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20Y NGB syndicated deal

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New 20Y NGB – Key points

Maturity and amount. The new 20Y benchmark – We expect it to be a NGB 09/46. We expect it to issue NOK10bn – as it has announced it will do NOK5-10bn.

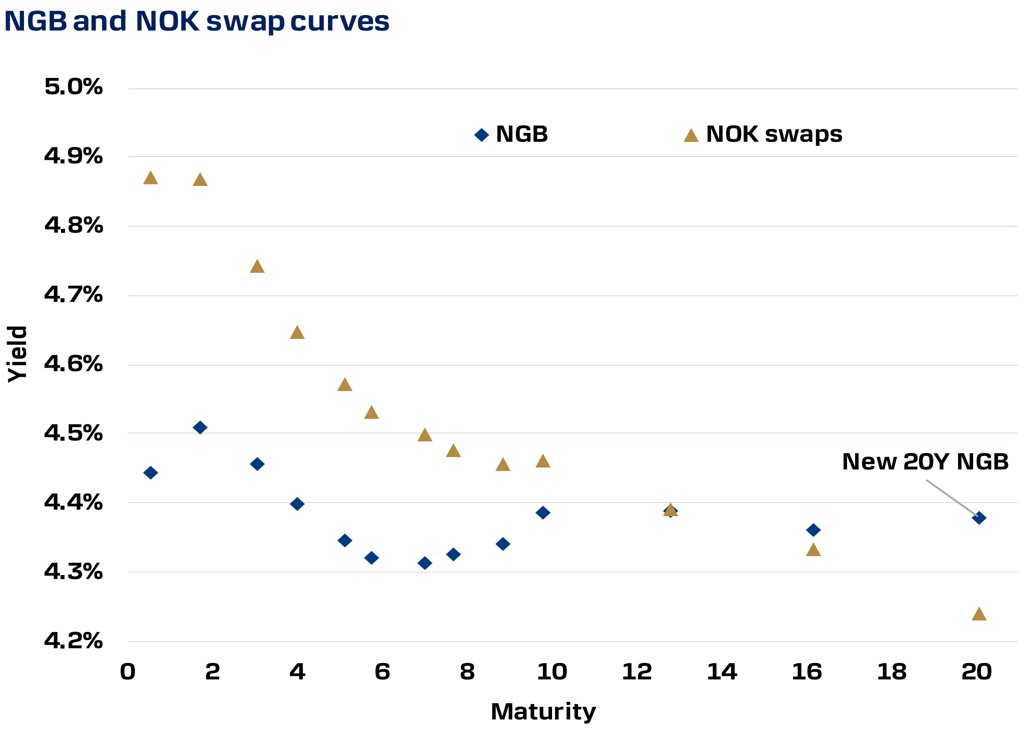
Timing. We expect it to come in the first week of September (31 Aug-4 Sep) given plenty of central bank meetings in September including Norges Bank. Then, there is the Norwegian autumn holiday from 28 Sep-2 Oct and the US mid-term elections in November.

Pricing. 'Fair value' based on the NGB ASW-spread curve is 7bp vs 6M Nibor (indicative pricing, mid-market). If we assume a new issue premium of 3-4bp based on previous levels for the NIP, **it will be priced around MS+10bp (vs 6M Nibor) or flat to NGB 3.5% 2042. This is 3bp below NGB 4.125% 2036, hence a negative slope on the NGB curve between 10Y and 20Y**

Investors. We expect the syndication to be dominated by domestic investors as we have seen in the 15Y and 20Y syndicated deals.

Recommendation. As always, we recommend investors to participate in the syndication given the performance in the secondary market after the syndication and there is limited supply for the rest of the year as Norges Bank's Debt Office has sold more than 75% of the issuance in 2026. It will have done almost 85% after the syndication.

Expected pricing of the new 20Y NGB : MS+10bp (with a NIP of 3bp)



Timing and size at the auction: it could come already in early September. We expect it to sell NOK10bn.

Timing of the auction. We expect early September.

