

CREDIT OPINION

7 December 2023

Update



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RATINGS

Vasakronan AB

Domicile	Sweden
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Maria Gillholm +46 851.791.270
 VP-Sr Credit Officer
maria.gillholm@moody's.com

Jonathan Rosengren +46.8.5179.1263
 Sr Ratings Associate
jonathan.rosengren@moody's.com

Christian Hendker, +49.69.70730.735
 CFA
 Associate Managing Director
christian.hendker@moody's.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Vasakronan AB

Update to credit analysis

Summary

On November 17th 2023, we affirmed [Vasakronan AB's](#) A3 issuer rating issuer rating of A3 and affirmed the baa1 rating on the Baseline Credit Assessment (BCA). The affirmation of the A3 rating continues to reflect Vasakronan's good asset quality of its office property portfolios in different locations in Sweden. The rating action also balanced good rental growth, a very strong liquidity profile and good access to bank financing and bond markets and owner support through dividend cuts and subscription commitment with weakening EBITDA interest coverage.

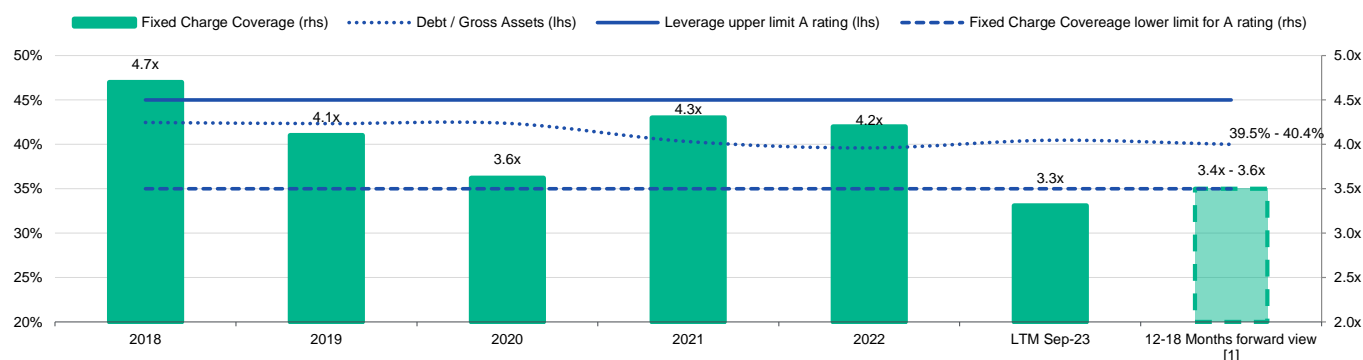
Vasakronan's A3 rating reflects a Baseline Credit Assessment (BCA) of baa1 and a one-notch uplift because of the likelihood of extraordinary government support. Vasakronan is a government-related issuer (GRI) because it is indirectly owned by the [Government of Sweden](#) (Aaa stable) through the AP Funds 1-4. The rating also reflects Vasakronan's position as the largest real estate company in Sweden, with a property portfolio value of SEK181 billion as of 30 September 2023. Additionally, the rating incorporates its dominant position in the office market in prime locations in Sweden, predominantly Stockholm (66% of contracted rent), but also Gothenburg, Malmö and Uppsala, with high asset quality, illustrated by the 3.5% yield for the total portfolio and a significant exposure (24% of contracted rent) to creditworthy government and public sector tenants. Another strength underpinning the rating is the company's Moody's-adjusted EBITDA fixed-charge coverage of about 3.3x as of 30 September 2023. We also expect continued strong occupier demand for the company's properties and robust investor appetite for Swedish commercial real estate.

The risks include the general macro environment, with expectation of significantly lower growth and rising interest rates, which may strain property valuations, leading to higher leverage and increasing financing costs. Significant cost inflation drives up construction costs and bites into development yields. Vasakronan's rating is also constrained by vulnerability to potential changes in regulation that would limit AP funds' exposure to real estate, although last regulatory changes did not affect the funds' holdings in Vasakronan. These risks are mitigated by a high degree of CPI-linked contracts for tenants, concentration in the economically vibrant city of Stockholm with strong portfolio quality, a staggered maturity profile (although around 35%-40% of outstanding debt needs to be refinanced in the coming three years) and a good track record on developments.

Exhibit 1

Rising interest rates and Vasakronan's near-term refinancing needs could lead to a decline in EBITDA fixed-charge coverage in the coming 12-18 months

Vasakronan's Moody's-adjusted gross debt/assets and fixed-charge coverage



[1] This represents our view and not the opinion of the issuer.
Source: Moody's Financial Metrics™

Credit strengths

- » One of the largest real estate companies in the Nordics by asset value, with a dominant position in Sweden's most attractive office markets
- » A clearly defined strategy of focusing on modern, high-quality office buildings in prime locations in Sweden's largest cities
- » Considerable liquidity
- » 100% ownership by AP funds, and ultimately the government, and our expectation of possible support

Credit challenges

- » Further risks at the macro level driven by inflation and difficult capital market conditions, potentially leading to lower market values and higher cost of funding
- » Vulnerability to potential changes in regulations relating to AP funds
- » Ability of the AP funds to act in concert in a stress scenario depending on the funds' own development
- » A wide span for the financial policy with a loan-to-value (LTV) policy of 55%
- » Speculative element in the project portfolio
- » Moderate refinancing needs and short-dated interest fixing period, which will strain EBITDA fixed-charge coverage

