

NORDIC FIs & COVERED

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Danske sells Eu1bn covered, market withstands heavy supply



Danske Bank launched a Eu1bn (Dkr7.5bn) five year covered bond on Tuesday amid a wave of supply that the market proved more than able to absorb, and further benchmarks are due early next week.

The reopening of the market on Thursday of last week (27 August) with a Eu1.25bn long six year issue for Crédit Agricole Home Loan SFH – which was followed by deals for SpareBank 1 Boligkreditt and OP Mortgage Bank the following day – proved a mere prelude to a frenzy of covered bond issuance this week as 10 benchmark deals hit the market.

Danske was among four issuers to tap the market on Tuesday after Commerzbank had on Monday – a public holiday in the UK – sold a Eu500m 10 year deal. The Danish bank entered the market alongside CFF, Santander and UniCredit Bank Austria, and four more deals hit the market on Wednesday, from Caffil, DG Hyp, Erste and Royal Bank of Canada.

BayernLB was the only issuer to enter the market yesterday (Thursday) ahead of the European Central Bank's latest monetary policy announcements in the afternoon, taking euro benchmark supply in the week to Eu8.25bn.

Syndicate officials said that the market remained constructive despite the heavy supply, and Italian issuers Banco Popolare di Milano and UniCredit have already mandated for new issues that are expected early next week, with others expected to join them in the primary market ahead of industry events in Barcelona on Wednesday and Thursday.

"Clearly the liquidity to be put to work is enormous," said Vincent Hoarau, head of FIG syndicate at Crédit Agricole CIB. "I would have expected some signs of fatigue earlier in the week, but it was only really yesterday that they perhaps emerged.

"So it is a case of 'so far, so good'. I think it will continue like this next week" *(continues on page 2)*

Riksbank holds fire, but more QE, possibly covered, anticipated

Sweden's Riksbank kept the repo rate unchanged at minus 0.35% yesterday (Thursday), although market participants still expect the central bank to engage in further monetary policy measures over the coming months.

Market participants had largely been expecting the repo rate to remain unchanged, according to various surveys, although a substantial minority of around one-third had expected a cut of 10bp or more.

The krona strengthened on the back of the Riksbank's announcement, although Valentin Marinov, head of G10 FX strategy at Crédit Agricole CIB, said that the currency could remain vulnerable after that relief rally.

"The statement does not read hawkish at all and the Riksbank highlights that rates could be cut and QE expanded again," he said.

The central bank said it will continue with its purchases of government bonds until the end of the year, in line plans announced in July, and that the repo rate is expected to be minus 0.35% for about one year, while the repo rate path reflects the possibility of lowering the *(continues on page 3)*

Latest Nordic FI benchmarks

Senior unsecured (z spreads mid)

SWEDA	FRN	08/20	39bp
NDASS	FRN	06/20	32bp
SBAB	FRN	06/18	29bp

Covered bonds (asw spreads mid)

DANBANK	0.375%	09/20	3bp
POHBK	0.625%	09/22	-3bp
SPABOL	0.750%	09/22	6bp

Source: CACIB trading 3/9/15

Early movers OP, SpareBank 1 happy with results

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until everyone flies off to Barcelona on Wednesday.”

Danske Bank announced its mandate on Monday morning while the market was relatively quiet in a bid to reserve a slot for issuance in what was expected to be a busy Tuesday, according to a banker at Danske, which was joint bookrunner alongside ABN Amro, Commerzbank, Crédit Agricole CIB and Natixis.

The leads then on Tuesday morning went out with initial price thoughts of the mid-swaps plus high single-digits, then set guidance at the 6bp area on the back of over Eu1.2bn of indications of interest. With the Danske banker citing some spread sensitivity in the book, the final spread was set at 5bp on the back of Eu1.9bn of demand, allowing for the issuer's maximum Eu1bn deal size, and orders ultimately totalled Eu2.1bn from more than 110 accounts.

Germany and Austria took 47% of the issue, the Nordics 19%, the Benelux 10%, Switzerland 7%, the UK and Ireland 5%, France 5%, and others 6%. Banks were allocated 48%, asset managers 24%, central banks and SSAs 18% pension funds and insurance companies 7%, and others 3%.

