Nya Svensk FastighetsFinansiering

Credit Comment

- Nya Svensk FastighetsFinansiering AB (nSFF) is a funding vehicle for the owners that offers investorssecured lending through a highly resilient structure.
- We view nSFF as an IG-issuer with a stable outlook.
- All bonds issued by nSFF share are securities in a pledged security pool.

IG-issuer rating with a stable outlook

Based on the underlying credit strength of the owners and the credit enhancement offered by the structure, we believe the funding vehicle nSFF is in the Investment Grade (IG) segment. Compared to the previous structure, we have identified a number of improvements in the general structure and also some items that are weaker. On the positive side, we note that, the sectors are stronger and more geographically diversified. On the negative side, we note that 100% mortgage certificates are no longer required at inception. As all pledged assets are pooled and as any of these could be disposed of in a constraint situation, the overall credit quality is estimated to be in the high end of High Yield, mostly reflecting the two stronger sponsors. Adding the credit enhancement in the structure (e.g. mortgage certificates, cash reserve, guarantees, springing lien and shares in borrowers) leads to our estimation that nSFF's bonds should be priced among IG-rated peers.

Five Nasdaq OMX companies as sponsors

The five owners are all well known companies. Fabege is one of the largest listed property companies in Sweden with a clear focus on central Stockholm. Retail and offices are the main components of its portfolio. Wihlborgs is entirely focused on the Öresund region and its properties are mainly offices. Both companies have relatively modest LTVs of about 50-55%. Platzer is one of the largest commercial-property companies in Gothenburg with a concentration of office properties, including some governmental lease contracts. Diös is active in northern Sweden with a clear focus on major regional cities, and on office and residential properties. Catena owns and manages mainly logistic properties located in major hubs in southern Sweden.

Major restrictions and covenants in the structure

A significant number of restrictions and covenants are included in the structure, both on a property- and portfolio level. LTV is to be maintained within certain limits depending on the property type, and no borrower (sponsor) may account for more than 50% of the total outstanding secured loans. The financing vehicle (nSFF) must have an equity ratio of no less than 10% and possess a cash reserve of minimum 4.75% of the secured loans.

Important information

Swedbank has been appointed lead manager in a possible nSFF capital markets transaction. This report is not to be viewed as a buy, sell or hold recommendation of existing or future financial instruments. The research is based on public information only.

Credit strengths

- Bonds backed by properties without other encumbrances and backed by the sponsors (owners).
- Adequately strong sponsors and borrowers in the structure with long histories and market experience. They are all listed on Nasdaq OMX.
- Favorable real-estate market conditions and good funding conditions at the moment.
- Significant sector and geographical diversification, and thus low concentration risk.
- Proven market access through SFF, which issued its first secured bond in December 2011.

Credit weaknesses

- Legal and operational risks related to the design of the secured structure.
- Potential exposure to less-attractive market areas and properties outside larger cities.
- Stand-alone credit quality among sponsors is typically in the High Yield category.
- Sensitivity to a (severe) downturn in the Swedish real-estate market and increases in interest rates.
- At inception, 100% mortgage certificates are not required. Recovery risk with regards to springing lien.

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nSFF credit risk profile

Our view of nSFF's credit profile reflects the owners' (sponsors') underlying credit strength and additional credit risk enhancements as defined by the structure itself and the various restrictions and covenants that apply to it. To a large extent, nSFF mirrors the proven and resilient structure of SFF. Our outlook for the structure's credit profile is stable. Please note that we view the company (nSFF) and its bond to have the same credit quality.

Credit profile and owners

nSFF is jointly owned by five well-established real-estate companies

nSFF is an indirectly owned joint venture (JV) between Fabege, Wihlborgs, Platzer, Catena and Diös, with each holding 20% of the common stock in nSFF. The fundamental credit strength of these companies ranges from High Yield to Investment Grade, in our view. All of owners are listed on Nasdaq OMX and thus have proven capital-market access, including the bond market in some cases. The five sponsors (owners) offer adequate sector and geographical diversification, which is stronger than for "old" SFF (which had three owners). We also note the low country risk (Sweden with a rating of Aaa/AAA) and the relative stability of the real-estate market. The somewhat low concentration risk partly mitigates the potential negative effects of any regional (idiosyncratic) downturn. Properties are also sufficiently distributed among various types, ranging from offices in central Stockholm to logistics properties located at road/railroad hubs.

High degree of debt protection for bond holders

All bonds issued by nSFF are share securities in a pledged security pool, which is basically the heart of the nSFF structure. Apart from the minimum 50% mortgage certificates at inception, a high degree of debt protection for the bond holders lies in the pledged shares in the property-holding company (the company holding the pledged property); the issued guarantee from the sponsor; the springing lien mortgage, which is triggered at 70%/75% LTV, and the issued promissory notes. Pledged properties have no other encumbrances. The guarantee also means that bonds are ultimately backed by the general capacity of the sponsors. Altogether, therefore, there are a number of defense lines, as defined by the structure that must consecutively fail in order to result in a credit loss for a bondholder. However, in the previous structure (SFF), 100% mortgage certificates were required at inception. Notice that an alternative route to liquidation is divestment of the shares, which is quicker in a normal situation. In several respects, nSFF can be viewed as a bank lending to its owners.

nSFF constrained by various covenants

The financing vehicle itself (nSFF) is also constrained by a number of financial covenants. A minimum equity ratio of 10% applies, as do dividend restrictions – no dividend distributions are allowed without prior Security Agent approval. nSFF is initially capitalized with only SEK 5mn. nSFF is required to hold a minimum 4.75% of cash based on total outstanding secured loans, and investments are restricted to highly liquid and creditworthy securities, such as Swedish benchmark covered bonds (rated AAA) or Swedish government benchmark bonds. When compared with SFF, the constraints on nSFF are somewhat more relaxed. Notice, however, that nSFF is designed to be income and cash-flow neutral.

Various portfolio restrictions apply

On the portfolio level, several restrictions apply. No single borrower may account for more than 50% of total outstanding secured loans. Properties judged as higher risk, such as hotels and restaurants are not allowed to correspond to more than 5% of total loans (20% for tax code 4XX). A minimum of 65% of office properties must be located in Stockholm, Gothenburg and/or Öresund. Only certain geographical areas are permitted otherwise.

Regular valuations and compliance checkpoints

Valuation of properties is required on a regular basis. The valuations are to be carried out both by external agencies and by the sponsors themselves. Full market valuations and desktop valuations are performed on a rolling basis. On a quarterly basis, compliance certificates are to be submitted to the Security Agent. A general three-month remedy period applies for most restriction/covenant violations.

Country and general industry risk

Low country risk

nSFF operates entirely in Sweden (Aaa/AAA), which is positive from a country risk perspective. Standard & Poor's ranks Sweden as a 1 (i.e. very low risk by itsdefinition) in its country-risk assessment framework. Key strengths include the competitive economy, prudent economic policies, the low government-debt burden and modest inflation.

Relatively low industry risk

We view industry risk in the real-estate sector as relatively low, mainly because most business is conducted under long-term, non-cancellable leases. Even if leases are cancellable (i.e., in residential real estate), demand characteristics tend to be favorable and typically support cash-flow stability. Urbanization is a strong trend in Sweden due to high immigration and a birth surplus, which makes the demand for housing high in most large cities. At the same time, Sweden's level of investment in housing is one of the lowest in Europe, which explains the lack of vacancies in larger cities.

Sensitivity to economic cycles and potential market bubbles

Key industry risk factors include sensitivity to economic cycles and potential market bubbles arising from the overvaluation of assets. Moreover, competition for tenants and properties can be intense. Given the significant amount of capital needed to acquire, develop and maintain properties, the sector is sensitive to funding conditions and interest-rate fluctuations. The real-estate sector is scored as a 2 (low risk) under Standard & Poor's industry-risk framework. Other low-risk sectors found in this category include health-care equipment, pharmaceuticals and branded non-durables. We also highlight the tax issues under new proposed changes in Swedish regulations (law).

