



Nordic Banks Roundtable

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Navigating new currents in capital markets

Nordic banks present varying propositions to bond investors — from some of the tightest and highest quality credits in the FIG market, to infrequent and smaller issuers, to covered bonds. As funds have poured into credit in recent times, they have ridden the wave of inflows with successful issuance to take advantage of strong technical factors in the market. However, there have been challenges to overcome too, such as a general cooling of political sentiment towards the sort of ESG finance that this group of issuers has been at the forefront of championing. *GlobalCapital* gathered together funding officials from some of the sector's most prominent issuers in Stockholm at the end of September to discuss how they are adjusting to the changing funding landscape.

Roundtable participants



Back row

William Symington, head of funding and investor relations, Islandsbanki

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

Morten Baekmand Nielsen, head of investor relations, Nykredit

Petra Mellor, head of bank debt, long term funding, Nordea

Bertrand Tamarelle, executive director, FIG syndicate, Natixis Corporate & Investment Banking

Benoit Vanpouille, FIG DCM origination, Natixis Corporate & Investment Banking

Kerstin Ahlqvist, head of long term funding and sustainability, Swedbank

Front row

Robert Gardiner, executive director, northern hub FIG origination, Natixis Corporate & Investment Banking

Kristian André, head of funding, SBAB

Emma Holmberg, head of long term funding, Länsförsäkringar (LF Bank)

Moderator:
Atanas Dinov, bank finance editor, *GlobalCapital*



GlobalCapital: Let's start our discussion with the macro picture. Could each of you please introduce how your institution has been dealing with the big changes this year that mainly seem to be stemming from the US. Everybody expected that the US presidency would stir markets this year, but maybe not as much as what has happened so far in terms of tariffs, geopolitics and also ESG.

The Nordic region has been a bellwether in the ESG field. This is where we can start the conversation — how the approach to ESG has been affected. Have the changes stemming from the US completely rearranged the thinking about how ESG funding is done?

Petra Mellor, Nordea: We have had some headwinds from the US political landscape, but we have been less affected than some other places here in the Nordics. Nordea is an active, sustainable issuer. We have more than €15bn outstanding in sustainable funding across a handful of different currencies and across all formats from

covered bonds to tier two. We haven't issued an AT1 in sustainable format yet, but we have bonds outstanding in all other formats. Sustainable funding is an important tool in our issuance platform as part of our total funding platform.

The interest in ESG bonds is still large. We have portfolio managers with large appetites for sustainable debt that are really looking for these kinds of bonds.

GlobalCapital: Kerstin, has the US moving back a couple of steps and sentiment towards ESG changing because of that affected your approach to markets? Have you changed your approach to funding in any way?

Kerstin Ahlqvist, Swedbank: We have been a committed issuer of ESG bonds for almost 10 years and have issued three bonds this year alone: in euros, sterling and Swedish kronor. In both the euro and the sterling, which we issued in Q1 and early Q2, the demand was even higher than we have seen for many trades in the past. The percentage of dark green investors was also the

highest we have had in euros. That is positive given the development in the ESG landscape we have seen over the last couple of months.

Swedbank is a good example of a bank that has been steadfast in its strategy and commitments to ESG targets and initiatives. For example, we have kept our ambition to triple sustainable lending by 2027 versus 2022. Staying with previously communicated ESG strategies goes for many other Nordic banks, too. So, if anything, perhaps we are seeing the contrary, that the interest from dedicated European ESG investors on the margins is growing. It is encouraging that some regions, like the Nordics, are staying committed to sustainability even when the market backdrop changes.

Dag Andreas Hjelle, SpareBank 1 Sør-Norge:

We issued our first green bond in 2017 which was a covered. Since then, we have done a couple of senior non-preferred and three senior preferred in benchmark format. I would say there was a little bit more interest before than we have seen in the last couple of years, at least the last one and a half years.

I remember we spoke a lot about ESG in investor meetings some time back but not that much in the last year. It could be that we are already established as a green issuer now. We have an MSCI rating of AAA, so that could be one of the interesting factors why there feels to be a little less investor interest in the topic.

GlobalCapital: Has that transition affected pricing strategies in any way? Has it affected whether you would do a social or a green bond? Kris, what's your perspective?

Kristian André, SBAB: The latest developments haven't changed our commitment to ESG. Rather, we are looking into how we can continue to evolve in the ESG space. If that means that in the future social bonds would be on the table, that would be a welcome development, but it's not there just yet. We have, however, remained an active issuer in the green space this year. We have done several Swedish krona deals as well as euro deals twice — senior preferred and senior non-preferred — this year.

So, the commitment to ESG is as strong as ever and it's a great point that one has to look at the dark green investors and how they play

"Seventy percent of our funding comes from the eurozone, so there hasn't been much change in our funding mix"

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



along with new deals. Obviously, different ESG aspects draw interest from investors but we're also in an environment where the demand has been strong, so what's important is trying to decipher what orders come because a bond is green and those that would have been there regardless of the format.

By doing so one can try and quantify the use of the green label and earmark the actual green orders and say which would not have been there if it wasn't for the green format. Otherwise, it's hard to really pinpoint the difference in conventional versus green issuance, that is, the lack of the green label.

GlobalCapital: In terms of the differentiation between the two green bonds under the ICMA and EU Green Bond (EuGB) standards, is there any interest from the issuer community here to do EuGBs?

