



Norwegian

Bond Market Report

2018

The Norwegian bond market has become one of the largest and most active in Europe. It represents an important source of funding for a full range of issuers from municipalities to small and medium sized corporates. In 2018 the Norwegian bond market reached record volumes, with almost 2,800 bonds and NOK 2,000bn outstanding. Approximately 50% of this volume was issued by financial institutions, 26% by the public sector, and 24% by corporations.



Cato A. Holmsen
CEO, Nordic Trustee

The purpose of this report is to highlight key developments of the Norwegian bond market using aggregated statistics provided by Nordic Trustee through Stamdata. The report guides the reader on key findings based on the statistics, however it does not try to interpret causality or speculate on drivers behind the development. The report includes all Norwegian bonds, divided into three key segments; (i) Public sector, (ii) Financial institutions (FIG), and (iii) Corporate bonds.

The first chapter of the report provides an overview of the total bond market and new issuance activity across all segments. The following chapters take a closer look at each of the different segments.

We hope you find this report insightful. The illustrated data only represent a small share of the total data available at Nordic Trustee through Stamdata. Additional statistics and analysis tailored to your specific needs can be purchased by contacting our team of data researchers (mail@nordictrustee.com).

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01

Overview Norwegian Bond Market



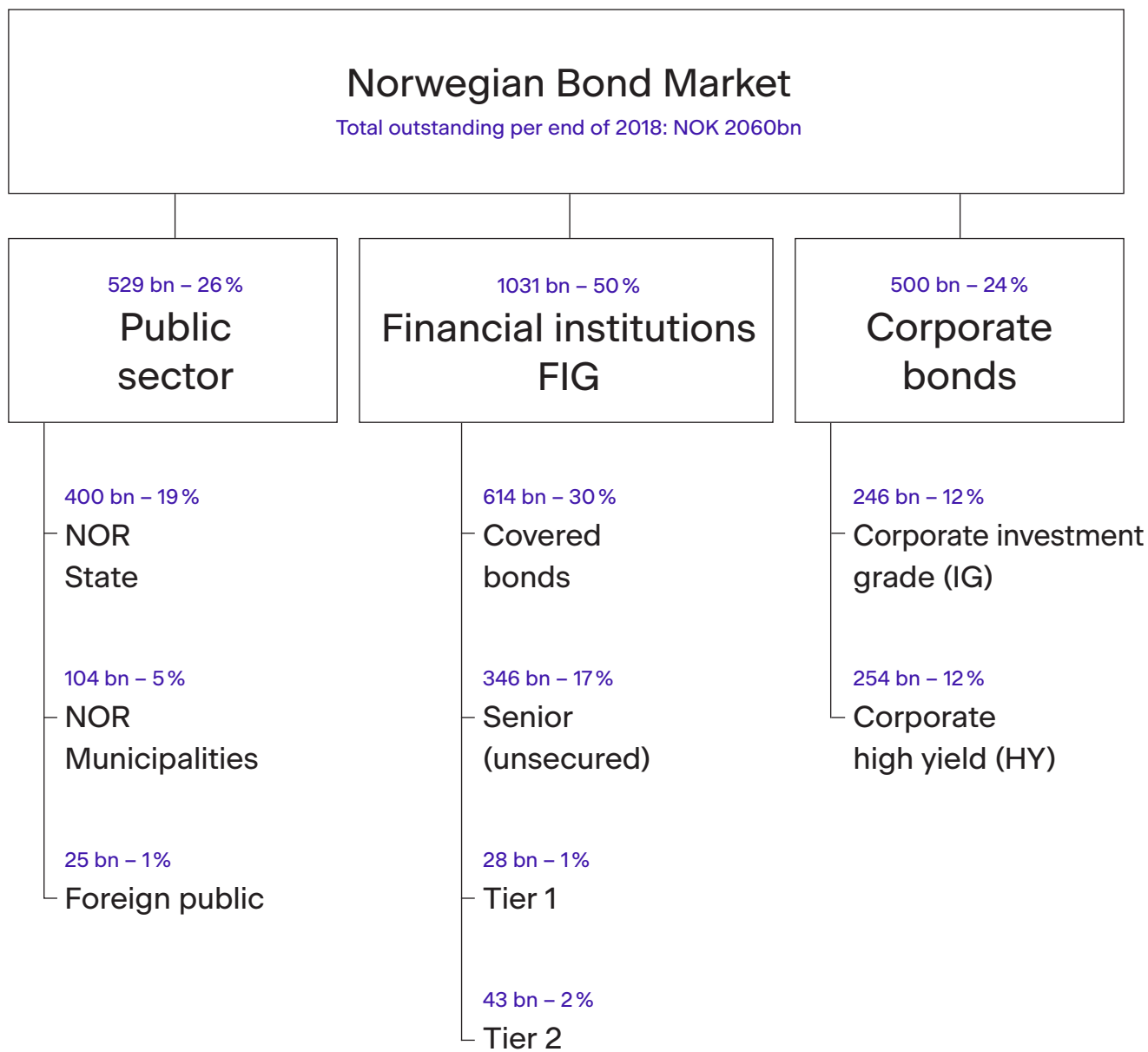
01

Overview Norwegian Bond Market

Purpose

Provide an overview of the total Norwegian bond market, its key segments, and their relative size. This section also provides details on the development in volume outstanding and new issues for each segment.

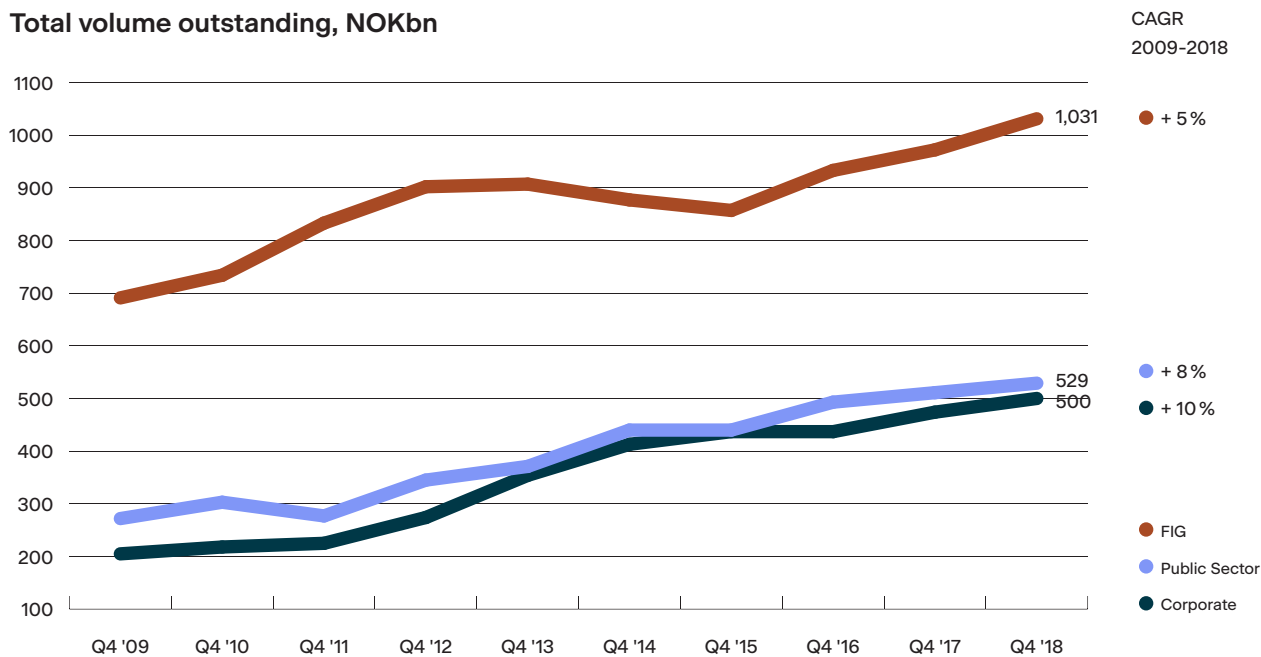
In addition, an overview of Norwegian certificates outstanding past 5 years has been included. However, as this report focus on bonds, certificates will not be included in other sections.



Outstanding volume (NOKbn) and share of total, end 2018

Note: data presented in the report includes all bonds with an NO-ISIN

Norwegian Bond Market



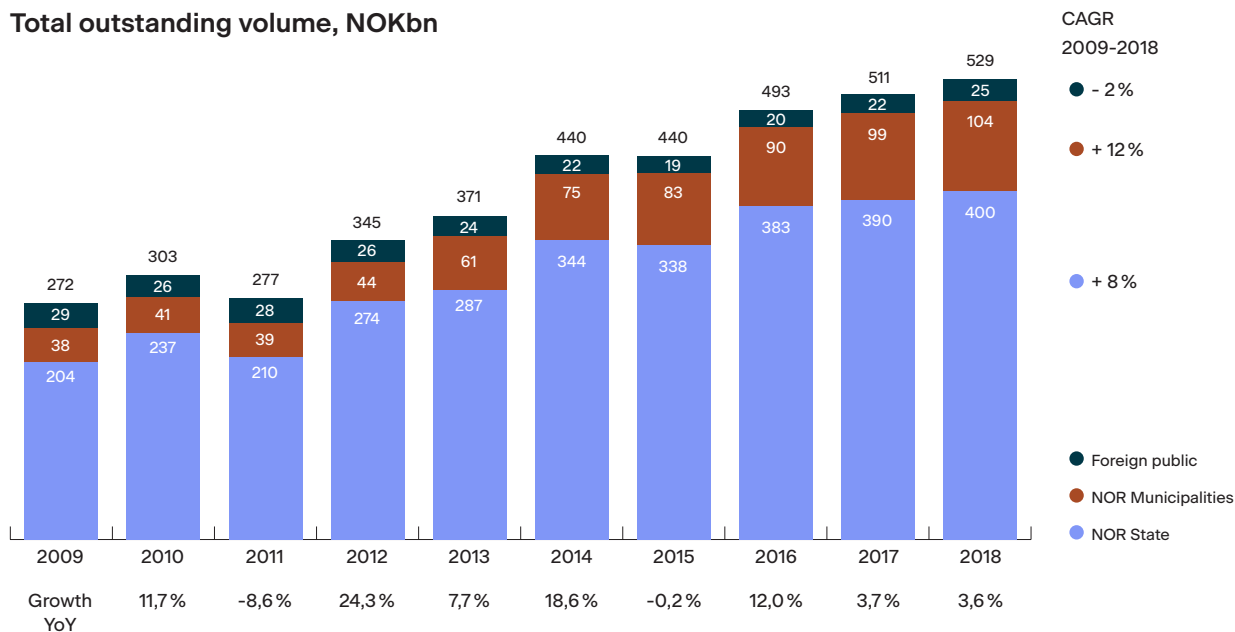
The Norwegian bond market has grown substantially over the last 10 years.

The Corporate bond market (HY and IG) has grown by 10% annually more than doubling in size from NOK 200m in 2009 to NOK 500m by the end of 2018.

Bond volumes issued by the Public Sector has grown by 8% annually, and Financial Institutions by 5% over the same period.

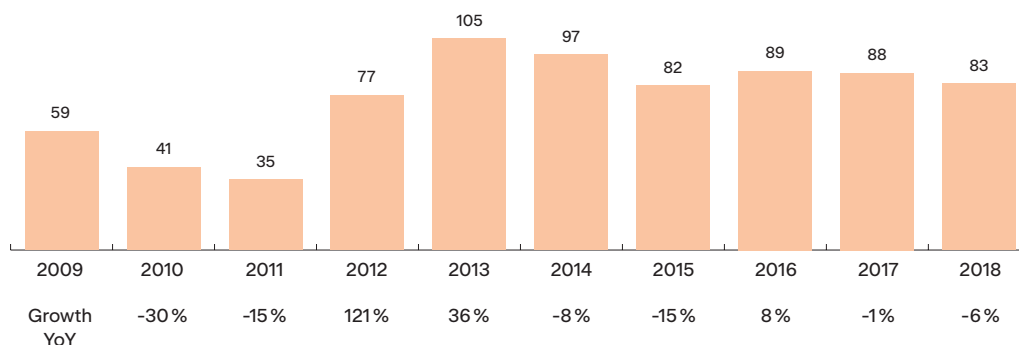
Public Sector Bonds

Total outstanding volume, NOKbn



In terms of volume outstanding the Public Sector has grown from NOK 272 bn in 2009 to NOK 529 bn in 2018. Municipality Bonds have shown the strongest growth in terms of volume outstanding during this period almost tripling in size from NOK 38 bn in 2009 to NOK 104 bn in 2018.

New issues, NOKbn

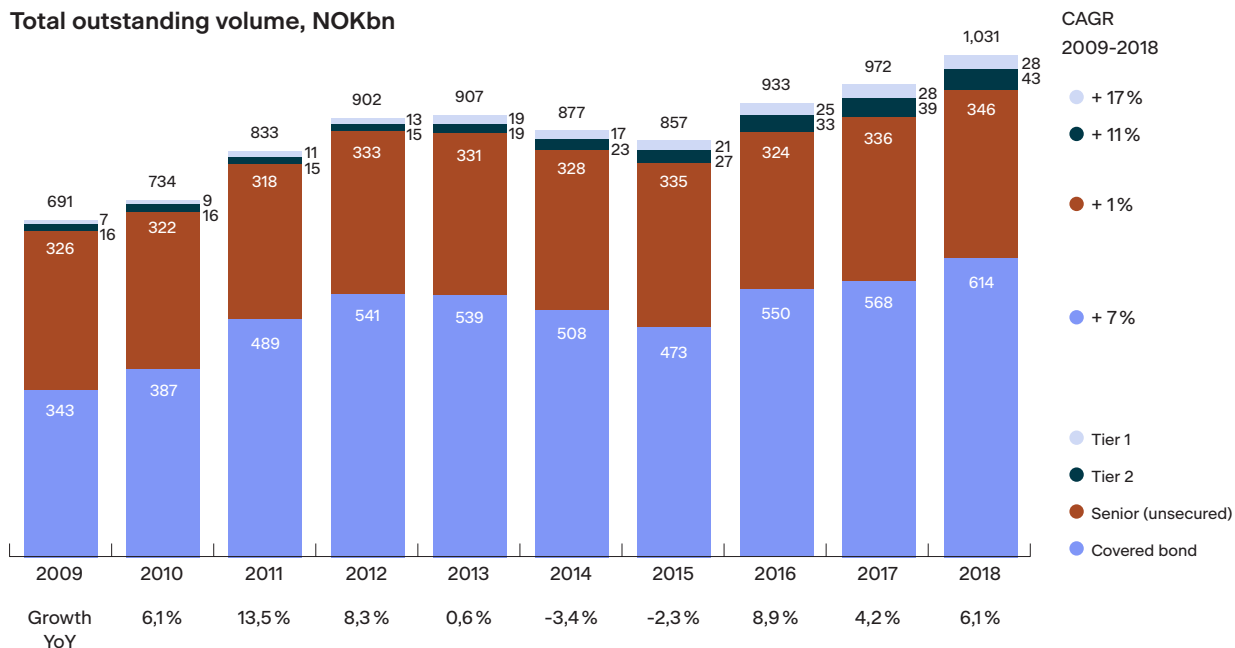


New issues in the Public Sector peaked in 2013 with NOK 105 bn in new issue volume, and has since fallen back to NOK 83 bn in 2018.

Note: Data per year end

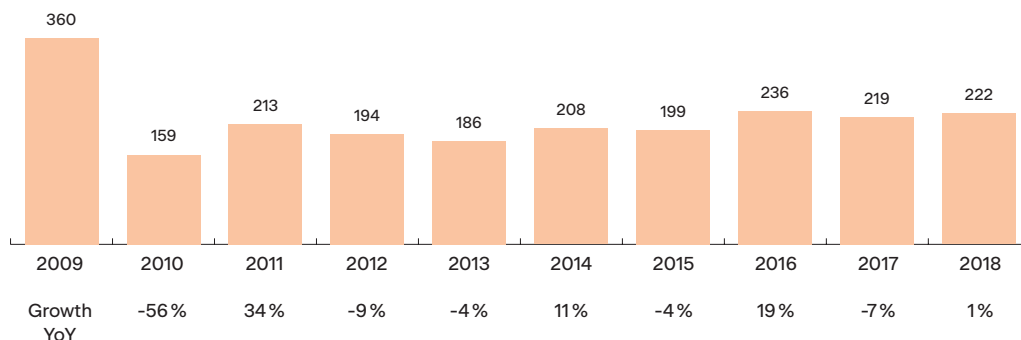
Financial institutions (FIG)

Total outstanding volume, NOKbn



Annual growth in outstanding bond volumes issued by FIG, was negative during 2014 and 2015, but is now back at 6.1% for 2018.

New Issues, NOKbn

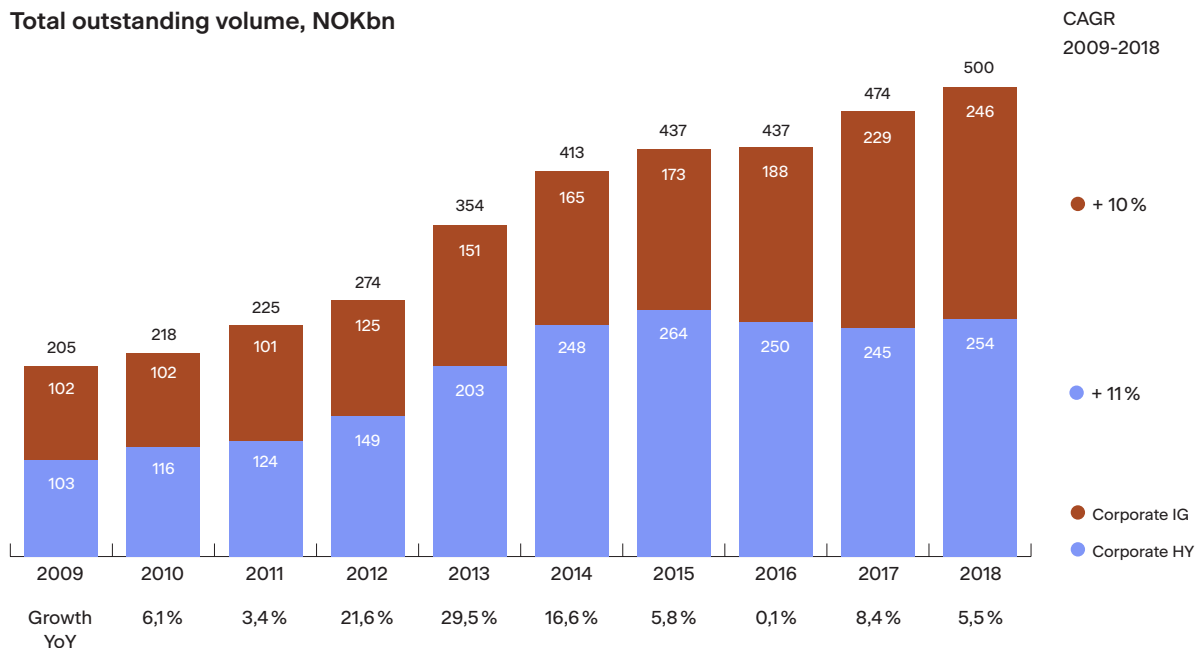


New issue volume has been in the NOK 190-240 bn range annually since 2011. Annual growth in new issue volumes have fluctuated from -9% to +34% during those years.