The structure

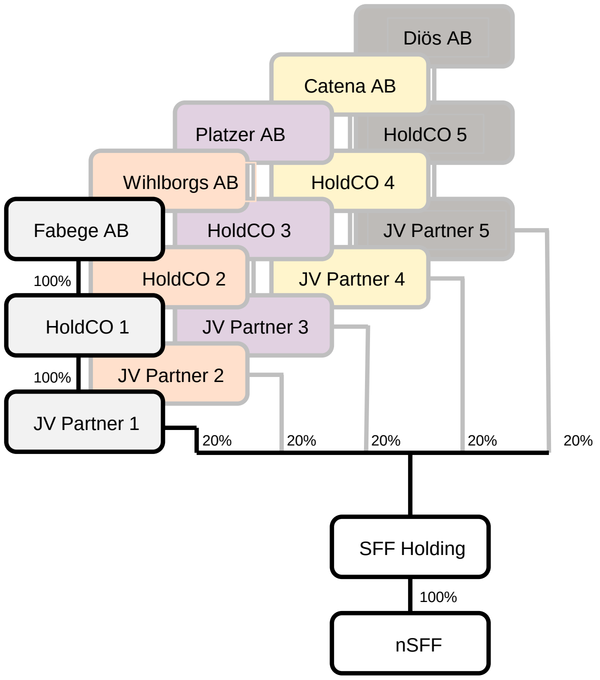
In general, the setup aims at effective capital-market access and optimized risk mitigation with flexibility for the potential borrowers (owners). Basically, the financing vehicle, nSFF, will act as a bank for the owners, thereby broadening their spectrum of financing opportunities. Thus, the credit risk is defined by the fundamentals of the owners and the credit-enhancement features built into the structure.

Group structure

nSFF is a joint venture between five Swedish real-estate companies

nSFF is an indirectly owned joint venture (JV) between Fabege, Wihlborgs, Platzer, Catena and Diös, each holding 20% of the common stock in nSFF. These five companies are well established on the Swedish real-estate market. SFF Holding is an SPV solely set up for the ownership of nSFF. nSFF is initially capitalized with SEK 5mn but is always required to maintain a minimum equity ratio of 10% with capitalization in connection with any transaction.

The general structure



Source: Swedbank

All borrowers are 100%-owned subsidiaries of the owners

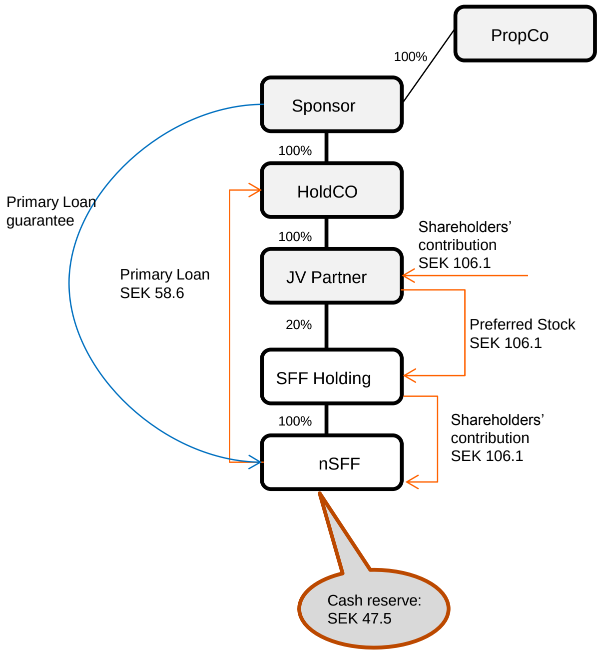
Operations in nSFF are limited to lending to the five HoldCos in the structure and the funding of these operations in the capital markets. The HoldCos pass on funds to the ultimate borrowers, all of which are 100%-owned subsidiaries of the sponsors. All lending is secured with promissory notes, existing mortgage certificates, a springing lien, shares in the ultimate borrower and an on-demand guarantee from the relevant sponsor. Operations are limited by a significant number of covenants and compliance restrictions, which are followed up regularly by the Security Agent. NSFF has no employees, as all related administration is outsourced to service suppliers. nSFF has now been an active issuer on the market for more than one and a half year.

Transaction structure – preparation for a bond issue

All revenant entities capitalized before a bond issue

Prior to a bond issue, the relevant JV partner is capitalized. the figure below illustrates a SEK 1,000mn bond issue – all other numbers refers to that size. SFF Holding issues preferred stock, which is subsequently acquired by the relevant JV partner. SFF Holding then makes a correspondingly large capital contribution to nSFF, ensuring at least a 10% equity ratio. Thereafter, nSFF extends a primary loan to the relevant HoldCo that corresponds to the difference between the shareholder's contribution and the minimum cash reserve of 4.75% in nSFF. Cash may be invested only in low-risk instruments: on-demand bank accounts, Swedish benchmark covered bonds (AAA), Swedish government benchmark bonds, Swedish municipal bonds/CP (AA-) and benchmark Kommuninvest bonds.

Preparation for a bond issue of SEK 1,000mn



Source: Swedbank

Primary loans and corresponding guarantees

In favour of nSFF for the primary loan, the ultimate sponsor issues a guarantee. When the bond matures, the primary loan is repaid and the funds, as well as the cash reserve, are used to repurchase the outstanding preferred stock. However, this only occurs after full repayment of the relevant bond. Note that the primary loans are merely of theoretical interest, and that they are significantly smaller in nSFF than in SFF with its stipulated capital ratio of more than 30% in the financing vehicle (instead of more than 10%).

Transaction structure – a bond issue

Strong security package

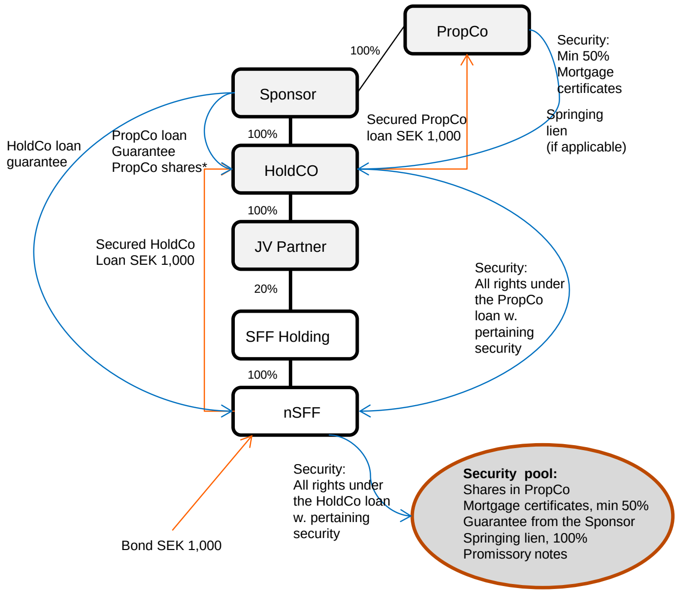
When a bond is actually issued by nSFF (still assumed to be SEK 1,000mn in all figures), nSFF extends a secured loan to the relevant HoldCo of the same size. The HoldCo then extends a secured loan to the relevant PropCo, which is the sponsor-owned entity owning the property to be financed by the bond issuance. The sponsor issues a guarantee in favor of the HoldCo for the PropCo loan, and the sponsor pledges 100% of the shares in the PropCo to the HoldCo. In the next step, the sponsor issues a guarantee in favour of nSFF for the HoldCo loan. The PropCo must pledge mortgage certificates covering at least 50% of the PropCo loan to the HoldCo. However, if there are already mortgage certificates in place (potentially more than 50%), they must be pledged so that the 50% is only a minimum requirement.