Rating outlook

The stable outlook reflects our expectation that the company will maintain its clearly defined strategy of focusing on offices in prime locations in Sweden's four largest cities. We also expect Vasakronan to continue to invest in its portfolio to ensure it remains modern and of high quality, and its occupancy rates to remain high. The stable outlook also reflects our expectation that debt/asset will stay well below 45% and EBITDA interest coverage will remain above 3x in the next 12-18 months. In addition, Vasakronan's rating includes our assumption that the AP funds are long-term, supporting and committed owners.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Factors that could lead to an upgrade

- » An explicit guarantee from the owners
- » Effective leverage consistently below 35% and a policy supporting this
- » Fixed-charge coverage ratio above 4.0x on a sustained basis
- » Greater amount of unencumbered assets

Factors that could lead to a downgrade

- » Any weakening in our expectation of financial support from the AP funds including a change of ownership or changes in regulations that would make Vasakronan a less strategic investment for the AP funds
- » A downgrade of Sweden's sovereign rating
- » A downgrade of the BCA, which may be triggered by failure to maintain effective leverage below 45% and the EBITDA fixed-charge coverage ratio at around 3x
- » A significant deterioration in operating performance or in the quality of the property portfolio
- » A deterioration in the company's liquidity including changes to the terms of the subscription agreement provided by the shareholders

Key indicators

Exhibit 2

Vasakronan AB

	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	LTM Sep-23	Moody's 12 - 18 month forward view
Real Estate Gross Assets	\$16.5	\$18.2	\$21.4	\$21.7	\$20.0	\$18.7	\$18.1
Debt / Real Estate Gross Assets	42.5%	42.3%	42.4%	40.3%	39.6%	40.5%	39.5% - 40.4%
Net Debt / EBITDA	11.7x	12.6x	14.2x	13.5x	13.2x	12.0x	10.2x - 10.6x
Secured Debt / Real Estate Gross Assets	8.8%	6.8%	6.2%	4.0%	5.3%	5.5%	5.7%
EBITDA / Fixed Charges	4.7x	4.1x	3.6x	4.3x	4.2x	3.3x	3.4x - 3.6x
Amount of Unencumbered Assets	55.7%	67.5%	71.8%	82.8%	78.5%	81.4%	80.7%

All figures and ratios are calculated using our estimates and standard adjustments. Periods are financial year-end unless indicated. The forecasts (f) or projections (proj.) are our opinion and do not represent the views of the issuer.

Source: Moody's Investors Service

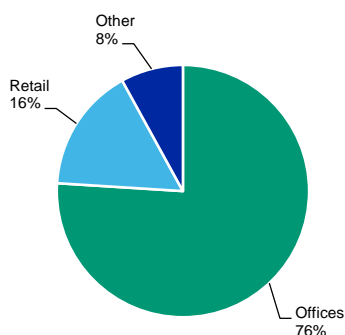
Profile

Vasakronan AB is the largest real estate company in the Nordic region, with real estate holdings amounting to SEK181 billion as of 30 September 2023, located in the most attractive areas of Sweden's four largest cities: Stockholm, Gothenburg, Malmö and Uppsala. The company focuses on prime office and retail properties, with most of its assets located in Stockholm. The portfolio generated rental revenue of SEK9.0 billion as of 30 September 2023, with offices making up 76% of contracted rent. The reported yield was 3.5%. The portfolio is characterised by a high vacancy rate of 8.9% (excluding development projects and usually 0.5% lower than that), a large proportion of public-sector tenants (24% of rental revenue) and an average lease contract of 3.3 years.

With a legacy as a government-owned property company, Vasakronan is owned in equal proportions by four of Sweden's national pension funds (AP funds). The AP funds are deemed government agencies under Swedish law. Their mission is to manage assets within the national income pension system, such that they can contribute to the pension system and cover deficits in years when pension disbursements exceed contributions from the working population.

Exhibit 3

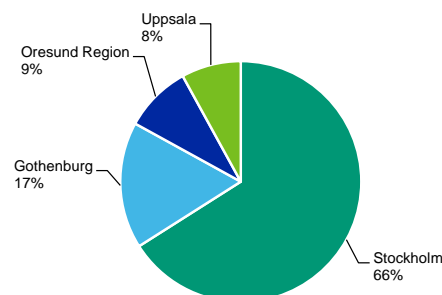
Portfolio split by asset class As a percentage of contracted rent