Danske's deal was the first of the week

outside the remit of CBPP3 but Hoarau at CACIB noted that it still managed to attract more than Eu2bn of demand and over 100 investors.

“This confirms that liquidity from private sector investors is deeper in five years than in seven years,” he added.

OP Mortgage Bank and SpareBank 1 Boligkredditt got in ahead of this week's supply last Friday, with each of the Nordic issuers selling Eu1bn seven year deals.

SpareBank 1 Boligkredditt had originally eyed the market as far back as May and had mandated banks, but, in light of market volatility and challenging issuance conditions, decided to wait until after the summer lull, according to Eivind Hegelstad, COO and head of investor relations at the Norwegian issuer. Volatility then resurfaced at the beginning of last week on the back of sharp falls in Chinese stocks, but SpareBank 1 decided to proceed.

“It wasn't a super-easy decision because of the week's volatility,” said Hegelstad. “We spent a long time hand-wringing and thinking about when to go, because we obviously heard that there was a pipeline building and we felt that we wanted to be early. We did talk about opening the market as well, but then the Crédit Agricole deal came out

and we thought, excellent, one's gone already, it's now our time.

“Then the second question was, does it make sense to go on a Friday or should we wait until next week? Waiting until this week would have caught us up in the supply wave, so we decided for the Friday.”

Leads BNP Paribas, Deutsche, Natixis and Swedbank went out with IPTs of 10bp-12bp over mid-swaps for the seven year deal before moving to guidance of the 9bp area on the back of Eu1.5bn of orders, then priced the Eu1bn issue at 8bp over on the back of almost Eu1.7bn of orders from some 115 accounts.

“It went very well because we had a large number of investors, a large order book, and we were able to tighten in pricing nicely from IPTs during syndication – not overly aggressively, but a nice classic tightening,” said Hegelstad.

“We paid a little bit of a new issue premium, which was I think a fair premium – it attracted attention and was able to win around a large crowd of investors. This is our first euro benchmark since November 2013 and to see that we had a lot of interest returning after such a long time was very pleasing.”

On the same day, OP Mortgage Bank leads Credit Suisse, Pohjola, UBS and UniCredit priced the Finnish issuer's Eu1bn seven year deal at 1bp through mid-swaps. The deal was launched with IPTs of the 3bp area, before guidance was set at 1bp on the back of Eu1.4bn of orders.

“I felt it went very well,” said Lauri Iloniemi, managing director of OP Mortgage Bank. “The demand was there and it was a good trade.”

Like SpareBank 1, OP was mindful of further supply in its choice of timing.

“It was a pipeline question,” said Iloniemi. “I know there are a lot of Nordic issuers that are looking at the market and I wanted to be at the head of the pack. Friday normally isn't the best possible day to come to the market but the Thursday before was a solid day, we saw that deals were doable then, and after nothing negative happened overnight – on the contrary the opening on Friday morning was a very good one – there was no reason to not go.

“Of course had the market conditions been better before Friday I would most likely have had a look at that.” ■

Nordic FIs & Covered Bonds

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Riksbank rapid response ready

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repo rate further.

It went on to say that it is maintaining “a high level of preparedness to rapidly make monetary policy even more expansionary ... if this becomes necessary”, citing further rate cuts and an expansion of government bond purchases.

“The Riksbank is also prepared to intervene on the foreign exchange market if the upturn in inflation should be threatened as the result, for instance, of a very problematic development in the markets,” it added. “The purchase of other types of securities and the launch of a programme for lending to companies via the banks may also come into question.”

In an SEB survey of market participants ahead of the Riksbank’s announcements 70% of respondents indicated that they expect one or more of a variety of monetary policy measures – such as additional asset purchases, currency intervention or a rate cut – in the next six months. Almost 20% predicted covered bond purchases.

However, a covered bond analyst said



**Stefan Ingves,
Sveriges Riksbank governor**

that he would be surprised if the Swedish central bank followed the European Central Bank’s example of a covered bond purchase programme given house price and mortgage market developments in Sweden.