Springing liens 100%

The PropCo must prepare applications for mortgage certificates covering the outstanding PropCo loan and submit the applications to the HoldCo (springing lien), if applicable (to be held by the Security Agent). The HoldCo pledges all rights under the

PropCo loan and the pertaining security to nSFF, and nSFF pledges all rights under the HoldCo loan and the pertaining security to the Security Agent to form the security pool. In the event that a PropCo pledges mortgage certificates that cover 100% of the PropCo loan, the sponsor will not be required to pledge the shares in the PropCo. Instead, the corresponding cash reserve is increased by 1 percentage unit from 4.75% to 5.75%. In a bankruptcy situation, a receiver may claim recovery of collateral not pledged in connection with the loan transaction if the pledging occurs more than three months before the bankruptcy, which is basically a recovery risk with regard to springing mortgages. Mitigations in this regard include the negative pledge, as there are no other material creditors and no remedy because mortgage certificates are registered as soon as the LTV trigger is violated and the fact that the shares in the Propco are pledged and can be accelerated.

Transaction structure for a bond issue of SEK 1,000mn

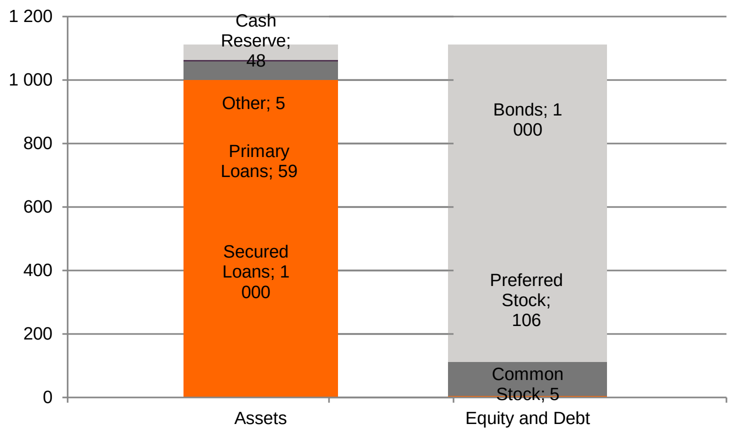


Source: Swedbank

nSFF's balance sheet is rather artificial

nSFF's balance sheet following a SEK 1,000mn bond issuance is set out in the figure below. The asset side is primarily the secured loans in addition to the primary loans and the cash reserve. The equity and liabilities side is primarily the bond and the preferred stock. Once again, we stress that nSFF's formally rather weak balance sheet and general financial profile are not key credit concerns in the structure (compare with the balance sheet of a bank).

nSFF's balance sheet following a bond issue of SEK 1,000mn



Source: Swedbank

Swedbank

Stress test of the structure

A stress test was performed to test the general resilience of the structure. The resilience test basically evaluates the residual credit (capital) loss risk for an investor in the structure, or the likely negative outcome if losses materialize, which is the very core of credit risk analysis. Parameters stressed include, for example, the haircut at disposals of assets, Stibor levels, number of borrowers in payment default or guarantees not being fulfilled.

Resilient structure limits potential credit losses

Aggressive assumptions in our stress case

In our stress case, we assume a total of SEK 8,000m in outstanding bonds and we assume that sponsors have borrowed pro-rata (i.e., 20% each). The initial weighted LTV is assumed to be 67.5%, which is basically the maximum allowed LTV. The initial cash reserve is SEK 380m, which is 4.75% of the outstanding secured debt, and is potentially on the low side. The three-month STIBOR is set at 100bp, and we assume a 25bp spread on primary loans and excess cash. The spread on outstanding bonds is set at 100bp on average. An effective tax rate of 22% is applied.

Three borrowers out of five in default under the stress test

The time period from default to actual asset disposal is assumed to be five quarters, where the default is assumed to take place at the end of Q1 in the model and asset disposal at the end of Q6. Three of the five borrowers (i.e., 60%) are in payment default in our stressed scenario. In addition, we assume that sponsor guarantees are not fulfilled.

Haircut in market value applied

The LTV at the time of asset disposal is set at 78%. We apply a 25% market value (MV) haircut at disposal. Effectively, this means that market values are assumed to fall by 35% from inception to disposal. The annual rolling costs (nSFF) are estimated at SEK 3m.

Cash flow in our stressed scenario

Cash Flow	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Interest income	40,0	16,0	16,0	16,0	16,0	16,0	16,0	16,0
SG&A	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8	-0,8
Interest and fee expense	-40,0	-40,0	-40,0	-40,0	-40,0	-40,0	-16,0	-16,0
Cash flow from Security Lending before CEI*	-0,8	-24,8	-24,8	-24,8	-24,8	-24,8	-0,8	-0,8
Interest income Primary Loans	1,59	0,64	0,64	0,64	0,64	0,64	0,64	0,64
Interest income cash				4,5				2,4
Paid tax	-0,18	0,00	0,00	0,00	0,00	0,00	0,00	-0,5
Cash flow before CEI and Financing activities	0,7	-24,1	-24,1	-19,6	-24,1	-24,1	-0,1	1,8
Income from security disposal due to bankruptcy	0,0	0,0	0,0	0,0	0,0	4 615,4	0,0	0,0
Change in funding from security disposal	0,0	0,0	0,0	0,0	0,0	-4 800,0	0,0	0,0
Dividends/new share issues	-0,7				0,0			
Cash flow from CEI and Financing activities	-0,7	0,0	0,0	0,0	0,0	-184,6	0,0	0,0
Cash flow for the period	0,0	-24,1	-24,1	-19,6	-24,1	-208,7	-0,1	1,8
Opening balance cash and cash equivalent	380,0	380,0	355,9	331,8	312,2	288,1	79,3	79,2
Closing balance cash and cash equivalent	380,0	355,9	331,8	312,2	288,1	79,3	79,2	81,0
* Credit Event Items								

Source: Swedbank

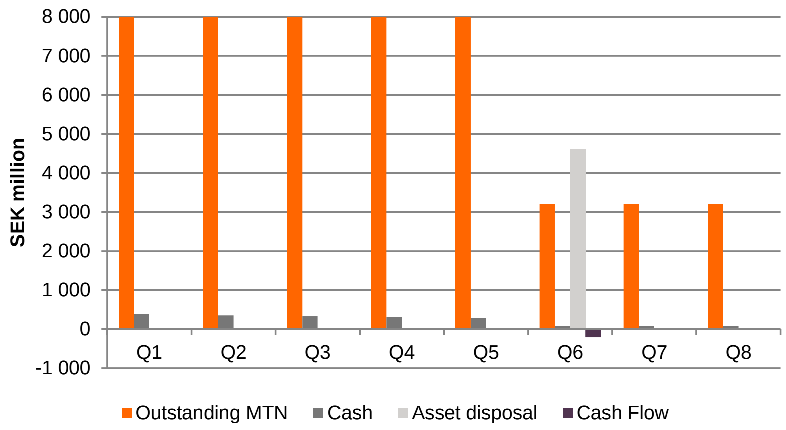
No capital loss or suspended coupons

Under the assumptions outlined above, nSFF can accommodate a 60% payment default and a haircut of more than 35% in MV, which is equivalent to more than SEK 4.1bn of the SEK 11.8bn collateral value, without capital loss or suspended coupons for the investors.

Compatible with an investment grade credit quality

We acknowledge that one can always argue for more aggressive assumptions to be implemented in a stress case. These might include a three-month STIBOR of 8%, all borrowers in default or a 50% dip in market values. It should also be noted that the cash reserves increase by one percentage unit if 3m STIBOR is above 300bp, with yet another one percentage unit if 3m STIBOR is above 600bp and finally another percentage unit if 3m STIBOR is above 900bp. However, the rating should basically reflect the extent to which assumptions must be aggressive in order to inflict a credit loss for the investor. The more aggressive the assumptions need to be, the stronger the rating (a type of "distance to default").

