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healthcare visions. Page 6

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between the markets. Page 10

Release

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Highlighting the residents

Social benefit is in focus in Tingsbrogården's
collaboration with RBS Nordisk Renting.

RBS creates social benefit

RBS Nordic Region has long enjoyed solid collaborations with national, local and regional authorities. In this issue of Release for instance we meet Region Gotland, Stockholm County Council, Statkraft and Telge Energi.

The public sector is facing some major investment needs: roads, railways, hospitals, public transport, homes, pre-schools, healthcare and so on. There are also demands for the state to meet its large pension commitments.

RBS is happy to stand as a financier and can also help to reduce the risks taken with taxpayers' money.

“ This amazing product creates benefit

RBS Nordisk Renting has a very interesting solution to offer players in the public sector. Our customer sells a strategically important property to us, signs a long-term contract to use the premises, and has the option to buy it back at a pre-determined price. The concept can also be applied in connection with new builds.

Renting is an attractive alternative to raising taxes, increasing debt or selling properties in the conventional way.

Long-term sustainable customer solutions in the public sector help ensure that capital is invested in core operations like schools, healthcare and elderly care, which we view as something very positive.

This amazing product creates benefit for the customer, citizens and construction companies. We look forward to working with more customers in this important part of our Nordic market.



Reinhold Geijer
Head of RBS Nordic Region

Release

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New start for Cameron
at 10 Downing Street.

PHOTO: SERGEANT TOM ROBINSON/RIC. CROWN COPYRIGHT

Uncertainty after British election

THE BRITISH GENERAL ELECTION in May gave the Conservatives, under David Cameron, their own majority in parliament.

For RBS the central political issue for the immediate future is whether Britain will have a referendum on leaving the EU, and if so what the result will be.

“According to opinion polls, the most likely scenario is that Britain will remain in the EU. However, until then the uncertainty could mean

that concerns about Britain's future in the EU lead to less of a desire to invest there,” says Pär Magnusson, Chief Economist at RBS Nordic Region.

The Scottish National Party, SNP, enjoyed great success in the elections, and it is uncertain whether Scotland will demand a new referendum on independence. RBS believes that this issue will not come to the fore until Britain definitely decides to leave the EU.



UPM works in a future-oriented way with the forest.

PHOTO: MIKAEL SVENSSON

Innovative UPM

MAJOR GLOBAL CORPORATION UPM, based in Helsinki, has entered into an agreement with RBS regarding a new credit facility.

Through the renewing of the bio and forest industries, UPM is building a sustainable future across six business areas. UPM products are made of renewable raw

materials and are recyclable. The group employs 20 000 people and its annual sales are 10 billion Euros. UPM shares are listed on NASDAQ OMX Helsinki.

UPM has been working with RBS for many years, and has also had operations on RBS's domestic market, the UK, since the 1970s.

The client takes the lead

TEXT ANNELI KAMLIN PHOTO HÅKAN LINDGREN

Being able to rent long-term while freeing up capital is a combination particularly suited to public sector organisations. Tingsbrogården, a care home for people with dementia, is owned by RBS Nordisk Renting and run by Region Gotland.



Central figure: the care home's cat meets Nordisk Renting.



Tingsbrogården is situated just outside Gotland's capital, Visby.

"IT'S EXTREMELY important that we have a good collaboration with our property owners. As head of an operation that conducts important social services, I have to be certain of being respected and taken seriously in issues relating to the property – and I get that from Nordisk Renting. They are competent, professional people," says Tingsbrogården Site Manager Mia Löfgren.

Tingsbrogården is located about 10 kilometres outside of Visby, the capital of Sweden's Baltic island of Gotland. You can get there via 'Brorakan', a seemingly unnecessarily wide road that can double as an aircraft landing strip. It's a local attraction, as are the Lummelunda Caves and Snäckgårdsbaden beaches.

TINGSBROGÅRDEN IS HOME TO 32 people, all of whom are elderly and have dementia. They each have an apartment comprising one room and a kitchenette.