“A covered bond purchase programme would seem absurd to me,” he said, “but I continue to learn every day.” ■

Senior FRNs added to Skandia Norway switch

Sweden’s Skandiabanken is seeking bondholder approval to transfer two outstanding Norwegian krone senior unsecured FRNs to a new subsidiary in Norway it is establishing ahead of a fourth quarter IPO of its banking operations in that country.

The bank launched the exercise on Wednesday after having already begun a similar move for covered bonds it has issued that are denominated in Norwegian kroner and backed by Norwegian residential mortgages.

(See last week’s *Nordic FIs & Covered* for more details.)

The two FRNs, maturing in 2017 and 2019, total Nkr1.62bn (Eu175m, Skr1.65bn) and represent all Skandiabanken’s outstanding senior unsecured debt in Norwegian krone, meaning that the Swedish bank will only have Swedish krona issues outstanding should it gain approval for the move.

The new issuer of the bonds will ultimately be the new Skandiabanken ASA, which is being created out of Skandiabanken’s Norwegian branch. ■

Third Handelsbanken Samurai rides out volatility

Svenska Handelsbanken sold a ¥66.8bn (Skr4.67bn, Eu496m) three tranche Samurai last Friday (28 September) in its third visit to the Japanese market in three years and against a volatile market backdrop.

The senior unsecured issue was split into a main ¥59.2bn five year fixed rate tranche priced at 1bp over swaps – the tight end of guidance, plus a ¥4.6bn 10 year fixed rate tranche at 12bp over, and a ¥3bn five year floater priced at Libor plus 5bp.

The bookrunners were Bank of America Merrill Lynch, Mitsubishi UFJ Morgan Stanley, Nomura and SMBC Nikko and a banker at one of the leads said the Swedish bank enjoyed a first mover advantage by being the first European FIG issuer into the Samurai market after the summer holiday season, and could take comfort

in the resilience of the Japanese market amid broader volatility.

“Despite extreme volatility in the global markets given concerns over the Chinese economy, Svenska Handelsbanken received solid investor demand for all three tranches, on the back of its strong credit profile,” said the lead banker.

Around 90 investor participated in the transaction, with the largest, fixed rate five year tranche attracting demand from a broad range of investors, he said, and the 10 year fixed and five year FRN tranches mainly supported by life insurance companies and banks, respectively, while the order book was split 77%/23% between central and regional investors.

Handelsbanken last issued in the Samurai market in August 2014 after having debuted in June 2013. ■

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Euro Nordic covered bond & senior unsecured secondary spreads

Covered versus ASW, senior unsecured (shaded) versus Z spreads, 3/9/15. Source: CACIB trading. See disclaimer on page 5.