Our stressed case over time



Source: Swedbank

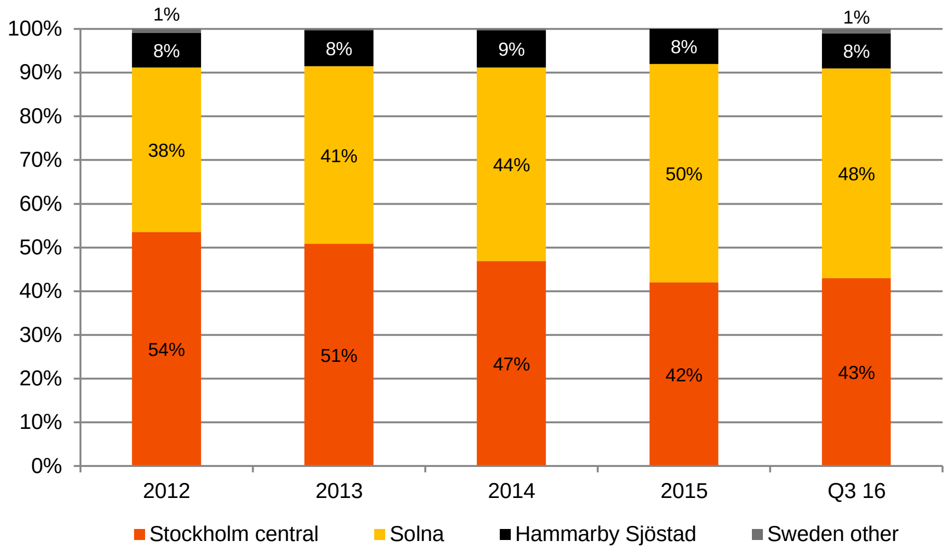
Sponsors

All five sponsors are real-estate companies with a significant track record and each entity is listed on the Nasdaq OMX. The fundamental stand-alone credit strength of these companies is relatively diverse and ranges over both the High Yield- and Investment Grade segments, in our opinion. Operations extend over several regions, including Stockholm City and Gothenburg, as well as several property types, ranging from offices to specialized logistic properties.

Fabege

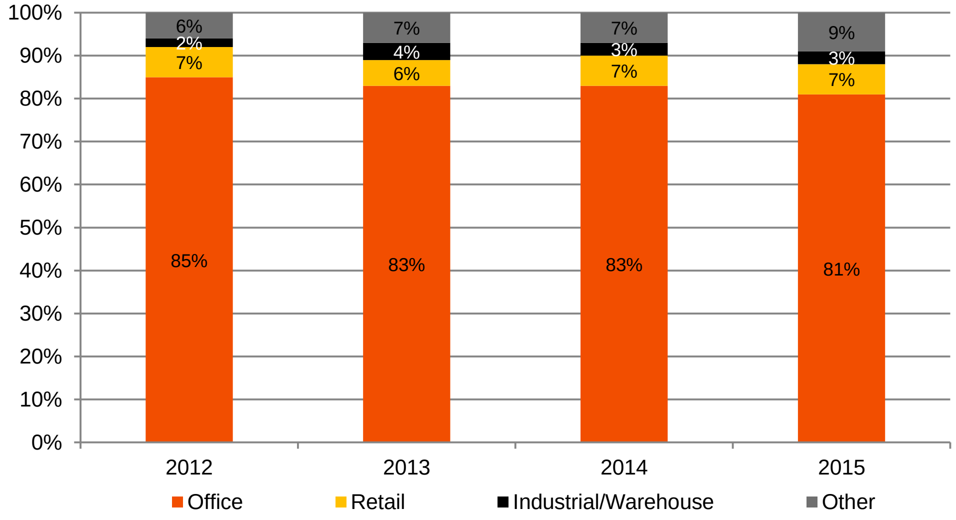
Fabege is one of the larger listed property companies in Sweden with a market portfolio value of SEK 44.7bn. The company owns and manages 82 properties and the entire portfolio is concentrated on only one city, Stockholm. Submarkets include central Stockholm, Solna, Hammarby Sjöstad and other areas located near the city center. In some ways the concentration risk is mitigated by the fact that Stockholm has a low vacancy risk and high growth compared to other cities in Sweden, even though market values can be volatile. Fabege focuses predominantly on offices and, to a lesser extent, on retail and industrial warehouses. The company's operations include large development projects in the Stockholm area, which increases the development and concentration risks. The company's share of development accounts for about 10% of total market value, which is in the high end. The company has a relatively stable but a fairly high vacancy rate of 7% (at this point in the cycle) and a somewhat short weighted average lease period of 3.6 years (as of end 2015).

Geographic distribution of Fabege's portfolio over time



Source: Company reports, Swedbank

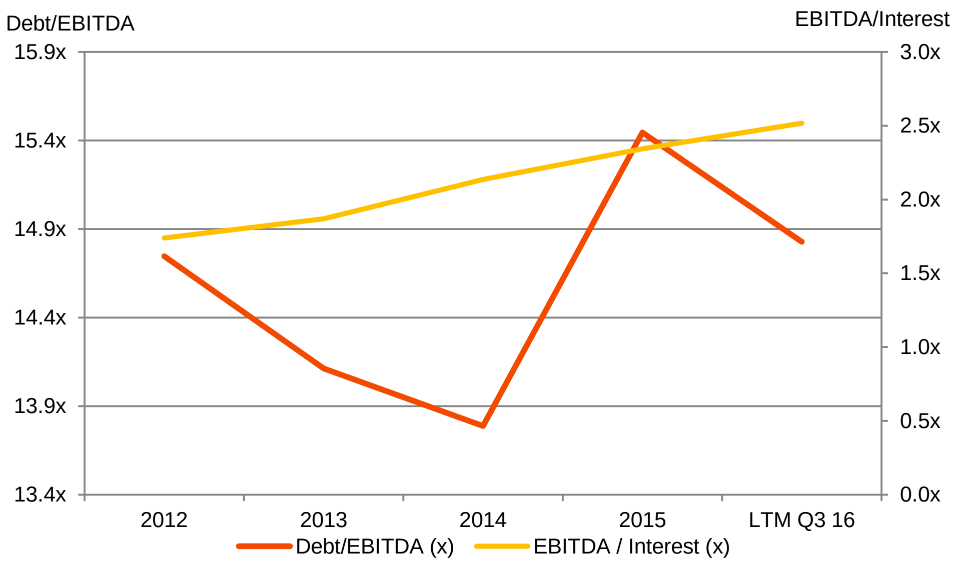
Fabege's portfolio by property type



Source: Company reports, Swedbank

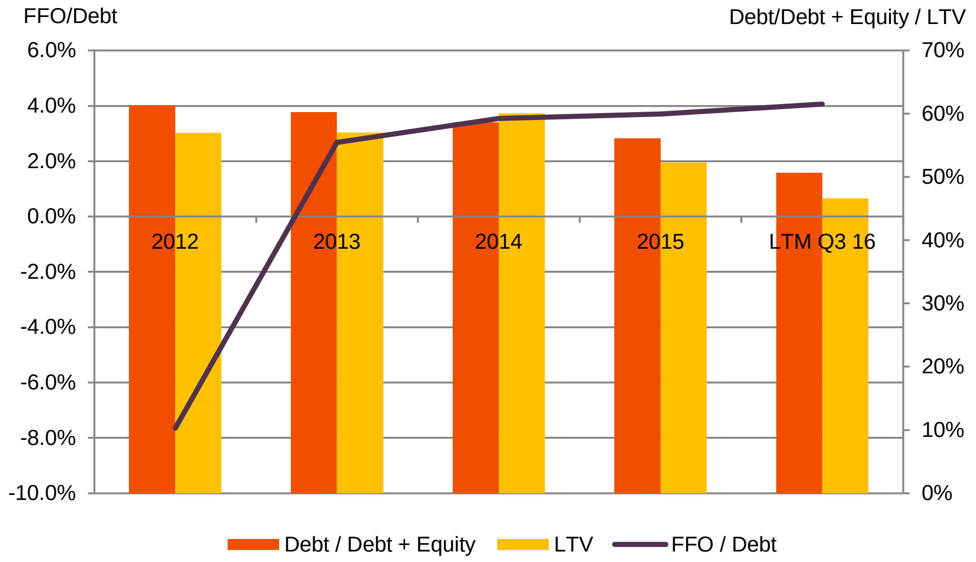
Fabege has an LTV of about 47% and debt/debt plus equity of approx. 51%. The EBITDA/interest coverage is somewhat low but still adequate at 2.5x. The average weighted debt maturity of 3.9 years is slightly better than peers whereas the interest maturity is quite short but in line with peers at 3.2 years, in our opinion. An increase in interest rates would affect Fabege similar to other companies due to its relatively short interest fixing.