There is a packed schedule of Central Bank meetings in September :

- 10 September: ECB meeting, a hike is almost fully priced
- 16 September: Federal Reserve
- 24 September: Norges Bank
- 28 September - 2 October: Autumn holiday in Norway
- 3 November: US Mid-term elections

Given the Central Bank meetings in September, Autumn holiday in Norway as well as the US mid-term elections and the uncertainty about global long-bond yields, we expect the syndication in early September.

Size at the auction. We expect NOK10bn

- Norges Bank sold NOK20bn in January and NOK15bn in May – It has sold the max amount at both auctions relative to the indicated amount (NOK15-20bn and NOK10-15bn).
- There has been strong demand at both auctions with bid-to-cover at 4.15 and 5.2, respectively.
- We expect it to sell NOK10bn in the new 20Y benchmark as we expect to see equally strong demand. It usually sells the full amount in which case it will have fulfilled more than 85%.

NGB auction calendar

Government bonds auction calendar

Government bonds	Buyback NGB 02/2026	Buyback NGB 02/2027
Wednesday 7 January	Wednesday 7 January	
Wednesday 28 January		
Wednesday 11 February		
Wednesday 25 February		Wednesday 25 February
Wednesday 4 March		
Wednesday 18 March		
Wednesday 15 April		
Wednesday 29 April		
Wednesday 13 May		
Wednesday 27 May		
Wednesday 3 June		
Wednesday 10 June		
Wednesday 24 June		Wednesday 24 June
Wednesday 1 July		
Wednesday 5 August		
Wednesday 19 August		
Wednesday 2 September		
Wednesday 16 September		Wednesday 16 September
Wednesday 7 October		
Wednesday 14 October		
Wednesday 21 October		
Wednesday 28 October		

10Y syndication (Jan. 26)

Syndicated tap (May 11)

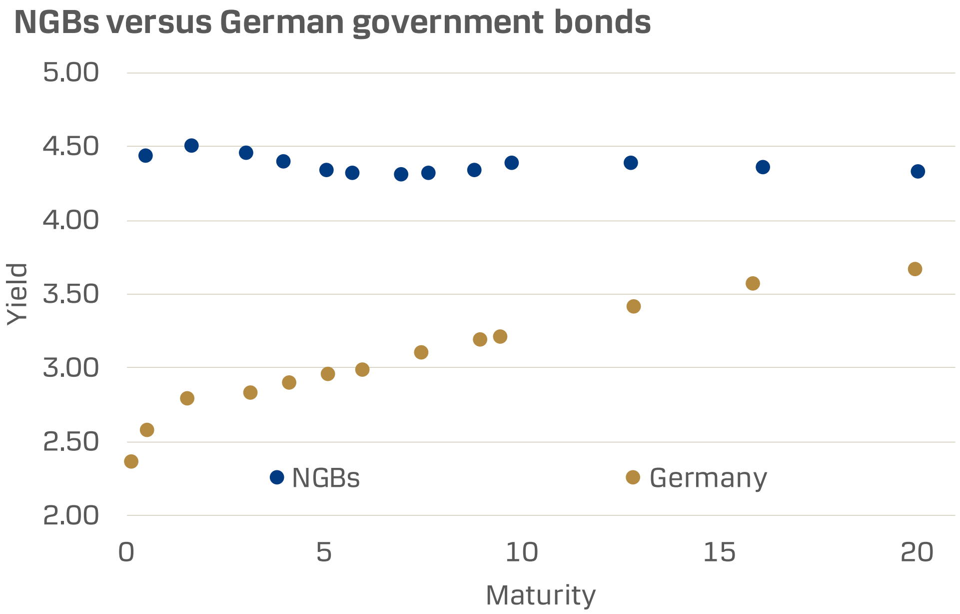
20Y syndication (Sept/Oct)