Ahlqvist, Swedbank: That is what we hear. Some Nordic issuers are better suited to issue EuGBs than others. It depends on both available green assets and data availability. If we now hear that the bonds that have been issued are attracting a larger proportion of the dark green funds, of course that is something that many issuers like to attract. It could help drive issuance growth this or next year.

GlobalCapital: I'm keen to hear a little more on how the macro picture has changed the funding perspective. What has happened with the tightening of monetary conditions in the Nordics and how has that affected funding needs and the way you approach the bigger euro bond market?

Baekmand Nielsen, Nykredit:

It hasn't changed a lot. When we talk about senior debt and capital, we get the vast majority of our funding from the euro markets anyway. About 80% of our bonds are placed outside the Nordic region. I wouldn't say that approach has changed a lot. The changes in interest rates have more of an impact on our balance sheet through accounting and regulations and can actually impact our needs for funding, especially when long interest rates change.

But apart from that, I don't think rates have had a huge impact on

our funding mix, because Danish law requires us to fund all mortgage lending with covered bonds. There is no shopping around between the various instruments on our balance sheet. The universal banks around this table would have a much more flexible approach to that, whereas we, as primarily a mortgage lender, a specialised mortgage lender, are more locked into what we can issue, so not a huge impact for us.

GlobalCapital: Has anyone been impacted by the funding rates environment this year or changed their funding strategy in any way from the previous year?

André, SBAB: When rates went up back in 2022, we changed our strategy in terms of where we found our funding. We went from being heavily skewed to capital markets to making a strong push for deposits. Anyone who lives in Stockholm or who stopped by from time to time would have all seen the marketing campaigns. They have paid a lot of dividends.

We made a stark shift in our funding mix during that period. Today, with rates having come down from the peak, we're once again back to a more normalised way of doing things. Redemptions will mostly be refinanced in the bond market. But through this most recent rate cycle, deposits were an important part of us continuing to be profitable and meeting our return on equity target.

So yes, things definitely changed for us, but I think we can safely say we've moved into a new phase. I wouldn't say we're moving back to the phase before rates went up, instead this is a new chapter where we have two sources of funding to rely on. The deposit funding will

continue to be there — that's the ambition — and then we have the 'old faithful' wholesale funding market to support us as well.

GlobalCapital: So with higher rates, you have attracted more depositors and that has resulted in a cheaper cost of funding, is that correct?

André, SBAB: Yes, deposits were the cheapest funding source for the last few years and that remains the case today.

We only offer a savings product, no debit accounts or credit cards or anything like that. People once again realised that they are supposed to be paid something for having their money in the bank. We realised that and capitalised on it.

GlobalCapital: Yes, higher rates have brought depositors back. Has that affected your covered bond issuance, Dag?

Andreas Hjelle, SpareBank 1

Sør-Norge: Norway has kind of a weird structure. We export most of our capital via the sovereign wealth fund. That means that the banks with a little bit of a balance sheet have to go abroad to get funding. Seventy percent of our funding actually comes from the eurozone, so there hasn't been much change in our funding mix.

But we merged with a smaller bank. The smaller banks [in Norway] normally have a higher proportion of retail clients, which means that we have bigger potential now to issue covered bonds, so that has more affected our case. The technical merger is now in place, so we can also get closer to using their balance to issue covereds. So, for



"In the Swedish and Norwegian markets, issuing longer-dated senior debt has proven effective, and we frequently receive investor interest for these maturities"

Emma Holmberg, LF Bank

“For smaller issuers with limited funding needs — choosing the long end simultaneously means being a less frequent issuer”

Kristian André, SBAB



us, there will be a few more covered bonds going forward, but not due to the rates environment.

GlobalCapital: What about Islandsbanki? How have you approached markets this year?

Symington, Islandsbanki: There’s been strong growth in deposits at the bank. Iceland maintains the world’s smallest freely floating currency.

We saw interest rates peak at 9.25% in Iceland. They stayed that way until about November last year when cuts started to happen.

Deposit rates have been strong at the bank, but there’s also been another thing — the sophistication of domestic investors has grown. We used to have to source all our senior funding and all our tier two outside Iceland in foreign currencies. Now, all our tier two is in the Icelandic krona because investors have become familiar with it, and indeed a large part of our senior funding. So we’re less reliant on foreign currency funding than we used to be.

The rates environment hasn’t, on its own, influenced the balance between kronur funding and foreign currency. But swapping between the krona and a foreign currency is not a straightforward proposition. It can be done in smaller sizes.

When we need ISK funding, there’s only one place to get it — in Iceland.

Similarly, when we need foreign currency, we source that outside Iceland and it stays in foreign currency — we can’t swap between the two.

Inflation-linked mortgages are a big thing in Iceland and have been for 50 years. What we see as rates decline is that the proportion of inflation-linked lending against

normal lending fluctuates and we’re now in a position where we’re seeing a slight decline now in CPI-linked lending as rates come down in Iceland.

They’re now 7.5% and may go down to 6.5% by the end of year, maybe 7%. But inflation is being a bit stubborn in Iceland.

So yes, it hasn’t really changed. Other issues, rather than the broader macro picture, have changed behaviour in Iceland.

GlobalCapital: I’m keen to hear from an arranger’s perspective, from a bank advising investors, what your syndicate view is?

Tamarelle, Natixis: To better understand the issuers’ approach, it’s interesting to analyse this year’s data, as it has shown some unique trends in sequencing. For instance, covered bonds lagged significantly at the beginning of the year. By the end of May, the volume of covered bonds issued was down 20% compared to the previous year, while credit issuance had increased by 20%. This is an unusual phenomenon as issuers typically tend to front-load funding in covered bonds.