Core credit metrics



Source: Company reports, Swedbank

Supplemental credit metrics

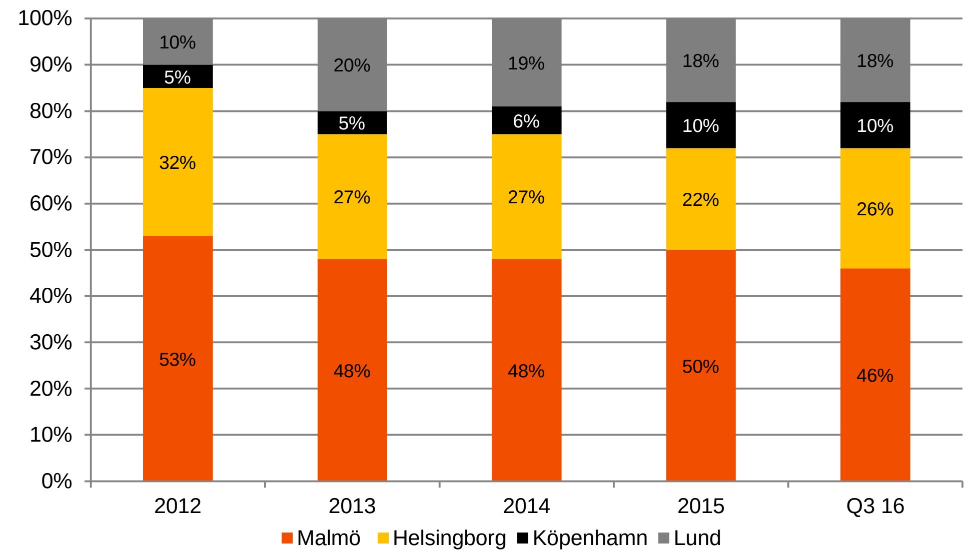


Source: Company reports, Swedbank

Wihlborgs

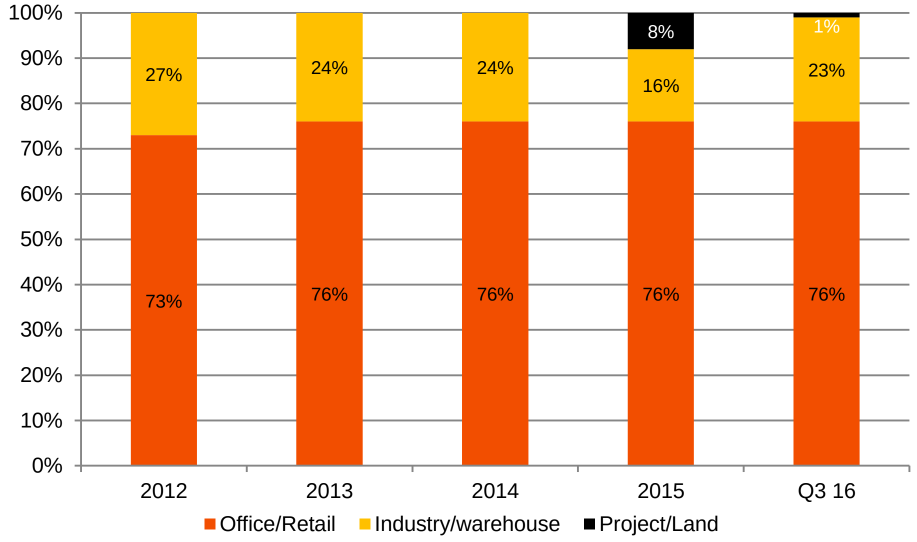
Wihlborgs was founded in 2005 and listed in May that year on the NASDAQ OMX. It is a medium-sized real-estate company with a portfolio totaling SEK 30.5bn. The company owns and manages 270 properties with the primary focus on offices and retail, although it also has some industrial/warehouse properties. When Wihlborgs was separated from its parent company, Fabege, it focused on the Öresund area, while Fabege focused on the Stockholm area. Wihlborgs is geographically diversified among Malmö, Lund, Helsingborg and Copenhagen. The large holdings in Malmö imply some market concentration. Project developments constitutes a relatively small portion (about 4% of market value) of the portfolio, which lowers the implied risk. The company has a high vacancy rate of 12% (excluding current projects and land owned, 9%) and a somewhat longer weighted average lease period of 4.4 years (as of end 2015).

Geographic distribution of Wihlborg's portfolio over time



Source: Company reports, Swedbank

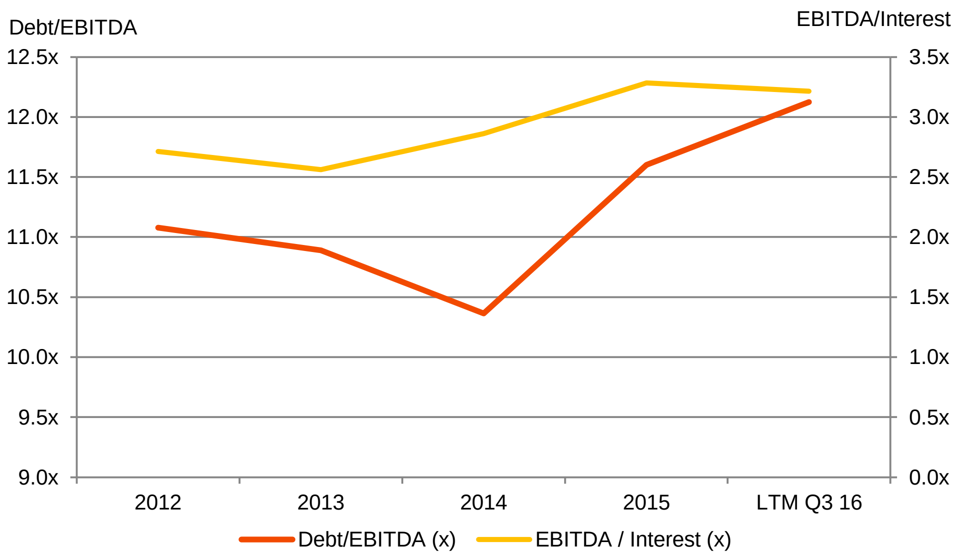
Wihlborg's portfolio by property type (rental value)