“Municipal authorities have a large investment requirement.

“The residents come from around the island, and from elsewhere in Sweden. We know we have a good reputation, partly for the beautiful setting with a lovely garden,” says Löfgren.

Dementia is a widespread disease which in Sweden is often referred to as ‘the relatives’ illness’. Moving into a care home makes life easier for both the patients and the people around them.

“It's very demanding to work here and our staff are well trained. You need training and a natural aptitude for the job, along with tonnes of patience and a big heart. We want the people who work here to have chosen this as their career, that's when things run smoothly,” Löfgren explains.

UNTIL THE beginning of the new millennium, Tingsbrogården was a traditional home for the elderly. The building was owned by Gotland Municipality, now re-formed as Region Gotland, a municipal authority with an extended remit.

At the turn of the millennium, the municipality was facing a dilemma.

“Tingsbrogården needed extensive renovation and extension to carry on as a modern home for people with dementia. The rooms were small and several of them shared a toilet. It was an expensive project, 54 million Swedish kronor. The politicians had to choose between refurbishing and closing down, but eventually decided to refurbish,” says Löfgren.

The project needed financing. The solution was for Nordisk Renting to go in as the property owner, and Region Gotland signed a 20-year rental contract.

COSTS ARE SPLIT between the home, the region, the manager and Nordisk Renting.

“Some issues have to be discussed to determine responsibility. It has to be fair, and obviously sometimes the cost has to go on our budget,” says Löfgren.

Since the refurbishment, Tingsbrogården has

a modern apartment layout with eight homes in each department. The furnishings have been carefully chosen bearing in mind the purpose.

“The colour scheme is particularly important. People with dementia find it hard to orientate themselves and don't see colours the same way we do, so they need assistance from their surroundings,” Löfgren explains.

THE ACTIVITIES IN THE BUILDING are special, which affects the way Nordisk Renting works.

“The vulnerability is higher here than in, say, an office building. People are here round the clock, it's their home. If the property doesn't work, it's very noticeable in the operation,” says David Träff of Nordisk Renting.

Mia Löfgren agrees.

“Not a lot has to go wrong before it even becomes dangerous.”

NORDISK RENTING sees the rental approach as having great potential in the public sector, especially when it comes to homes for the elderly.

“Municipal authorities and other organisations have a large investment requirement. Freeing up capital from real estate is an attractive alternative to raising taxes or increasing debt. Our agreements usually include an option for the customer to buy. This gives them greater control over the property than in a traditional sale,” says Ian Harcourt, Head of Client Management at Nordisk Renting. X

Tingsbrogården

Field of operation:

Dementia care home

Location:

Visby, Gotland island

Year of construction:

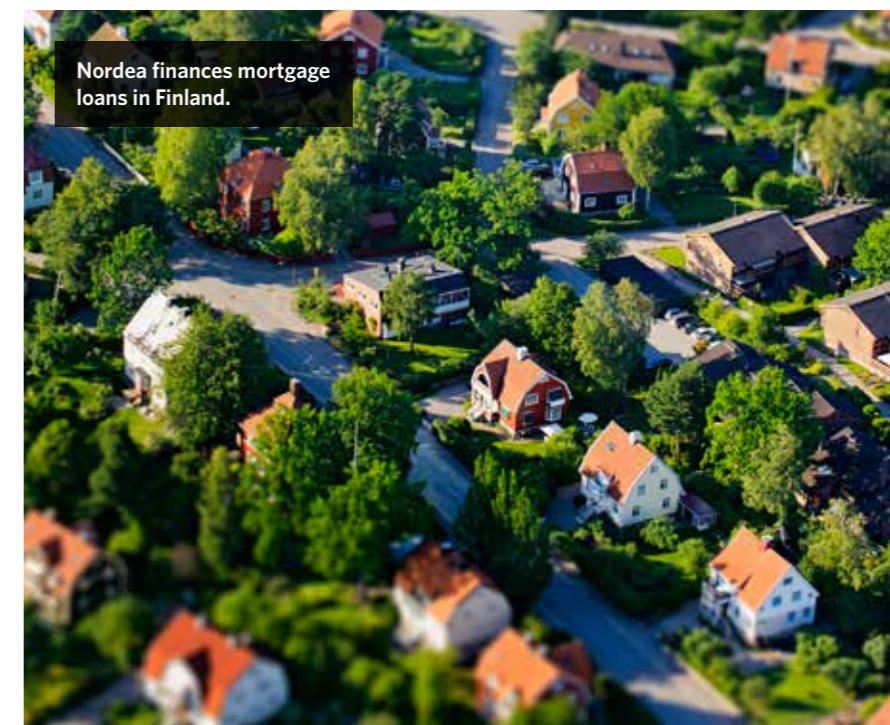
Various stages 1950–80, comprehensive refurbishment 2004–05

