GlobalCapital

Nordic Banks Roundtable
Safe haven status gives lenders edge

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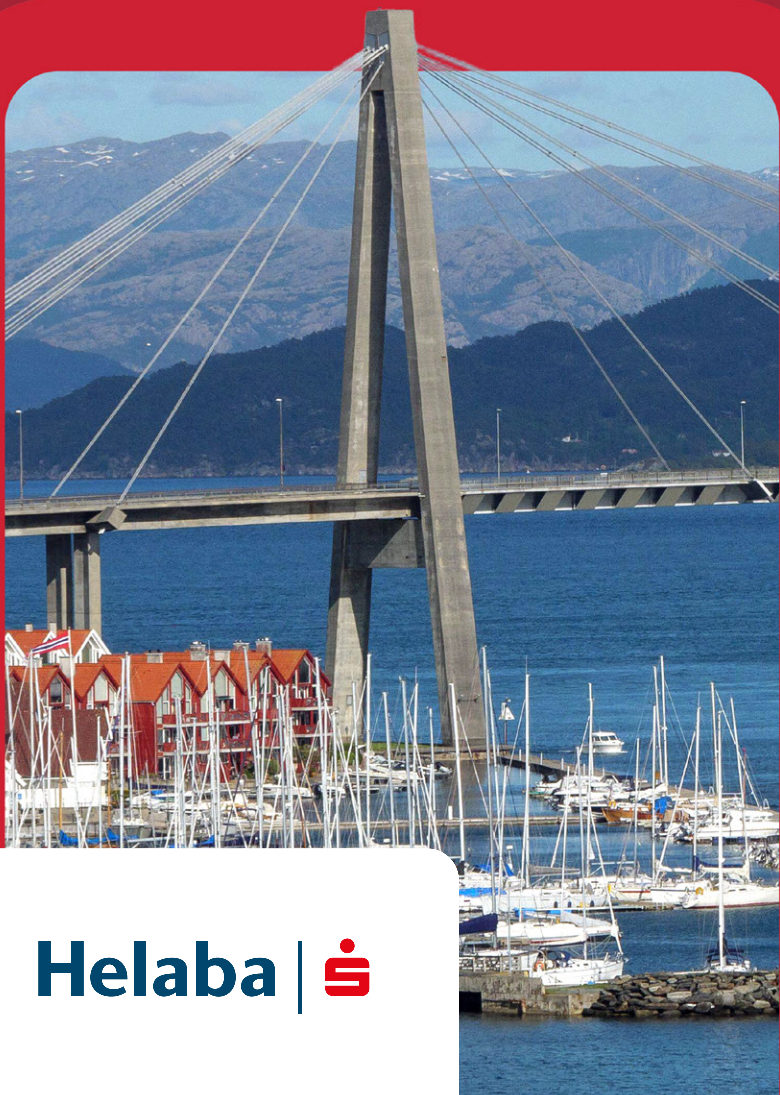

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Safe haven status gives Nordic bonds the edge

Strong economic fundamentals have encouraged issuers and investors to put their faith in bonds from the Nordic region at a time when weak growth and lax public spending controls have dulled what eurozone countries can offer bond markets. Healthy amounts of mortgage lending in the Nordic region have also raised the profile of covered bond issuance there. For this *GlobalCapital* roundtable, Danish, Norwegian and Swedish banks join counterparts from Germany to discuss how the reliable economic performance of the Nordics has contributed to its safe haven status for bonds, why covered bonds are a better option than senior debt, and how regulation is hampering the appeal of green and ESG bonds.

***GlobalCapital*: In terms of the Nordic economy, what's the general sense of where we are?**

Andreas Larsson, Länsförsäkringar Bank (LF Bank): All the Nordic economies continue to do relatively well, but if I can talk mainly about Sweden, it has had a very strong economy for a few decades. For instance, it managed the pandemic the best in terms of the smallest decline and so on. But then there was a decline for two or three years with clearly lower growth, but it is recovering. The main point about Sweden is a domestic one because it has strong public finances, especially its percentage of government debt to GDP of 35%, which I think is among the lowest in the EU. Norway's and perhaps some others are better, but it's one of the best government debt situations in Europe. So it's really about fiscal stimuli and an expansionary budget now because it can afford them. Last year was expansionist and this year we were looking for better growth, but it hasn't really materialised because there is uncertainty about domestic spending. But there is a belief or a hope that things should recover. The export sector is doing fine, but there's uncertainty there, with everything from tariffs and the risk of a global decline or recession. One point about Sweden is that our oil and gas dependency is relatively low. We have never had gas heating and we took away oil from heating 30 or 40 years ago. We have no oil or gas fueling for electricity either. We have hydro power, wind and some nuclear power. Industry uses oil and gas but we might be a little less affected. It's an inflation risk and all that, but we're a bit less affected by energy prices.