Note: Data per year end

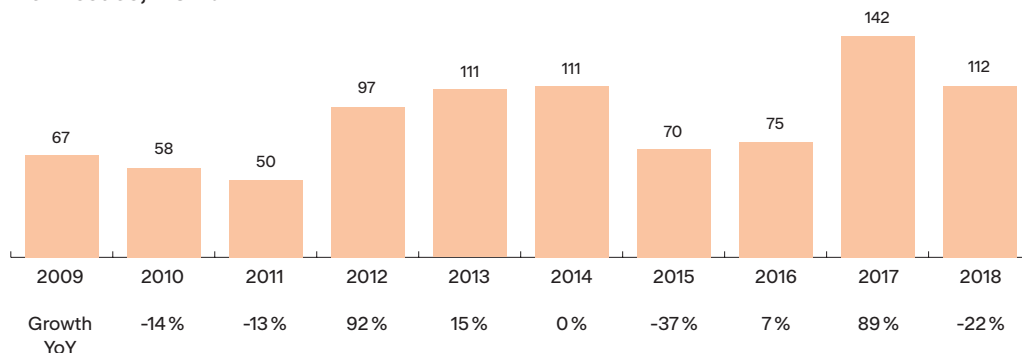
Corporate bonds

Total outstanding volume, NOKbn



The Corporate bond market grew rapidly from 2011 through 2014 (with annual growth in terms of outstanding volume ranging from 17-30%). Since 2015, annual growth has tapered off with annual growth rates between 0,1% and 8,4% (in terms of volume outstanding).

New issues, NOKbn



In terms of new issue activity, the Corporate bond market is relatively volatile Y/Y. In 2010 and 2011 the Corporate bond market had negative growth in terms of new issues, before the market boomed in 2012-14, and then dropped back to 2009 levels in 2015. In 2017 the corporate bond market had a record year with NOK142 bn in new issue volume.

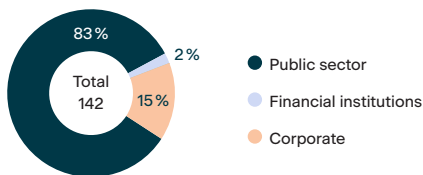
In 2018 the new issue volumes dropped back (from NOK 142 bn in 2017) to NOK 112 bn (representative for the activity level of 2013-14).

Note: Data per year end

Norwegian Certificates market

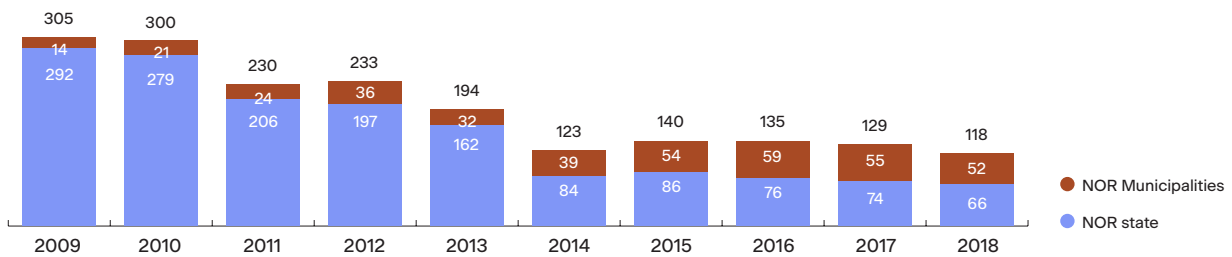
Outstanding (NOKbn)

Segment share of total market 2018 (100%)

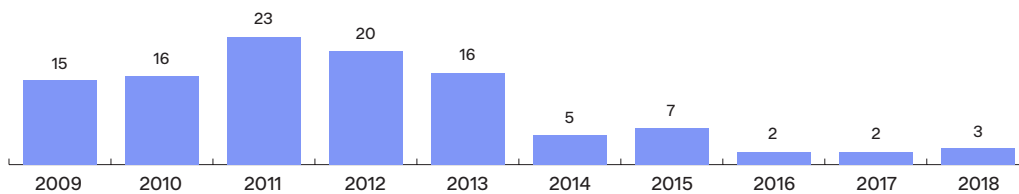


The Public Sector represents 83 %, FIG 2%, and Corporates 15%, of the NOK 142bn total Certificate volume outstanding in 2018.

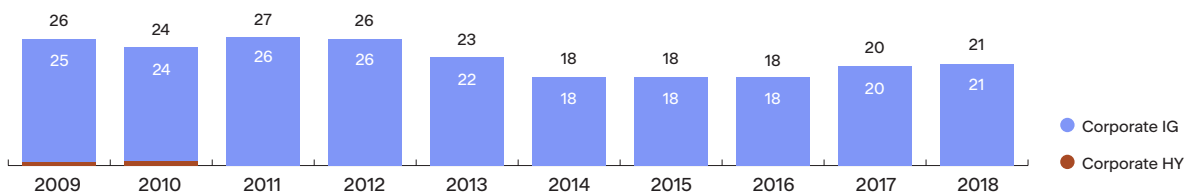
Public sector 2009-2018



Financial institutions (FIG) 2009-2018



Corporate 2009-2018



In the Public Sector, State government certificate volume outstanding have declined by 77% from 2009 (NOK 292 bn) to 2018 (NOK 66bn); while Municipalities Certificate volume outstanding grew from NOK 14bn in 2009 to NOK 52 bn by end of 2018.

In the FIG segment the certificate volumes outstanding have dropped from a peak of NOK 23 bn in 2011 to only NOK 2-3 bn the last three years.

In the Corporate segment certificate volumes dropped 30% from 2012-14 (NOK 26bn) to NOK 18bn outstanding in 2014-16, and then grew to NOK 21 bn by end 2018.

Note: Data per year end

02

Public Sector Bonds



02

Public Sector Bonds

YTM and tenure, total outstanding

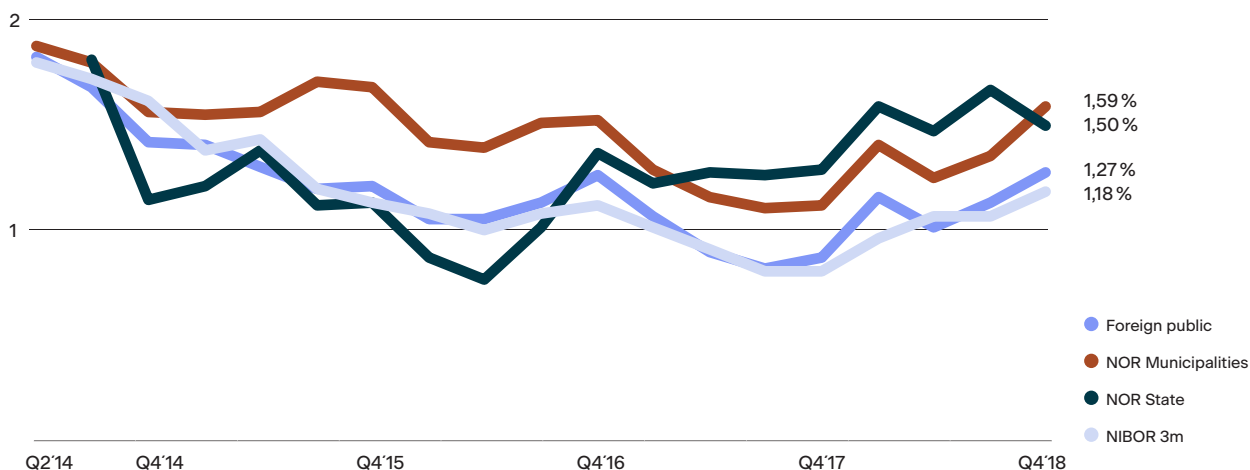
Purpose

Provide an overview of the development in yield to maturity and tenure for total outstanding bonds in the various public sector segments.

The following graphs include all outstanding bonds in the corresponding time period.

Public Sector Bonds

Yield to maturity, outstanding ISINs

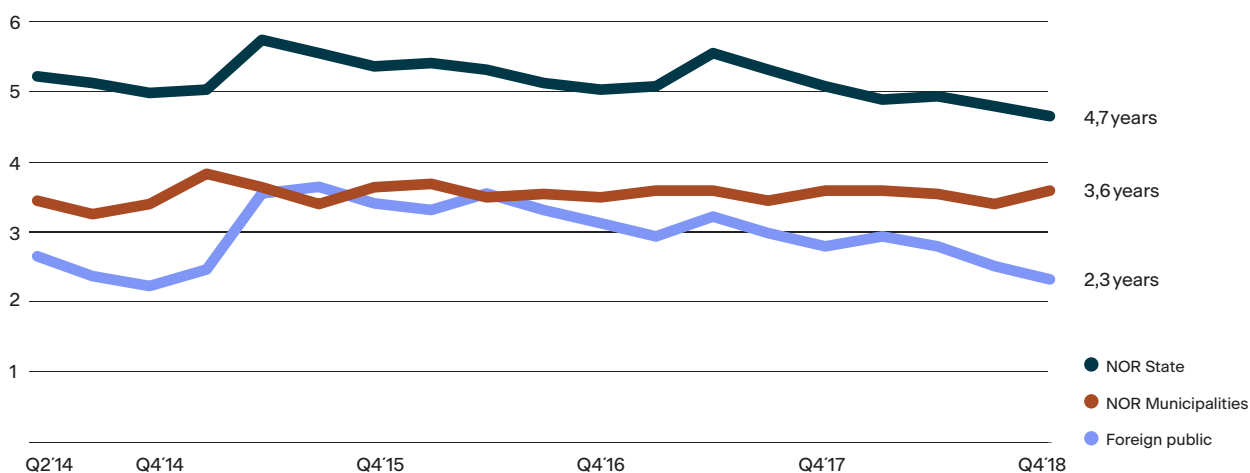


Average yields have come down from just below 2% in mid-2014 to less than 0.8 – 1.3% at the beginning of 2018.

During 2018 the average yield for NOR State bonds has increased from 0.8% to 1.2%.

For Municipality bonds the average yield increased from 1.1% to 1.4% i Q1'18; dropped back to 1.25% in Q2'18; and increased again to 1.6% by YE'18.

Remaining tenure, outstanding volume



During 2018 the average tenure for NOR State bonds declined from about 5 years to 4.7 years, while average tenure remained stable around 3.6 years for Municipality bonds.

02

Public Sector Bonds

New Issuance, Municipalities

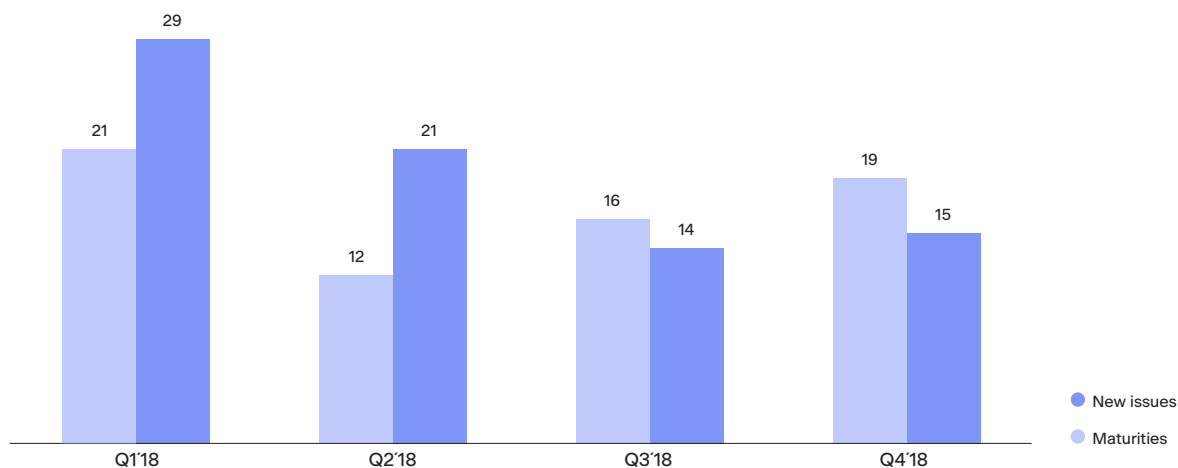
Purpose

Focusing on municipalities, provide a quarterly overview of new issues and maturities in 2018, as well as an overview of new issues past five years.

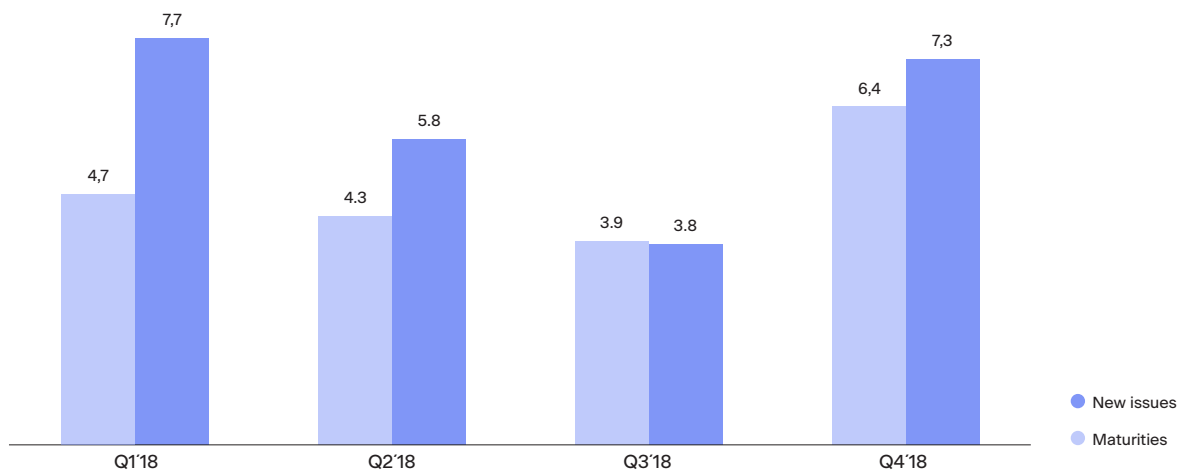
New Issuance – Municipalities

Quarterly 2018

ISINs



Volume (NOKbn)



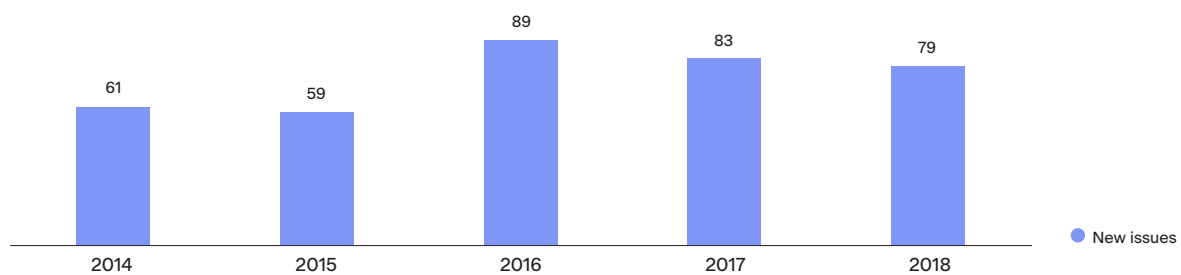
In terms of new issuance activity, the Municipality market saw a very strong start to the year; with 29 issues representing a total value of NOK 7.7bn during Q1'18. This new issue volume was substantially higher than the NOK 4.7bn volume maturing during the same quarter.

The # of new issues fell back to 14 during Q3 and 15 during Q4, but in terms of new issue volume the market grew in Q4 to NOK 7.3bn.

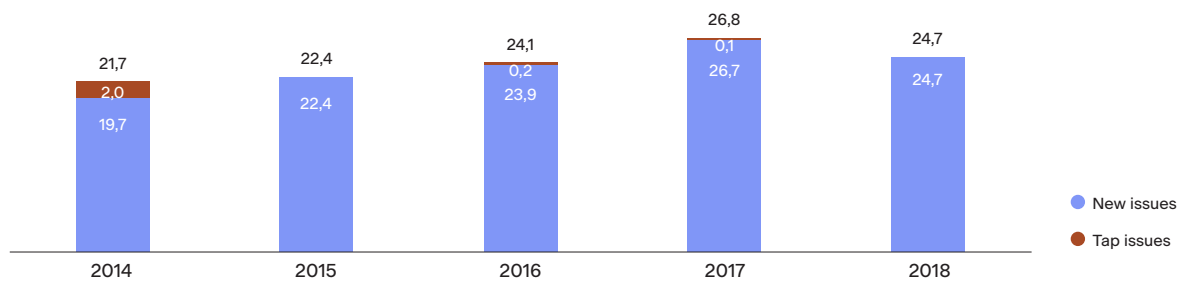
New Issuance – Municipalities

Annually 2014-2018

ISINs



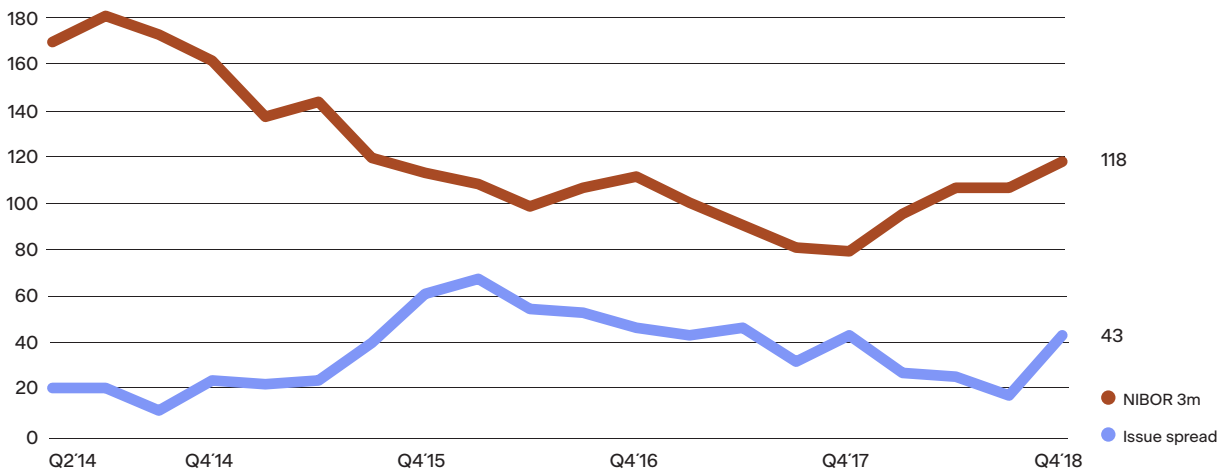
Volume (NOKbn)



Issuance activity in Municipality bonds has been relatively stable in recent years. In 2018, NOK 24.7 bn of new volume was issued.