Operation managed by:

Region Gotland

Property owner:

RBS Nordisk Renting



Nordea finances mortgage loans in Finland.

PHOTO: HANS BERGGREN

Success for Nordea

Nordea consolidates its position as a very strong issuer on the international bond market.

AT THE START OF May, Nordea was named best Overall Issuer in trade publication The Covered Bond Report's Awards for Excellence 2015.

Earlier this spring, Nordea executed a successful transaction in association with RBS. It fulfilled three criteria that are usually hard to meet simultaneously: considerable size, a long term and record-low pricing.

It was a covered bond issued to finance Nordea's mortgage loans on the Finnish market. The transaction was in two parts and is therefore classified as a dual tranche deal. The total amount was € 2bn, split into two equal tranches.

IT WAS THE first dual tranche deal ever to have a price below the swap curve (mid-swap, or m/s), the market reference interest rate against which transactions in euro are generally priced. The terms were 12 and 5¼ years respectively. The longer tranche's coupon was set at 0.625 per cent after being priced at m/s minus

2 basis points, and the shorter at 0.125 per cent, m/s-10bp.

The longer tranche sets a new record for the lowest credit margin in relation to the swap curve ever for its tenor, which reflects Nordea's excellent creditworthiness and good reputation on the international bond markets.

THIS IS THE FIRST Nordic 12-year bond since 2010, and Nordea's first Finnish mortgage backed covered bond to be structured as a dual tranche deal.

The deal was covered by the European Central Bank's support programme for covered bonds. The order book totalled a massive € 4.25bn due to the issuer's good reputation, the deal's structure, the choice of issuance window, and the way the execution process was structured, according to RBS.

German and Austrian investors accounted for the lion's share of the orders, and Nordic parties were the second largest group. X

Economy in healthcare

TEXT ANNELI KAMLIN PHOTO HÅKAN LINDGREN

Major investments, such as the New Karolinska Solna hospital, mean that Stockholm County Council needs to fund itself efficiently. The county council is a successful negotiator on the international market.



Frida Korneliusson looks out for the taxpayers' interests.

“OVER THE NEXT five years, we expect to invest SEK 73bn in healthcare and public transport, the highest ever level of investment for us,” says Frida Korneliusson, Managing Director of AB SLL Internfinans, the interbank company that ensures the necessary funds are available to Stockholm County Council.

“This year we need to secure long-term financing of SEK 10bn to cover investment needs and refinancing. Generally speaking, around half of the county council’s investments are funded by tax income, and we borrow the other half.”

THE HIGH INVESTMENT levels are due in part to a major focus on future healthcare.

A key part of this is New Karolinska Solna, NKS, a massive project involving 2,000 people from 30 countries to build an ultramodern hospital with highly specialised care.

“Work to complete the 3,300 rooms to be delivered in 2016 has begun. Every week 50 rooms are checked to make sure they’re ready, and then they’re locked. The hospital will be finished by

2018,” says Kristina Ahlström of Skanska, who is guiding us around the building site.