Source. Norges Bank

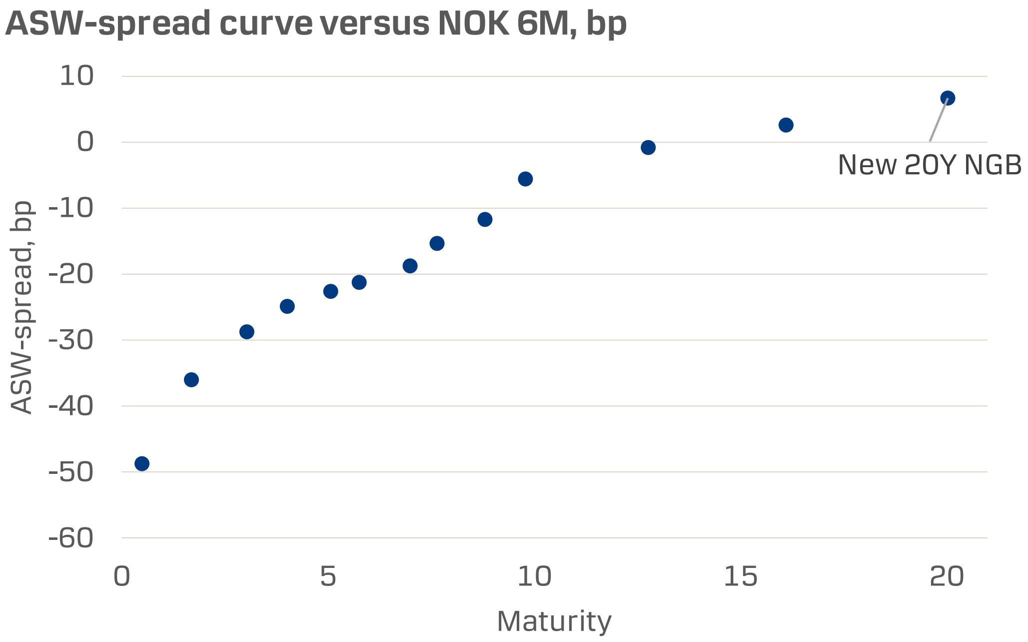
Note: Past performance is not a reliable indicator of current or future results

Pricing of the new 20Y

The NGB yield curve relative to the German yield curve



The ASW-spread curve vs 6M Nibor – Fair value MS+7bp

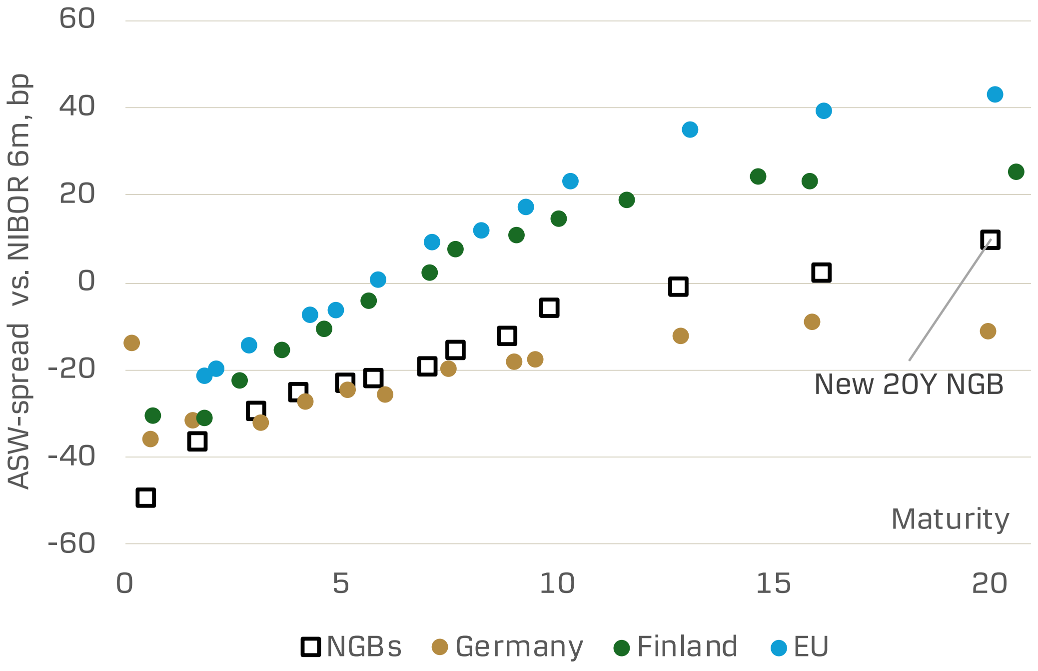


Source. Danske Bank
Note: Past performance is not a reliable indicator of current or future results