We tried to understand why issuers opted to front-load their funding in credit this year and identified several contributory factors. At the start of the year, there was a small divergence in spreads between covered bonds and senior debt. When this occurs, issuers are incentivized to save their collateral and prioritize credit, which is precisely what happened in early January.

It’s also important to note that credit spread levels were relatively tight compared to the last two years and macroeconomic concerns arose following Trump’s election

in November. As a result, issuers looking to mitigate risks chose to focus on credit funding. This year’s trend of massive front-loading in credit issuance was particularly notable.

Additionally, there have been substantial inflows into the bond market—an overarching theme this year. As the market is currently driven more by technicals than fundamentals, these large inflows have made issuers more agile, encouraging them to provide higher-beta products to satisfy the strong demand. For example, Petra issued recently a 10-year senior non-preferred bond, which is quite unusual, as well as a perpetual non-call eight additional tier one bond in dollars. This aligns with other issuers, as they all provided higher-spread products to satisfy the demand eager to chase higher yield/spreads.

Overall, this year has been remarkable, with credit issuance significantly dominating the market.

GlobalCapital: Do investors still prefer credit?

Tamarelle, Natixis: The trend has intensified even more since mid-August. If you look at the recent transaction metrics, there’s a noticeable ‘fear of missing out’ (Fomo) effect among investors. When you talk to investors, no one is truly comfortable with current spread levels. However, they all mention that they continue to buy as they are experiencing strong inflows and the opportunity cost of remaining uninvested is quite high.

Recent transactions have registered historically large order books. For example, on September 29, LF Bank recorded its largest order book for a Euro senior bond. Similarly, there have been substantial order books for AT1 bonds as well, which have also been impressive, even though AT1s are printing with fairly tight reset spreads. A noteworthy instance is CaixaBank, which recently issued a perpetual non-call 10-year AT1 bond with a reset spread in the low-300bp. This is one of the lowest reset spreads recorded for an a euro AT1 since the creation of the asset class. Despite the less favourable AT1 vintage, the final order book reached €4.5bn, which is CaixaBank’s highest orderbook for an AT1.

GlobalCapital: Does that incentivise issuers to do more senior bonds rather than covered bonds, Emma?

Holmberg, LF Bank: Not particularly, as we have limited ability to influence that aspect. For example, around 50% of our funding currently comes from covered bonds. Factors such as lending growth, regulatory requirements, rather than direct investor demand, typically drive any changes to this proportion. As a result, we can only do so much to accommodate specific investor preferences in this regard.

Of course, timing also plays a role in our funding strategy. We assess market conditions continuously to determine the optimal timing for issuing covered bonds versus senior instruments. If, for instance, the senior market appears more attractive in March, we may prioritise issuing senior debt at that time rather than starting with a covered bond.

Tamarelle, Natixis: It's really a question of sequencing this year. This year the sequencing was particularly atypical.

GlobalCapital: Did Swedbank change its issuance sequencing because of these market dynamics?

Ahlqvist, Swedbank: We, as an issuer, fund through the cycle. Market developments in recent years have really showed how difficult it is to predict spreads and volatility. That is why we think the most stable and prudent funding strategy is to stay funded — quarter by quarter — with the starting point for funding being balance sheet development. I agree that the bigger banks may have noted that deposits have been stable, maybe more stable than predicted given [quantitative tightening]. That of course impacts banks' funding gaps, which steer the covered bond supply mentioned earlier. In addition, we fund for regulatory purposes. Therefore, our ability to choose what volumes to issue in different instruments based on how tight or wide spreads currently are, is unfortunately limited. It doesn't work like that. The balance sheet and regulatory metrics drive funding volumes per asset class and then we do our best to sequence

"When spreads are wide in foreign currency funding, that has a direct impact on our ability to lend through corporate banking"

William Symington, Islandsbanki



the funding based on relative value dynamics between asset classes and investor demand.

Mellor, Nordea: To add a positive comment on the market being tight spread-wise, yields are still relatively attractive to investors. Hence, covered bond demand is still super robust. We have seen asset managers buying more covered bonds than before because of the tight spread differential between senior preferred versus covered bonds. Furthermore, we have seen more hedge funds coming into covered bonds because of the higher yields on offer. So, despite investors not being too happy with the actual spread, the yield on the bonds that they do buy is not bad.

Tamarelle, Natixis: What you've said is extremely interesting, as the search for yield is currently the main driver of spreads. In the primary market, we are observing more investors coming to crystallise the yield, which leads to a shift in investor demand characterised by fewer specialised players and more yield-focused investors. Additionally, when speaking with specialised investors, particularly in ATIs, it's clear they are less active in primary because they find the current vintage relatively expensive. With the market returning to historically tight levels, the potential for spread performance is limited, especially among tight names. As a result, carry is likely to represent a larger portion of the total return. This shows that investors are focusing less on performance and more on carry, which calls for caution when these situations happen.

GlobalCapital: Morten, have you received any kind of investor

feedback that made you realise that there is a different investor base at play across the capital structure?

Baekmand Nielsen, Nykredit: There is to some extent, especially on the covered bond side. We place about 25% of our covered bonds outside Denmark. A couple of years ago, we saw quite a lot of Japanese investors buy long-dated Danish krone covered bonds. They took the equivalent of about €15bn over a relatively short period of time because the FX hedge worked in their favour. Then that turned around so they have been absent for a while. Although they still hold on to some of their positions, they haven't been investing new funds. That's where you can suddenly see new investors coming from surprising places.