The forecast for Sweden has been lowered, but it still has a fairly positive outlook, having come from two or three slower years. But 2026/2027 has better growth again. Hopefully that will materialise in mortgage growth. There has not been so much growth since price volatility in the pandemic. As I alluded to, we, LF bank, have been able to grow anyway because of cross-selling. We have this large insurance franchise. The mortgage market is not so high, but hopefully it could go up a bit more, and therefore funding growth, because you should link the local economy to that.

***GlobalCapital*: We'll come back to the housing market. Before we do that, maybe we could broaden things out from Sweden. What about Norway?**

Dag Hjelle, SpareBank 1 Sør-Norge: Norway has an unemployment rate of approximately 2%, 5% wage growth and inflation at roughly around 3%. So we're on the path

Roundtable participants

Tobias Wimberger, executive director, FIG DCM, DekaBank

Christian Bech-Ravn, head of ratings and investor relations, Jyske Realkredit

Andreas Larsson, head of investor relations, Länsförsäkringar Bank (LF Bank)

Dag Hjelle, head of treasury, SpareBank 1 Sør-Norge

Florian Seitz, director, DCM/syndicate FI/SSA, Helaba

Moderator: **Luke Jeffs**, covered bond editor, *GlobalCapital*

Fredrik Dahllöf, senior dealer, long term funding, Nordea

Morten Baekmand Nielsen, head of investor relations, Nykredit of starting the year with cuts, but I think we're going to end up with at least two rate hikes. I would say the Norwegian economy is very safe. We expect GDP growth of around 2% this year and we have resources that we can spend if we are in a downturn. We have the Oil Fund, as we call it. The rule is we can spend 3% of the fund into the economy each year, so in good years, or when the macro is doing well, we spend less and then we can spend more. In the pandemic, we spent more of the fund, but the rule is 3%.

Christian Bech-Ravn, Jyske Realkredit: We have also seen relatively high GDP growth in Denmark, especially since the Covid-19 pandemic. Much of this growth has been driven by exports, especially from the pharmaceutical sector. We are a relatively small economy but, relative to our size, we have some quite large companies that export goods and services. We have full employment, with employment continuing to rise and unemployment at a very low level.

We have seen people come from abroad to work in Denmark, mainly highly educated professionals working — for instance, in the pharmaceutical sector. Increased employment affects prices in the housing market. Along with a good economic situation and GDP growth, we also see mortgage lending growing. I just took the numbers from the Danish central bank and from March 2025 to March 2026 mortgage lending grew by 12% in Denmark.

Tobias Wimberger, DekaBank: I can say from an investor's perspective that when we look across the Nordics, they are really sound. Banks are very well capitalised, economies are doing fine and that makes our investor base very confident about the tight spreads we will talk about later on, along with an ongoing interest in all the kinds of assets they are issuing from the senior to the capital. That's why I can only say thumbs-up to the Nordics when we talk about German-speaking investors, who are core clients.

Florian Seitz, Helaba: Of all the countries we talk to investors about, Finland is the only one that is a bit behind in terms of economic development. It has a relatively high unemployment rate of over 10% and a relatively small industrial sector. However, they excel in certain areas. They are now famously building atomic ice breakers for the US and are generally good at high technology. However, the perception of the Nordics among investors is generally very positive, not only due to Norwegian resources, but also because of the stable environment in Denmark and Sweden as they have a traditional and stable industrial sector. Although Norway seems to be dependent on oil prices, it is also resilient against crises. It's the only country in Europe where increasing energy prices have a net positive effect and the economy has also shown resilience against low energy prices, so the overall picture is pretty bright.

***GlobalCapital*: Morten, would you perhaps like to give us some of your thoughts. I know you're probably going to come from more of a Danish perspective, but thinking about the Nordic market more broadly.**

Morten Baekmand Nielsen, Nykredit: I can only echo what Christian said about the Danish economy. Some of the other countries also talk about healthy public finances and that's the same in Denmark. I don't think we're going to spend a lot of time on defence here, but that's also one of the things you can say, that the significant ramp-up in defence spending will also come in Denmark without having to borrow money, because there is quite a lot of leeway in the public finances. I don't have a lot to add to what Christian just so eloquently described about the Danish economy, but we can come back to the mortgage market.