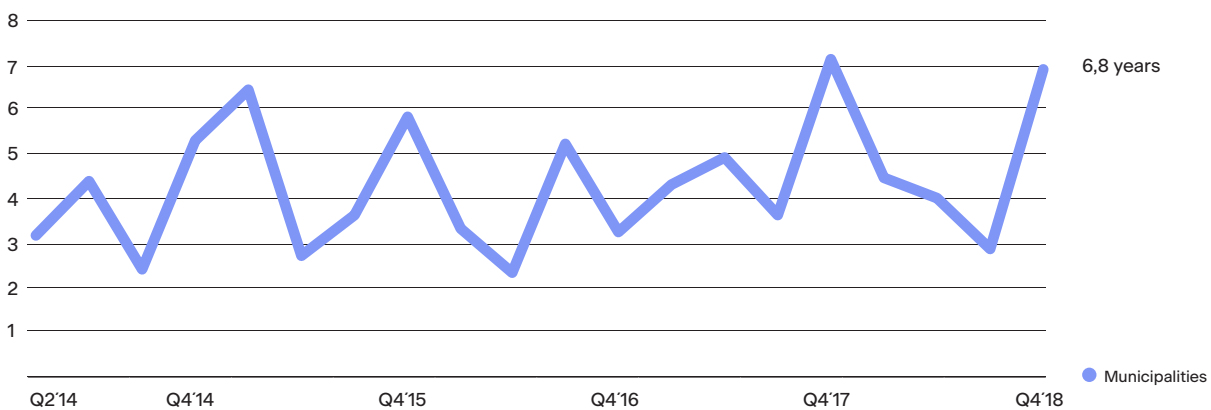
New issuance – Municipalities

Issue spread (bps) at issue date



Average issue spreads for Municipality bonds over the last 4 years peaked at 67bps at the end of Q1'15. During 2018, average issue spreads dropped from 44bps at the start of Q1 to 18bps at the end of Q3 2018, and then increased back to 43bps by end of Q4.

Tenure on new issues (years) at issue date



During the last 4 years average tenure for Municipality bonds have fluctuated between 2,7 and 6,8 years. During 2018, average tenure for Municipality bonds fell from 7 years at the end of 2017 to 3.1 years at the end of Q3, and then increased back to 6.8 years by year end.

03

Financial institutions (FIG)



03

Financial institutions (FIG)

YTM and tenure, total outstanding

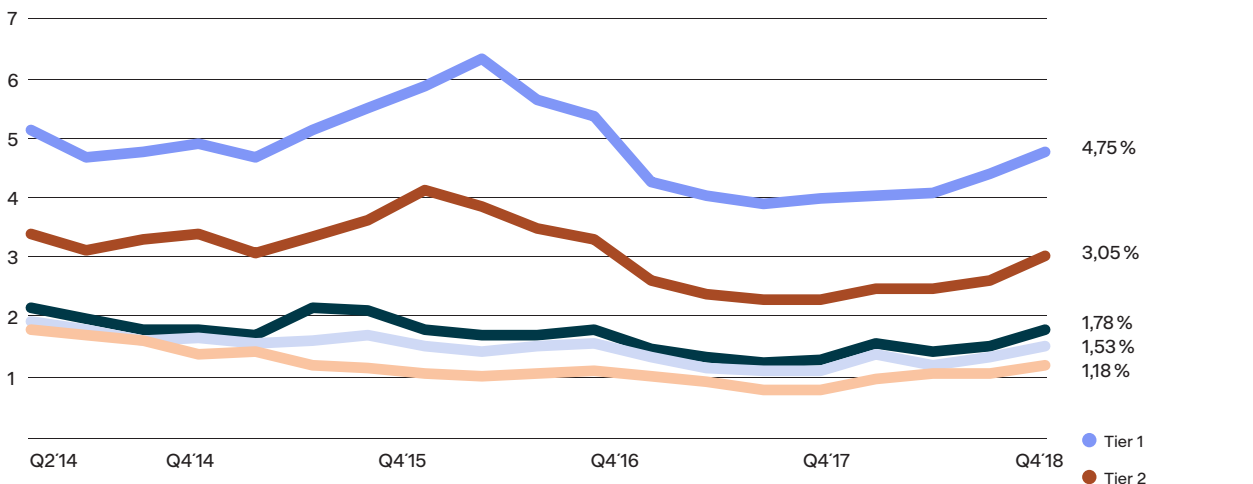
Purpose

Provide an overview of the development in yield to maturity and tenure for total outstanding bonds in the various financial segments.

The following graphs include all outstanding bonds in the corresponding time period.

Financial institutions (FIG)

Yield to maturity, outstanding ISINs

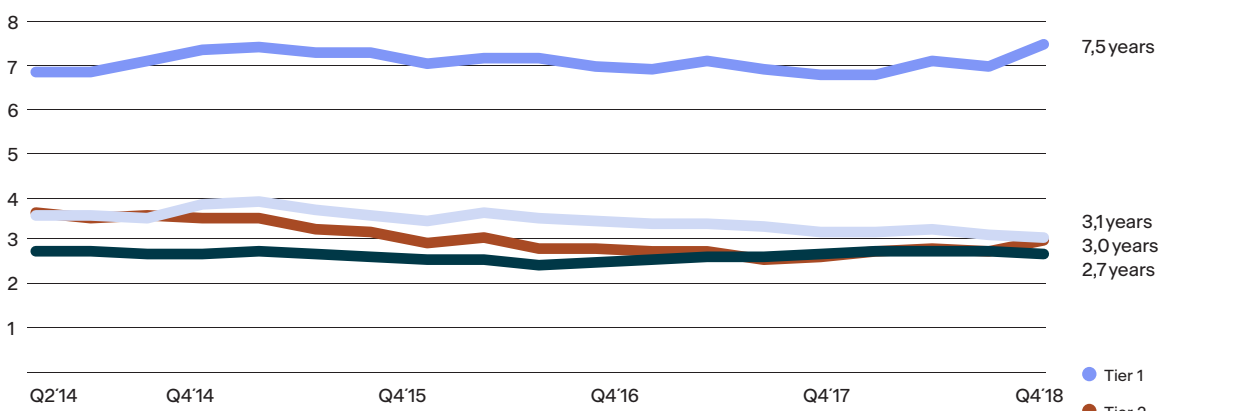


Average Yield to maturity for Regulated capital (T1 & T2) in the FIG sector fell from a peak in mid-2016 of 6.3% for T1 and 4.2% for T2 down to 4% for T1 and 2.3% for T2 at the end of 2017.

In July 2018 average yields for capital started to rise and ended around 4.75% for T1 and 3% for T2 at year end 2018.

Average yield to maturity for Senior and Covered bonds have been substantially more stable around 1.5 – 2% since 2014.

Remaining tenure, outstanding volume



Average tenures have been stable for the past 3-4 years hovering around 7-7.5 years for T1 capital, and 3-3.5 years for T2 capital. During the same period, average tenure for Senior Bonds has been around 2.5 years, while average tenure for Covered bonds have dropped somewhat from around 3.8 years in Q2'15 to 3.1 years in Q4'18.

03

Financial institutions (FIG)

New Issuance

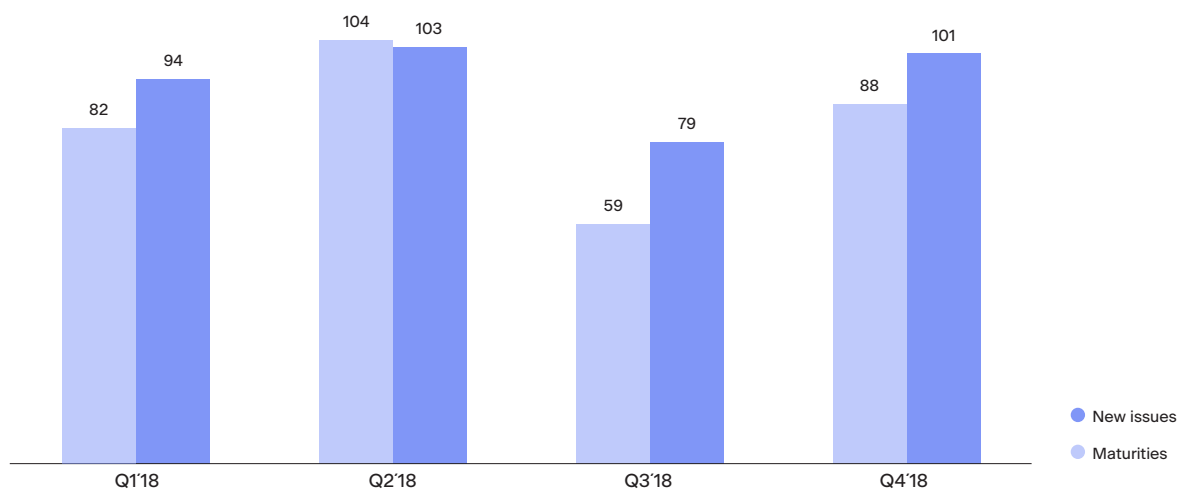
Purpose

Provide a quarterly overview of new FIG bond issues and maturities in 2018, as well as an overview of new issue volumes by segment for the past five years.

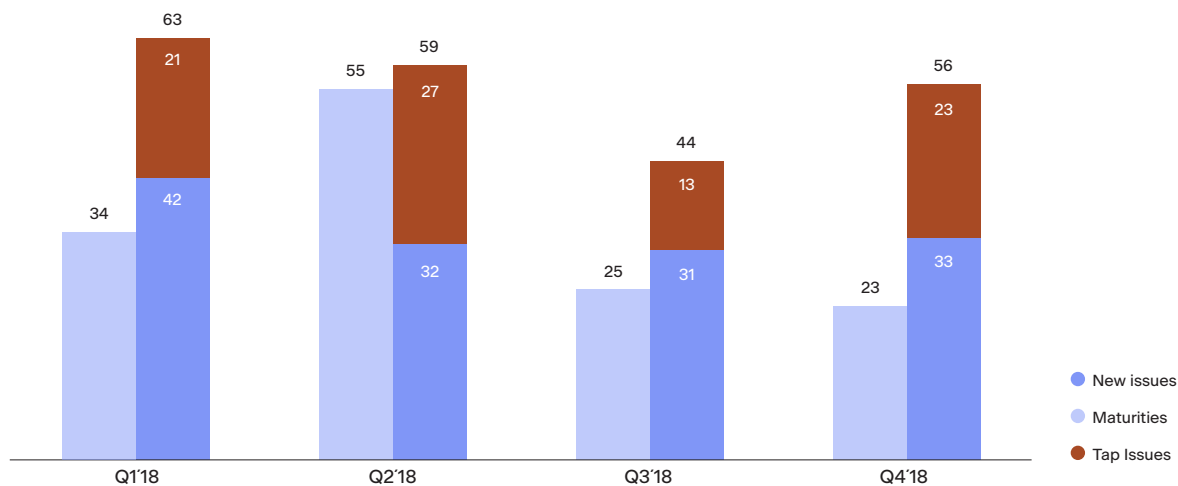
New Issuance – Financial institutions (FIG)

Quarterly 2018

ISINs



Volume (NOKbn)



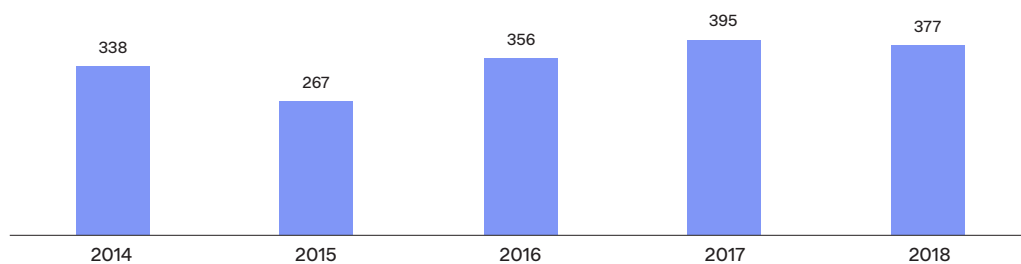
New FIG issuance activity was relatively stable in 2018, with Q1 as the strongest quarter in terms of new issue volume (NOK 63 bn).

New issuance activity in the FIG sector were substantially higher than the volumes maturing during 2018. Tap issues constituted almost 40% of the total new volumes issued in the FIG sector during 2018.