GlobalCapital: I sense a little bit of a pro-European move as in European investors being interested a little bit more in European debt, especially bank debt. Is that something you have felt?

Gardiner, Natixis: If we focus on the covered bond space for a moment, there's definite demand from [European] investors to have non-European supply. We printed an Australian covered issue recently and we've done deals for Canadian issuers throughout the course of this year. It's fair to say that the bigger order books normally come for the non-eurozone names. France and Germany, between the two of them, have provided roughly half of the supply year-to-date. The Nordics clearly benefit from some rarity value as well.

European investors are happy and comfortable to invest in European

names, but they also keep some cash ready to look at non-eurozone names.

GlobalCapital: *Dag, being at a Norwegian bank and trading tightly, how do you market your debt to investors as spreads continue to tighten?*

Andreas Hjelle, SpareBank 1 Sør-Norge: We do benchmarks in Nokkies and euros. We also do private placements in all kinds of currencies. We are currency-agnostic, but we have to swap back to Norwegian krone since our customers are Norwegians with very little currency exposure, so we do a lot of derivatives.

But conferences are really good for [doing] investor work. I went to the Paris conference organised by Natixis which was also good. I was there for the third year in a row, so I've done a hat-trick. So conferences are really efficient and I tend to prefer that as back in the day it was much more tailor-made, as mentioned, which is not that efficient.

But we do see that investors feel we trade tight but nevertheless there's still demand for our debt. Diversification is the obvious [driver from investors] here.

GlobalCapital: *It is something of a trend that Nordic banks are seen as high quality issuers. They have high ratings, which means they trade tight. Has that been a hindrance or has that been an advantage for issuance?*

Holmberg, LF Bank: Not a hindrance. As you say, even if it's tight, it's still quite a decent level for investors, and there's still demand. Funds have seen inflows and they

need to invest and they also want to diversify. When we went down to Spain [for the FT Live Covered Bond Congress], we met a lot of Spanish, Portuguese and French investors. They all want to diversify and they want to look more into the Scandinavian banks. We saw that in our deal yesterday as well.

GlobalCapital: *Does that need for diversification change your strategy? If there's demand for a deal, whether it's a covered or senior bond, but to compensate for the tighter spread, could you go longer?*

Holmberg, LF Bank: No [change in our funding strategy for the time being], our strategy is still to issue euro senior preferred between three to five years though I think you probably would go longer, Petra?

Mellor, Nordea: We use the whole curve. This year, we have issued deals from the short end of the curve to the longer end. It depends a little bit on the market conditions as to how we act. But before, when interest rates were negative, we obviously had to look a little longer generally to offer a positive yield. But now when interest rates are back up again, it's a different story. We have seen strong demand in the three to five year segment, but, then again, for the right names, 10 year demand has also been strong. Nordea has been fortunate where the whole curve has been open to us and there is strong demand from investors across it.

Baekmand Nielsen, Nykredit: Holmberg raises an interesting point about Iberian investors. We did not see them in our books just

a few years ago and now they make up a decent size. We ask them: 'How come you want to invest in a Nordic bank name when you can buy domestic government bonds and maybe match that spread?' It comes back to diversification — all the time. They say: 'Yes, we get that but we need something different and yes, it is 'expensive' to buy Nordic banks but we need to have a little bit of everything.'

Gardiner, Natixis: Spanish banks' cost of funding has gone down and consequently their ability to invest in the tighter names has improved. That makes sense and that's why you're seeing the Nordic names being bought out of Iberia which would not have happened 12-18 months ago. I think that has played a big part in this shift to where the actual macroeconomies themselves trade and compare.

Mellor, Nordea: That's interesting you say that because Nordea issued 10 years in the senior non-preferred format at a relatively similar spread to the French government paper. The French OATs create some sort of floor for us where investors have an appetite to buy us. On the other hand, covered bonds issued from many European banks are AAA rated. They are the safest product you can buy long-term and at the same time, covered bonds offer a relatively good spread for that kind of best-in-class rating. That's why there is still robust demand for that asset class.

Tamarelle, Natixis: But there will be less French demand inside OATs, obviously, as OATs are a key threshold and an important consideration for French insurance companies and bank treasuries. That's why when we have to issue a French covered bond we always try to find the sweet spot versus the OAT if we want to target French investor demand.

Ahlqvist, Swedbank: There is another consideration when we talk about the long end and demand for covers. In Sweden, and I think in most Nordic countries, we are not that driven by the asset-liability match because our assets are, by nature, short maturity. We have 60%-70% of our assets versus a three-month refix rate. We aren't like the French and Dutch issuers, which have a natural need for 15-20 years



Morten Baekmand Nielsen, Nykredit

to liability-match the assets. That's why we can choose to extend on the curve for a covered bond, but it will depend on the flatness of the curve and whether it makes sense from the perspective of an issuer's funding costs. On the senior and capital side, as the drivers are different, we are naturally more flexible about extending out the curve and taking advantage of curve shapes.

Holmberg, LF Bank: We typically swap all our funding to three-month Stibor, ensuring consistency and risk management across our portfolio. In the Swedish and Norwegian markets, issuing longer-dated senior debt has proven effective, and we frequently receive investor interest for these maturities. At LF, our current strategy in the senior euro market is to focus on issuing bonds with maturities between three and five years. This approach is driven also by our observation that our spreads in the four-to five-year segment are somewhat wider than those of our peers and wider than where we believe they should be. This is in contrast to the Swedish and Norwegian krona markets, where our bonds trade in line with our peers. Our priority is to narrow this spread differential in the euro market before considering longer-dated issuance.