Fredrik Dahllöf, Nordea: I think it's interesting to see the various drivers in the Nordic economies and markets. If you think of Norway and Sweden, for example, Sweden as an old industrial nation, and the oil and gas-driven economy in Norway. In Denmark, in recent years we have seen strong growth in pharma. We need to look at the whole region here. In terms of strength, even though Finland has relatively higher unemployment and debt-to-GDP, I still see very sound economic balance in terms of households in Finland, where borrowers' performance on their mortgages is exceptionally strong, as is their ability to amortise their debt more quickly than Nordic peers.

Larsson, LF Bank: For all Nordic countries including Sweden, when thinking about covered bonds and credit risk, households are strong. We will come on to discussing spreads and so on, but it's an underlying important factor here, when looking at both covered bonds and senior preferred bonds, or, for that matter, senior non-preferred, that the credit risk seems very low. The loss history has been fantastic. In all the countries we basically have never seen household losses. There have been provisions, but I think those were reversed even in their markets, to a large extent.

Bech-Ravn, Jyske Realkredit: There was a little bit in Denmark during the financial crisis, but it was manageable.

Larsson, LF Bank: It's not much of a problem in Sweden. We don't have a buy-to-let market at all or speculation and I think it's fairly small nowadays in the others as well. As you said, Fredrik, Finland has a really robust household sector, although unemployment is

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Florian Seitz, Helaba

higher. That is an important and interesting starting point when discussing bonds from the Nordics and hopefully it's what investors see as well.

GlobalCapital: Let's move on to talk about the housing sector. Maybe we can start with Norway, as that's where we are. What are the dynamics driving the Norwegian mortgage market at the moment?

"These countries don't have a lot of government debt, which means you can say covered bonds play an outsized role in LCR portfolios in the Nordic region"

Morten Baekmand Nielsen, Nykredit

Hjelle, SpareBank 1 Sør-Norge: When you see wage growth at 5% and real wage growth at roughly 2%, that is fuelling the house market. It's different in the different geographical areas in Norway, where it's stronger along the south coast and a little bit tougher due to tax reasons. Maybe I can come back to that, but average house prices are up 5% fuelled by that and home ownership is more than 85%, with a strong sentiment to get into the housing market from the way the social structure is built up. But the tax rule has been changed, so that it's not so lucrative or you don't earn money on buy-to-let. So we've seen some big professionals selling their smaller flats, especially in the Oslo region. Therefore prices there have been quite stable, averaging 5% growth. But where we sit now, house prices are up more than 11% in the last 12 months.

That's not healthy either, but we expect house price growth is going to be roughly around 4% to 5% going forward. We don't have the same growth in k2 as Denmark. Credit growth is now roughly around 4% in general for the housing sector. So that's what you should do if you look at a regular bank. That's the growth path for the bank.

Bech-Ravn, Jyske Realkredit: The housing market in Denmark is partly driven by the economy, which is strong. It's the same story as for Norway. Overall, house prices are increasing in the whole of Denmark. Of course, we see some geographical differences, with prices increasing especially in the urban areas. In the Copenhagen area, demand for residential properties is bigger than supply, which puts even more pressure on house prices. We also see a change in demographics of the people living in Copenhagen. Forty or fifty years ago, Copenhagen was mainly a working-class city whereas today it is home to highly educated, high income residents, who can afford to spend more on apartments and houses. That's one of the reasons why house prices are increasing in Copenhagen.

Baekmand Nielsen, Nykredit: I totally agree with what Christian said, but we also talked about what Dag mentioned, the supply and demand dynamics. In Copenhagen, we have had some regulation, which means that for a number of years too few small apartments have been built. And, as you say, higher inflation and the supply chain problems during the various conflicts we have been through and Covid also meant there is actually quite a large overhang of unbuilt apartments in Copenhagen. That also puts a strain on the market because people are migrating to Copenhagen. So there are things here that can be fixed. Our house view is that we're going to see momentum in the Copenhagen market for apartments going into 2026 and then it will probably cool off a little bit now that interest rates are increasing again, but overall it looks fine. The Danish central bank also looked into the market for apartments in Copenhagen, and they concluded, just as Christian put forward there, that it is higher income families that are buying, but they are not overstretching themselves to get into the market.

GlobalCapital: Maybe we could get a quick Swedish perspective and then broaden it out and talk about how this picture is affecting covered bonds and bond issuance. So I'll bring you guys in, but maybe talk quickly about Sweden and the housing dynamics there.