Source: Company reports, Swedbank

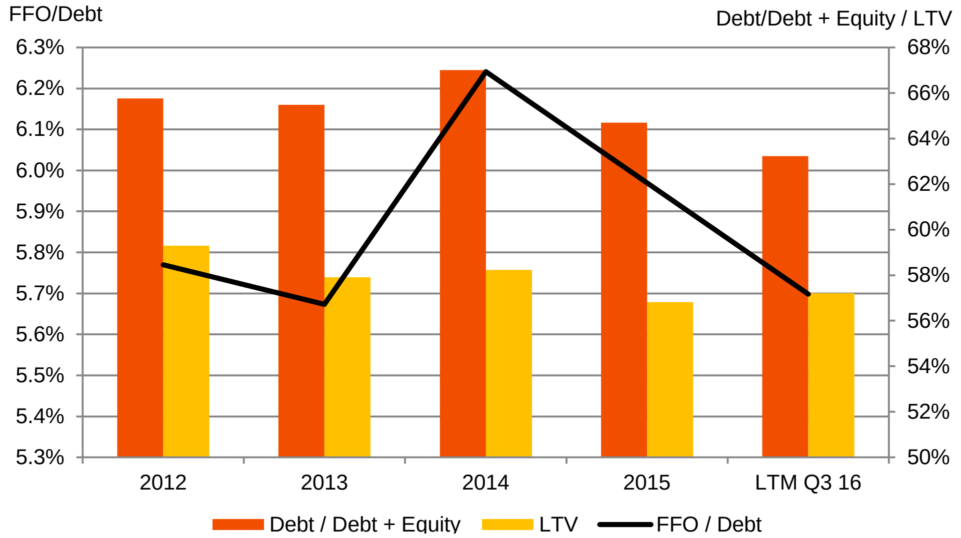
The company's debt leverage is high; at the end of September 2016, LTV was about 57% and debt/debt plus equity was approx. 63%. The EBITDA/interest coverage remains adequate at 3.2x. Wihlborgs' financial targets include interest coverage of at least 2.0x, an LTV of a maximum of 60% and solidity above 30%. An increase in interest rates would affect Wihlborgs but slightly less than some peers as the company's weighted interest fixing period (4.1 years) is comparatively long. Debt maturity is shorter at 3.7 years.

Core credit metrics



Source: Company reports, Swedbank

Supplemental credit metrics



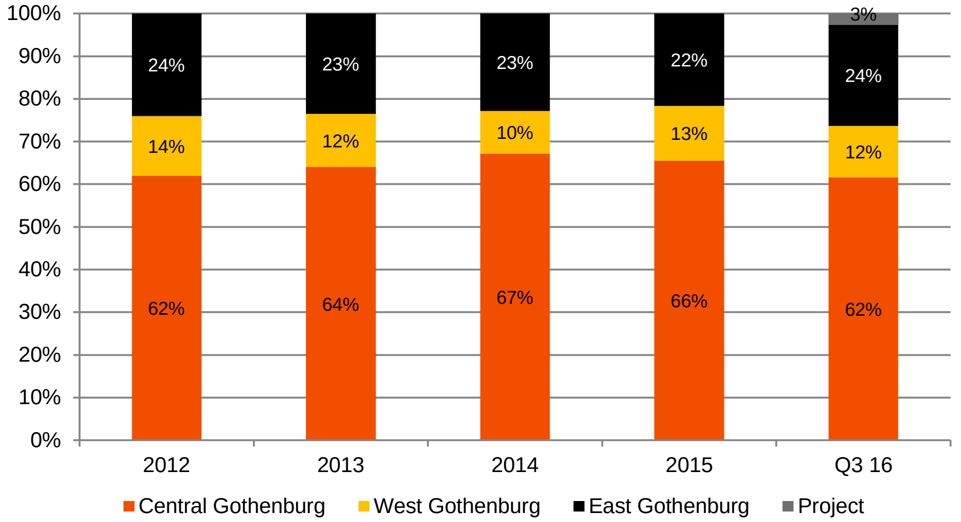
Source: Company reports, Swedbank

Platzer

Platzer is a relatively small, listed real-estate company with a portfolio of SEK 10.8bn. The company is purely focused on the Gothenburg area, which implies low diversification and as a consequence, high concentration risk. The company owns, manages and develops 61 properties with a lettable area of 478,000sqm (as of end of September 2016). Most of its properties are located in the central and western parts of the city. Platzer has a dominant market position in the areas Northern Gårda and Högsbo.

The company has a total of approx. 600 tenants. The largest 20 tenants represent 32% of the total rental value, which implies tenant concentration, especially given the relatively small sized portfolio. Governmental lease contracts include Länsförsäkringar, Domstolsverket and Migrationsverket. Platzer focuses on commercial properties and a large portion of its portfolio consists of office properties. Platzer is actively working on its portfolio by rebuilding existing properties and also, by building new properties. The level of project development can be viewed as a risk depending on the degree of pre-let. Gothenburg is a city which, in our view, have been in need of more office space for quite some time and therefore, project developments are necessary. Currently Platzer's ongoing projects have a total estimated investment value of SEK 740m. The company's vacancy rate is 7%, which is average relative to peers. The average remaining lease period of 3.6 years is on the short side.

Geographic distribution of Platzer's portfolio over time

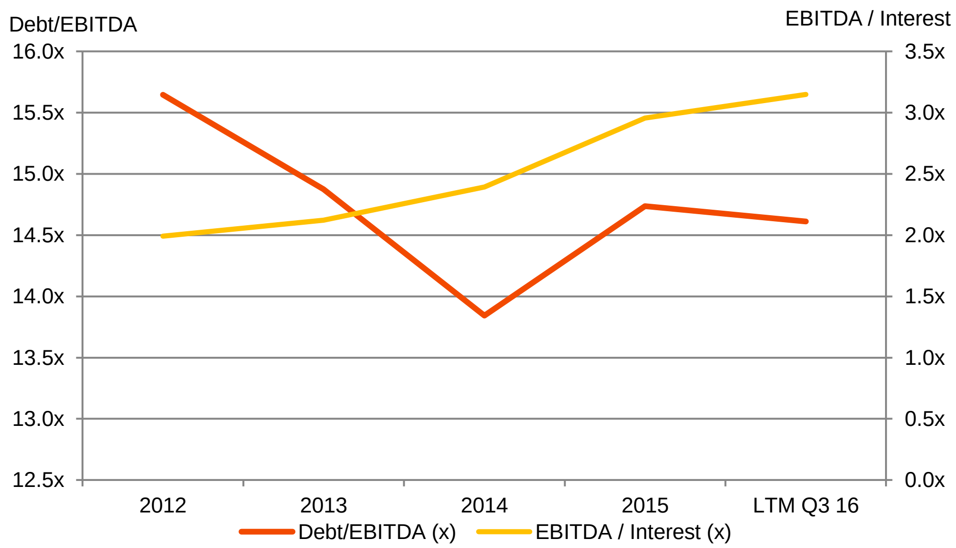


Source: Company reports, Swedbank

Plazer is leveraged, but credit metrics have been relatively stable. At the end of September 2016, the company had an LTV of about 60%, debt/debt plus equity of 64% and debt/EBITDA of about 15x. The EBITDA / interest coverage for LTM Q3 2016 was 3.1x. Plazer's financial targets include coverage of 1.5x, which is weak for a commercial property company.

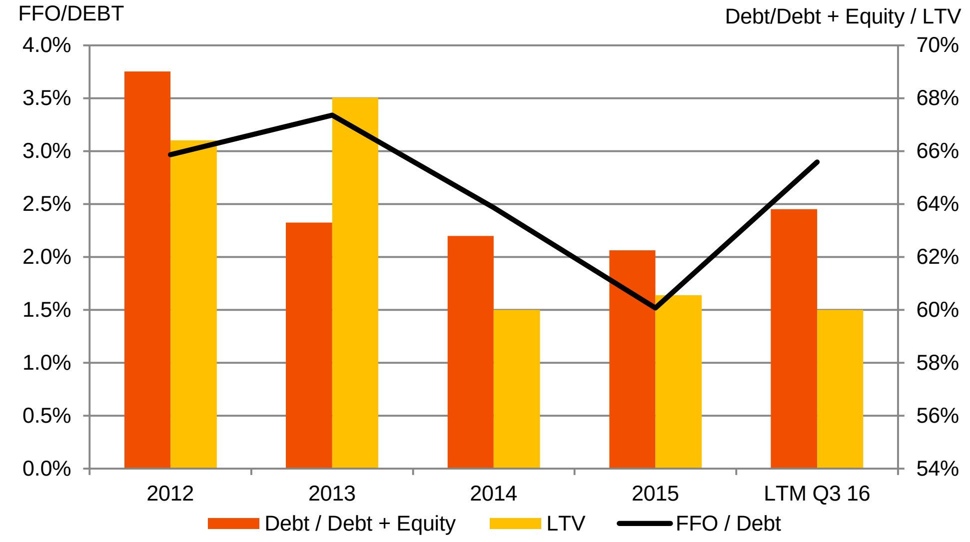
Increased interest rates would affect Plazer in a similar manner to peers, as the company has about 4.2 years in interest fixing, which is adequate. Debt maturity is short at 2.5 years.