Alternatives to NGBs - EU peers and US Treasuries – swapped into either NOK6M or NOKOIS

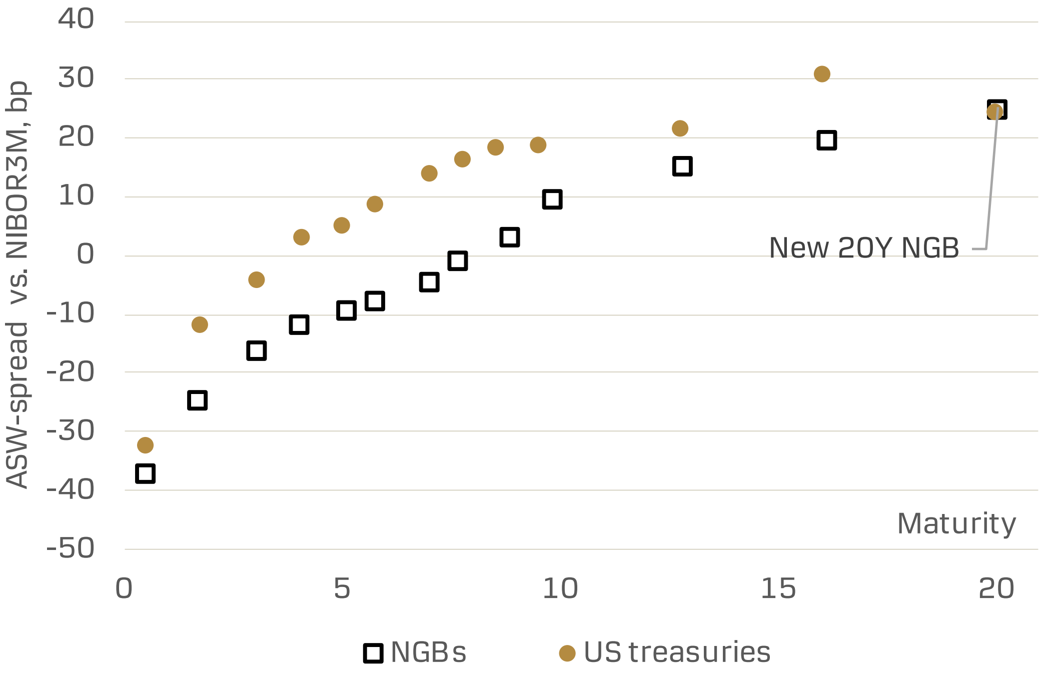
EU peers such as Finland, Germany and EU swapped into NOK

ASW-spread curves for Norway, Finland, EU and Germany swapped into NOK6M, bp



US Treasuries swapped into NOK3M relative to NGBs

ASW-spread curves for Norway and US Treasuries swapped into NOK3M, bp



Source. Danske Bank
Note: Past performance is not a reliable indicator of current or future results

