

Bulletin:

# Swedish Sovereign Pension Restructuring Unlikely To Change Willhem's Credit Quality

April 24, 2025

This report does not constitute a rating action.

STOCKHOLM (S&P Global Ratings) April 24, 2025--S&P Global Ratings today said that the Swedish government's recently proposed restructuring of the sovereign pension funds (AP funds) should not result in a material deviation in strategy and support for Willhem AB (A-/Stable/A-2) from its new owner.

The restructuring is unlikely to affect our rating on Willhem, which incorporates a three-notch uplift from our 'bbb-' assessment of Willhem's stand-alone credit profile due to our view of the company as a strategically important holding of AP1. This is because we understand from the government's announcement that the proposed change is intended to be mostly administrative. We will monitor the situation and should be able to confirm the potential support for Willhem once we have more clarity on the restructuring.

In March 2025, the Swedish government announced a reform to its sovereign pension funds with the stated purpose of ensuring "efficient capital management". Currently, there are five sovereign wealth funds in the Swedish pension system (AP1, AP2, AP3, A4, and AP6) with total assets under management (AUM) of about Swedish krona (SEK) 2,130 billion. These funds act as a buffer under the Swedish National Public Pension system to cover deficits in the pay-as-you-go system. One of the major changes in the reform includes reducing the number of pension funds to three from five and dissolving AP1 (AUM of SEK497 billion as of Dec. 31, 2024), with the nominal value of AP1's fund capital split equally between AP3 (AUM of SEK549 billion as of Dec. 31, 2024) and AP4 (SEK548 billion). These changes are targeted to be implemented as of Jan. 1, 2026. Wilhem is currently 100% owned by AP1.

Although the final allocation and ultimate ownership of AP1's individual holdings, including Willhem, is yet to be determined, we understand Willhem will represent a smaller proportion of the merged funds. AP funds tend to provide a similar type of support to their core holdings, such as capital injections and guaranteed subscription of commercial paper. Residential landlord Willhem represents one of AP1's core holdings, thanks to Wilhem's stable, predictable cash flows and limited correlation to other holdings in the portfolio. We will closely monitor developments for any indication of a change in Willhem's importance and the likelihood of group support in the new restructured fund.

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## Related Research

- Industry Credit Outlook 2025: Real Estate, Jan. 14, 2025
- Willhem AB Outlook Revised To Stable On Stabilizing Credit Metrics; 'A-/A-2' Ratings Affirmed, Dec. 10, 2024

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