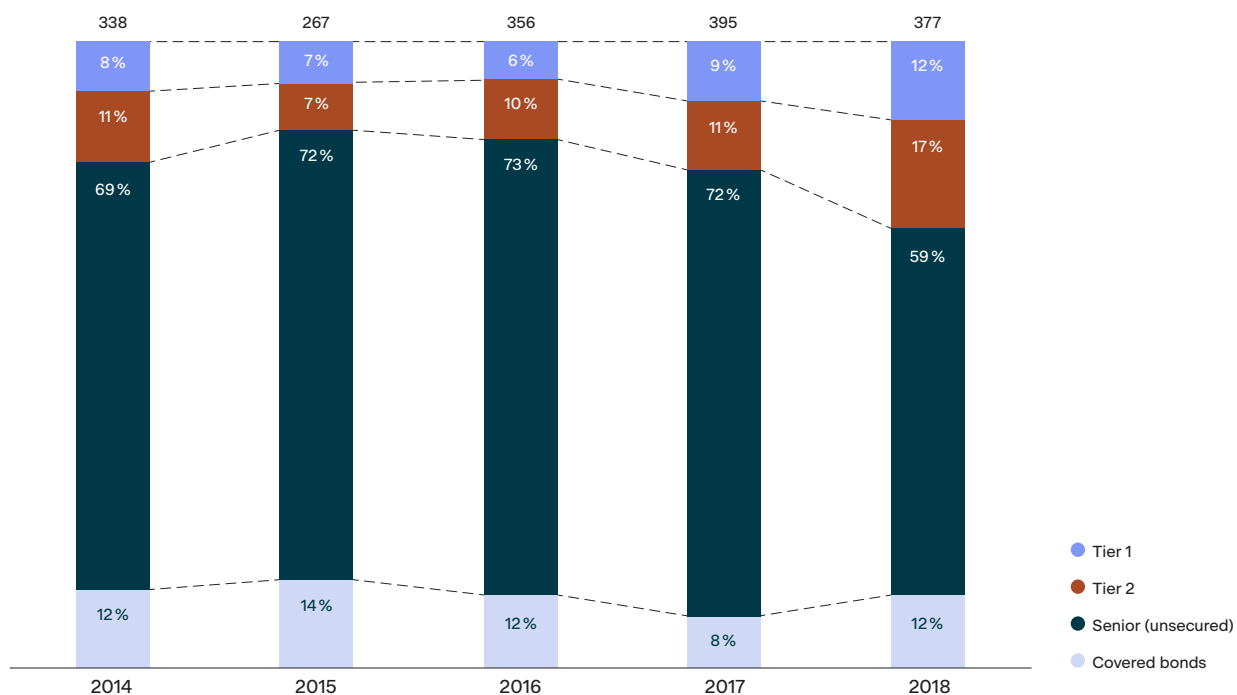
New Issuance – FIG

Annually 2014-2018

ISINs – total



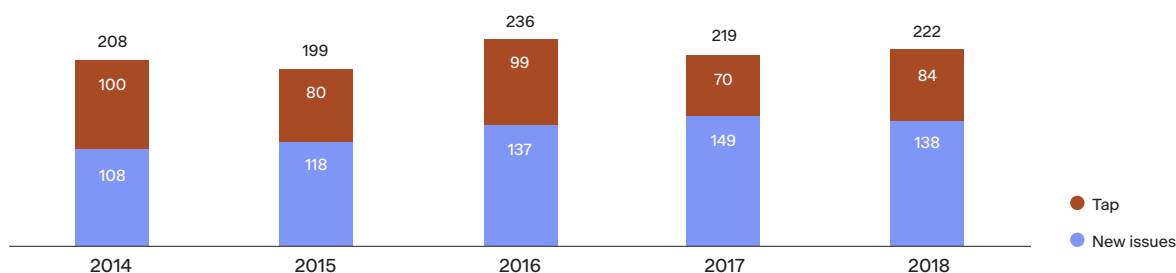
ISINs – class deep-dive



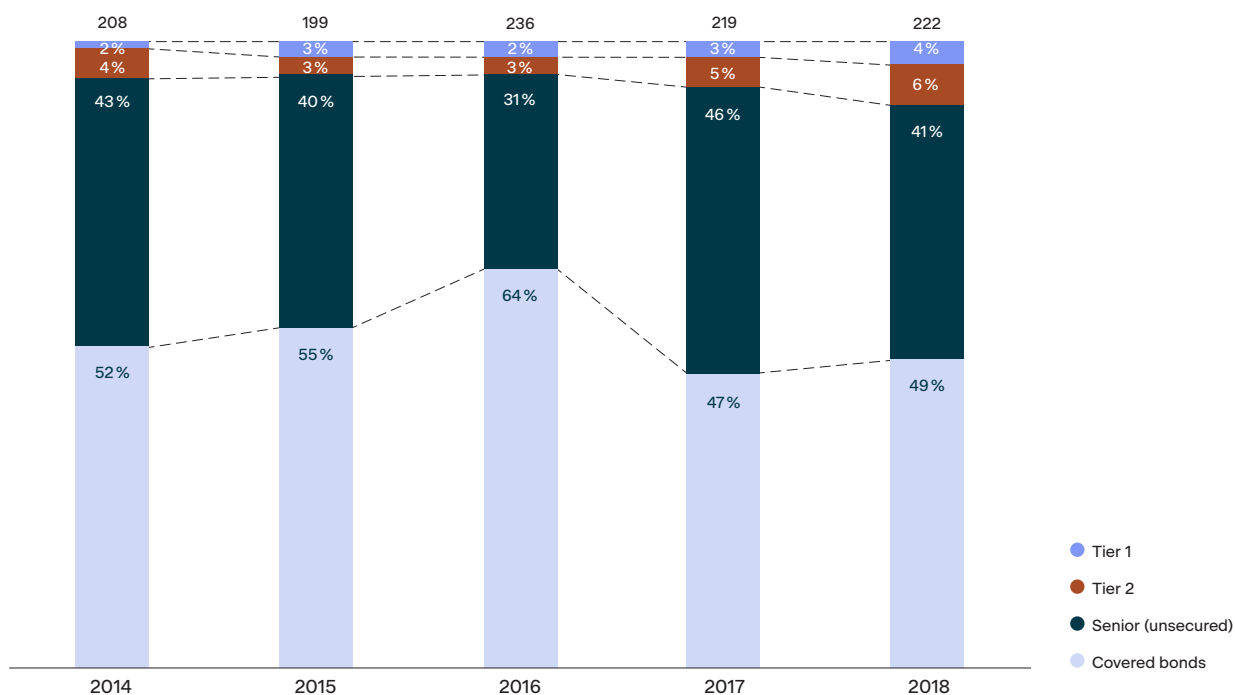
New Issuance – FIG

Annually 2014-2018

Volume (NOKbn) – total



Volume (NOKbn) – class deep-dive



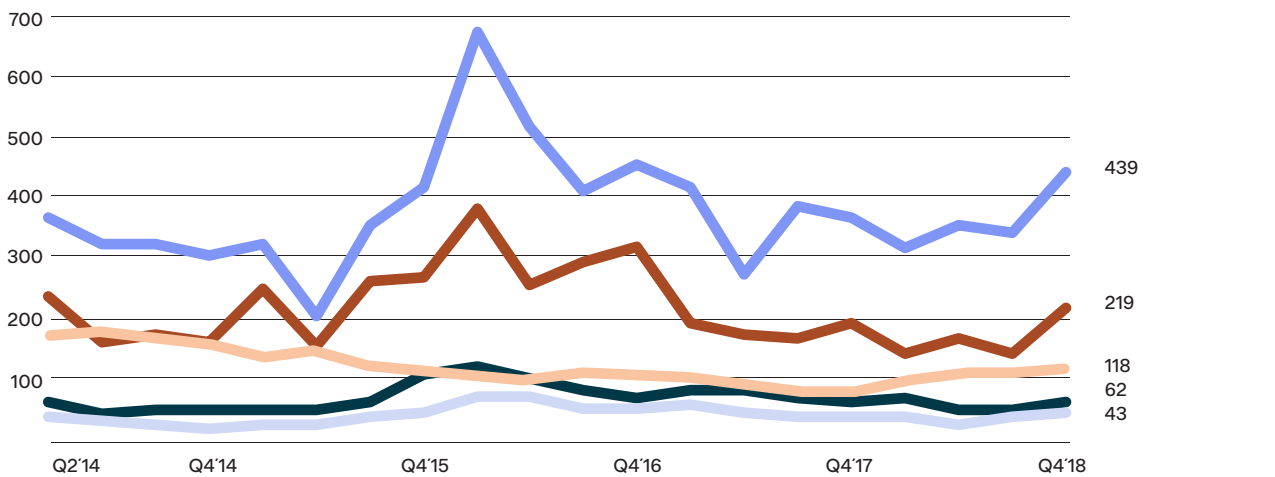
Graphs on this and previous page:

New issue volume in the FIG sector has been fairly stable past five years. During 2018, this sector issued a total of 377 new bonds for a total value of NOK 222bn.

The mix between Covered and Senior bonds has been relatively stable since 2014, while Regulated capital has increased both in volume and in number of new issues the last two years. In 2018: Regulated capital comprised 29% of all new issues and 10% of new issue volume in the FIG sector. Covered bonds were 12% of all new issues and 49% of new issue volume. Senior bonds comprised 59% of all new issues and 41% of new issue volume.

New Issuance – FIG

Issue spread (bps) at issue date



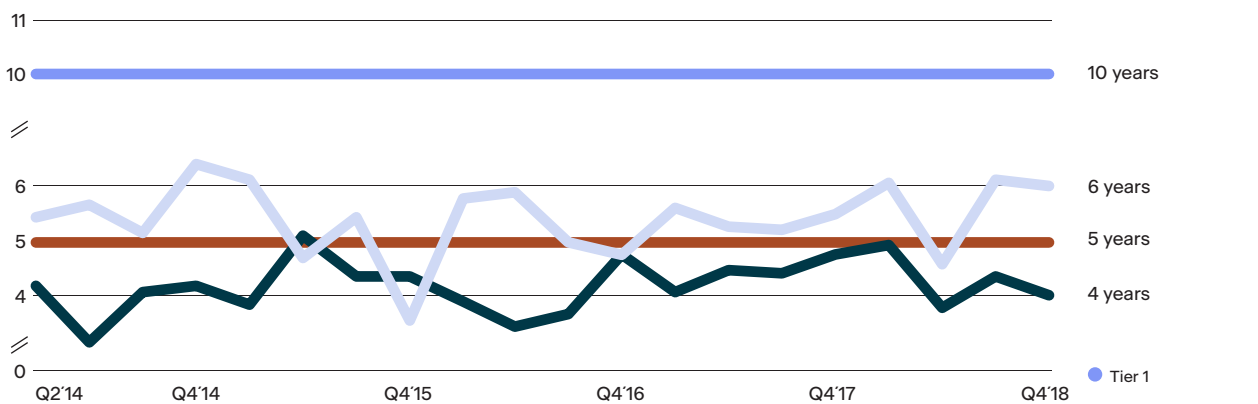
Average issue spreads in the FIG Sector declined from mid-year 2016 and started to rise again during Q4'18.

Average issue spreads for T1 capital peaked at 670bps in Q1'16, then gradually fell to 340bps at the end of Q3'18, before rising to 439bps at year end 2018.

Average issue spreads for T2 capital peaked at 375bps in Q1'16, then gradually fell to 145bps at the end of Q3'18, before rising to 219bps at year end 2018.

Issue spreads have gradually fallen from around 120bps for Senior and 70bps for Covered bonds at the end of Q1'16; to 62 bps for Senior and 43bps for Covered bonds by end 2018.

Tenure on new issues (years) at issue date



Average tenure for new Covered bond issues has fluctuated between ~3,5 and 7 years since 2014, and ended at 6 years by end 2018.

Average tenure for new Senior issues has fluctuated between ~3 and 5 years since 2014, and ended at 4 years by end 2018.

04

Corporate Bonds



04

Corporate Bonds

Overview, Corporate IG/HY

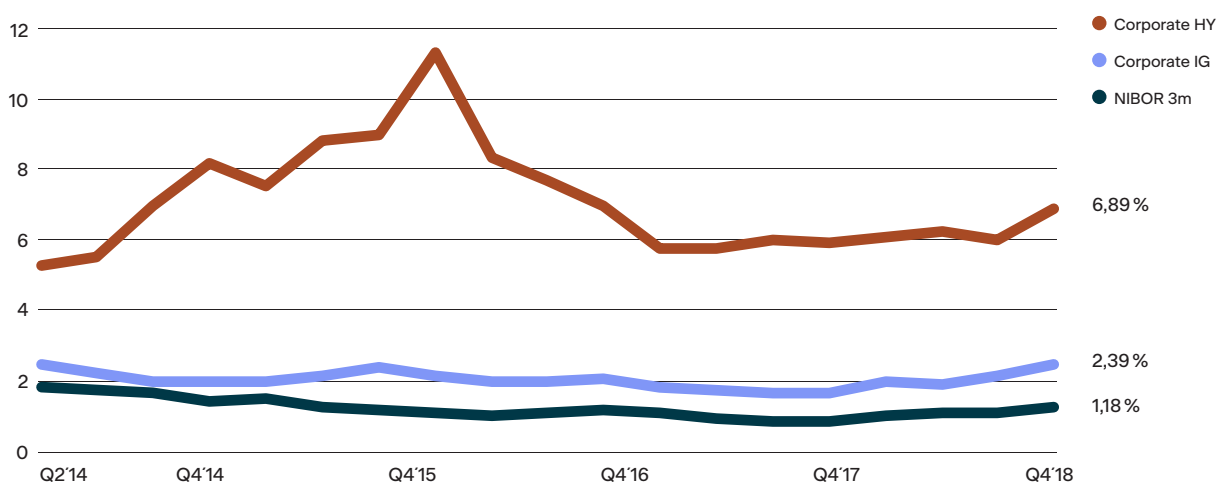
Purpose

Provide an overview of the development in key indicators for total outstanding Corporate bonds, with deep dives into industry sector development within Corporate IG and HY.

The following graphs include all outstanding bonds in the corresponding time period.

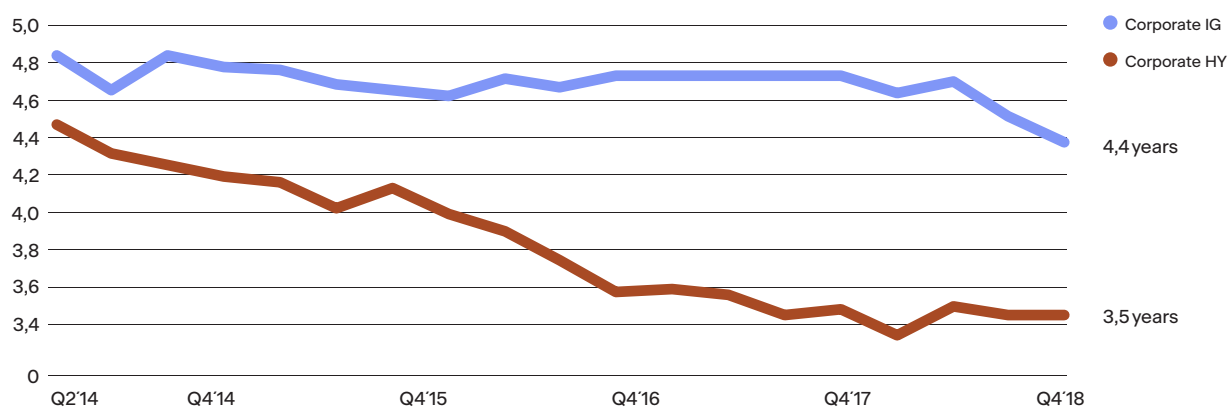
Corporate Bonds

Yield to maturity on total outstanding ISINs



Average Yield to maturity for Corporate IG bonds have remained in the corridor between 1.6% and 2.4% since 2014, but increased from 1.6% at the start of 2018 to 2.4% at year end 2018. Average Yield to maturity for Corporate HY bonds increased from 5.3% mid-year 2014 to peak at 11.3% at the start of Q2'16; and then dropped to 5.75% by end of Q2'17. Since then, average Yield to maturity in Corporate HY bonds remained relatively stable until Q4'17 when it turned up, ending at 6.9% by year end 2018.

Remaining tenure, total outstanding volume

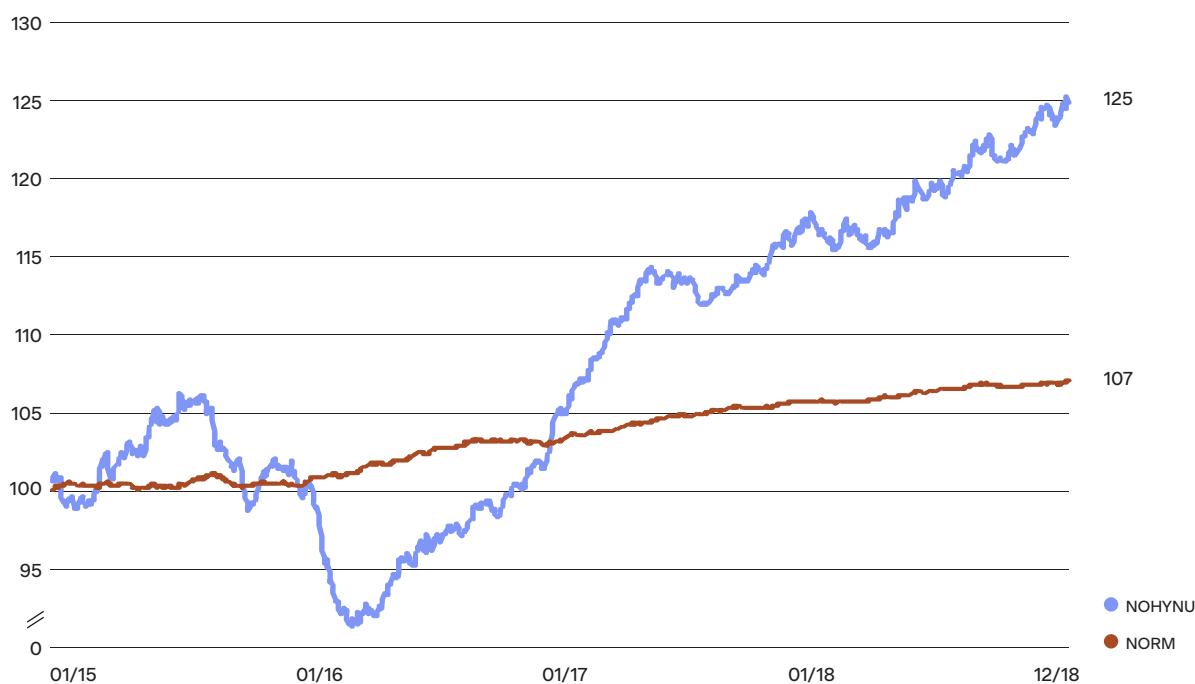


Average tenure for Corporate IG bonds fell from ~4,8 years at the start of H2'14 to 4,4 years by year end 2018.

Average tenure for Corporate HY bonds fell from ~4,5 years at the start of H2'14 to 3,5 years by year end 2018.

Corporate bonds

Nordic Bond Pricing – Total return indices*



Since 2015, the Regular Market Index increased by 7%. Over the same 4 year period, the HY Aggregated Index indicates a total return of 25% for investors, recovering nicely from a negative return during H2 2015.

* Index description

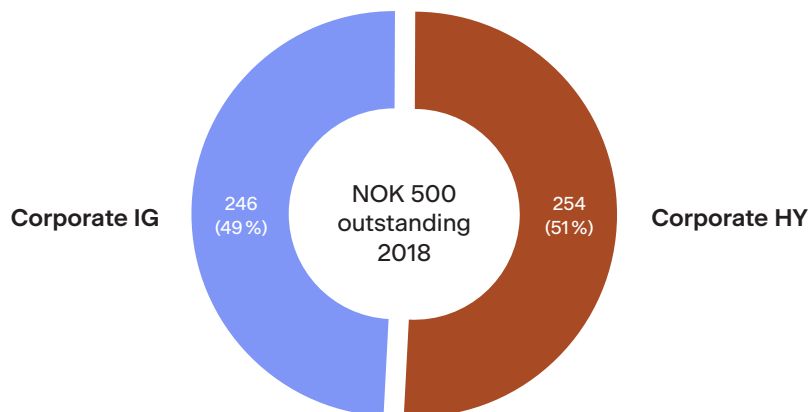
Nordic Bond Pricing issues (i) a Regular Market Aggregated Index (NORM) and (ii) a High Yield Aggregated Index (NOHYNU), both as total return market value weighted indices which consists of both FRN and FIX instruments with an issued amount greater or equal to NOK 300 million.

The NORM Index includes bonds issued with NO-ISIN in Norwegian kroner (NOK), and the NOHYNU includes bonds issued with NO-ISIN in all currencies. The categories are based on the methodology of Nordic Bond Pricing, and the split may deviate from the IG/HY split otherwise in this Bond Market Report. For further details, contact Nordic Bond Pricing.

Source: Nordic Bond Pricing

Corporate bonds

Total outstanding volume per industry sector (top 7 sectors)



The NOK 500bn Corporate bond market is split roughly half and half between investment grade (IG) bonds and high yield (HY) bonds.

Corporate IG outstanding bonds volume 2018 (% of total) NOKbn

Industry	Volume (NOKbn)	% of Total	CAGR 2014-2018
Real Estate	91	37%	29%
Utilities	84	34%	1%
Industry	25	10%	30%
Transportation	18	7%	3%
Convenience Goods	9	4%	7%
Shipping	5	2%	1%
Media	4	2%	6%
Other	9	4%	-5%

In the NOK 246bn Corporate IG market, Real Estate (NOK 91 bn) and Utilities (NOK 84 bn) are the two largest segments; while Real Estate and Industry have been the two fastest growing sectors in the IG segment with 29% and 30% CAGR during 2014-2018.

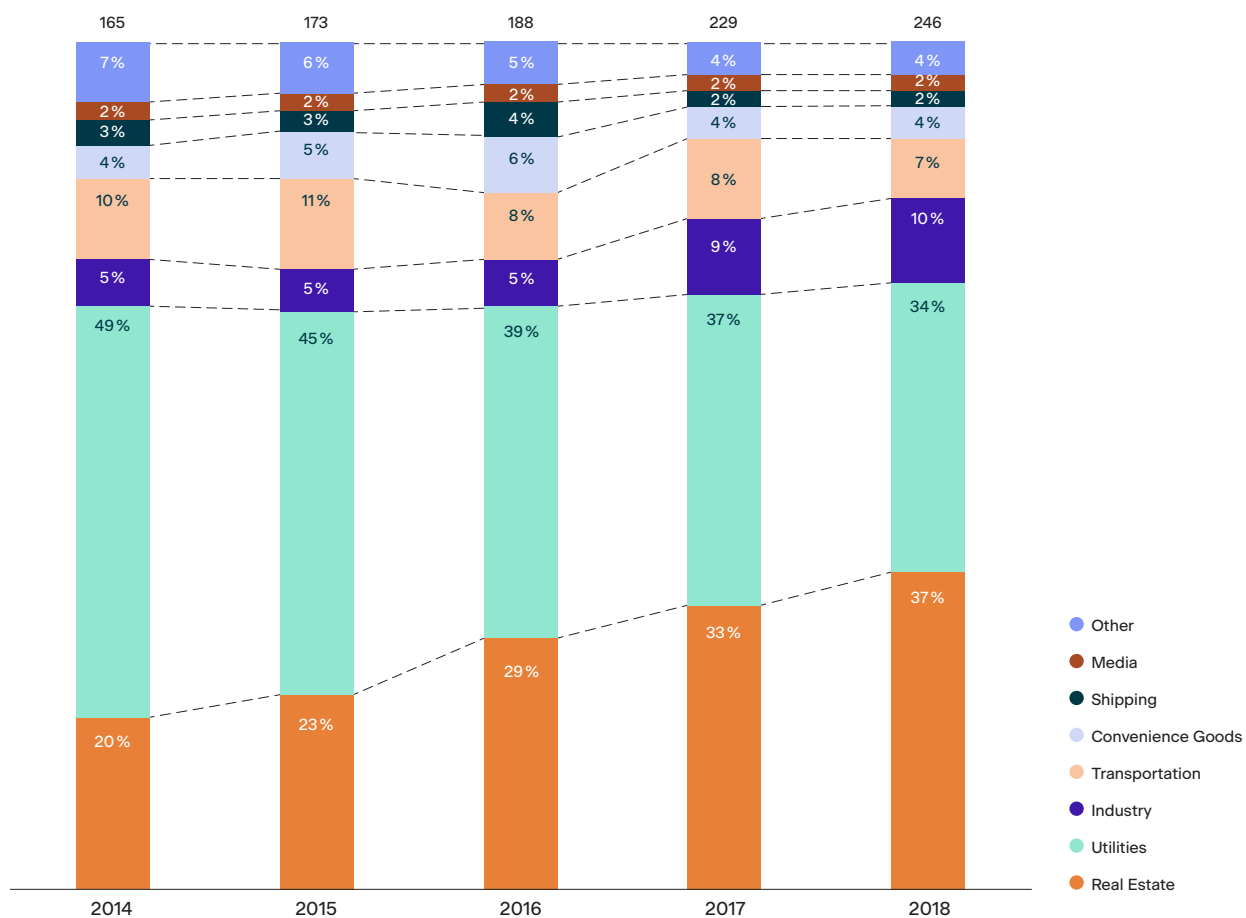
Corporate HY outstanding bonds volume 2018 (% of total) NOKbn

Industry	Volume (NOKbn)	% of Total	CAGR 2014-2018
Oil Service	73	29%	-10%
Shipping	47	19%	5%
Industry	31	12%	3%
O&G E&P	23	9%	1%
Real Estate	22	9%	52%
Transportation	15	6%	24%
Finance	12	5%	17%
Other	30	12%	-1%

In the NOK 254bn Corporate HY market, Oil service (NOK 73bn) and Shipping (NOK 47bn) are the two largest industry sectors comprising 29% and 19% respectively of the total HY market in 2018. However, the two fastest growing industry sectors in the Corporate HY market since 2014 have been the smaller industry sectors Real Estate (52% CAGR) and Transportation (24% CAGR).