The investor distribution at the syndicated deals since 2022

	May-26	Jan-26	May-25	Feb-25	May-24	Feb-24	Oct-23	Feb-23	Sep-22	Feb-22
Bond	10Y NGB 2036	10Y NGB 2036	10Y NGB 2035	10Y NGB 2035	15Y - NGB 2039	10Y - NGB 2034	10Y- NGB 2033	10Y NGB 2033	20Y NGB 2042	10Y NGB 2032
IPT	MS+3bp	MS+4bp	MS+6bp	MS+4bp	MS+2bp	MS+4bp	MS-12bp	MS+2bp	MS+20bp	MS-12bp
Pricing	MS+0bp	MS+2bp	MS+4bp	MS+0bp	MS-3bp	MS+0bp	MS-15bp	MS+0bp	MS+18bp	MS-16bp
NIP (new issue prem.)	**NIP 2-3bp**	**0.5-1bp**	**2bp**	**2bp**	**7bp**	**3bp**	**4bp**	**4bp**	**11bp**	**3bp**
Current pricing	MS -6bp	MS -6bp	MS -13bp	MS -13bp	MS+ -2bp	MS -16bp	MS -19bp	MS -19bp	MS 2bp	MS -22bp
Sold at auction	NOK 15bn	NOK 20bn	NOK 15bn	NOK 22bn	NOK 12bn	NOK 20bn	NOK 10bn	NOK 22bn	NOK 10bn	NOK 20bn
Bid-to-cover	5.2	4.15	3.94	4.10	**6.67**	6.00	4.7	3.09	**2.35**	4.5
Region										
Norway	30%	44%	41%	31%	**34%**	39%	31%	39%	**75%**	29%
UK	27%	19%	20%	26%	17%	26%	25%	11%	13%	16%
Other Nordic	22%	20%	23%	29%	30%	24%	28%	17%	6%	28%
Other Europe	5%	4%	7%	4%	9%	6%	5%	13%	5%	10%
US	5%	9%	7%	5%	9%	3%	6%	6%	0%	4%
Asia	4%	1%	1%	5%	0%	2%	4%	4%	1%	3%
Middle East	7%	3%	1%	0%	1%	0%	1%	10%	0%	10%
Investor type										
Asset managers	39%	34%	31%	38%	30%	39%	35%	41%	19%	28%
Insurance and pension funds	8%	15%	21%	23%	**35%**	29%	10%	6%	**52%**	13%
Bank Treasuries	21%	15%	19%	16%	12%	12%	25%	12%	6%	21%
Hedge funds	13%	14%	13%	9%	15%	10%	16%	16%	7%	13%
Central Banks and Off. Inst.	19%	18%	16%	14%	8%	10%	14%	25%	16%	25%

Source. Norges Bank, Danske Bank
Note: Past performance is not a reliable indicator of current or future results

The performance in the 15Y and 20Y deals 14 days and one month after the syndication

Solid performance after the syndication

There was a solid performance in both the 15Y and 20Y syndication two weeks and one month later.

However, there was also a decent new issue premium in both bonds.

The main investor group was domestic life insurance companies and pension funds.

Issue date	22/05/2024	27/09/2022
Bond	15Y - NGB 2039	20Y NGB 2042
IPT	MS+2bp	MS+20bp
Pricing	**MS-3bp**	**MS+18bp**
2week later	**MS -5bp**	**MS+ 13bp**
1month kater	**MS -6bp**	**MS+ 5bp**
NIP (new issue prem.)	7bp	11bp
Current pricing	MS+ -2bp	MS 2bp
Sold at auction	NOK 12bn	NOK 10bn
Bid-to-cover	6.67	2.35
Region		
Norway	34%	75%
UK	17%	13%
Other Nordic	30%	6%
Other Europe	9%	5%
US	9%	0%
Asia	0%	1%
Middle East	1%	0%
Investor type		
Asset managers	30%	19%
Insurance and pension funds	35%	52%
Bank Treasuries	12%	6%
Hedge funds	15%	7%
Central Banks and Off. Inst.	8%	16%

There should be ample room to build up liquidity in the new 20Y benchmark in 2027, when we expect a borrowing requirement of NOK95-100bn

NOK bn	Net new lending from government agencies (1)*	Redemptions (maturing bonds) (2)	Neutralising the liquidity impact from Norges Banks transfer to the government (3)	Gross funding requirement (4)= (1)+(2)+(3)	Prefinanced (5)	Use of government's cash account (6)**	Issuance target (4)-(5)-(6)
2015	36	21.9	3.4	61.3		9-13	48-52
2016	10	30	15	55		0	55
2017	1.5	30	17.8	49.3		0	49.3
2018	5.2	38	15.3	58.5		8.5	50
2019	8.6	38	14	60.6		10.6	50
2020	10.1	41	14.8	65.9		10.9	55
2021	16	41	18.6	75.6		10.6	65
2022	25.6	39	10.1	74.7	7.5	2.2-7.2	60-65
2023	30.1	51	14.5	95.6		15.6-20.6	75-80
2024	35.7	52	33.6	121.3		11.4-21.4	100-110
2025	34.2	58	0	92		-3 to -13	95-105
2026	40.5	55	0	96		-4.4 to -14.4	100-110
2027	**40**	**54*** **	**0**	**94**		**-1 to -6**	**95-100**

Note: *Net new lending from govt agencies/state banks is set at NOK 40bn as the funding of the Norwegian trains have been included in the funding.