As of 30 September 2023.
Source: Company

Exhibit 4

Geographical portfolio split As a percentage of contracted rent



As of 30 September 2023.
Source: Company

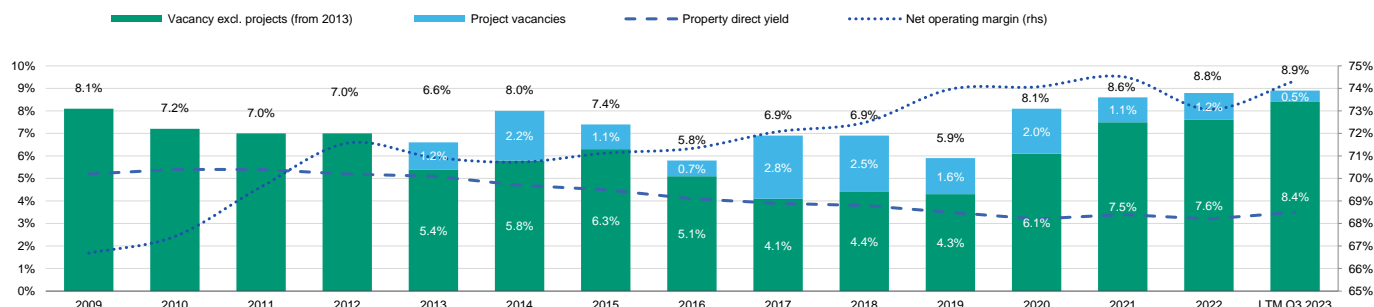
Detailed credit considerations

Very large, high-quality commercial portfolio in attractive cities

Vasakronan is the largest real estate company in the Nordics, and we have assigned it a Aa rating for the sub-factor "Market Positioning and Asset Quality" because of its dominant position in all of its markets; the high quality of its office portfolio; a low average age of its buildings as a result of new construction or major refurbishment; its significant exposure to highly creditworthy government and public-sector tenants (24% of rental revenue); its high occupancy rate; and the high share (around 94%) of high ratings for leadership in energy and environmental design (LEED) and BREEAM (Building Research Establishment Environmental Assessment Method) environmentally certified properties.

Exhibit 5

Vasakronan's vacancy is somewhat higher after the pandemic in 2020-21 but some of it comes from a significant share of development projects



Source: Company

Vasakronan has a well-defined strategy of focusing on large, flexible (open work space), environment-friendly office-combined-with-retail buildings situated in attractive, vibrant locations near transport hubs in the four growth markets of Stockholm, Gothenburg, Malmo and Uppsala. Most of the company's portfolio is located in central locations within Stockholm (around 66% of property value). The company also owns properties in growth-oriented suburbs of Stockholm such as Solna, Sundyberg, Kista and Telefonplan. The company owns landmark buildings in most of its markets. Vasakronan's holdings in Gothenburg, Malmo and Uppsala are concentrated in prime locations. Its retail holdings include restaurants and cafes often located on the ground floor of its office buildings, which we view more as service providers directed at the large streams of people who flow through such locations. We do not expect retail to

increase as a share of Vasakronan's portfolio from the current level of 16%, as there is high risk in this type of property assets, stemming from the rapid increase in e-commerce.

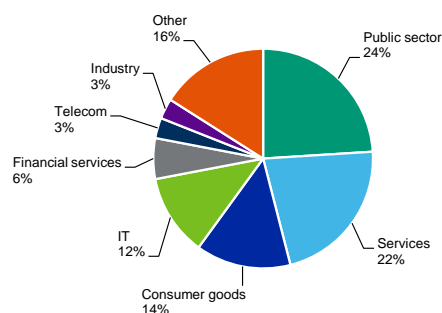
Vasakronan's strategy is to improve the quality of its portfolio by developing modern, environment-friendly commercial properties — whose building rights it owns — in prime locations, and also by refurbishing its existing properties. The potential to grow the current portfolio organically by more than a quarter from identified projects provides the business with a degree of stability and predictability, making it less reliant on acquisitions in a competitive investment market. The current project pipeline includes a total of around SEK6.5 billion (of which SEK2.4 billion is capitalised) in total investments or around 3% of total assets.

Vasakronan's portfolio is modern and largely highly efficient, as it has invested significantly over many years in refurbishing its properties and building new ones that adhere to high environmental standards. Making its buildings compliant with the most stringent environmental requirements is necessary to secure and retain its public-sector and other tenants, and will preserve the competitiveness and attractiveness of its properties over the long term. Additionally, these high-quality properties are more cost efficient, need less capital spending and have lower operating costs than other properties.

The company is facing significant concentration risk in Sweden and Stockholm. However, this geographical concentration is mitigated by the fact that Stockholm is the country's largest and strongest market, generating around a third of Sweden's GDP. Therefore, we do not believe this concentration in Stockholm will lead to a significant divergence from overall economic and property trends. Moreover, Stockholm is likely to outperform other regions in Sweden in terms of population and economic growth. The city is one of Sweden's strongest property markets, and strong corporate demand for office space will continue to drive its rental growth.

Exhibit 6

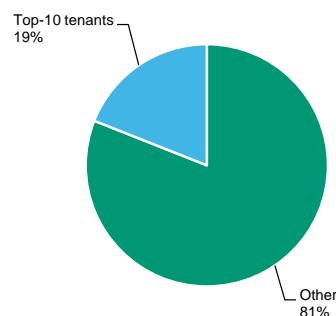
Tenant split by sector
As a percentage of contracted rent



As of 30 September 2023.
Source: Company

Exhibit 7

Top 10 tenant concentration
As a percentage of contracted rent

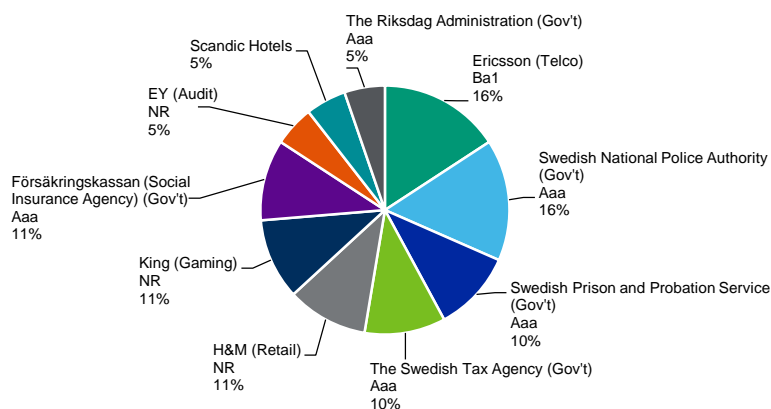


As of 30 September 2023.
Source: Company

Exhibit 8

Top 10 tenants

As a percentage of contracted rent of top 10 tenants



As of 30 September 2023.