ISIN	Coupon	Maturity	Mid Spd	ISIN	Coupon	Maturity	Mid Spd
AKTIA (*AKTIA REMB)				NYKRE (*senior secured)			
XS0946639381*	1.125	25/06/2018	-9	LU0921853205*	1.750	02/05/2018	31
XS1056447797	1.000	15/04/2019	-8	LU0996352158*	1.750	28/01/2019	32
XS1210338015	0.250	31/03/2022	-6	POHBK			
BRF				XS1076088001	0.750	11/06/2019	-10
XS0882166282	2.500	31/01/2018	55	XS1045726699	1.500	17/03/2021	-8
CBSBKF				XS1285892870	0.625	04/09/2022	-3
XS1227609879	1.000	06/05/2020	70	XS1144844583	1.000	28/11/2024	-6
DANBNK				XS0931144009	1.250	14/05/2018	29
XS1113212721	0.375	26/08/2019	-2	XS1077588017	1.125	17/06/2019	35
XS0469000144	4.125	26/11/2019	-3	XS1040272533	2.000	03/03/2021	56
XS1197037515	0.250	06/04/2020	0	XS1196759010	0.750	03/03/2022	62
XS1287931601	0.375	08/09/2020	4	SANTAN (Norway)			
XS1071388117	1.250	11/06/2021	-3	XS1218217377	0.625	04/20/2018	53
XS0519458755	3.750	23/06/2022	2	SBAB			
XS1139303736	3mE+35	19/11/2018	30	XS1117542412	0.625	07/10/2021	-2
XS1241229704	0.750	04/05/2020	45	XS1248348721	0.750	17/06/2022	2
Danske Bank Finland (SAMBK)				XS1241559910	3mE+30bp	27/06/2018	29
XS0834714254	1.625	27/09/2019	-7	XS0968885623	2.375	04/09/2020	58
XS0640463062	3.875	21/06/2021	-5	SEB			
DNBNO				XS0894500981	1.500	25/02/2020	-5
XS0877571884	1.000	22/01/2018	14	XS0988357090	1.625	04/11/2020	-2
XS0992304369	1.125	12/11/2018	-5	XS0614401197	4.125	07/04/2021	-1
XS0794233865	1.875	18/06/2019	-4	XS1246782269	0.750	16/06/2022	1
XS1117515871	0.375	07/10/2019	-2	XS0592695000	4.250	21/02/2018	27
XS1137512742	3mE+10bp	17/11/2021	13	XS0972089568	2.000	18/03/2019	37
XS0637846725	3.875	16/06/2021	-3	XS0854425625	1.875	14/11/2019	43
XS0759310930	2.750	21/03/2022	3	XS1033940740	2.000	19/02/2021	52
XS0856976682	1.875	21/11/2022	3	SHBASS			
XS0522030310	3.875	29/06/2020	40	XS0906516256	1.000	19/06/2018	-10
XS0595092098	4.375	24/02/2021	54	XS1050552006	1.000	04/01/2019	-7
XS0732513972	4.250	18/01/2022	60	XS1135318431	0.625	10/11/2021	0
EIKBOL				XS0794225176	2.250	14/06/2018	27
XS0794570944	2.000	19/06/2019	2	XS0965050197	2.250	27/08/2020	41
XS1044766191	1.500	12/03/2021	3	XS0693812355	4.375	20/10/2021	55
JYBC				XS0819759571	2.625	23/08/2022	57
XS1078186001	3mE+50bp	19/06/2017	23	SPABOL			
XS1207605210	3mE+35bp	23/03/2018	32	XS0738895373	2.750	01/02/2019	-5
LANSBK				XS0995022661	1.500	20/01/2020	-2
XS0926822189	1.125	07/05/2020	1	XS0942804351	1.500	12/06/2020	-2
XS1222454032	0.25	22/04/2022	2	XS0587952085	4.000	03/02/2021	-2
MINGNO				XS0674396782	3.375	07/09/2021	-2
XS0893363258	2.125	21/02/2018	44	XS1285867419	0.750	05/09/2022	6
XS1069518451	1.500	20/05/2019	55	SRBANK			
NDASS				XS0853250271	2.000	14/05/2018	41
XS1014673849	1.250	14/01/2019	-11	XS0965489239	2.125	27/02/2019	54
XS0874351728	1.375	15/01/2020	-10	XS0876758664	2.125	03/02/2020	54
XS1204134909	0.125	17/06/2020	-9	XS1055536251	2.125	14/04/2021	73
XS0591428445	4.000	10/02/2021	-6	SVEGNO			
XS1132790442	1.000	05/11/2024	-7	XS0969571065	1.500	11/09/2018	-1
XS1204140971	0.625	17/06/2027	-1	XS1015552836	1.250	16/01/2019	-4
XS0916242497	1.375	12/04/2018	25	XS1225004115	0.250	29/04/2022	1
XS0728763938	4.000	11/07/2019	32	SWEDA			
XS1242968979	3mE+30bp	05/06/2020	32	XS1069674825	1.125	21/05/2021	-1
XS0520755488	4.000	29/06/2020	42	XS1200837836	0.375	11/03/2022	1
XS1032997568	2.000	17/02/2021	50	XS1045283766	1.500	18/03/2019	39
XS0801636902	3.250	05/07/2022	55	XS1277337678	3mE+50bp	18/08/2020	39
XS1189263400	1.125	12/02/2025	75	XS1239401216	1.000	01/06/2022	53

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