

Danmarks Skibskredit A/S Capital Center A & General Covered Bond Ratings Raised; Outlook Stable

January 10, 2025

Overview

- On Jan. 2, 2025, we revised our systemic importance and jurisdictional support assessment of Danish shipping covered bonds to strong from moderate.
- Following this revision and the application of our criteria, we have raised to 'AA-' from 'A' our ratings on Danmarks Skibskredit A/S Capital Center A and Danmarks Skibskredit A/S Capital Center General covered bonds.
- Our outlook on the ratings is stable, reflecting the stable outlook on Danmark Skibskredit's issuer credit rating (ICR).

MADRID (S&P Global Ratings) Jan. 10, 2025--S&P Global Ratings today raised its credit ratings on Danmarks Skibskredit A/S (DSF) Capital Center A and DSF Capital Center General covered bond programs and related issuances to 'AA-' from 'A'.

DSF's covered bond programs are backed primarily by a portfolio of first lien ship mortgage loans, and to a lesser extent liquidity placements. Today's upgrades follow our Jan. 2, 2025 revision of the systemic importance and jurisdictional support assessment of Danish shipping covered bonds to strong from moderate (see "Sector And Industry Variables Updated For Covered Bonds Criteria" published Jan. 2, 2025).

DSF established Capital Center A in 2019 to issue euro-denominated ship covered bonds ("særligt dækkede obligationer", or "SCBs", or "SDOs") compliant with the Capital Requirements Regulation article 129. The bonds issued from Capital Center General are Danish ship mortgage bonds ("skibskreditobligationer", or "SMBs", formerly called "SOs").

Our ratings reflect the application of our covered bonds criteria.

The criteria include the concept of uplifting the covered bond rating from a reference rating level (RRL) for programs in jurisdictions subject to an effective resolution regime that exempts covered bonds from bail-in. DSF is a Danish issuer of covered bonds with a global focus, operating from Denmark. We consider Denmark to have an effective resolution regime in place, which exempts covered bonds from bail-in.

We revised our systemic importance assessment of shipping covered bonds in Denmark to strong

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from moderate. This means that under our covered bonds criteria, the RRL is the higher of (i) two notches (previously one) above the long-term ICR and (ii) the resolution counterparty rating (RCR) on the issuer, where applicable. Given that we have not assigned an RCR to DSF, we now assess the RRL as 'a', two notches above the ICR on DSF (BBB+/Stable/A-2).

We then consider the likelihood of jurisdictional support for covered bonds backed by shipping collateral. Following the revision of our jurisdictional support assessment for shipping covered bonds in Denmark to strong from moderate, the covered bonds can now receive two notches (previously one) of jurisdictional support uplift from the RRL resulting in a jurisdiction-supported rating level (JRL) of 'aa-'. The jurisdictional support uplift is capped by the long-term foreign currency rating on the sovereign providing the support to the covered bond, which in this case is Denmark (unsolicited; AAA/Stable/A-1+).

Our ratings currently do not reflect any collateral-based uplift above the JRL. This is because we are unable to conclude if--in the event of a borrower default on the loan at any point in time, and with the underlying shipping collateral in any part of the world--the issuer will be able to enforce the collateral. This creates an uncertainty on the timing of and the amount of recovery proceeds from the sale of the ship being available to the program to fulfil payments to covered bondholders.

As a result of the above, we have raised to 'AA-' from 'A' our ratings on DSF's Capital Center A and Capital Center General covered bond programs and related issuances reflective of the JRL.

The stable outlook on our ratings on DSF Capital Center A and Capital Center General covered bonds reflects the stable outlook on DSF's ICR.

The 'AA-' ratings on the covered bonds are not constrained by operational, counterparty, or sovereign risks.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria | Structured Finance | Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Sector And Industry Variables Updated For Covered Bonds Criteria, Jan. 2, 2025
- Global Covered Bond Insights Q1 2025, Dec. 18, 2024
- S&P Global Ratings Definitions, Dec. 2, 2024

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- Danmarks Skibskredit A/S, Sept. 12, 2024
- Danmarks Skibskredit 'BBB+/A-2' Ratings Affirmed On Announced Sale To Magellan Holding; Outlook Stable, June 10, 2024
- S&P Global Ratings' Covered Bonds Primer, June 20, 2019
- Glossary Of Covered Bond Terms, April 27, 2018

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