André, SBAB: It's also a matter of the frequency of how often you want to be back in the market. For smaller issuers with limited funding needs — choosing the long end simultaneously means being a less frequent issuer. SBAB considers this when deciding on the tenor of any issuance. If we want to have a euro presence in senior preferred or senior non-preferred, we can't place all bonds in the long end, as that would limit our need to come back to the market. Keep in mind, we are a regular issuer in the domestic market as well.

So that's definitely one factor that weighs quite heavily on our decision about where to end up on the curve. We understand we need to remain a relevant issuer for investors to keep following us, and we provide them with a soft commitment to be in the euro space once a year on the covered front and possibly at least once more for either senior preferred or senior non-preferred. For us to live up to that commitment we need our maturity profile to reflect that

strategy. Meaning bonds will have to come up for redemption to enable us to come back to the primary market.

GlobalCapital: It's quite interesting to hear from less frequent borrowers how they access the market because bigger borrowers would also have other markets to tap. So how are smaller bank issuers, less frequent in international markets, accessing the markets in terms of sequencing?

Symington, Islandsbanki: Generally speaking, the way things have panned out, we need to assume one euro senior a year — a senior preferred. And the Icelandic standard is €300m, the minimum possible definition for a benchmark. That's even quite a lot to absorb [for us]. The way we approach the market is we assume that we need to, generally speaking, issue one of those a year.

Above and beyond that, that's where the Swedish and Norwegian krona markets come in because you can issue quite friendly sizes there. Yes, in a sense the difficulty is calling the market. If you've got one shot a year, it's not like some guys can grind it out every month and then play the average. We're confronted with: 'Do we put it on black or red?' But that's how it basically plays out. As Kris was saying, we can't always promise that there will be a transaction, but generally there is.

Of course, it is somewhat spread-dependent as well. When spreads are wide in foreign currency funding, that has a direct impact on our ability to lend through corporate banking. So we've found that when spreads went crazy in

2022 into 2023, Icelandic banks — well, small banks' spreads I think we can say more generally — went wide. It took ages to recover. That puts a material crimp in your ability to lend. Now that spreads have been, shall we say, normal for a period we are seeing that feed through on the corporate banking side. But it's a bit difficult to call.

GlobalCapital: Is there anything you can do for investors if you can issue in euros only once a year? For example, tweak the maturity?

Symington, Islandsbanki: Sure. We've done a certain amount of that. We've tidied up our arrangements somewhat. At the moment we only have two euro senior transactions outstanding — one in 2028 and one in 2030. So that's rather fewer than we've had for years due to the growth of the Icelandic kronur market.

So what are going to do next year? Probably try and term out and if spreads remain as they are, or better, I would expect to go longer. Why not? The geopolitical scenarios that we have in front of us are as hard to read as ever, so we'll see. But I wanted just to point out that the Spanish market has been our second biggest investor base for years.

Ahlqvist, Swedbank: Really?

Symington, Islandsbanki: Yes, I would say from 2020, perhaps for more transparent reasons than for the rest of you. We tend to always be at a premium to the other Nordic names. We can debate whether this is just or not, but it reflects our small size more than anything else. In terms of the appeal that we make



"Investor preferences change all the time, and we try to stay close to these dynamics"

Kerstin Ahlqvist, Swedbank

“We continue to see fund inflows giving us investors that are looking to put money to work”

Robert Gardiner, Natixis Corporate & Investment Banking



to investors, if you buy A-rated or better senior bank paper, then you have no reason not to buy an Icelandic bank.

GlobalCapital: Would you say that has helped you in a way to stand out because euro spreads have also come down while you offer a higher spread compared to the rest of the Nordic complex?

Symington, Islandsbanki: For sure. An Icelandic premium has existed for as long as I've been involved with Iceland and longer. When I was in DCM underwriting Icelandic bonds in the 90s there was quite a premium, not that there was much going on then. So it's always there, it's just a question of trying to reduce it.

But Nordic names have this perception of quality and clearly we have a legacy in Iceland that is slipping into memory now. But the fact is that the quality is most certainly there, with the three Icelandic banks being the highest capitalised banks in Europe, by far, and with low leverage and sound lending portfolios. It's simply a question of what else do you need from us? If the answer is more size, then that's when the conversation gets quite tricky.

GlobalCapital: Are others thinking of eventually extending their funding as well? Morten, what's your perspective?

Baekmand Nielsen, Nykredit: In the current environment it makes sense to go longer in senior debt. We have typically been active all the way down from two years to attract some of the money market funds

and then out to seven years. We never really managed to go out to 10 but seven has been on the table several times.

GlobalCapital: Is that for covered and senior bonds?

Baekmand Nielsen, Nykredit: This is for senior or capital but primarily senior non-preferred. That's by far the biggest funding instrument for us away from covered bonds. We're probably one of the biggest euro issuers in the Nordic region for senior non-preferred. Also, because we primarily fund in euros and then do a bit of more opportunistic funding in Swedish and Norwegian krone, also in senior non-preferred. But in the current environment, it makes sense to go slightly longer.

And we have more to do this year. We did €2.25bn in senior non-preferred and tier two in January to finance an acquisition and we will probably do €750m-€1bn more for the rest of this year.

GlobalCapital: Dag, from your perspective, would you be going longer?