Corporate IG

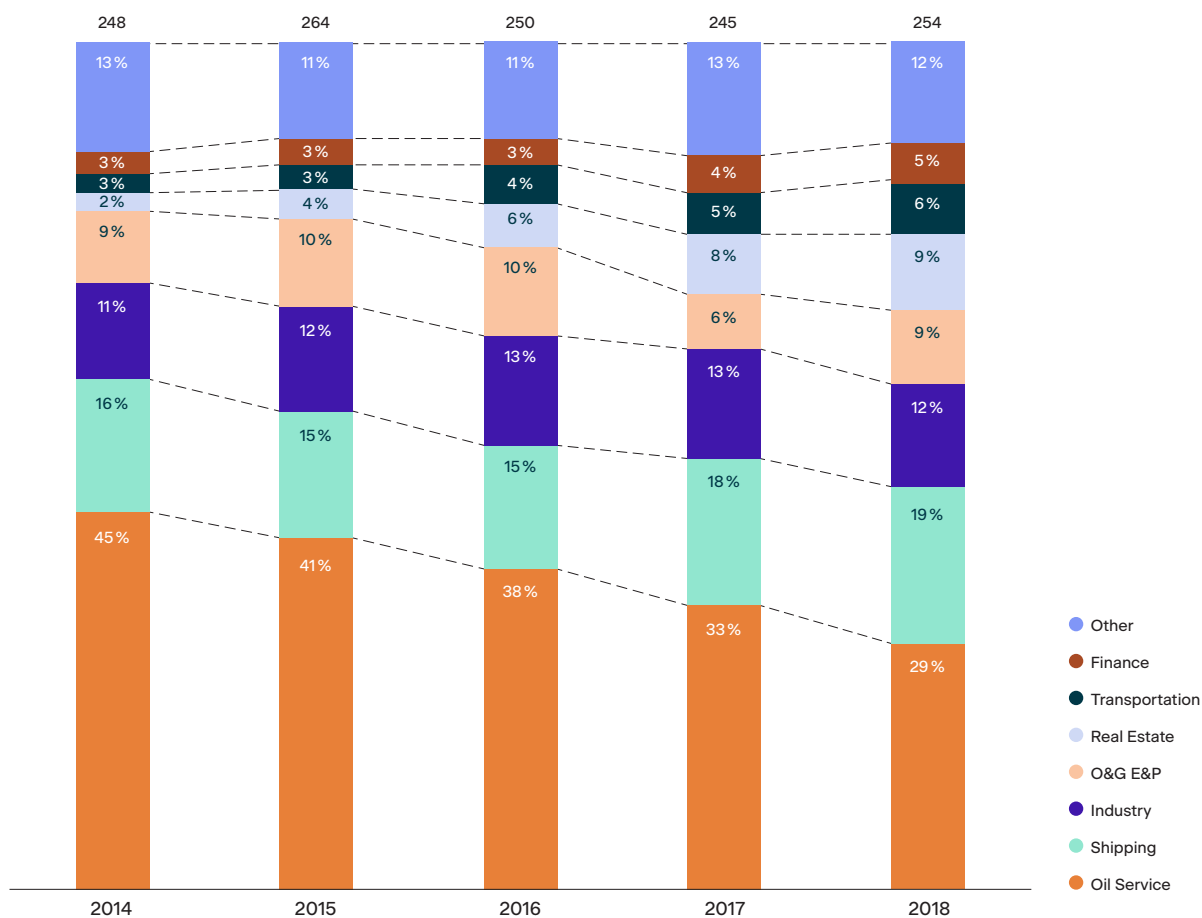
Total outstanding volume NOKbn, sector development 2014-2018



The Corporate IG market has seen a significant change in industry mix over the past 5 years. Real Estate has grown from representing 20% to 37% of the total volume outstanding. Utilities has shrunk from 49% to 34% of the total Corporate IG market. During the past 2 years, the Industry sector has doubled in relative size from 5% to 10% of the total IG volume outstanding.

Corporate HY

Total outstanding volume NOKbn, sector development 2014-2018

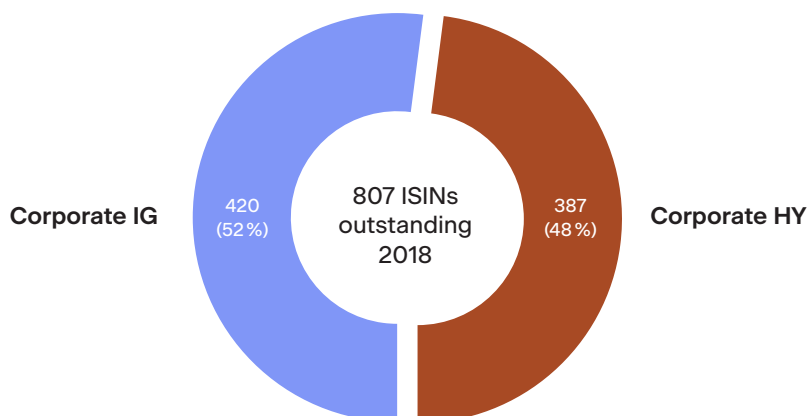


During the past 5 years, the sector mix in the Corporate HY market has seen a decline in the relative share of cyclical capital intensive industries. In particular, Oil Service has declined in relative importance from 45% to 29% of the total HY volume outstanding.

During the same period, land based industries such as Real Estate, Transportation, and Finance have grown in relative size. Real Estate, in particular, have grown from representing 2% of total HY volume in 2014 to 9% of total HY volume by end of 2018.

Corporate bonds

Total ISINs outstanding and growth per sector



The Corporate bond market counted 807 individual issues (ISINs) by end of 2018, of which 52% were IG issues, and 48% HY issues.

Corporate IG outstanding bonds volume 2018 (% of total) NOKbn

Sector	Volume (NOKbn)	% of Total	CAGR 2014-2018
Real Estate	153	36%	24%
Utilities	160	38%	1%
Industry	28	7%	26%
Transportation	34	8%	-2%
Convenience Goods	16	4%	7%
Shipping	3	1%	0%
Media	9	2%	3%
Other	17	4%	-4%

Corporate HY outstanding bonds volume 2018 (% of total) NOKbn

Sector	Volume (NOKbn)	% of Total	CAGR 2014-2018
Oil Service	88	23%	-12%
Shipping	49	13%	-1%
Industry	38	10%	0%
O&G E&P	26	7%	-1%
Real Estate	108	28%	44%
Transportation	17	4%	9%
Finance	15	4%	17%
Other	46	12%	-1%

In the Corporate IG market, Real Estate and Utilities were the two largest industry sectors in terms of ISINs outstanding per year end 2018.

- Real Estate represented 36% of total IG ISINs, while 38% of all IG ISINs from Utilities
- Industry has been the fastest growing sector 2014-2018 with 26% CAGR in outstanding ISINs, followed by Real Estate with 24% CAGR.

In the Corporate HY market, Real estate and Oil Service were the two largest industry sectors in terms of ISINs outstanding per year end 2018.

- Real Estate represented 28% of total HY ISINs, while 23% were from Oil Service.
- Real Estate has also been the fastest growing sector 2014-2018 with 44% CAGR in outstanding ISINs.

04

Corporate Bonds

New Issuance, Corporate IG

Purpose

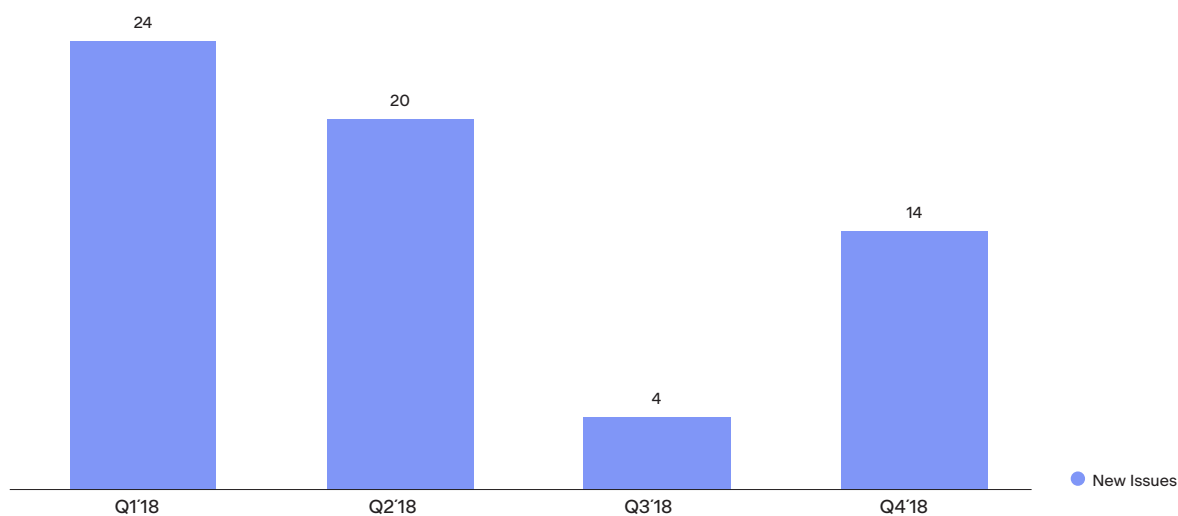
Provide an overview of new Corporate IG bond issues past five years, including selected deep dives.

The following graphs will only include new issues in the corresponding time period.

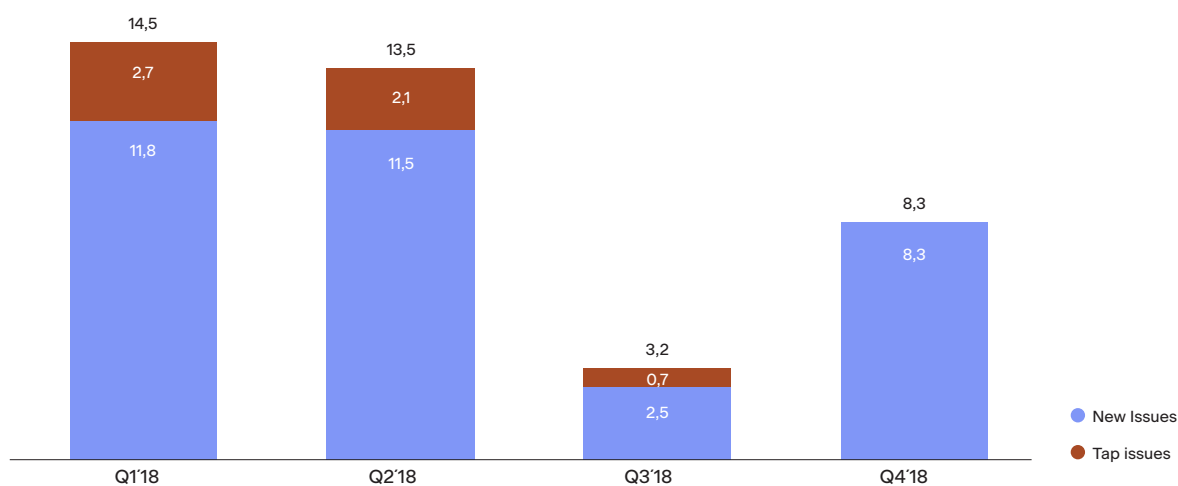
New Issuance – Corporate IG

Quarterly 2018

ISINs



Volume (NOKbn)

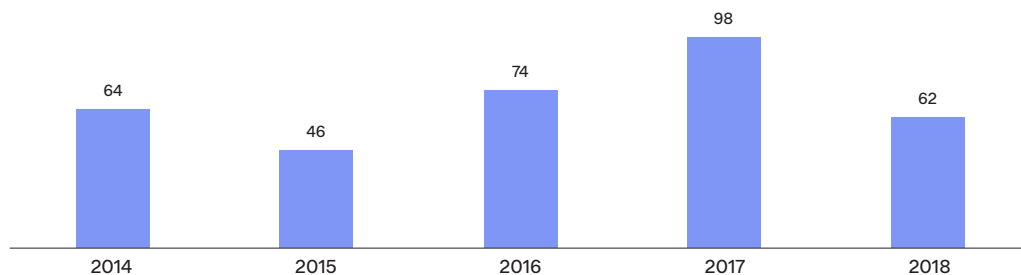


Corporate IG issues varied significantly through 2018. The issuance activity showed volatility during 2018. During the first half of the year issuance activity was relatively strong, but in H2 the new issuance activity tapered off.

