non-current assets	4,614	4,466	2,850	5,032
Cash and cash equivalents	464	464	435	390
Other current assets	4,353	2,024	2,467	936
Total current assets	4,817	2,488	2,902	1,326
Total assets	9,430	6,954	5,752	6,358
Total equity	1,035	1,036	1,046	1,053
Non-current borrowings	4,356	3,898	2,242	4,372
Non-current borrowings, shareholder loans	–	–	–	–
Deferred tax liabilities	–	–	–	–
Other non-current liabilities	–	–	–	–
Total non-current liabilities	4,356	3,898	2,242	4,372
Total current liabilities	4,039	2,020	2,464	933
Total equity and liabilities	9,430	6,954	5,752	6,358
CASH FLOW STATEMENT				
Pre-tax profit	-1	1	9	6
... of which changes in investment property	–	–	–	–
Depreciation and amortisation	–	–	–	–
Tax paid	–	–	-2	-1
Adjustment for items not in cash flow	–	–	1	3
Cash flow from operating activities before changes in working capital	-1	1	9	8
Changes in working capital	0	-1	2	0
Cash flow from operating activities	-0	1	11	8
Cash flow from investment activities	-102	2,486	1,226	-600
Cash flow from financing activities	102	-2,486	-1,226	600
Cash and cash equivalents at beginning of period	464	464	464	435
Cash flow for period	-0	1	11	8
Cash and cash equivalents at end of period	464	464	435	390

Source: company. FY–full year.

Figure 33. SFF rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bbb-
Market position, size and diversification	12.5%	bb+
Portfolio assessment	12.5%	bbb
Operating efficiency	5.0%	bbb+
Business risk assessment	50.0%	bbb-
Ratio analysis		bb
Risk appetite		a
Financial risk assessment	50.0%	bbb
Indicative credit assessment		bbb
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
Stand-alone credit assessment		bbb
Support analysis		+1 notch
Issuer rating		BBB+
Outlook		Stable
Short-term rating		N3

Figure 34. Capital structure ratings

Seniority	Rating
Senior secured	BBB+

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