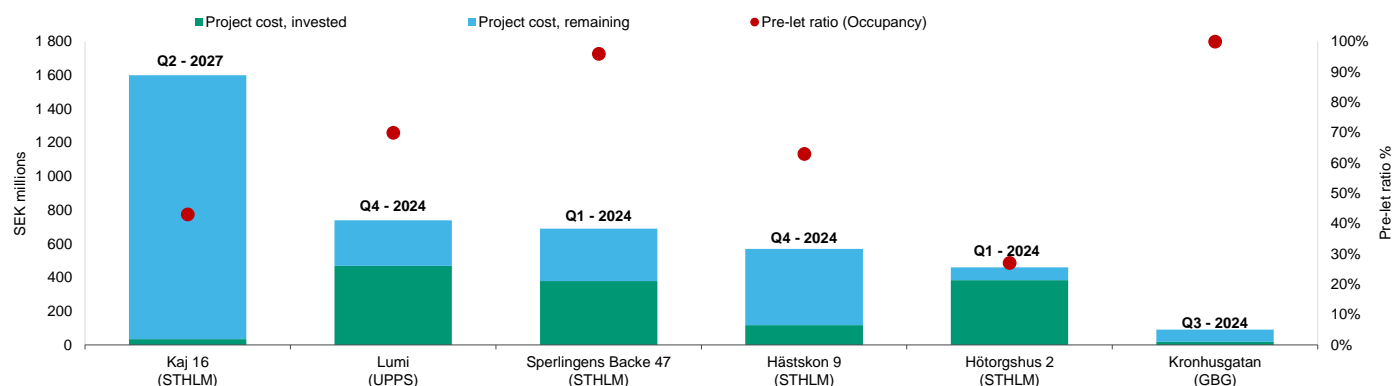
Source: Company

The company reported an 11% like-for-like increase in rental revenue as of YTD September 2023, largely because of indexation clauses where 98% of the portfolio is indexed; rental revenue amounted to SEK6,826 million versus SEK6,024 million for the same period in 2022. The average remaining lease length was around 3.3 years, which is about average for the Swedish market and is spread across around 5,199 contracts with tenants that are well diversified across industries. The largest tenant (the Swedish Police Authority) accounts for around 3% of rental revenue, with the 10 largest tenants representing around 19% of contracted rent. Vasakronan's portfolio has diversified lease maturity, and around 15% of its current lease contracts expire in 2024, which contributes to stable cash flow. Most of the lease volume is index-linked, with the initial rent representing a floor for future lease renewals. We recognise Vasakronan's strong re-letting record, which will be beneficial under the current economic downturn. The high vacancy is largely relating to its properties in Kista North of Stockholm. We expect vacancy to be elevated around 9% (including developments) over the coming 12-18 months.

Controlled, strong development pipeline will continuously enhance value of the portfolio's asset quality

Vasakronan's growth will come mainly from its plans for total investments of around SEK6.5 billion in developing new properties or refurbishing existing properties until 2024, with SEK2.4 billion already spent. Its commitments to new developments total around 3% of total assets however this will be reduced to going forward.

Exhibit 9

Currently around 57% of major development projects are pre-let

As of 30 September 2023

Date representing expected time of completion. UPPS = Uppsala, STHLM = Stockholm, GBG = Gothenburg.

Source: Company

Liquidity analysis

Vasakronan's considerable liquidity and good access to capital are supported by an increasing level of unencumbered assets and reduced reliance on secured funding.

The company's liquidity is supported by its good access to debt capital, in particular through the Swedish but also Norwegian bond markets; its diversified banking relationships; and the subscription commitment of SEK18 billion from its owners. Vasakronan's liquidity is considerable, and scores "A" on our scorecard.

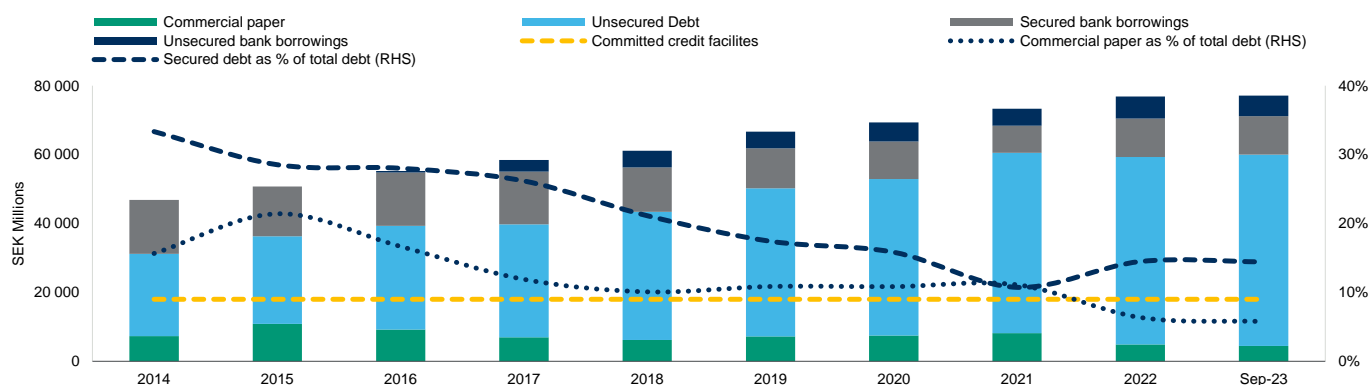
Main sources of liquidity as of 30 September 2023 were the following:

- » Cash and cash equivalents of SEK3.4 billion
- » Estimated operating cash flow of SEK6.7 billion for the next six quarters
- » Available revolving credit facilities of SEK18 billion from owners

The most important supporting factor for the company's liquidity is ownership support, with Vasakronan's four owners having provided an SEK18 billion pro rata commitment to subscribe to commercial paper issued by the company. The SEK18 billion subscription commitment has no limitation for what it can be used for; essentially, Vasakronan can issue the commercial paper to cover all general corporate purposes and is immediately available. The agreement has a constant maturity and can be terminated with a notice period of 24 months by either Vasakronan or the AP funds. The AP funds only commit to honour their pro rata (25%) share. The agreement was entered into in 2014 to replace the bank credit facilities that were then backing one-year debt maturities. In our liquidity assessment, we consider the subscription agreement from the owners to purchase commercial paper of up to SEK18 billion at Vasakronan's request. Vasakronan had about SEK4.5 billion outstanding as of 30 September 2023 under its SEK25 billion commercial paper programme.

Exhibit 10

Evolution of Vasakronan's funding mix



Source: Company

The company has a diverse mix of funding and continuously decreased the share of secured debt in its total debt. The funding mix includes bonds denominated in various currencies, such as Swedish and Norwegian krona, euro, Japanese yen, US dollar, Australian dollar and Hong Kong dollar. Further, parts of the medium-term notes are under a green bond framework. Vasakronan has various financial policies in place to mitigate financial risks. The loan-to-maturity ratio needs to be at least two years and was at 5.4 years as of September 2023. Loans maturing in 12 months should not exceed 40% (28% as of September 2023). In addition, cash and other liquidity sources should at least cover all maturing commitments over the next 12 months.

Moderate leverage

Vasakronan's Moody's-adjusted gross debt/total assets was about 40.5% as of 30 September 2023, and we expect this ratio to stay around 39.5%-40.4% over the coming 12-18 months, in line with the requirements for the current rating category. We expect the company to take measures to maintain this effective leverage even if market values in general fall by 10% in the market. Weighing

positively on the rating is the company's financial policy that includes a non-dividend payout if the value of investment properties falls, which will help reduce debt.

Moody's-adjusted net debt/EBITDA was around 12.0x as of 30 September 2023, down from 13.2x in 2022, while debt/assets during this period remained stable at around 40%. This suggests that the company is leveraging value gains, partly through sizeable development activities. The net debt/EBITDA ratio is relatively weak, however, it is broadly in line with peers and also reflects the high quality of assets and, therefore, lower yields. We expect the net debt/EBITDA to be stable or reduce in the coming 12-18 months, as EBITDA will increase with project completions and CPI adjustments from linked contracts.

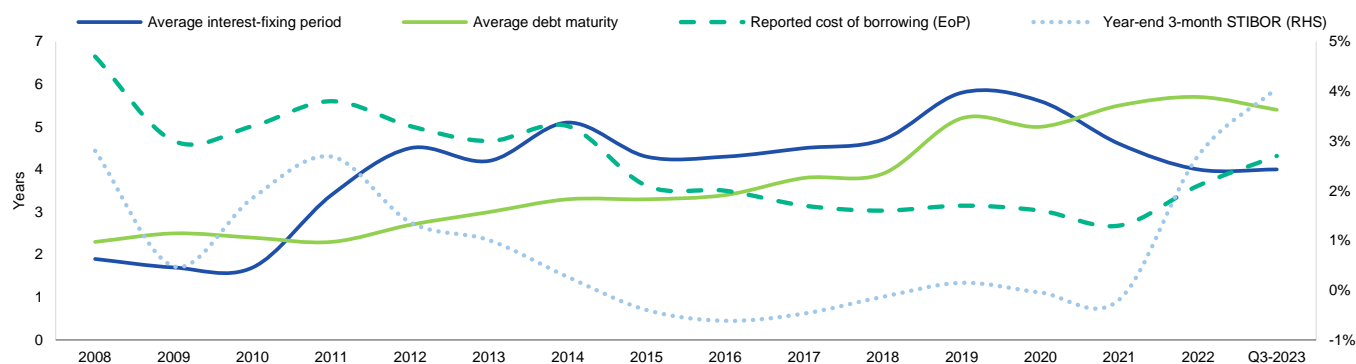
Adequate hedging policy but strain on fixed-charge coverage because of rising rates

The rapid increase in interest rates and subsequently difficult capital market conditions with widening credit spreads will continue to significantly increase funding costs. Overall, the refinancing risk in the Nordic real estate sector has significantly increased, leaving public bond markets largely unattractive. However, Vasakronan has continued to issue bonds, and we expect this to continue. While bond financing remains a credible refinancing option, Vasakronan's interest costs will rise. As of 30 September 2023, the company had a Moody's-adjusted fixed-charge coverage of about 3.3x. We expect the fixed-charge coverage to be around 3.4x-3.6x in the coming 12-18 months. Because around 35%-40% of outstanding debt is to be refinanced in the coming three years, financing cost is set to increase as market rates have increased significantly in the past 12 months, and we expect interest rates to remain high for the coming two years at least. Vasakronan has a policy of keeping interest coverage at a minimum of 2.0x.

