

Svenska Skeppshypotekskassan

Rating Action Report

LONG-TERM RATING

AA-

OUTLOOK

Stable

SHORT-TERM RATING

N1

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Svenska Skeppshypotekskassan assigned 'AA-' long-term issuer rating; Outlook stable

Nordic Credit Rating said today that it had assigned a 'AA-' long-term issuer rating to Sweden-based shipping finance provider [Svenska Skeppshypotekskassan](#) (Skeppshypotek). The outlook is stable. An 'N1' short-term issuer rating was also assigned.

Rating rationale

The long-term rating reflects Skeppshypotek's strong capital position, fully matched funding profile, and government-defined role in national shipping finance. It also reflects a strong track record of robust earnings and loss performance. Wholly owned by the Swedish government, Skeppshypotek was established in 1929 under the Act on Svenska Skeppshypotekskassan (1980:1097) (the Skeppshypotek law).

The rating is constrained by Skeppshypotek's high level of exposure to the shipping sector and specific customer groups. These concentrations are allowed only by regulatory exceptions to rules on large exposures set out in the EU's capital requirements directive. The rating is also constrained by the volatility of the shipping sector and the valuation of vessels used as loan collateral. Despite its concentrations, Skeppshypotek's risk appetite is minimised in other areas and clearly defined by the Skeppshypotek law.

We adjust our standalone credit assessment upward by one notch to reflect Skeppshypotek's unique role in supporting the Swedish shipping industry, which historically has enjoyed government-supported debt relief and guarantees for small ship owners. This adjustment also reflects a wider government guarantee and a legally defined mutual borrower commitment that improves recovery prospects for creditors in the event of liquidation. In addition, we add two notches to our standalone credit assessment to reflect the high likelihood of extraordinary support due to Skeppshypotek's controlling ownership by the Kingdom of Sweden and our view that it has an important, albeit replaceable, policy role as a provider of financing for Swedish-related shipping.

Stable outlook

The stable outlook reflects our view that Skeppshypotek's selective underwriting and low loan-to-value profile will prevent a material decline in credit quality despite the volatile nature of the shipping industry. In addition, we expect Skeppshypotek to maintain a strong capital position despite the likelihood of material growth in its loan book.

We could raise the rating to reflect an increased strategic policy role or a greater commitment of timely support from the Swedish government, or reduced single-name concentrations.

We could lower the rating to reflect a change in the government's ownership and/or a reduction in the remit to finance Swedish-related shipping. We could also lower the rating to reflect a lasting decline in the common equity Tier 1 ratio below 18% or a material deterioration in asset quality.

Rating list

Long-term issuer credit rating:
Outlook:
Short-term issuer credit rating:
Senior unsecured issue rating:

Rating

AA-
Stable
N1
AA-

Figure 1. Skeppshypotek rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	bb-
Operating environment	20.0%	bb
Risk governance	5.0%	a-
Capital	17.5%	aa-
Funding and liquidity	15.0%	aa-
Credit risk	10.0%	bb
Market risk	-	-
Other risks	2.5%	a-
Risk appetite	50.0%	a
Competitive position	15.0%	a-
Earnings	7.5%	a
Loss performance	7.5%	a
Performance indicators	15.0%	a
Indicative credit assessment		a-
Transitions		Neutral
Peer calibration		+1 notch
Borderline assessments		Neutral
Stand-alone credit assessment		a
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		+2 notches
Issuer rating		AA-
Outlook		Stable
Short-term rating		N1

Figure 2. Capital structure ratings

Seniority	Rating
Senior unsecured	AA-

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 19 Dec. 2024.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Financial Institutions Rating Methodology published on 14 Feb. 2024 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
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Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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