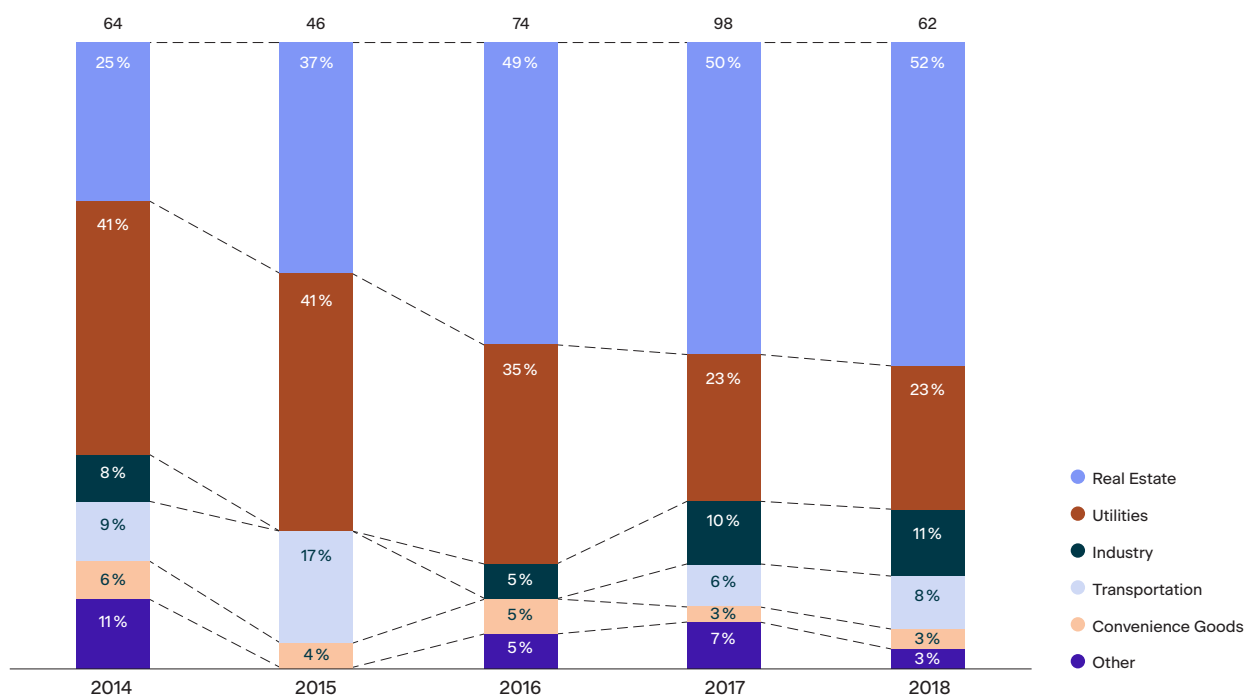
New Issuance – Corporate IG

Annually 2014-2018

ISINs – total



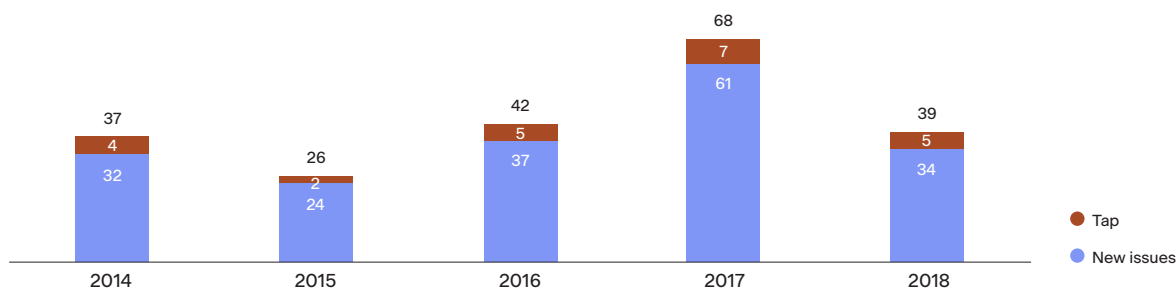
ISINs – sector deep-dive



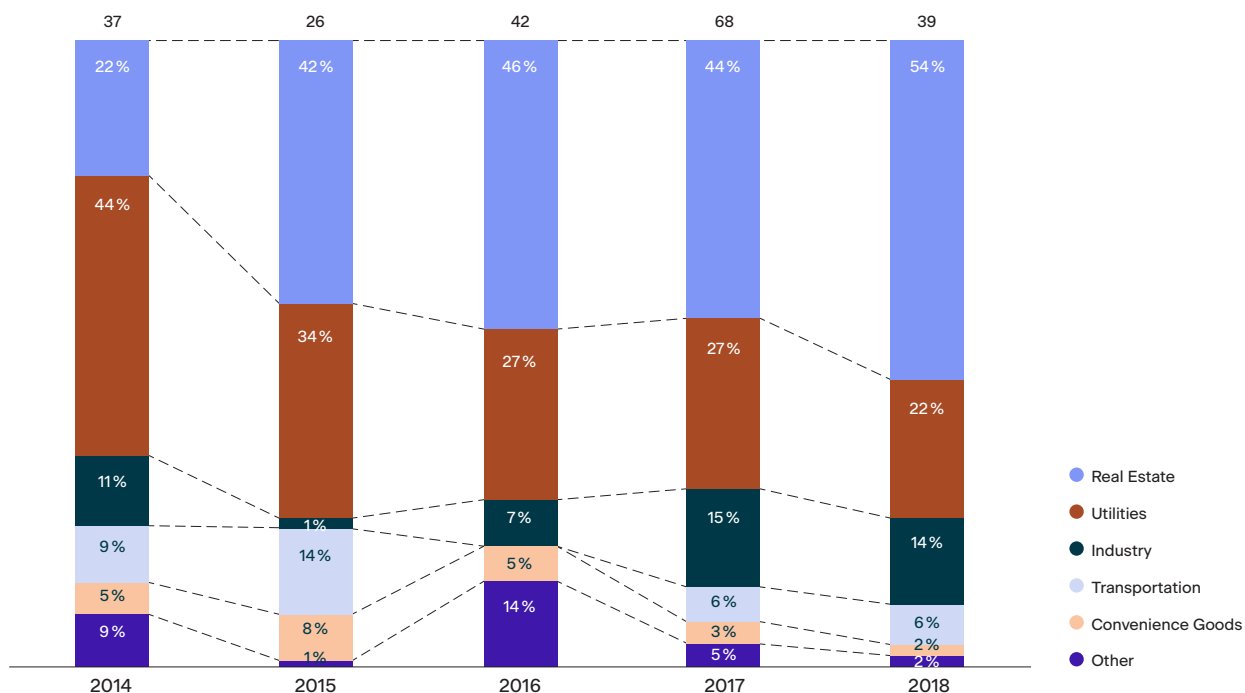
New Issuance – Corporate IG

Annually 2014-2018

Volume (NOKbn) – total



Volume (NOKbn) – sector deep-dive



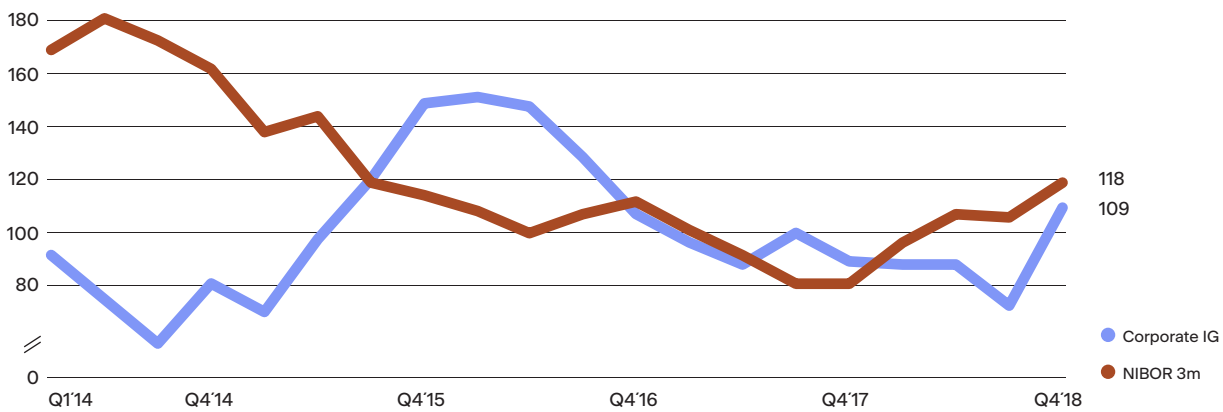
Graphs on this and previous page:

Corporate IG new issues grew substantially from 2015 to 2017, but have experienced a 40 % decrease in 2018 new issue volume compared to 2017.

In terms of new issuance activity, Real Estate have doubled in relative size since 2014, while new issuance activity in the Utility sector has gone from being ~40-45% of new issues in 2014 to ~22/23% in 2018.

New Issuance – Corporate IG

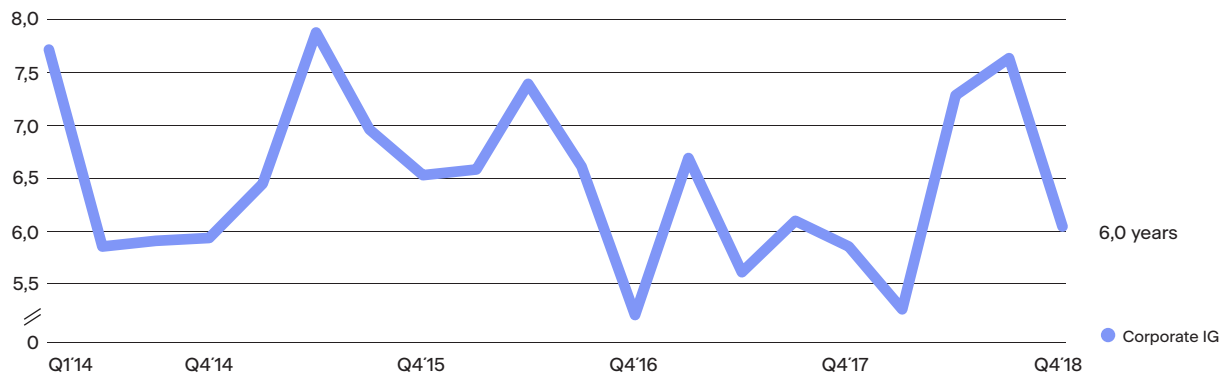
Issue spread (bps) at issue date



Average new issue spreads for Corporate IG bonds fell from approximately 180bps at the beginning of 2014 to 90bps at the end of 2017.

During 2018, average new issue spreads, fell below 80 bps by end of Q3 and then increased shortly to 109 bps by year end.

Tenure on new issues (years) at issue date



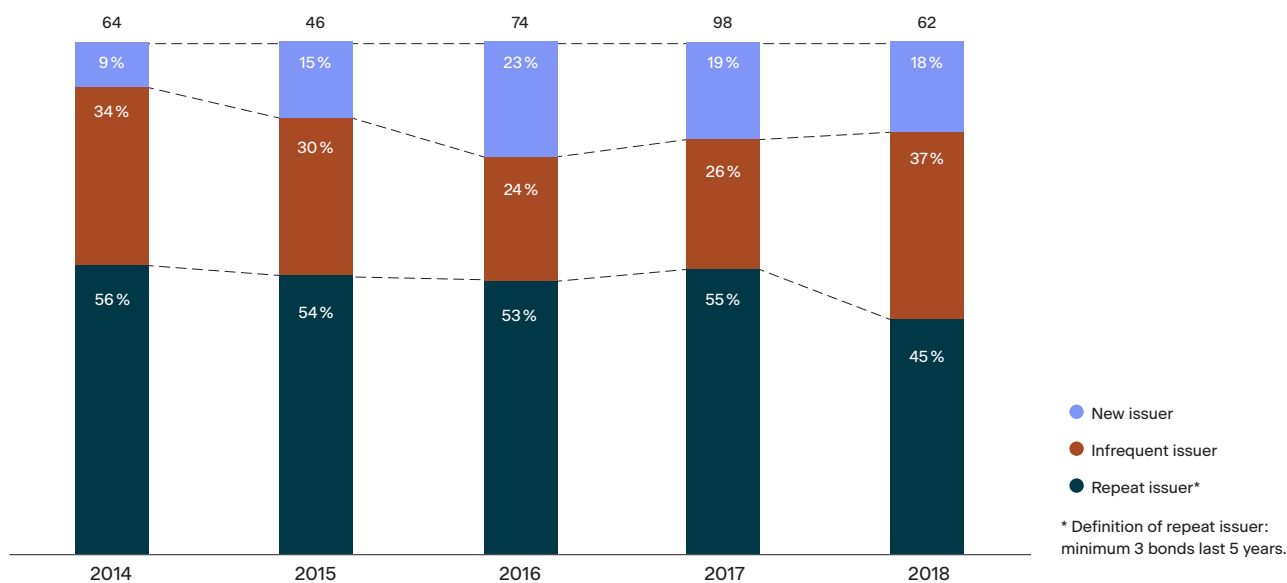
Average tenure for Corporate IG bonds have fluctuated between 5-8 years during the period 2014-2018.

During 2018 average tenure increased sharply from 5,5 years to 7,5 years in Q2 and Q3; and then fell back to 6 years by year end.

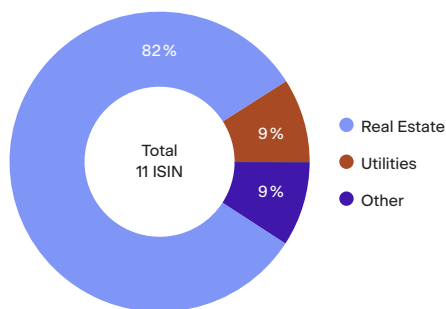
New Issuance – Corporate IG

Share of new/repeat* issuers 2014-2018 (share, #ISIN)

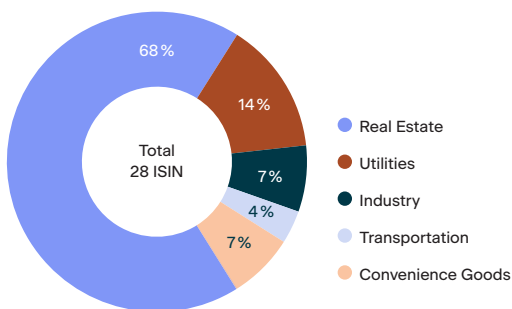
Type of issuer



New issuers per sector, 2018



Repeat* issuers per sector, 2018



In the Corporate IG market the share of repeat issuers dropped from 55% to 45% from 2017 to 2018.

2014, while first time issuers grew from being 9% to 18% of the total number of new issues during 2018.

The Real Estate companies dominated among both new and repeat issuers, followed by Utilities.

04

Corporate Bonds

New Issuance, Corporate HY

Purpose

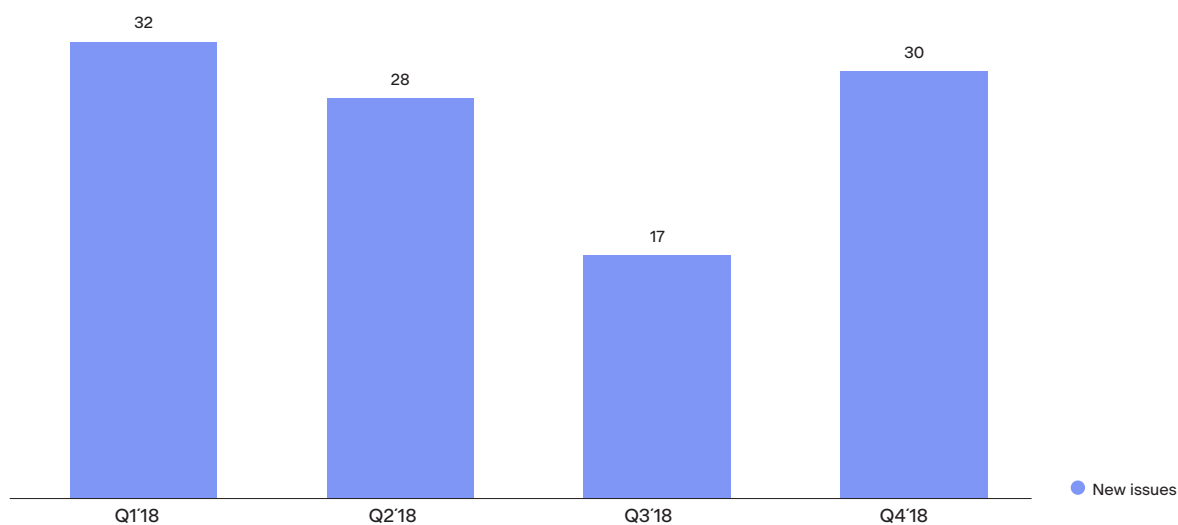
Provide an overview of new corporate HY bond issues past five years, including selected deep dives.

The following graphs will only include new issues in the corresponding time period.

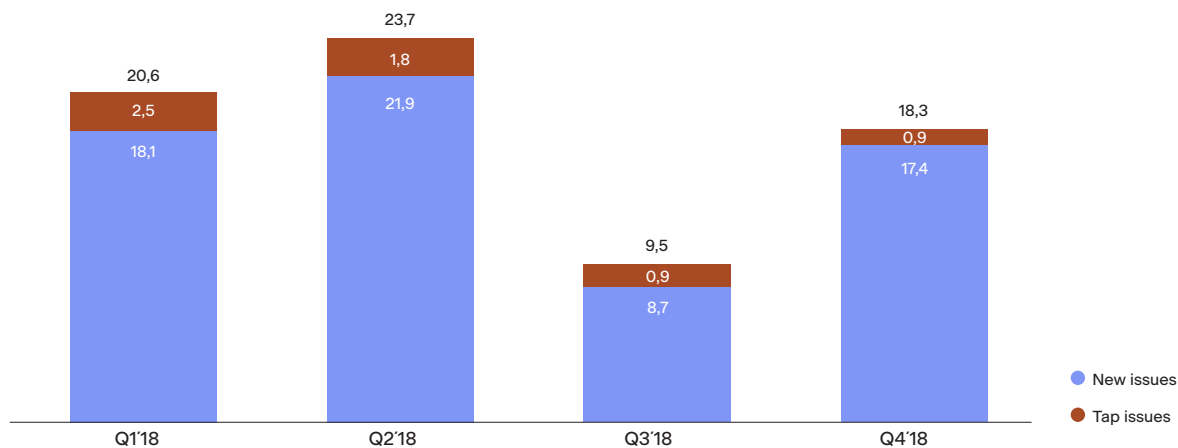
New Issuance – Corporate HY

Quarterly 2018

ISINs



Volume (NOKbn)



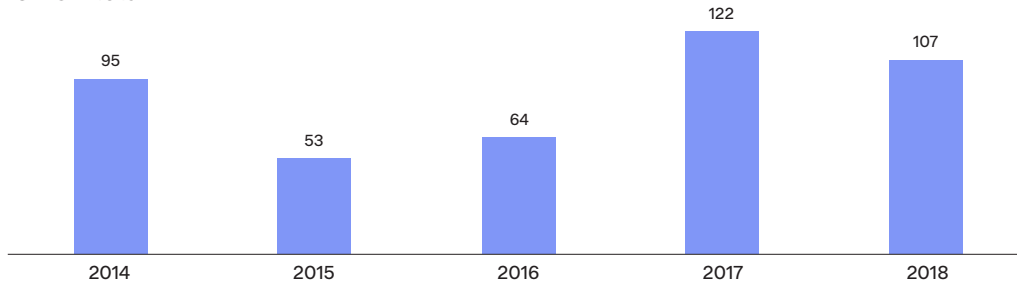
The Corporate HY market started 2018 very strong in terms of new issuance activity, but lost some steam during Q4 2018 with close to no issuing activity during November and December (note vacation effect in Q3).

During 2018 there were 107 new issues with a total volume outstanding of NOK 72 bn.