Vasakronan's fixed-interest tenor decreased to 3.5 years as of September 2023, down from 4.0 years for 2022, which increases the group's exposure to rising interest rates. Further, the interest that is due within the coming 12 months is 28% as of September 2023, at the end of 2022 this number was at 29% displaying the group is working actively with its interest rate risk management. The debt maturity profile decreased to 5.4 years from 5.7 years for 2022, which is long-dated and offsets the impact from increasing interest rates. In addition, the company fully hedged all foreign-currency bonds, which are important in protection against currency movements and changing interest rates.

Exhibit 11

Vasakronan's cost of borrowing has been stable the past seven years but has started to increase



Sources: Company and Sveriges Riksbank

Largest shareholder contributes to stability and access to capital

Vasakronan represents a significant real estate investment of AP Funds 1-4. The AP funds are not allowed to guarantee debt. However, the AP funds provide financial support in the form of subscription commitments and commit to Vasakronan having a LTV ratio of a maximum of 55%. AP funds 1-4 are buffer funds whose objective is to manage capital in Sweden's national income pension system. They are supervised by the Ministry of Finance as government agencies under the Swedish National Pension Funds Act (2000:192), but are not consolidated into the accounts of the Swedish government according to public accounting guidance. Although these are government agencies, the AP funds are more independent than most other government entities because their operations are regulated by law and not by directive. AP Funds 1-4 are mandated to manage their funds in such a way that they are able to generate maximum benefits for the insurance of income-based old-age pension. Contracts and other legal acts entered into by an AP fund are binding

on the Swedish government. AP Funds 1-4 can borrow money from the Riksgäldskontoret (the Swedish national debt office) if their investments cannot cover their commitments.

Fully owned by Swedish government pension funds with some explicit support expected

We apply our Joint Default Analysis (JDA) under our GRI rating methodology to explain our views on the credit links between Vasakronan and its supporting owners, AP Funds 1-4, which are deemed government agencies under the Swedish National Pension Funds Act (2000:192) but are not consolidated into the accounts of the Swedish government. Our approach explicitly accounts for Vasakronan's standalone risk or BCA under our Global Rating Methodology for REITs and Other Commercial Property Firms, Sweden's "Aaa" rating as the supporting government, an estimate of the default correlation between the two entities and an estimate of the likelihood of extraordinary government support.

Based on our assessment of the very high level of default dependence, coupled with the strong likelihood of the owners providing extraordinary support, Vasakronan benefits from an uplift from its Adjusted BCA of baa1.

Exhibit 12

GRI dependency

Dependence	Low	Moderate	High	Very High
(1) Operational and Financial Linkages				
» Direct and Indirect Government Transfers as a % of GRI Revenue	✓			
» Government Purchases as a % of GRI Revenue				✓
» GRI Payments (Dividends) as a % of Government Revenue	✓			
(2) Reliance on Overlapping Revenue Base				
» Percentage of income derived from within the government's territory				✓
(3) Exposure to Common Credit Risks				
» Foreign Exchange Risk in Debt Structure	✓			
» Shared Industry Exposure	✓			
» Political Event Risks	✓			
Overall Guidance Dependence Level				✓

Source: Moody's Investors Service

As outlined in Exhibit 14, our view on the very high level of default dependence is driven by our assessment of the following factors:

1. Operational and financial links between the company and the national government are very high, primarily because rent payments from Swedish public sector entities represent around 24% of Vasakronan's revenue. Direct and indirect government transfers are less of a link, as are dividend payments from Vasakronan.
2. With Vasakronan generating 100% of its revenue in Sweden, the links from overlapping revenue bases with the government are very high.
3. Exposure to common credit risks is low for both the company and the government.

Exhibit 13

GRI support

Support	Low	Moderate	Strong	High	Very High
(1) Guarantees					
» Explicit Guarantees	✓				
» Verbal Guarantees and/or Comfort Letters	✓				
» Special Legal Status	✓				
(2) Ownership					
» Ownership Level					✓
» Privatization Plans	✓				
(3) Barriers to Support	✓				
(4) Level of Government Intervention					
» History of State Bailouts	✓				
» Ideological and Political Inclinations	✓				
» Government Direction of GRI	✓				
» Business Planning	✓				
(5) Political Linkages	✓				
(6) Economic Importance	✓				
Overall Guidance Support Range		✓			

Source: Moody's Investors Service

As outlined in Exhibit 15, our overall view on the moderate level of government support is driven by our assessment of the following six factors:

1. While Vasakronan does not have special legal status nor has any form of explicit guarantee or comfort letter provided directly by the Swedish government, the company does benefit from contractual agreements entered into between itself and its owners, the four AP funds, and between the owners themselves.
 - a. The first contract is an SEK18 billion commitment by the AP funds to subscribe (on a pro rata basis) to the commercial paper issued by Vasakronan. The commitment was entered into in 2014 as a means to replace the bank facilities backing debt coming due within 12 months. Vasakronan has never called upon the AP funds to subscribe to its commercial paper, and the agreement stipulates that the company should seek to obtain external funding and refinance itself in other ways first than by using the commitment.
 - b. The second contract, which underpins our expectation of extraordinary support to Vasakronan, is a shareholder agreement among the AP funds. This agreement stipulates that the owners will prevent the company's total equity from declining below the level of its paid-in capital, thus ensuring solvency. In the case of an equity injection, each of the funds shall be obliged to inject capital in relation to the shares held by each fund in the company. The agreement can be terminated with a notice period of 18 months.
 - c. The third contract stipulates the dividend policy LTV target level. Dividend levels shall ensure that LTV remains below 55%. Under normal circumstances, a dividend payout of 40%-60% of net income before revaluations and deferred tax serves as a guidance. During times of strong appreciation in property values, Vasakronan shall have a payout ratio exceeding this level so as to avoid being overcapitalised.
2. Vasakronan is 100% owned by the four national pension funds AP1, AP2, AP3 and AP4, with each holding a 25% stake in the company. There are no plans among the AP funds to reduce their interest in Vasakronan, which they effectively consider to be of strategic value because of the size of its property portfolio, the effort that has been put into creating scale in its operations and the consequent difficulty in replicating the type of asset class exposure that the funds have via Vasakronan.