** A positive/negative number is where Norges Bank either reduce/increase the government's account.

*** Redemptions and buybacks of NGB 2026

Source. Norges Bank and Danske Bank
Note: Past performance is not a reliable indicator of current or future results

Duraton continues to increase

Until 2023, there was a gap of two years between the issuance of a new NGB, but with the increase of the funding need, we have a new NGB benchmark every year and more than just one syndicated deal every year.

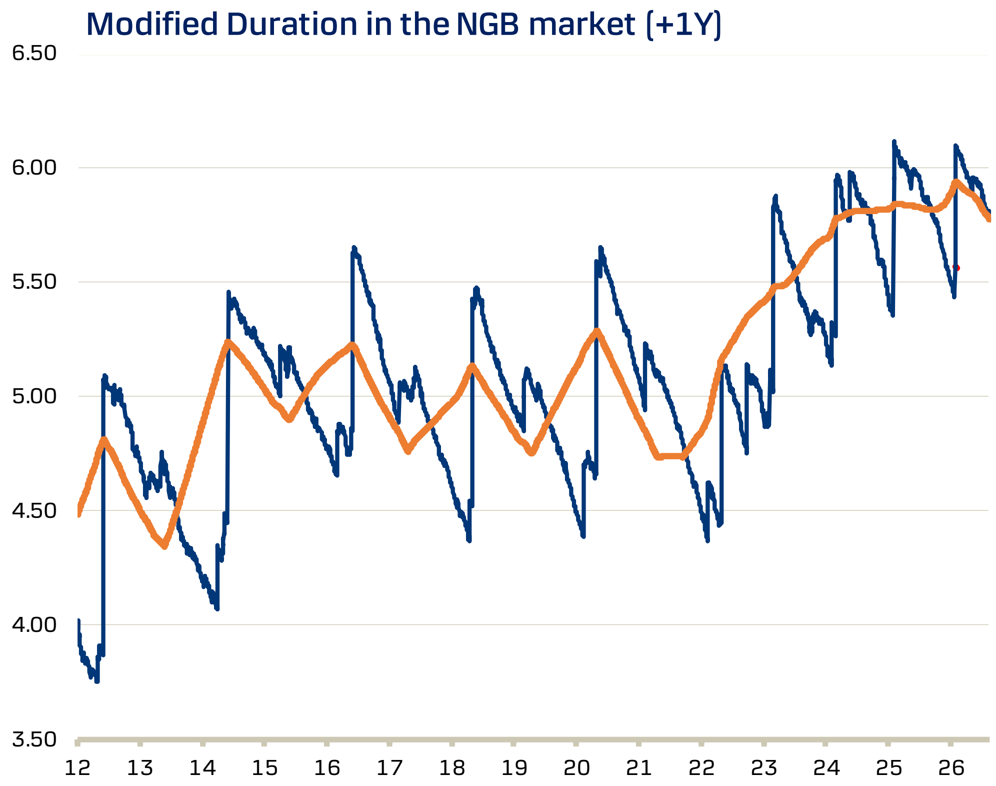
Norges Bank has several soft targets for the issuance policy:

- Build up a liquid 10Y benchmark.
- More than 50% of the issuance should be done in the +7Y segment.

The increase in the funding has made room for both a 15Y and 20Y benchmark, which has been 'demanded' from the domestic life insurance and pension funds

The increased issuance with a focus on the end has led to a rise in the duration in the NGB market and index trackers have a demand for the long end – this is also seen in ownership, where domestic investors are skewed to the long end.