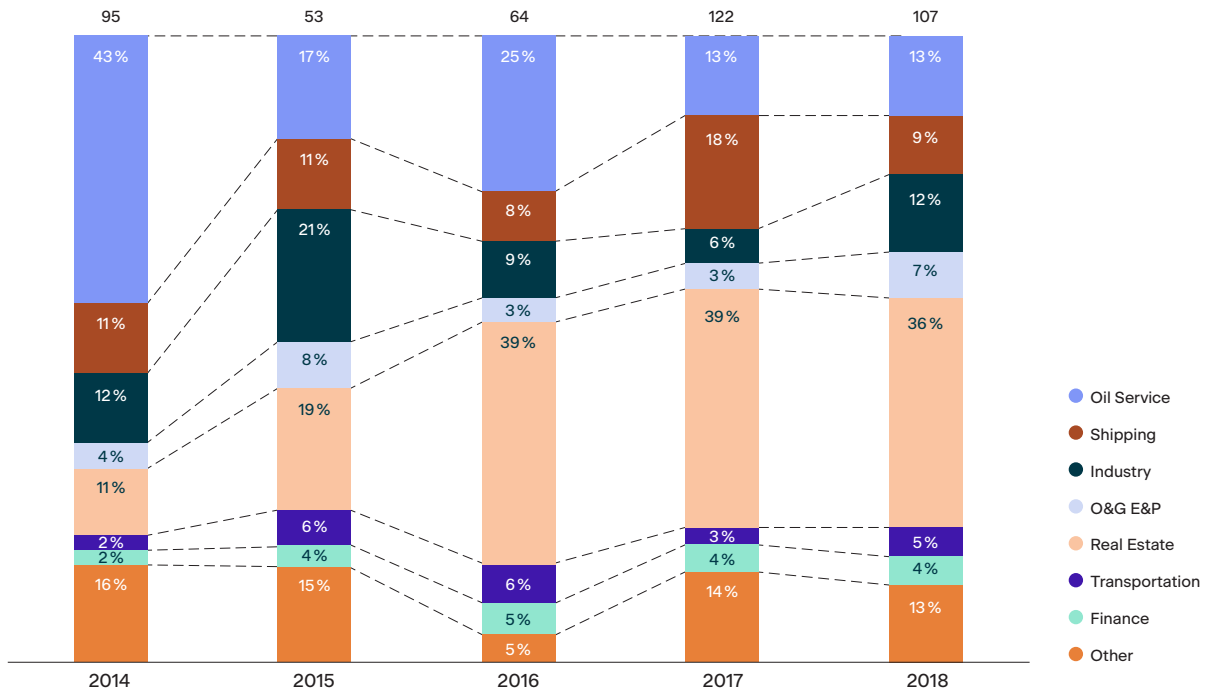
New Issuance – Corporate HY

Annually 2014-2018

ISINs – total



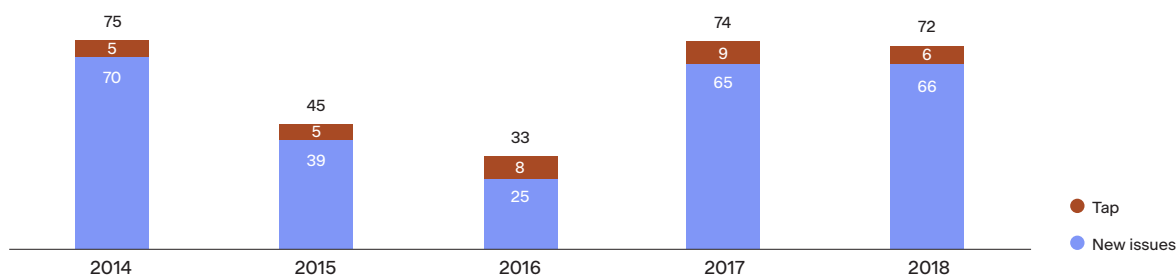
ISINs – sector deep-dive



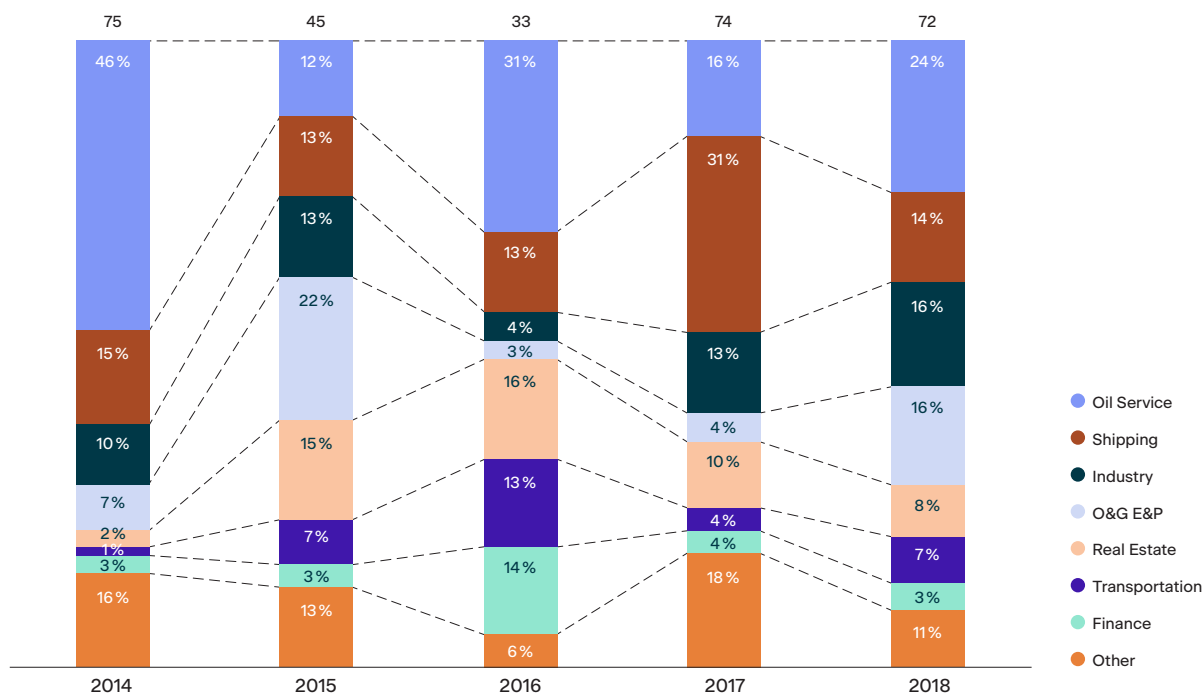
New Issuance – Corporate HY

Annually 2014-2018

Volume (NOKbn) – total



Volume (NOKbn) – sector deep-dive



Graphs on this and previous page: After falling new issue volumes 2014-2016, Corporate HY new issue activity has increased significantly in 2017 and 2018. In 2018 overall, 107 new ISINs were issued representing a volume of NOK 72bn.

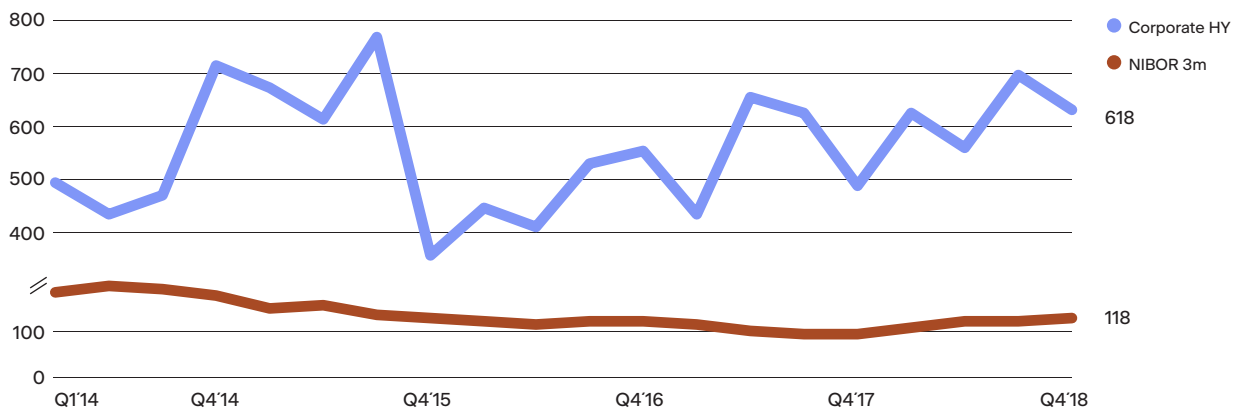
In the Corporate HY market Real Estate was by far the most active sector in terms of new issues, but relatively small in terms of new issue volume.

In terms of new issue HY volume, variation from year to year is significant. In 2018, the three largest industry sectors were:

- Oil Service NOK 17.3bn (24%)
- Industry NOK 11.5bn (16%)
- O&G E&P NOK 11.1bn (16%)

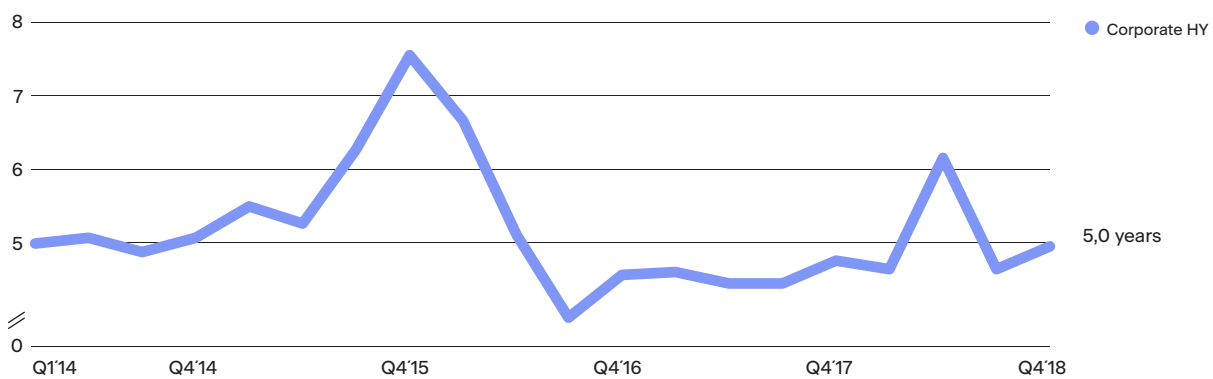
New Issuance – Corporate HY

Issue spread (bps) at issue date



In the Corporate HY market, average new issue spreads decreased substantially in Q4'15 from ~760 bps to ~330 bps. Since Q4'15 the average new issue spreads have seen a rising trend and ended at ~620bps by year end 2018.

Tenure on new issues (years) at issue date



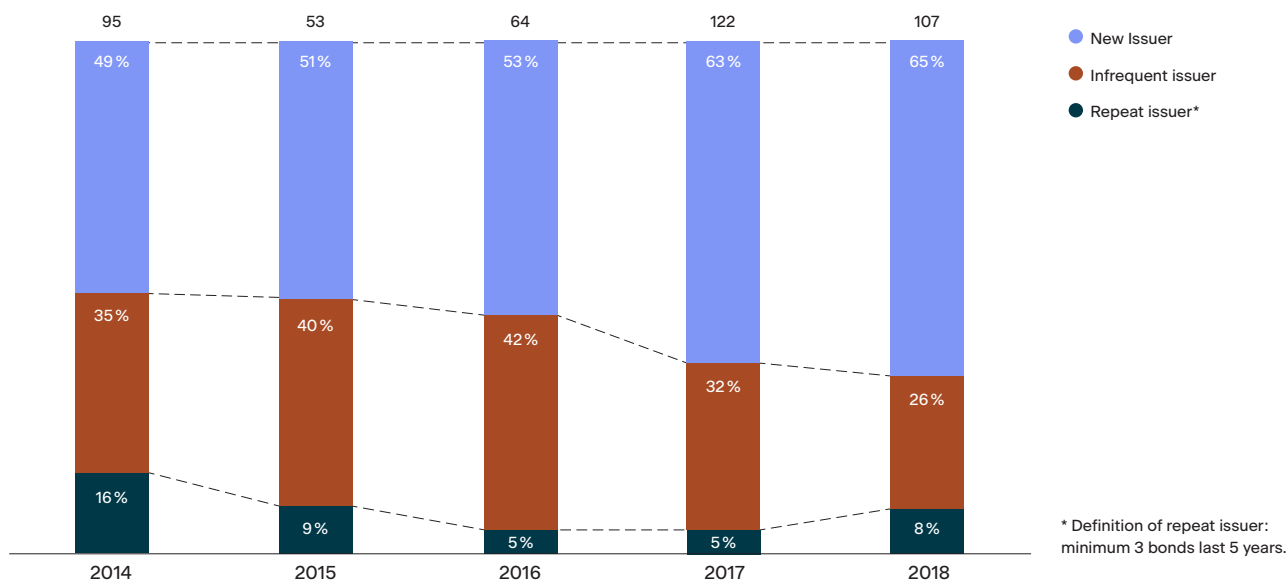
Average tenure for new issues in the Corporate HY market, rose sharply in H2'15 to peak at approximately 7,5 years; before declining to ~4 years in Q3'16.

In 2018, average tenure for new issues in the Corporate HY market increased from ~4.5 years by end of Q1 to ~6.2 years by end of Q2; before falling back to ~5 years by end 2018.

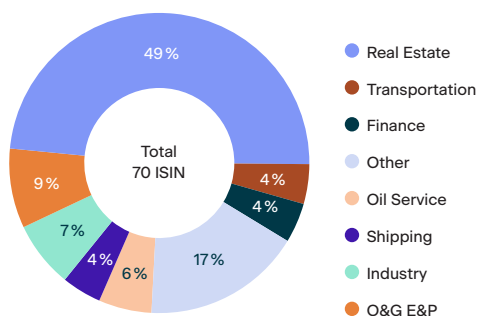
New Issuance – Corporate HY

Share of new/repeat* issuers 2014-2018 (share, #ISIN)

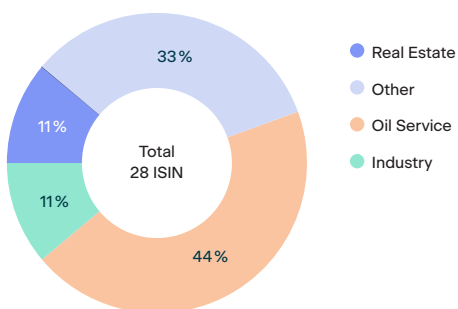
Type of issuer



New issuers per sector, 2018



Repeat* issuers per sector, 2018



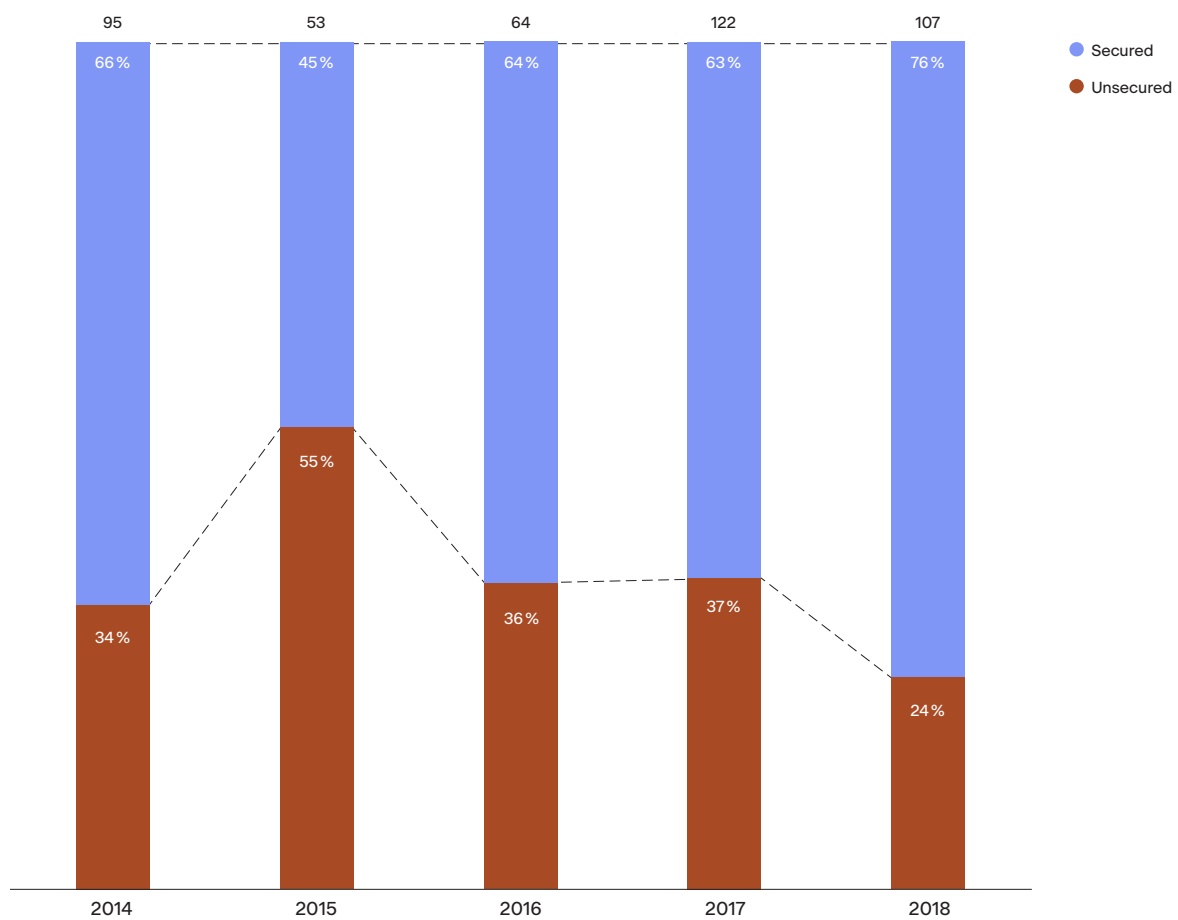
First time issuers represented the majority of new HY issues; while repeat issuers constitute a small percentage of new issuers in the Corporate HY market.

Real Estate companies were the largest group of new issuers in the HY market (as they were in Corporate IG) during 2018.

Oil Service were the most prevalent repeat issuers.

New Issuance – Corporate HY

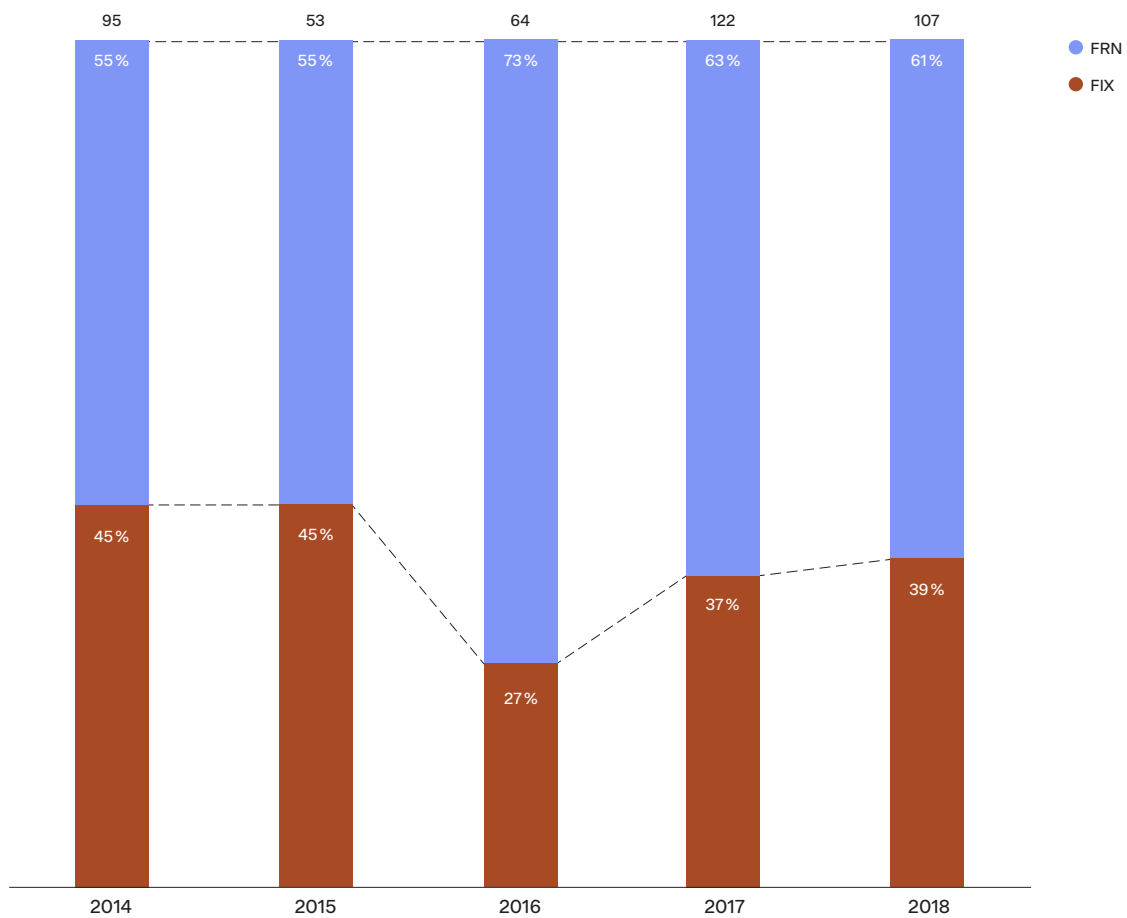
Secured vs. unsecured (#ISIN)



There has been an increase in the relative share of new secured Corporate HY issues, from 45% in 2015 to 76% in 2018.