Larsson, LF Bank: Sweden has had lower volume growth in the housing and mortgage markets. We have had a few percent growth, 1, 2, 3% for a few years, but we've seen prices pick up. I would say the housing market has been fairly steady in Sweden. There was some volatility in the pandemic, but there is clearly an underlying demand because there's always been an undersupply of housing in Sweden. Therefore the market is quite supported or stable. We saw prices up like 4% over the past year and we have had a few percent growth in mortgage volume. It's well spread over the country. Sweden is doing fine in many of the regions where there are tech industries, software and other sectors that are growing. So the housing market is doing okay, in most regions, even in the north.

GlobalCapital: Fredrik, maybe I could come to you to ask you about how the market dynamics that our panellists have described are translating into bond issuance across the region, particularly covered bond issuance?

Dahllöf, Nordea: Nordea has four separate mortgage entities in the four Nordic countries, Nordea Mortgage Bank out of Finland, which is the euro issuer. Nordea Eiendomskreditt is our Norwegian issuer, with Norwegian residential mortgages in the cover pool and similarly for Sweden in Nordea Hypotek and Denmark in Nordea Kredit. In that sense, you can see the differences in the rate type set-up of the cover pool. Norway is typically a floating rate market, but, in that market, we have seen, as many of you mentioned, a stable path. Not massive growth, but I would say it hasn't impacted demand or any other particular dynamic for us given our set-up.

GlobalCapital: Florian, have you got any thoughts around how the underlying housing markets are driving issuance amounts?

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Seitz, Helaba: Firstly, as a DCM, a healthy, growing housing market is always beneficial because it probably means there is more potential for additional liquidity demand from issuers. However, it must be balanced and healthy because people often forget that the housing market and each product is backed by the loan itself. The stronger and more reliable the housing market is, and the more trustworthy the mortgage takers are, the more solid is the product. This varies from country to country and depicts the spread the end mortgage taker or covered bond issuer has to pay, so we like to hear those stories about balanced and healthy growth.

Wimberger, DekaBank: For us as a German bank or German investors, there's nothing tremendously scary. Nothing special, what we would not see in German hot spots like Munich, Frankfurt or Berlin either with property prices rising there as well, so investors can cope with what's happening in the Nordics. Sometimes we are asked about the overall affordability due to variable mortgage loans. That's certainly a topic, but it's easily explainable on all of your ends by how sound Nordic customers are in the retail market.

Larsson, LF Bank: Exactly. The customers are sound and I think the credit assessment is very robust.

***GlobalCapital*: How is increased European government spending and funding expected to affect Nordic issuance in the short to medium term?**

Hjelle, SpareBank 1 Sør-Norge: I don't think it will affect the volume from our side, but, of course, it can affect the pricing. I think when we compare the euro pricing to the NOK pricing, one of them is always leading. But if it rose dramatically or slightly in Europe, the NOK pricing would follow. So it will be, in a way, beneficial, perhaps for the investor. Then, of course, we will have to put that back to our clients, with a mortgage rate that's a little bit higher.

Baekmand Nielsen, Nykredit: There is some feedback from the pricing, from the euro market. You also have to keep in mind that the countries around the table here have their own

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Christian Bech-Ravn, Jyske Realkredit

currencies and a lot of the covered bonds are going into LCR portfolios in our local banks. As was mentioned earlier, these countries don't have a lot of government debt, which means you can say covered bonds play an outsized role in LCR portfolios in the Nordic region. I wouldn't say we have a captive audience, but it's relatively close in the sense that the local banks will need HQLA assets and that will be, to a very large extent, local currency covered bonds. So selling the bonds is simply not an issue. But of course, there is a trade-off and the pricing in the euro market reflects on these markets as well.

Seitz, Helaba: For me, the crux of this question is what government spending in Germany looks like. It's not about other countries because if government spending in Germany gets out of hand, as it has in the last year when we saw the swap spread trading at 0bp, plus or minus 5bp, meaning banks were lending money to each other at the same price, the Federal Republic of Germany could refinance. This reflects both trust within the financial market and, let's say, a lack of trust in German government spending. This occurred alongside all the stories from Italy and, in particular, France. Germany was affected by this as well when it came to refinancing needs. However, regarding what Morten mentioned about us sitting here with people who all have their own currencies, the mechanics are different for every country. Denmark and Sweden are less dependent on euro covered bonds. They have strong home markets and relatively big and good capital markets given the size of their economies, due to historical reasons. Unlike in Germany, for instance, they have no buy-to-let housing market, so much of the money and retirement money flows into the domestic capital market. Norway's refinancing needs are slightly more dependent on the euro. This gives them additional value and flexibility, as they can borrow in a whole new investor market. However, this also makes countries like Norway more dependent on European market dynamics than countries like Denmark and Sweden, which can more easily keep to the local market. This added value in terms of diversification and additional funding sources also leads, ultimately, to greater dependency on dynamics outside Norway. Let me put it like this, Germany likes to export, and there's a chance, due to government spending in Germany, we also export volatility to the covered bond market.