Core credit metrics



Source: Company reports, Swedbank

Supplemental credit ratios

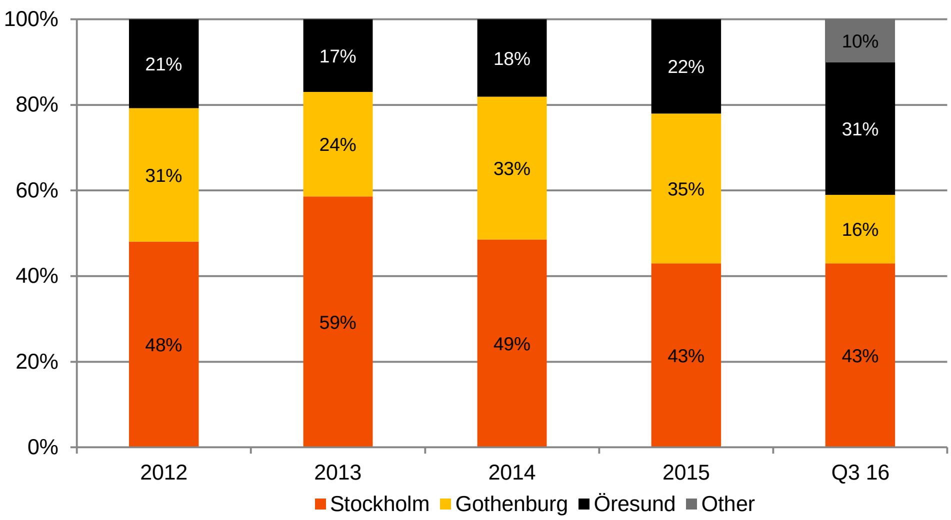


Source: Company reports, Swedbank

Catena

Catena AB was listed on Nasdaq OMX in April 2006, after being distributed to the shareholders by its original owner Bilia. In 2010-2011, Catena divested almost its entire property portfolio, except a development project in Solna which consisted of 40,000 sqm of lettable area. In 2013, Catena bought 100% of the equity shares in Brinova Logistics AB. During the same year, operating locations were established in Stockholm, Gothenburg and Öresund to bring the company closer to its desired tenant groups. Today, the company also operates in these areas' submarkets.

Geographic distribution of Catena's portfolio over time



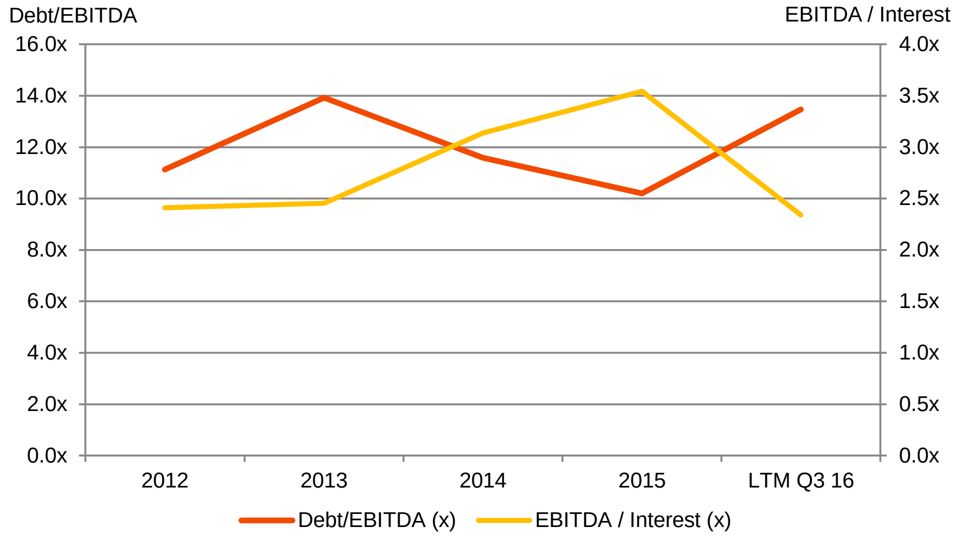
Source: Company reports, Swedbank

Catena is a small property company, managing 90 properties, most of which are logistics properties; with a market value of SEK 10.4 bn. The company essentially doubled in size when it acquired Tribona during the autumn of 2015, and now its properties have a lettable area of 1,152 tsqm. The company has a strategic focus on logistic, warehouse and industrial properties in important locations. Catena focuses on medium- to high-risk properties, and it operates in A-locations. Due to the small size, there is no significant diversification. The company's vacancy rate of 8% is high but in line with peers. The average remaining lease period of 4.0 years is short for a logistics property company.

The company has relatively high debt leverage. At the end of September 2016, it had an LTV of about 63% and debt/debt plus equity of approx. 66%. Debt/EBITDA was high at 13.5x but is due primarily to the Tribona acquisition; debt is taken on directly on the balance sheet whereas it takes 4 quarters to generate full effect on EBITDA. The EBITDA / interest coverage is relatively low at this point in the cycle at 2.3x. The company has a financial policy of EBITDA/interest coverage of 1.75x, which is weak for a commercial property company. The financial flexibility is likely limited for the company due to the large share of private ownership.

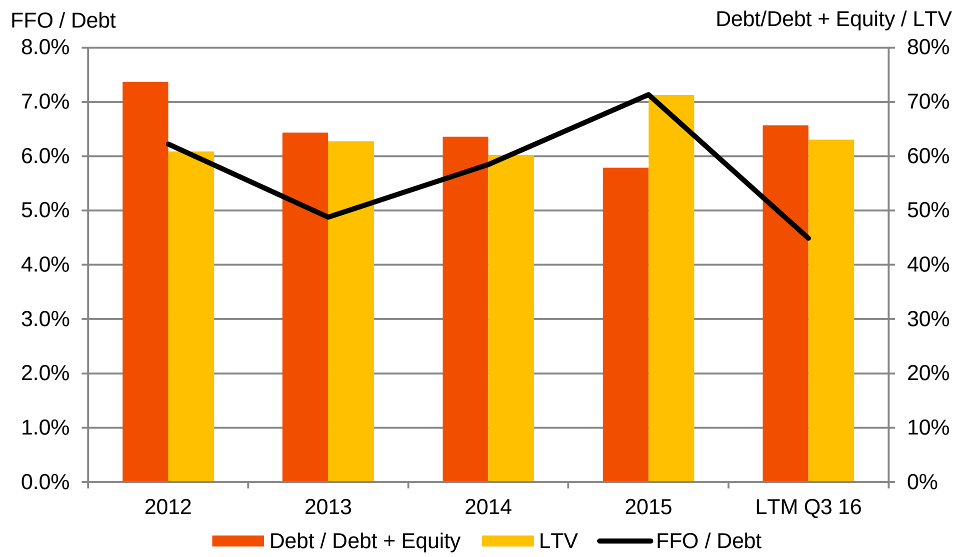
The impact of increased interest rates would be slightly less for Catena than peers, as the company's interest fixing is longer (4.8 years) than most peers. Catena has interest rates swaps which mean that 72% of the loan-portfolio interest rate is currently secured. Debt maturity is somewhat low at 3.1years.