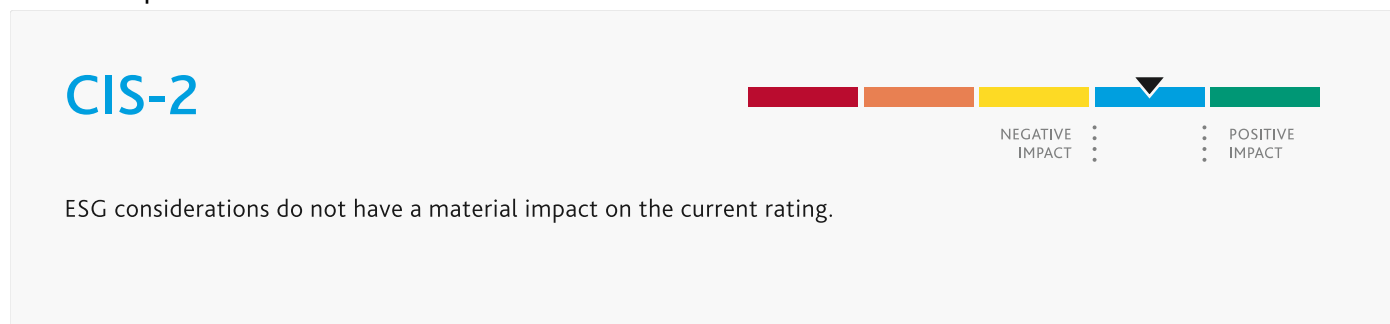
3. There are legal and policy barriers to government aid in the form of European Union (EU) rules prohibiting preferential support to commercial entities, which the Swedish government is likely to obey.
4. The level of government intervention in Vasakronan's operations is low. The Swedish government mainly has the ability to influence strategy at Vasakronan by appointing board members and auditors at its owners, the AP funds, or by changing the law governing the operation of the AP funds. The board of directors at the AP funds consequently appoint their respective CEOs who sit on the board of directors at Vasakronan. Vasakronan's board has the CEO from each owner represented.
5. The reputational risk and political embarrassment for the Swedish government from allowing Vasakronan to fail and thus not honour its obligations to creditors is deemed low.
6. The company's relatively small size compared with the overall Swedish economy, the presence of viable competitors, the non-essential nature of services and the non-existent ties to national security suggest an overall low probability of support solely because of the economic importance of Vasakronan.

ESG considerations

Vasakronan AB's ESG credit impact score is CIS-2

Exhibit 14

ESG credit impact score

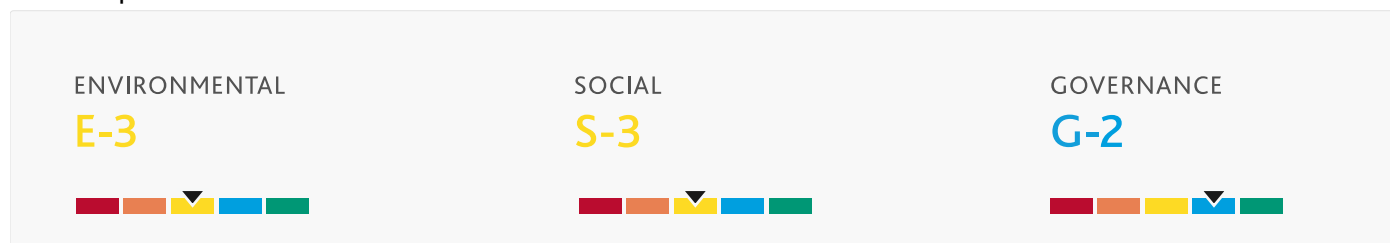


Source: Moody's Investors Service

ESG considerations have a neutral to low impact on Vasakronan's rating (**CIS-2**), with a potentially larger impact in the future. This reflects the company's moderately negative carbon transition risks and potential challenges from hybrid-working models. ESG considerations also reflect its GRI status and the owner's commitment to support the company outside the GRI model.

Exhibit 15

ESG issuer profile scores



Source: Moody's Investors Service

Environmental

E-3: Vasakronan's exposure towards carbon transition risk is moderate and in line with most of the peers in the real estate industry in the Nordics. The company has a development pipeline of ongoing projects representing 3.4% of total assets which enables it to improve /upgrade energy performance of its portfolio. The company targets to achieve climate neutrality by 2030. The vast majority of the portfolio is certified to LEED.

Social

S-3: Credit exposure to social considerations is moderate. Tenant demand for Vasakronan's properties is vulnerable to increasing hybrid-working and an accelerated shift towards e-commerce. We expect companies such as Vasakronan with modern and environmentally friendly properties to be less challenged by structural changes.