Larsson, LF Bank: But then, the increase in government or public debt is not very high in the Nordic countries. I believe it's much lower than in some other European countries. We're affected by the euro market, but in the domestic markets there's still less of a debt increase.

Dahllöf, Nordea: I very much agree with the previous speakers. This is a case where the local markets tend to track the euro market as well. The fact is we can essentially benefit from local and euro markets and use those dynamics in the best possible way. With the increased German government issuance since the start of this year, we're still seeing a very solid demand for covered bonds in Euros as well.

***GlobalCapital*: Do you want to follow on from that, maybe leaning into the next question**

"For funding costs, we would use more covered than senior, because it's 20bp or 30bp cheaper"

Dag Hjelle, SpareBank 1 Sør-Norge

about whether the tightest Nordic names could trade inside of Germany, something that was touched upon in the comments?

Wimberger, DekaBank: We saw the phenomenon of Finnish covered bonds trading inside German Pfandbriefe some years ago. Let's be honest, the recent prints from all of you around this table are at pfandbrief levels. I wouldn't say that's the new gold standard, or Germany is lagging behind, but it's a safe haven. There's the safe haven status and investors like to diversify. They go to jurisdictions they trust and those are the Nordics. That's basically why spreads are where they are. We have seen a seven-year transaction from SR and some others might follow, because there's natural demand for your covered bonds, and the prints are showing that you print at core names from Germany. We don't see many objections on the investor side. The natural floor will be KfW and German Bundesländer. When you hit those levels, you get a little bit of push-back, but I would assume there is further potential for more and more Nordic covered bond issues to trade below German Pfandbriefe. It's also a yield game at the moment, so nice yields are attracting a lot of investors, and, in the end, one basis point doesn't really count in such a higher yield environment at the moment, so they accept those spreads. That's why I really think that some Nordic issuers will definitely trade inside because of scarcity value.

Bech-Ravn, Jyske Realkredit: I can only agree with Tobias, especially about the very strong Nordic economies. There's also a very strong foundation behind the covered bonds coming from the Nordic countries. In Denmark, we have the largest covered bond system in the world. With a population of only 6m people it really shows how important the covered bond system is to the Danish economy. Most Danish cover pools are larger and more granular than the German pools, so security within the cover pools is extremely strong.

Seitz, Helaba: I'm a little ambivalent on that one because you have to differentiate if it's a technical question or a structural one. Technically, when I look at the plain credit quality, I fully agree that it might be not only a periodic thing, but a sustainable period that Nordics are trading inside Pfandbriefe. But when you look at the structure of the market, especially the investor structure, it has really deep roots in Germany and is domestically anchored. Don't forget about that. So it might be a head-to-head for some time, looking at the technical factors. Nonetheless, structurally, I doubt this will be a long term development.

Baekmand Nielsen, Nykredit: In all fairness, you also have to say that Danish issuers are issuing a very small amount into the euro market. The vast majority is local currency, so I would also agree with Christian that there is an element of scarcity value here. I mean, Christian issues euro-syndicated covered bonds. I think the last one we issued was like five years ago and it matured some time ago. So you can say, despite the fact that we have covered bonds issued by Nykredit of approximately €200bn, we don't have a single euro-syndicated transaction outstanding. Then you have Danske Bank, which issues covered bonds in Europe regularly, but again, compared to the larger covered bond market, the euro issuance is really quite limited.

***GlobalCapital*: Let's talk now about the relative value between covered bonds and seniors. We've got people in the room, some of whom have done covereds recently, some of whom have done seniors. Dag, let's start with you. From a Nordic issuer point of view, what are your thoughts about the relationship between those two types of products?**

Hjelle, SpareBank 1 Sør-Norge: It's funding costs. The last transaction we did was a senior non-preferred. That's because we have a call for that instrument, €500m in July. I will not promise that we will call it. But normally, every Norwegian issuer calls their calls and then it's about funding costs. The cheaper instrument is covered, then we should use covered. When you look at us, we would also like to be present in the euro market to have our nice curve in senior. A nice curve in covered, a nice curve in senior, and then we'll do senior non-preferred in addition. But for funding costs, we would use more covered than the senior, because it's 20bp or 30bp cheaper.