Core credit metrics



Source: Company reports, Swedbank

Supplemental credit ratios

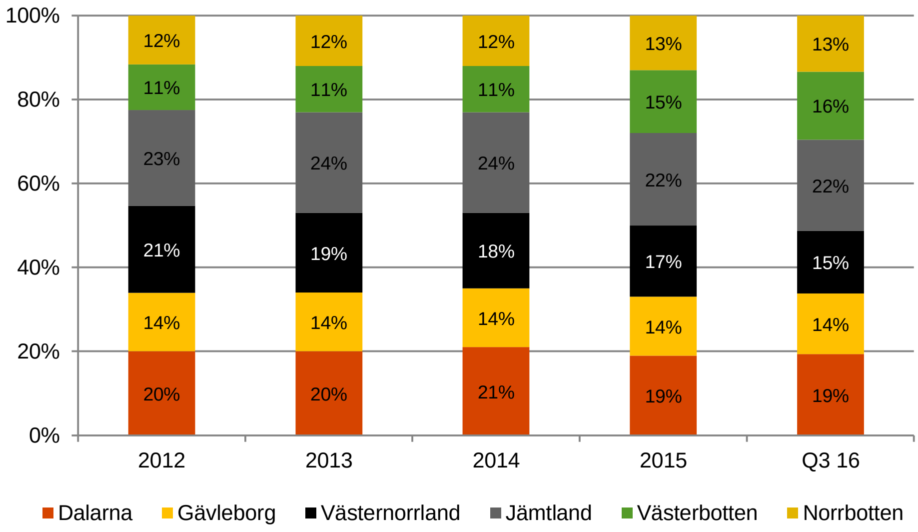


Source: Company reports, Swedbank

Diös

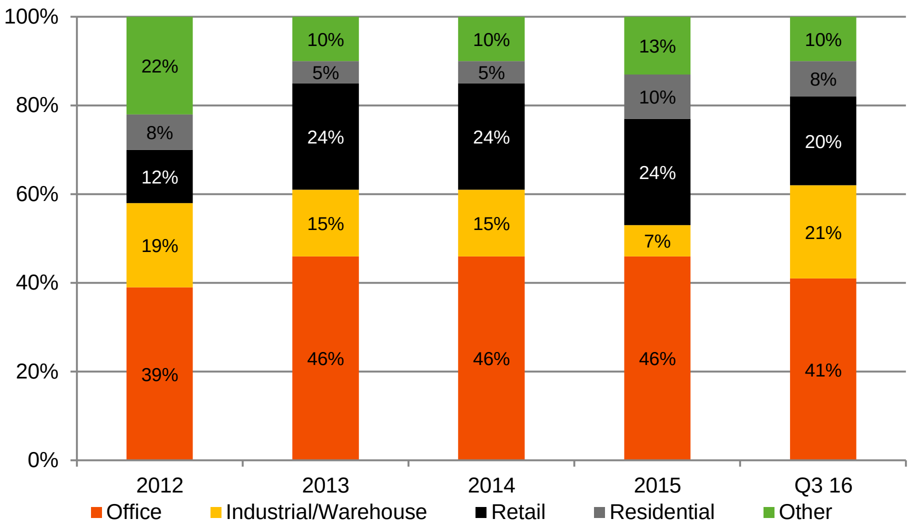
Diös Properties was founded in 2005, and it has been listed on Nasdaq OMX since 2006. The company is a relatively small property company with a market value of SEK 13.4bn, consisting of 313 properties and a lettable area of 1,351 tsqm. Diös has a diversified portfolio with regard to property types and geographical operating areas. Primary regions are in the northern part of Sweden, including the submarkets of Dalarna, Gävleborg, Västernorrland, Jämtland, Västerbotten and Norrbotten. Examples of cities represented are Luleå, Umeå, Sundsvall, Östersund, Gävle, Falun and Borlänge. We view the large holdings in these parts of Sweden as slightly negative, as the risks related to vacancies and liquidity on the market are higher than for other areas, such as Stockholm, Gothenburg and Malmö. A positive credit element is the relatively high share (40%) of governmental related tenants. However, the vacancy rate is high at 10.2 % and the weighted remaining lease period is short at 3.0 years.

Portfolio by region for Diös



Source: Company reports, Swedbank

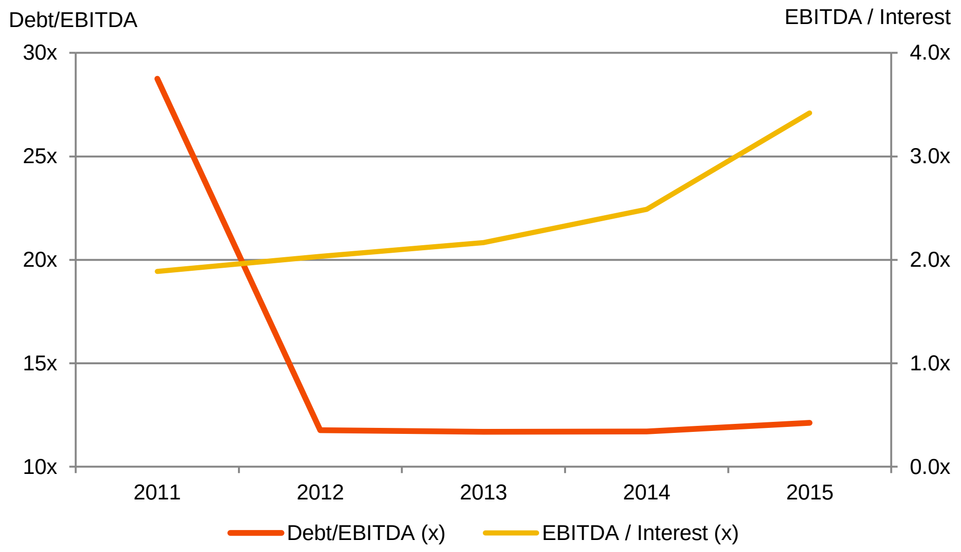
Portfolio by property type



Source: Company reports, Swedbank

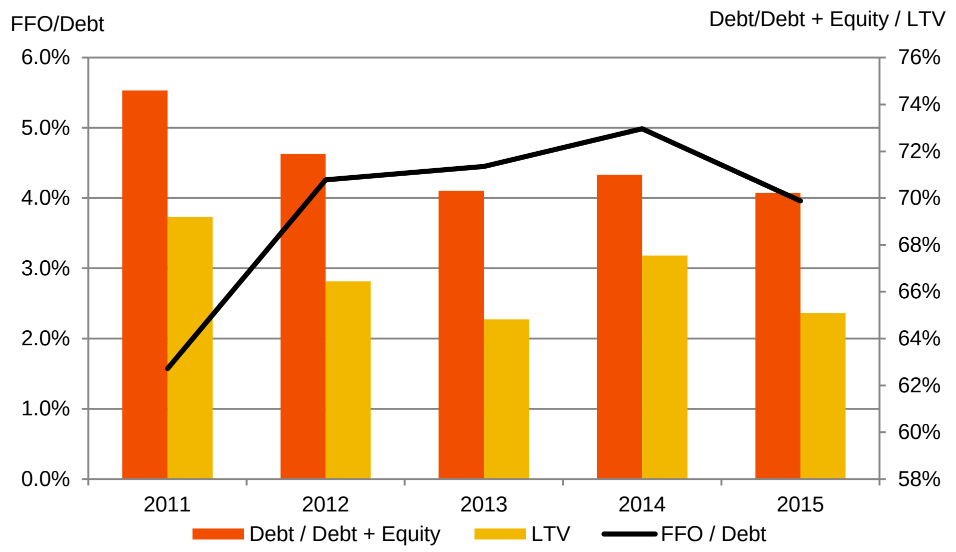
The company debt leverage is high; at the end of September 2016, LTV was about 63%, debt/debt plus equity was approx. 68% and debt/EBITDA was 11.4x. The EBITDA/interest coverage was 3.5x for LTM Q3 2016. The company's financial targets include interest coverage of 1.8x, which is weak. An increase in interest rates would affect Diös more than peers as the company has a weak interest fixing period (2.0 years). Debt maturity is also a weak at 2.9 years.

Core credit metrics



Source: Company reports, Swedbank

Supplemental credit ratios



Source: Company reports, Swedbank

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Underweight/Strong Underweight: the return by having exposure to this sector is expected to be lower than the return of the credit market in general.

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