Andreas Hjelle, SpareBank 1 Sør-Norge: We have issued from three years up to 10 and we go with the market and where the sweet spot is. We don't have to pay up for duration due to balance matching or regulatory purposes. But of course it's tempting when the 10 year curve is flat to fives, perhaps we could go longer. But there's no need to pay up, so we'd rather go where it's most favourable for us and the pockets are the deepest.

GlobalCapital: Where do you think those points will be going forward and where will be the best match for you?

Andreas Hjelle, SpareBank 1 Sør-Norge: Five years — that's the safest. There are some investors who have a cliff at five years, so that would naturally lower demand further out. But then again, we normally go where the investors' sweet spot is and pockets are deepest.

GlobalCapital: Would Swedbank be interested to extend in this market environment?

Ahlqvist, Swedbank: As I mentioned earlier, we fund through the cycle. Depending on how the curve looks, we can make decisions on individual trades. Investor preferences change all the time, and we try to stay close to these dynamics.

Mellor, Nordea: Nordea has chosen to fund a bit longer this quarter. We've done a 10 year euro covered bond and a 10 year euro senior non-preferred bond due to the environment we currently are in. Spreads in the long end are historically attractive. Whereas at the beginning of the year, we generally funded slightly shorter as spreads generally were a bit higher.

Tamarelle, Natixis: At the beginning of the year, the issue was not really about demand for longer tenors; it was more about supply, as we struggled to find issuers willing to pay for the curve extension due to the steepness of the curve.

GlobalCapital: From a DCM banker's perspective, Rob, how would you be advising clients going forward?

Gardiner, Natixis: If you look at the DCM tried and tested line of “you need to print yesterday!” — it's easy to say. It's been touched on here, Bill, just mentioned it — the geopolitical macro backdrop is complicated. We talk about drones over airports in Denmark and over Oslo as well. There's clearly that shadow hovering over all of us in the Western world.

In terms of funding going forward, Q4 is approaching, meaning silent periods, and issuers

getting to the end of their funding cycles — though the majority — and not just in this room — but the majority of issuers are well advanced in their funding plans. We continue to see fund inflows giving us investors that are looking to put money to work.

I wouldn't be surprised if we do see some pre-financing in the fourth quarter. Again, it's an easy DCM thing to say but I think it's a prudent approach to take with the backdrop that we have.

GlobalCapital: Would you be advising more seniors or more covered?

Gardiner, Natixis: whatever asset class issuers need to print, they should print it. Probably more so on the senior side while the levels are as attractive as they are, as it makes most sense right now. Fund inflows probably have more of a skew to go into unsecured than covered. If issuers have the capacity to do a bit of pre-financing — taking into consideration the cost of carry — they should closely look at it.

GlobalCapital: But the Nordic banking sector is highly rated, so has there been any pressure on ratings that has changed over the past 12 months? Do you expect a change in terms of ratings for the sector?

Mellor, Nordea: The Nordic banking sector is extremely strong and resilient. We have seen more positive than negative momentum. Swedbank, for example, was upgraded by S&P the other day and we ourselves are on a positive outlook from Moody's. In this uncertain environment, we have an advantage here by operating in the Nordic region — the economies have been shown to be resilient and the banks have extremely robust balance sheets with exceptionally low credit losses and high return of equity.

Backmand Nielsen, Nykredit: I completely agree. The only thing I would say is that the noise in this arena is the methodology changes we see from the rating agencies. We always have the risk that something will change without anything fundamental having changed, simply because of methodology.

All the ratings agencies are either in the process of [to changing



“The Nordic economies have been shown to be resilient and the banks have extremely robust balance sheets with exceptionally low credit losses and high return of equity”

Petra Mellor, Nordea

methodologies] at various parts of the capital structure or have issued requests for comments and so on. So there is a lot going on from several of the rating agencies, be it on covered bonds or bank ratings. It just creates a bit of background noise.

But I completely agree with Petra's assessment of the banking sector in general. It's super strong, profitability and capital are strong against a good macroeconomic backdrop. I would say it's more methodology noise in the background.

GlobalCapital: What's the syndicate view? Do you agree with the DCM view?

Tamarelle, Natixis: That's really dependent on the market condition. When the market is volatile or uncertain, we strongly recommend that issuers utilize the ESG label. ESG transactions are particularly valuable in mitigating execution risk during such periods and also enable issuers to secure funding for more challenging tenors, as there remains strong demand from investors who have a bucket to allocate to ESG.

However, regarding pricing, we believe that the pricing power for ESG has diminished compared to previous years. While investors still express interest in ESG, especially in green investments, there is a noticeable lack of willingness to pay a premium. Investors are now more disciplined in their investment.

For issuers aiming to save the last basis point, it is better to opt for a senior structure. In the case of covered bonds, although we observe increased demand, investors are somewhat less inclined to pay a premium at current levels.

GlobalCapital: There were some really interesting comments, for example — inflows is the word of the year. Senior and tier two transactions were referred to earlier when, Morten, you mentioned combining these two asset classes together. With all this Fomo going on right now, hypothetically speaking for the bigger issuers here, would you consider issuing senior and capital at the same time?

Mellor, Nordea: Rarely. We prefer to issue one product at a time rather than to combine them. As a large issuer, we tend to fund through the cycle and we are a quite regular issuer in the market. But we try to diversify across formats and currencies and usually we issue in one format and currency at a time.