Larsson, LF Bank: For us, it still is a differential. LF Bank is a regular issuer of both euro covered bonds and euro senior preferred bonds and we like to issue in both. It is a differential of somewhere around 35 to 40 basis points. Now, when we asked about the issue, the senior preferred was at good levels. There may have been compression but I still think it's a differential, so it's useful to issue both. It's always useful to issue senior preferred for those types of funding purposes, to keep a strong cover pool and not exhaust the cover pool too much. But then, of course, you also want to issue covered bonds because they are lower spreads. It may be different for different issuers, but it's a question of collateral management versus relative value.

Bech-Ravn, Jyske Realkredit: It's a bit different for Denmark because the majority of our funding is done via the specialised mortgage institutions, which Morten and I represent, and the mortgage institutions can only fund themselves with one instrument and that instrument is covered bonds. Since we have very large Danish mortgage and covered bonds sectors, the Danish banks don't have the same needs for funding. The senior funding we do in Jyske Bank is mainly for regulatory reasons. It's to fulfil the MREL [Minimum Requirement for Own Funds and Eligible Liabilities] requirements. We do have quite large deposits in the banks, but typically we will not use these for mortgage funding. Instead, we can use the deposits for funding SMEs.

***GlobalCapital*: How do you see the investor base changing for these types of products over time? Are you seeing people coming in, people leaving, people coming in at different sizes? What's the trend?**

Wimberger, DekaBank: Bank treasuries have always been a driver for covered bonds and that will be ongoing. A senior non-preferred is not a bank product anymore because it's too costly to hold it in a liquidity portfolio, which was not the case before. On the senior preferred side, yes, bank treasuries can buy that. We, as a bank, can buy that as well in our portfolios, but covereds are always very prominent in bank treasuries. Due to the higher yield, a lot of asset managers are buying into covereds and the senior market as well, so it's pretty much balanced. We see some more Asian accounts and hedge funds in covered bond order books. You don't really need that to drive an order book, basically, but it gives comfort to the other investors that you can publish a one liner very quickly. But in the end, they don't get much of an allocation. That, in a nutshell, is the investor split at the moment for the different products. A very healthy mix basically, and they're still cash-rich, and that's why we're optimistic on seniors as well as on covereds. But you never know what will be done across the pond. So it's a day-to-day business, basically.

***GlobalCapital*: On that point about yields, what are your thoughts about outlooks on the yield side? As Tobias said, the yield has been turning the heads of asset managers. What are your thoughts on where yields are heading in the future?**

Seitz, Helaba: When we talk about yields, investors predominantly look at the spread rather than the absolute yield, as many bank treasuries and asset managers are swapping to floating rates and investing in the spread rather than the yield. In times of increasing yields, like we are experiencing right now, it is somewhat odd that they still want to see certain absolute yield thresholds, even though they are actually investing more in the spread than in the yield itself. However, everyone at this table can be happy with the relative cost of funding. This is true not only for the covered sector, but especially for the senior sector. In my personal opinion, the potential for widening is greater than the potential for tightening. Nevertheless, on a relative basis, it will remain a cheap funding source for issuers.

Baekmand Nielsen, Nykredit: If I may add another perspective on yields and interest. One thing we can be happy about is that we are out of the 0% interest rate environment or even negative rates. My impression is it actually discouraged a number of Asian investors, for instance, from looking into covered bonds for a while, at least not as much as they used to. In that respect, also with the investor dynamics, it is, to some extent, positive that at least we get some yield. Another thing we have noticed is that we used to have a lot of Japanese investors in Danish covered bonds, especially the 30-year fixed rate ones we issue. That was very much driven by the fact they were quite comfortable with the callable features, which is similar to what they have in the US. But also because they got a lot of tailwind from the FX hedge situation and that's no longer the case. The Japanese are pretty much gone from DKK covered bonds. Or rather they still have a small position, but they are no longer buying net. On the other hand, we see growing investor appetite from Germany. Unlike the regular story, where the demand comes from bank treasuries, it's more the pension sector and the asset managers buying.

Hjelle, SpareBank 1 Sør-Norge: I'll stick my neck out for higher inflation. It's going to be sticky and then the yields are going to be higher. That's going to last for a while, not only due to the primary effect of energy prices, but also the secondary effect, so I think we're in for higher yields. Of course, when you have more geopolitical tension yields also rise because of uncertainty. I would add those two factors and my bet is not for lower yields in the next couple of years.

Larsson, LF Bank: The yield levels also make it interesting for most investors to look at the Nordics. We've had a very good development of the investor base from Germany, Netherlands, core mid-Europe countries, but also UK and now France, Southern Europe and Asia. So we have had a broader investor base in recent years for the Nordics because of this safe haven interest, but maybe also because our yields are relatively normal or higher again.