New Issuance – Corporate HY

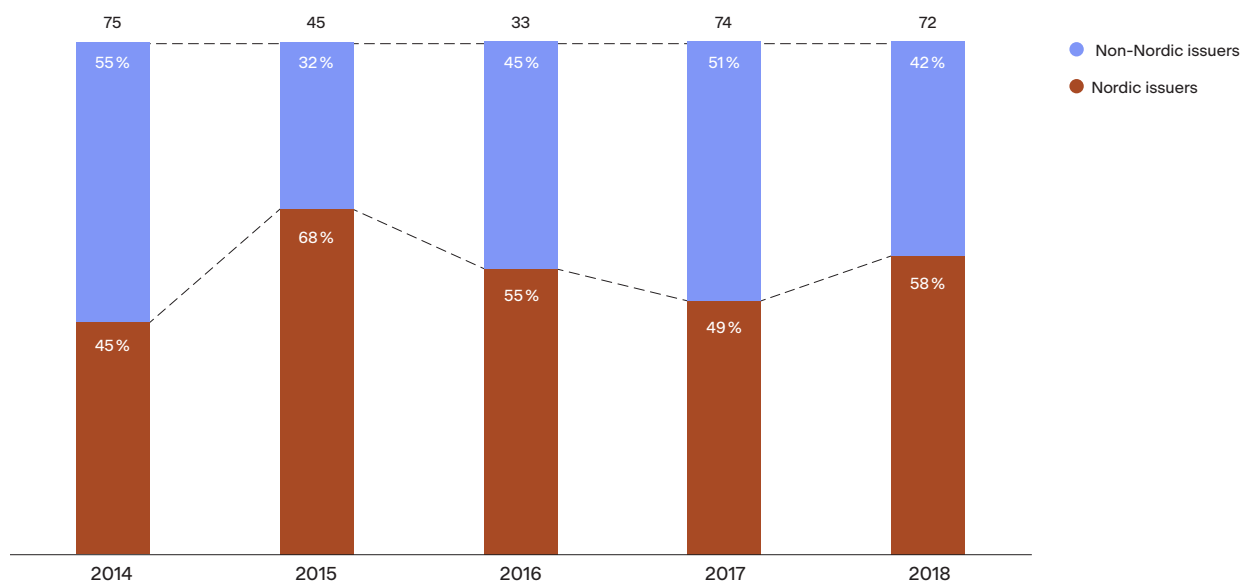
FRN vs. FIX (#ISIN)



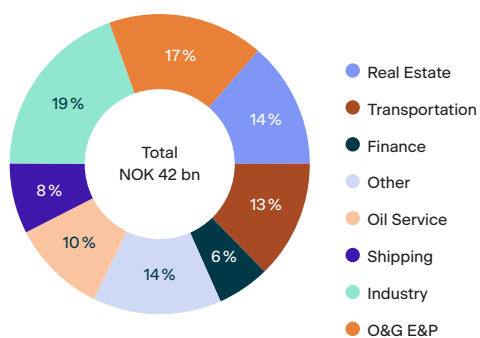
The mix between FRN and FIX has been relatively stable over the past years, with FRN being the most common at 61% of all new issues in 2018.

New Issuance – Corporate HY

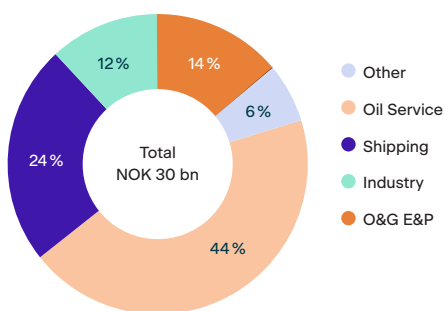
Nordic vs. non-Nordic issues, 2014-2018 (NOKbn)



Nordic Issuers per sector, 2018



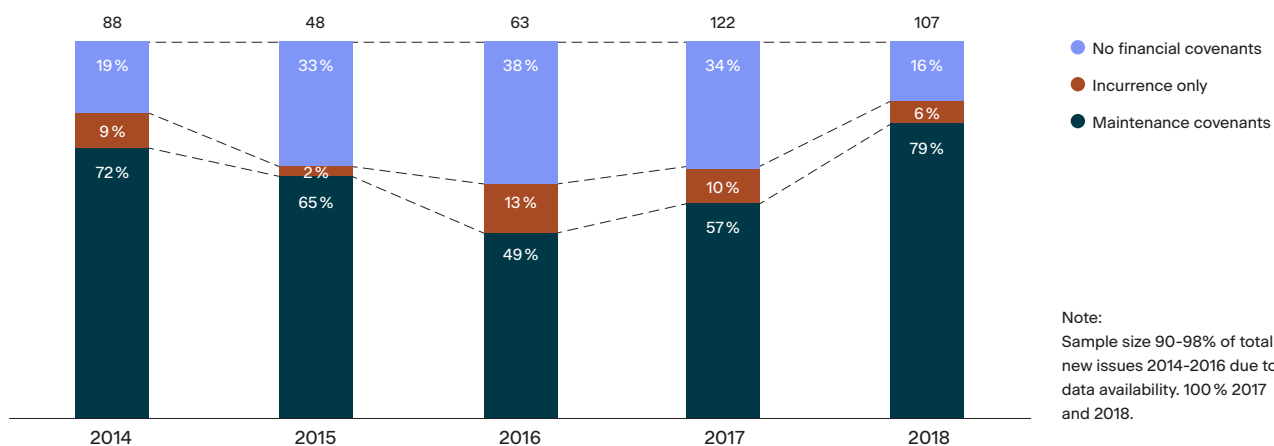
Non-Nordic Issuers per sector, 2018



The Norwegian Corporate HY market has attracted a large number of international issuers the past 5 years. In 2018, more than 40% of the total 72bn raised, were for non-Nordic issuers. These volumes are primarily driven by O&G, Shipping and Industry.

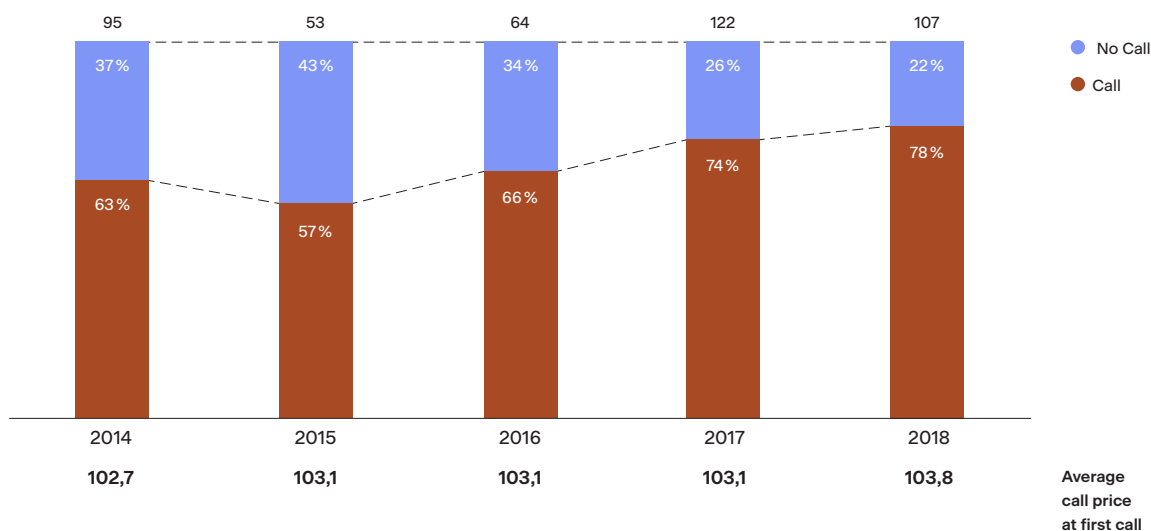
New Issuance – Corporate HY

Financial covenant structure (#ISINs)



In 2018, 79% of new issues in the Norwegian Corporate HY market had financial maintenance covenants vs. only 57% in 2017 and 49% in 2016. Only 22% of the 107 new issues in 2018 had no financial covenants or incurrence covenants only.

Call option structure (#ISINs)



Call options have become more common in Norwegian Corporate HY issues over the past 5 years. In 2018, close to 80% of new issues had call options, with average call price 103,8 at first call.

04

Corporate Bonds

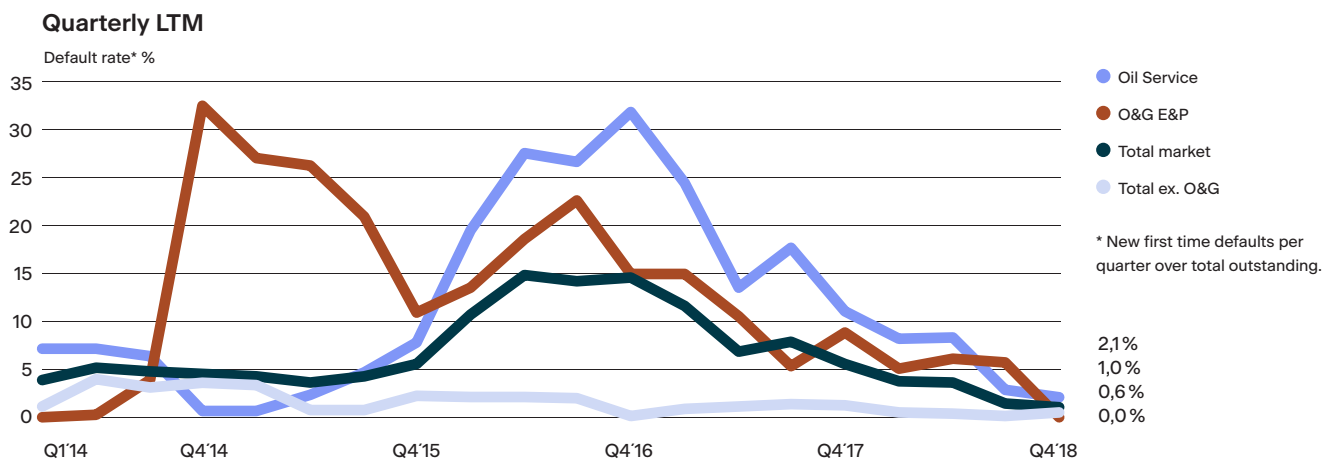
Defaults

Purpose

Provide an overview of first time default rates in the HY market and for key industry sectors.

The following graphs include all outstanding bonds in the corresponding time period.

First time defaults – Corporate HY



The first time default rate in the Norwegian HY market has declined substantially in the past 3 years from ~15% in Q2'16 to 1% in Q4'18. As expected the highest default rate in the HY market over the past 3 years has been within the Oil Service and E&P sectors. Excluding Oil Service and E&P, the average first time default rate in the Norwegian HY bond market has been 1,65% since 2014.

2018

	First time default rates* 2018	Avg. issue spread (bps)	Sector share of total market (average share of volume 2018)
Oil Service	2,1%	747	2,1%
Real Estate	2,0%	650	8,2%
Shipping	1,1%	543	18,1%
Total HY	1,0%	647	100%
O&G E&P	0,0%	759	8,6%
Utilities	0,0%	190	1,8%
Industry	0,0%	685	13,8%
Transportation	0,0%	482	5,3%
Telecom/IT	0,0%	655	4,6%
Finance	0,0%	460	4,4%

* Defined as first time defaults as percentage of total outstanding

Oil Services and Real Estate were the two industry sectors with the highest first time default rates in the HY market in 2018. Both of these sectors are also in the high end of the spectrum in terms of issue spreads. Other HY industry sectors with high issue spreads but zero first time defaults during 2018 includes E&P, Industry and Telecom/IT.

05

Manager League Tables



05

Manager League Tables

Municipality bonds and certificates

Municipality bonds			All certificates		
2018 (2017)	Manager	SHARE (%)	2018 (2017)	Manager	SHARE (%)
1 (1)	Danske Bank	31%	1 (1)	DNB	57%
2 (2)	DNB	21%	2 (2)	Nordea	17%
3 (4)	Swedbank	15%	3 (3)	SEB	10%
4 (5)	Nordea	15%	4 (4)	Danske Bank	9%
5 (6)	SpareBank 1	8%	5 (5)	SpareBank 1	4%
6 (3)	SEB	8%	6 (6)	Handelsbanken	3%
7 (n/a)	Handelsbanken	0.3%	7 (7)	Swedbank	0%
Total volume (NOKbn)		24	Total volume (NOKbn)		178

Note:
Based on share of issued volume

Manager League Tables

Financial institutions (FIG)

FIG ex. Covered bonds			Covered bonds		
2018 (2017)	Manager	SHARE (%)	2018 (2017)	Manager	SHARE (%)
1 (4)	DNB	22%	1 (1)	DNB	26%
2 (3)	SpareBank 1	20%	2 (4)	SEB	25%
3 (2)	Swedbank	18%	3 (2)	Nordea	15%
4 (5)	SEB	16%	4 (3)	Swedbank	12%
5 (1)	Nordea	12%	5 (5)	Danske Bank	12%
6 (6)	Danske Bank	6%	6 (6)	SpareBank 1	8%
7 (7)	Norne Securities	4%	7 (8)	Handelsbanken	1%
8 (8)	Pareto	1%	8 (7)	Norne Securities	0,4%
9 (11)	Handelsbanken	1%			
10 (9)	Arctic Securities	0.1%			
Total volume (NOKbn)		103	Total volume (NOKbn)		127

Note:
Based on share of issued volume

Manager League Tables

Corporate bonds (IG/HY)

Corporate IG			Corporate HY			Green Bonds		
2018 (2017)	Manager	Share (%)	2018 (2017)	Manager	Share (%)	2018 (2017)	Manager	Share (%)
1 (3)	DNB	21%	1 (1)	Pareto	29%	1 (1)	SEB	33%
2 (4)	Danske Bank	20%	2 (2)	DNB	17%	2 (n/a)	Fearnleys	17%
3 (1)	Nordea	16%	3 (5)	Nordea	9%	3 (4)	DNB	16%
4 (2)	SEB	15%	4 (3)	ABG Sundal Collier	7%	4 (6)	Handelsbanken	9%
5 (7)	Swedbank	8%	5 (4)	Arctic Securities	7%	5 (3)	Swedbank	7%
6 (6)	Arctic Securities	8%	6 (7)	SEB	6%	6 (n/a)	ABG Sundal Collier	6%
7 (5)	Handelsbanken	7%	7 (8)	Fearnleys	6%	7 (2)	Nordea	6%
8 (8)	SpareBank 1	3%	8 (12)	Clarkson Platou	4%	8 (n/a)	Danske Bank	6%
9 (n/a)	Fearnleys	1%	9 (9)	Swedbank	4%			
10 (9)	Pareto	1%	10 (13)	SpareBank 1	3%			
Total volume (NOKbn)		37	Total volume (NOKbn)		65	Total volume (NOKbn)		3

Note:

Based on share of issued volume

Nordic Trustee is the leading and most experienced provider of trustee and agency services for bonds and direct lending in the Nordic region. With offices in Oslo, Stockholm, Copenhagen and Helsinki, we are currently handling close to 3000 active assignments in the non-bank lending sector for more than 800 issuers/lenders.

Stamdata is a Nordic Trustee subsidiary and the leading provider of market and reference data for the Nordic bond market, with ~45,000 instruments in the portfolio. Data includes detailed information on all Nordic Debt securities issued by Public sector, FIGs and corporates. The depth and accuracy of data available in Stamdata are unique in the Nordic fixed income market, making Stamdata the preferred bond data provider in the region.

Nordic Bond Pricing (NBP) is owned by Nordic Trustee (50%) and the Norwegian Fund and Asset Management Association (50%). NBP provides a daily independent pricing service and benchmark bond indices covering the Norwegian bond market. NBP's pricing data and indexes are distributed through Stamdata.

For more information on bond market data, research and consulting services, please contact Nordic Trustee:

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mail@nordictrustee.no

Definitions (I/II)

Corporate investment grade vs. high yield

Investment grade (IG) vs high yield (HY) split is made due to statistic reasons only and no credit assessments are made for any company. The split follows the following criteria;

<p>Official Ratings</p>	<p>For Bonds with rating the relevant rating will be used. If issuer rating, unsecured senior Bonds will be placed into the corresponding segment as the Issuer. For issuers with short-term rating, unsecured senior Bonds with a remaining time to maturity of less than 397 days will be placed into the same short-time rating.</p>
<p>Market rates, Yields and trading prices</p>	<ul style="list-style-type: none"> • For unrated Bonds, the split between IG and HY is the average spread of the top 5 per cent (minimum 5 companies) of rated IG issuers with comparable Bonds with a reliable market price. <ul style="list-style-type: none"> • Comparable Bonds are defined as Bonds with (i) \pm 1-year duration difference, (ii) equal seniority and (iii) in the same market segment (FIG, Corporate). • For determination of market price two weeks average prices are used. • If an issuer has multiple Bonds with equal security and seniority, all the same Bonds will be placed in the same IG/HY-category, and the highest category will be used. • Bonds may change between IG and HY based on market prices, however a reclassification may only occur if there exists 3 months of market prices.

Definitions (I/II)	
Term	Definition
Bonds	Debt securities which are not Certificates
CAGR	Compounded annual growth rate
Certificates	Treasury bills, certificates and commercial papers
Corporates	Debt securities issued by corporates
Debt securities	Bonds and Certificates, which are financial instruments
Default	Any non-payment or change to Bond terms where investors are not adequately compensated, and whereas First time default is the first time a Bond has defaulted
FIG	Debt Securities issued by financial institutions
FIX	Means Bonds with fixed rate
FRN	Means Bonds with floating rate
HY	High yield Bonds (corporate Inv.grade vs. high yield for details)
IG	Investment grade Bonds (corporate Inv.grade vs. high yield for details)
Issue spread	(i) FRN; margin used, (ii) FIX; the interest rate less applicable swap
New issuance	All New Issues and Tap Issues during a period
New issue	All new Bonds in the corresponding quarter or year
Norwegian Bonds/Bond Market	Bonds issued with NO-ISIN
Public sector	Debt Securities issued by Norwegian and foreign (i) states, (ii) counties and municipalities and (iii) supranational issuers (World bank, European Investment Bank Etc.)
Regulated capital	Tier 1 and Tier 2 capital for FIGs
Tap issue	New debt added to an existing Bond
Tenure	Time to maturity using value weighted average of outstanding amounts, whereas Tenure at issuance is time to maturity at issue date, however, for Regulated Capital the first call date is used
Yield to maturity	Median yield to maturity, YTM



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