Backmand Nielsen, Nykredit: I totally buy into that. For us it was more a question of having a fixed amount that we needed to do in relation to the Spar Nord acquisition and we wanted to make sure that we didn't have investors sitting on the fence thinking there will be more to get out of the way. We also wanted to attract the attention that a larger transaction would give us. Otherwise, I would agree with Petra — let's keep things separate and do one thing at a time, but this was a special case for us.

GlobalCapital: Emma, if you can potentially issue capital, would you do it next year?

Holmberg, LF Bank: Regarding capital instruments, we currently issue exclusively in Swedish kronor, as our size and issuance volumes are not yet sufficient to access the euro market for these products. Most



“While investors still express interest in ESG, especially in green investments, there is a noticeable lack of willingness to pay a premium”

Bertrand Tamarelle, Natixis Corporate & Investment Banking

recently, we successfully placed an AT1 instrument in Swedish kronor at a very competitive spread—tighter than several of our peers—which demonstrates the strong support we enjoy from our Nordic investor base.

Looking ahead, we remain optimistic yet humble. Market conditions can shift rapidly and there may be periods when issuance windows are limited for all participants. As such, it is crucial for us to closely monitor market developments and maintain an active, ongoing dialogue with both our investors and DCM bankers. This approach will help ensure we are well-positioned for the future. What’s your view, Kerstin?

Ahlqvist, Swedbank: we have all been humbled by the market volatility over the last couple of years, but I try to stay positive. I agree that following the market and staying close to investors is key in navigating the tricky funding landscape. For Sweden, I hope that during next year the economy will pick up and bridge the gaps we were talking about related to lending growth and the mortgage market. Rates remaining stable, hopefully, may also spur consumption in Sweden which has been muted lately and hopefully that will filter into the broader economy. Funding-wise, we project quite similar volumes to this year and aim for a continuously stable, resilient and diversified funding strategy.

Symington, Islandsbanki: I don’t have a moment’s hesitation about the Icelandic economy. Everything is going well there. Actually, it’s noticeable that the economies represented here are doing well and in many ways are uncomplicated compared to other places. I fear geopolitics, but what that means I couldn’t possibly tell you.

We’re going to be inclined to take advantage of good markets when we can, when we have something to do. That may indeed include Swedish krona or Norwegian krone additional tier one because we have one that’s out for call next year. We hear from the investors here that they’re impatient for more, so we will see how that pans out.

But otherwise, yes, we can be optimistic about Iceland as we can be about Norway, Sweden and Denmark, for which we can be thankful.

GlobalCapital: Dag, you said you are planning a potential covered bond?

Andreas Hjelte, SpareBank 1 Sør-Norge: Yes. Maybe I shouldn’t be the negative one here, but I’m afraid that inflation could be stickier than we believe. So that’s on one side. But for us, we’re going to be quite active in covered issuance, most likely also a senior too. We also have a senior non-preferred call coming up, so 2026 is going to be another busy and fun year.

Tamarelle, Natixis: As long as the technicals remain strong, the market will hold steady and evolve in a narrow range, and I don’t expect a significant correction. While spreads are tight, they are supported by a higher for longer rates environment. As long as investors continue to register strong inflows it’s definitely very positive. But I will be mindful if we see a reduction there as the technicals are currently in the driving seat. I like this quote from Chuck Prince, the former CEO of Citigroup — “As long as the music is playing, you’ve got to get up and dance”. So far, the music is still playing but we

must remain cautiously optimistic and agile in this environment.

GlobalCapital: Kris, are you cautiously optimistic about heading into 2026?

André, SBAB: If I were to skew any of the two ways we can go from here, I think it’s hard to say that we’re going to go much tighter. So in that sense, that leaves us with the possible risk of drifting slightly wider over time. When looking ahead we will be carrying that risk into 2026.

That being said, I don’t anticipate it becoming worse than what we’re looking at right now.

From SBAB’s point of view, we have an active year ahead of us, so we’re obviously hoping for the capital markets to be there in the same way as they have been this year.

One thing that hasn’t really been mentioned so far is the development of the EU’s CMDI (crisis management and deposit insurance (CMDI) regulation. If we were to go to the final conclusions on that, maybe that can start to move things around for banks who will be affected by it in their senior and senior non-preferred issuance. So we’re looking out for that, but overall, I have a balanced view on next year.

Gardiner, Natixis: I’m not going to say cautiously optimistic, because Bertrand has stolen that line. From my perspective, spreads will stay where they are, and yes, we’ve got the fund inflows which are supportive of this, but I’m probably more in Bill’s camp of not quite knowing what the geopolitical risks will bring us next year. Putin is clearly testing Nato. I’ve mentioned drones; there’ve been incursions in Nato airspace where frankly there shouldn’t have been. And now you’ve got Trump saying: ‘Next time it happens, you shoot them down.’ Does that happen tomorrow, next month, next year? For me that’s a fairly big risk that none of us can really quantify what that will look like next year. Absent that, I think we will carry on as we are.

GlobalCapital: From the sound of it, as long as spreads remain tight, it’s going to be good for funding next year, at least the way things are now, so I hope these conditions continue. Thank you very much for your participation. ©

Íslandsbanki in focus: Capital strength and global reach



GC: Now that the government has fully exited its stake, what does life as a completely private institution mean for Íslandsbanki's strategy and market positioning?

Hlöðversson: Íslandsbanki has always behaved as a private bank, so the government's sell-down hasn't fundamentally changed our strategy. If you look back at our history, we trace our roots to 1875, and mergers and acquisitions have shaped the institution throughout. Aside from a period after the financial crisis, when the state became an owner, we've been privately held for most of our history.