Dahllöf, Nordea: You can still see some typical structures remaining that we see in the Swedish market, with short maturity being the sweet spot. But you still see throughout this year, from the large senior preferred issuances including us and Swedbank, a slight shift in the fixed and floating tranches, where we had a quite large floating tranche, and then a bit later on, Swedbank at pretty much the opposite. There's some sort of yield game there, but it's also within the context of

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Andreas Larsson, LF Bank

where the sweet spot already is. In Norway, it is more prevailing in covered and in senior, with a strong, different kind of demand for insurance money coming into the system. This can be seen in terms of how much fixed covereds have been issued this year domestically. I will also echo Morten's comments on the German investors. We have also seen them being quite prolific in the euro markets this year. What's also interesting, at least at the start of the year, is the activity from hedge funds in the Nordics coming into the euro market as well.

***GlobalCapital*: Let's talk about where we are at the moment with green bonds and ESG bonds. There have been initiatives underway in Europe for a few years now to try and promote these instruments, with limited success. Is this a burning topic when you talk to issuers or investors or is it just something that is nice to have?**

Wimberger, DekaBank: It's still a huge topic, but it was much bigger in the past. Due to the current geopolitical crisis, I think it is a little bit less so now. Nevertheless, Deka Invest, for instance, has ESG funds including Article 9 funds, where they need to invest in ESG offerings. Consequently, they follow the trends on an ongoing basis. On the other side, what we hear is that nobody really wants to pay the so-called greenium, and most DACH [Germany, Austria, Switzerland] investors would go for the cheaper alternative. I can understand that because everybody is tracked on performance and that's why, jurisdiction-wise, it differs a little bit. Dutch investors are a little bit more into green. Some Dutch banks are very much into ESG offerings, but regulation is an obstacle. The new EU green bond standards are very hard. Investors also started to look deeper into the transition of an issuer's loan book and the ESG alignment of an issuer itself rather than purely buying an ESG-labelled bond. This makes total sense, as new buildings are already energy-efficient per se.

Bech-Ravn, Jyske Realkredit: The Nordics are probably the leaders when it comes to sustainability and to issuing sustainable covered bonds, especially green bonds. I agree that for euro covered bonds, the greenium is quite limited. We do, however, still see a greenium in the Danish market. I know that's the case in the Swedish market as well. In Denmark we have seen a greenium of three or four basis points, which makes it more valuable for Danish issuers to issue in a green format. In the Danish market, we still see a need for sustainable investments. We have had investors approach us saying they expected this to pass. They believed the green trend would fade away within a few years, but the demand is still strong and their clients continue to require asset managers to offer green investment opportunities. So we still see big potential and a very big need for both issuing green bonds and especially for transparency on sustainability. The issuers publish more and more sustainability data, so I think we will be moving more into a situation with a bigger focus on ESG transparency. It's increasingly important for issuers to demonstrate a transition of the cover pool — in particular a shift towards lower carbon emissions in the cover pool and reduced energy consumption for the buildings they finance. At least in the Nordics, it's still a big topic, and I expect it to be so for many years.

Larsson, LF Bank: European green bonds is a good label, of course. You can pick out the best 15% EU taxonomy-aligned green bonds, but it's very much about the other 85% also. I believe it's good to describe where the emissions are. In all Nordic countries, we have very low emissions in comparison with the rest of Europe. Many cover pools are quite fossil-free and have good energy efficiency. We will be able to show that more and more in the reporting. So it's interesting to promote the real green element as such, or how green it is, how low emissions are etc. in parallel with green bonds.

Bech-Ravn, Jyske Realkredit: I believe that if you buy a non-green bond from a Nordic issuer, the buildings that you finance with that bond will have lower carbon emissions than many green bonds from Central Europe.

Baekmand Nielsen, Nykredit: We have quite a lot of high-quality green or greenish assets in the cover pools. But unfortunately, in the quest for perfection, the regulations have been the enemy of the good to some extent and that also means that, and I suspect it's also the case for other issuers, we have been a little bit gun-shy about going into green bond issues. We say the requirements on "do no significant harm" and the other things you need to comply with are risky, and you can easily get yourself into a greenwashing scandal that is out of your control. So maybe it's safer just not to do taxonomy-compliant green bonds and just say: "Look, our assets are relatively green. As an investor, you can look at all the disclosures we have, and then you can make your own mind up about how green you think they are." We hear that approach from some of the large asset managers that they like taxonomy-aligned green bonds, but they are also buying into the concept. They say: "Give us your data and we'll decide how green the assets are."