Governance

The **G-2** reflects its GRI status and the owner's commitment to support their investment. Vasakronan is a government-related issuer (GRI) because it is indirectly owned by the Swedish government through the AP funds 1-4. While concentrated ownership is reflected in a score of 4 for Board Structure and Policies, its GRI status and broader assumption of support influences the rating positively. Strong execution and a good track-record of managing one of the best portfolios in Sweden are further supporting factors.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Peer comparison

Exhibit 16

Peers

	Vasakronan AB A3 Stable			Gecina SA A3 Stable			PSP Swiss Property AG A3 Stable			Atrium Ljungberg AB Baa2 Negative			Faberge AB Baa2 Negative		
	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM
(in USD million)	Dec-21	Dec-22	Sep-23	Dec-21	Dec-22	Jun-23	Dec-21	Dec-22	Jun-23	Dec-21	Dec-22	Sep-23	Dec-21	Dec-22	Sep-23
Real Estate Gross Assets	21 439	21 656	18 724	24 772	23 239	22 063	9 801	10 077	10 250	6 033	5 980	6 125	9 636	9 717	8 109
Amount of Unencumbered Assets	71.8%	82.8%	81.4%	98.8%	98.8%	99.1%	100.0%	100.0%	100.0%	46.3%	49.1%	57.5%	37.4%	45.4%	45.7%
Debt / Real Estate Gross Assets	42.4%	40.3%	40.5%	35.7%	33.9%	35.3%	35.5%	32.9%	32.7%	40.5%	39.9%	41.8%	35.0%	36.0%	40.8%
Net Debt / EBITDA	14.2x	13.5x	12.0x	14.1x	14.0x	14.6x	11.2x	10.8x	10.5x	13.4x	13.4x	15.7x	13.3x	15.0x	15.3x
Secured Debt / Real Estate Gross Assets	6.2%	4.0%	5.5%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	13.9%	10.1%	12.3%	21.1%	19.6%	24.7%
EBITDA / Fixed Charges	3.6x	4.3x	3.3x	5.2x	5.7x	5.5x	17.4x	21.8x	23.4x	3.6x	3.9x	3.1x	3.9x	3.7x	2.3x

All figures and ratios are calculated using our estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.

Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Methodology and scorecard

The principal methodology used in these ratings was our [REITs and Other Commercial Real Estate Firms](#) rating methodology, published in September 2022.

The Adjusted BCA of baa1 is in line with the scorecard-indicated outcome under our forward view.

Exhibit 17

Rating factors

Vasakronan AB

REITs and Other Commercial Real Estate Firms Industry Scorecard [1][2]			Current LTM 9/30/2023		Moody's 12-18 Month Forward View As of 11/14/2023 [3]	
Factor 1 : Scale (5%)	Measure	Score	Measure	Score	Measure	Score
a) Gross Assets (USD Billion)	\$18.7	A	\$18.1	A		
Factor 2 : Business Profile (25%)						
a) Market Positioning and Asset Quality	Aa	Aa	Aa	Aa		
b) Operating Environment	A	A	Baa	Baa		
Factor 3 : Liquidity and Access To Capital (25%)						
a) Liquidity and Access to Capital	A	A	A	A		
b) Unencumbered Assets / Gross Assets	81.4%	A	80.7%	A		
Factor 4 : Leverage and Coverage (45%)						
a) Total Debt + Preferred Stock / Gross Assets	40.5%	Baa	39.5% - 40.4%	Baa		
b) Net Debt / EBITDA	12.0x	Caa	10.2x - 10.6x	Caa		
c) Secured Debt / Gross Assets	5.5%	A	5.7%	A		
d) Fixed Charge Coverage	3.3x	Baa	3.4x - 3.6x	Aaa		
Rating:						
a) Scorecard-Indicated Outcome		Baa1		Baa1		
b) Actual Rating Assigned				A3		

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of 9/30/2023; Source: Moody's Financial Metrics™

[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures

Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Ratings

Exhibit 18

Category	Moody's Rating
VASAKRONAN AB	
Outlook	Stable
Issuer Rating - Dom Curr	A3
Senior Unsecured	A3

Source: Moody's Investors Service

Appendix

Exhibit 19

Moody's-adjusted debt reconciliation for Vasakronan AB

	FYE	FYE	FYE	FYE	FYE	LTM
(in SEK million)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Sep-23
As Reported Total Debt	61,087	71,882	74,481	78,996	82,576	82,300
Pensions	91	119	120	45	10	10
Leases	791	0	0	0	0	0
Moody's Adjusted Total Debt	61,969	72,001	74,601	79,041	82,586	82,310

All figures are calculated using our estimates and standard adjustments. Periods are financial year-end unless indicated. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Exhibit 20

Moody's-adjusted EBITDA reconciliation for Vasakronan AB

	FYE	FYE	FYE	FYE	FYE	LTM
(in SEK million)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Sep-23
As Reported EBITDA	15,541	18,557	6,077	21,778	11,963	(10,075)
Unusual Items - Income Statement	(10,664)	(12,389)	(1,250)	(16,193)	(6,208)	16,524
Pensions	1	1	1	1	0	0
Leases	146	0	0	0	0	0
Non-Standard Adjustments	65	(722)	253	(11)	258	135
Moody's Adjusted EBITDA	5,089	5,447	5,081	5,575	6,013	6,584

All figures are calculated using our estimates and standard adjustments. Periods are financial year-end unless indicated. LTM = Last 12 months.

Source: Moody's Financial Metrics™

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