We IPO'd the bank in 2021, bringing in a broad range of investors — from retail and domestic pension funds to mutual funds, insurers, private investors, and significant international equity holders. The government gradually reduced its holding until its stake was fully sold in May this year, with demand for the final sale exceeding even the largest expectations. We see the immense success of the sell-down as an endorsement of our strategy and performance in recent years. Investors recognised that we regularly review and fine-tune our approach, and that we bring something attractive to both equity and debt holders.

GC: Iceland has often been viewed as a small but resilient economy within Europe. How do you position that story to international investors, particularly against larger Nordic or continental peers?

Hlöðversson: Overall, the economy is in an enviable position. We have one of the largest landmasses per capita in the world, abundant space for housing and industry, and we generate almost all our own energy from renewable sources — hydro and geothermal, with wind and solar being explored. That makes us self-sufficient and positions Iceland as a de facto exporter of sustainable energy, often in the form of metals and heavy industry.

Tourism has become another pillar, growing from half a million annual visitors in 2010 to around 2.2 million

Following the Icelandic government's exit from its stake earlier this year, Íslandsbanki has returned to its roots as a fully private institution. The huge institutional appetite for the bank's shares reflects its long history, conservative risk profile and sustainable growth. With fresh opportunities on both the domestic and international horizon, the bank is balancing stability with ambition. *GlobalCapital* spoke to the firm's CFO **Ellert Höðversson** about the Íslandsbanki journey, Iceland's economic resilience and the bank's approach to funding diversification

today, compared to a population of under 400,000. More recently, intellectual property and data centres have emerged, using our clean energy and cool climate for efficient computing. The Central Bank has ample reserves and the labour market is flexible, adding to Iceland's resilience.

The net international investment position (NIIP) of Iceland has also changed significantly over the last 25 years. From 2000 and until the mid-2010s, it was always negative and had been so consistently since official record-keeping began. In a manner of speaking, this meant that the domestic economy was running an overdraft with the rest of the world. Iceland was therefore reliant on foreign creditors to avoid a capital flight-driven currency crisis. This is simply not the case anymore. The NIIP of Iceland was 42% of GDP in 2024, compared with negative 60% and negative 180% in 2000 and late 2007 respectively.

It is also worth noting the low leverage of Icelandic households, corporates and the government. Government gross debt as a percentage of GDP has been decreasing since its peak in 2011 and is now lower than in the European Union. Private debt levels are also lower than in 2008, having come down significantly since 2010 and to a greater extent than those in other Nordic countries. So when we speak to international investors, we emphasise Iceland's resilience and its forward-looking growth drivers.

GC: Íslandsbanki has been an active issuer across covered bonds, senior debt, and hybrid capital. How does your issuance strategy differ from

similarly sized Nordic banks, and where are you seeing the strongest investor demand?

Hlöðversson: One feature that differentiates Iceland is the tradition of CPI-linked lending and funding. Borrowers often pay real interest rates, with inflation indexing the principal. That creates natural demand for CPI-linked instruments on the funding side. So in ISK we effectively manage two balance sheets: nominal and CPI-linked.

Deposits make up about half our funding. In wholesale markets, more than 50% of issuance is in ISK, largely covered bonds. We've also developed the domestic senior preferred market, and we issue Tier 2 instruments. Internationally, the euro market is largest in terms of ticket size, but the Nordic markets are also vital, acting as a 'second home'. We see strong engagement there, often with dozens or even hundreds of investors in a single transaction.

Our philosophy is diversification. We don't want to rely on any single product, geography, or investor base. We manage maturities to avoid repayment spikes, and we maintain relationships with investors globally, from Europe to the US, Middle East, Asia, and Australia. That breadth of distribution is central to our funding resilience.

GC: Your capital ratios and profitability metrics are consistently strong. What do you see as the distinctive features of Íslandsbanki's risk management and capital structure that set you apart from peers?

Hlöðversson: What stands out is the conservatism and collateralisation of the loan book. Over 94% of loans are secured, mostly by real estate. Underwriting standards are strict, and impairments have been consistently low. Diversification is also key — the corporate portfolio mirrors the Icelandic economy and is spread across industries.

On capital, all Icelandic banks use the standardised approach for risk weights, unlike larger European peers that use internal models. That means our reported capital ratios look comparable — around 20% — but the risk density is higher. Our risk-weighted assets are about 60–65% of the balance sheet, versus 35% for many peers. As a result, our leverage ratio is around 12%, compared to 5%

in Scandinavia. Put simply, we operate with roughly double the equity buffer of comparable banks. That capital strength is a clear differentiator when international investors assess our credit quality.

CG: Given your secure loan book and surplus capital, how do you strike the balance between investing for growth and rewarding shareholders — and might that path look different from your Nordic peers?

Hlöðversson: We're not chasing market share at the expense of profitability; our focus is sustainable, profitable growth. That said, there are attractive pockets. Land-based fish farming is capital-intensive and a new sector with potential.

International lending is only 2–3% of our book, but we are expanding this through participation in infrastructure and bridge financing syndicates. This reduces geographic concentration and offers potential margin uplift.

We also have significant excess capital. New regulation is reducing capital needs for low-risk books like ours. That gives us flexibility to support shareholder returns and deploy capital into new lending or carefully selected acquisitions. Historically, Íslandsbanki has grown through mergers, and we see opportunities for niche international expansion. Our approach is cautious but ambitious: to use our strong capital and liquidity position to diversify, grow, and continue delivering returns.