Hjelle, SpareBank 1 Sør-Norge: I agree it's about the investors. They see who you are, and it's not only the bond itself. We hear that more and more, and we want to be on that list, even though it may not be new and inventive to be green anymore. But, absolutely, it's a hygiene factor and we also in Norway can agree with

Christian. It's definitely something that we think of and want to continue to be an active promoter of.

Dahllöf, Nordea: I agree. In terms of investors, there has been quite a lot of green bond issuance in our local markets in past years, so the initial sort of must-have has perhaps gone away slightly, but you still see green issuance with very solid outcomes. Nordea remains committed to our ambition to be a leading sustainable issuer. As an example of this, we issued the first-ever covered bond under the EuGB format in Q1 this year. For us it is not only a matter of potential greenium but also to embrace and be part of the transition as an early adopter.

***GlobalCapital*: The last point is a fairly general one and ties in with a lot of what we've discussed. It's some thoughts about the outlook for Nordic covereds specifically. Are we expecting more of the same or any changes to the market in terms of issuers, investors or the types of bonds coming to market? We're hearing a broadly positive story. What are your thoughts on the next 12 months? Do you think we might see any fundamental changes to the Nordics?**

Seitz, Helaba: Rather boringly, I'm afraid, there won't be any fundamental changes, which is a good thing. When you consider the Nordics as a whole, they're not as homogeneous as they might appear. Nevertheless, all the countries have a high level of regulation and sustainability, as we heard, and their banks are also highly efficient. They're going to continue down that road. As we heard, they are challenging the benchmark, which is still the pfandbrief, so this will be an interesting development. How will that continue? It is currently implemented as a stable, long-term source of cheap funding and is a great investment alternative for all investors. I don't foresee any dramatic changes to that.

Wimberger, DekaBank: I can only echo what Florian is saying, but it depends on growth and that is why I'm pretty optimistic that the Nordic countries have had good growth in recent years compared to Germany. I know it's unfair to compare a country of 84 million people against any Nordic country, but you actually have growth and that is the key factor for further issuance on an ongoing basis. Of course, most of you have your own currency, but the euro market will certainly play a major role in all of your issuances and that's why the investors are there. We definitely hope, from a DCM perspective, that we see more out of the Nordics because we have the investors in place.

***GlobalCapital*: Maybe finish with you, Fredrik, as our local Norwegian with your thoughts on Nordic issuance over the next 12 months?**

Dahllöf, Nordea: I think there will be no major shifts from this point. The fact is we have quite steady economies, although they are somewhat different structurally, for example Finland and Sweden, with household debt versus government debt. I think the fundamentals are sound and robust in all four economies, which really provides a solid base for covered bonds. Apart from that, you also have well capitalised banks. So I think the Nordics will remain a good investment going forward including covered bond markets, especially since we also can issue volumes in local and European markets as well.

***GlobalCapital*: Morten, any final thoughts on Nordic covereds?**

Baekmand Nielsen, Nykredit: It works well. That's the short version. A diversified huge domestic investor base and also international investors being active, so I think it works really well. We are active both in Swedish krona and in Danish krone, a little bit in euros, but not in syndicated formats. We are quite pleased with all of it and I don't see any major changes coming in.

Larsson, LF Bank: They are very deep, robust and strong domestically, so they will always be important and continue to grow, but there could be a bit more growth in euro issuances. I want to talk more about euro covered bonds, of course, maybe on the senior level as well. LF Bank is a regular issuer, like issuing one once a year. But the latest Swedish one might have been ours last year. Of course, since the Scandi and Nordic covered bonds are interesting for many European investors, it could be possible to issue a bit more. But it will probably continue roughly as it is.

***GlobalCapital*: It sounds like a continuity story, but do you see more from the Danish issuers, for example?**

Bech-Ravn, Jyske Realkredit: It's pretty much the same story as we've heard around the table. Our focus is still mainly on the Danish market, but we also still have a strategy of being active in the euro market with at least one benchmark a year. We also see a benefit in being present in the euro market, mainly for investor diversification. When we are active in euros we see that it's easier for many investors, once they have taken up lines for our euro covered bonds, to also look at our DKK covered bonds, so we actually see a positive effect in our domestic market from us being present in the euro market.

Hjelle, SpareBank 1 Sør-Norge: We expect more of the same and no major changes. Per our bulletin, we will come to the market in the next 12 months with approximately €2bn. Whether that will be in two or three different tranches, I don't know, but we'll be quite regular in the euro market.

"I think the Nordics will remain a good investment going forward including covered bond markets, especially since we also can issue volumes in local and European markets as well"

Fredrik Dahllöf, Nordea