The modified duration on an +1Y NGB index has risen as supply rises and >50% has to be issued in the +7Y

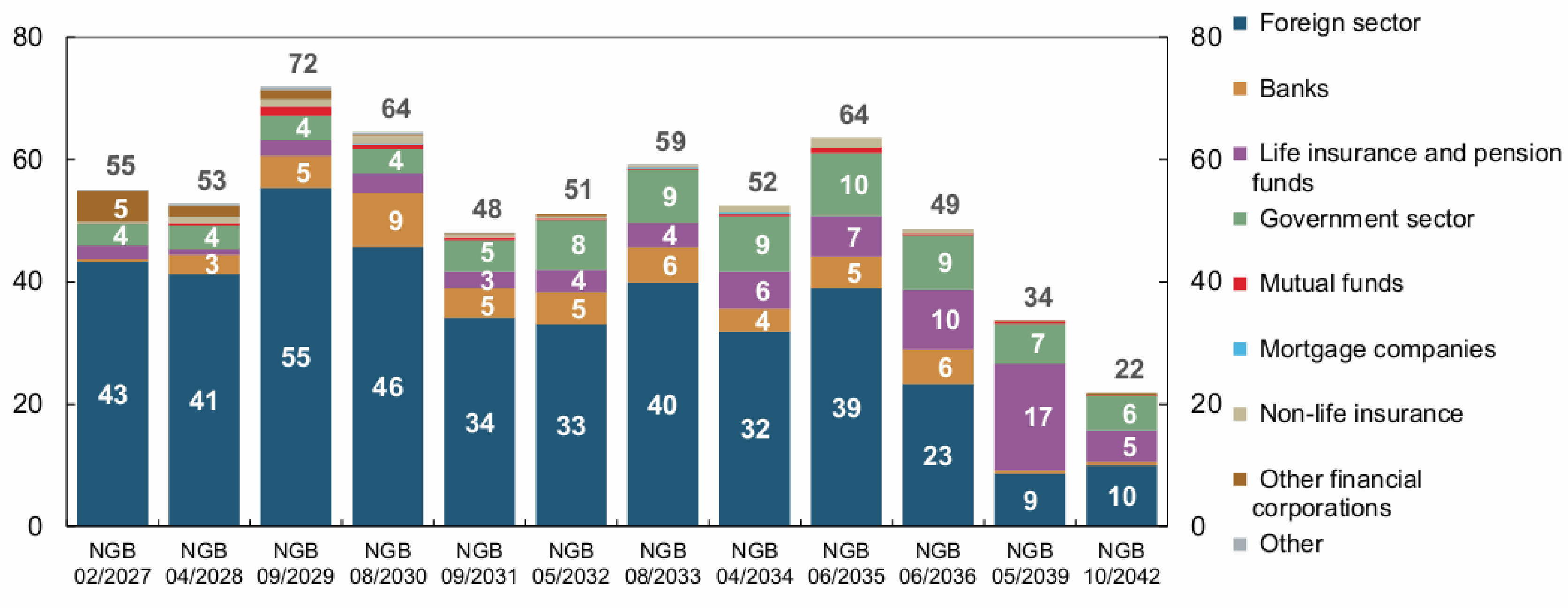


Source. Bloomberg, Danske Bank

Who owns the long end today

Chart 4.3 Ownership composition for bonds by bond

Including government's stock. In billions of NOK. At 30 June 2026



Source: Euronext VPS

Conclusions

The Debt Office at Norges Bank will issue a new 20Y benchmark in September/October.

Given a heavy schedule of central bank meetings during September (including Norges Bank) and the Norwegian autumn holiday in Sept-Oct., the deal could come already next week. If we get into October, we are close to the US mid-term elections and this could give more volatility in the long end of the US and European yield curves, which would have a spill-over effect on Norway.

We expect it will be priced around MS+10bp – this includes a 3bp NIP. In this case it is priced flat to the old 20Y NGB benchmark (NST 485) and 3bp below the current 10Y benchmark (NST 490). If it is to be priced flat to NST 490, it gives an ASW-spread of MS+13bp.

The main investor base in the long end of the NGB curve is domestic life insurance companies and pension funds. We expect that it will also be these investors that will dominate the new 20Y benchmark.

There should be ample room to increase liquidity in the new 20Y benchmark as we expect a borrowing requirement of NOK95-105bn in 2027.

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