SKANSKA IS BUILDING THE hospital and is part of the consortium the county council has procured in a Public-Private Partnership or PPP, in order to transfer the risks to the executor of the project. The county council is accounting for a large part of the financing in any case.

STOCKHOLM COUNTY COUNCIL recently issued a bond on the euro market. The term is relatively long at 10 years and the volume is € 350m, putting it in the sub-benchmark class in terms of size.

“Many of our investments have a long life span, so it feels good to be able to secure such a large amount over ten years. The Swedish market remains important to us, but its strengths and large volumes lie in short to medium terms,” Korneliusson explains.

A couple of years ago, the county council turned to the euro market for the very first time. Then, as now, the deal was led by RBS, among



The county council’s latest international bond brought in € 350m. One of many long-term investments currently under way in the county council is the New Karolinska Solna hospital. Frida Korneliusson, MD of Stockholm County Council’s interbank Internfinans, and Eric Kindblom of RBS led the transaction.

Stockholm’s future healthcare



ILLUSTRATION: WHITE TENGBOOM TEAM

THE BASIC IDEA BEHIND the ongoing development project for healthcare in Stockholm is that everyone should have the right level of care, for the patients’ best interests, with cost-efficiency in mind. Moreover, the Stockholm region is growing.

Around 850 new care places are

being created, largely in the smaller hospitals that are not emergency hospitals. The large hospitals are also being modernised. There will be a network of healthcare around each patient.

The project will be largely complete by 2018.

others. The amount borrowed then was € 500m at 2.125 per cent interest.

“Our first financing in euro made us want more. Also, we have already done the comprehensive groundwork of compiling the documentation needed to issue bonds on the euro market. Since then we’ve had an ongoing dialogue with the investors, so the process was a lot simpler this time around.”

THE DEAL IN FEBRUARY this year was successful and was heavily oversubscribed.

“It gave us a strong position when it came to discussing terms. The coupon interest rate was just 0.75 per cent,” says Korneliusson.

The interest is the second lowest

rate ever for a ten-year bond issued by a public sector body outside of Germany and Austria, and the lowest of all in this size segment.

“We’ve been monitoring the euro market and knew roughly what to expect. Our ambition for the interest level was clear in advance, and once the rate was right we went ahead.”

THE COUNTY COUNCIL’S FINANCE policy bans exposure in foreign currencies; the entire sum is hedged.

“Overall we ended up with an interest rate of around 1.55 per cent,” says Frida Korneliusson.

THE PROCESS TOOK care to consider peripheral aspects that affect how the finance market behaves: activity levels

on different days and at different times, school holidays in Finland and Sweden, Chinese New Year, the county council’s end of year accounts and so on.

JUST OVER 40 PER CENT of the investors were from Germany. A Finnish party subscribed to a full 17 per cent of the issue, making it the single largest investor.

In its latest review, credit rating agency Standard & Poor’s once again awarded Stockholm County Council a AA++ rating in the long term.

“The continued high credit rating lays a good foundation for more borrowing on favourable terms, which will of course benefit citizens,” Frida Korneliusson concludes. X

Safer trading

TEXT HELENE MURDOCH PHOTO WERNER NYSTRAND

Telge Kraft is one of the biggest players in energy trading in Sweden. Prices move quickly on the spot market and there is a need for price hedging, which Telge Kraft offers. In the next stage is RBS, which provides market hedges and deals with currency risk in electricity trading.



Frans Lundquist.

THE MAIN REASON WHY Astra Zeneca, Ericsson and Scania formed a joint company when the Swedish electricity market was deregulated in 1996 was to guarantee access to electricity, while also managing the risks in electricity trading. Telge Kraft was born.

To begin with, the company only purchased electricity for its owners. Today Telge Kraft provides services to some 130 customers, including some of the biggest companies in the Nordic region, as well as local and national authorities.

“We have been around a long time and have learned a lot about how the electricity market works,” says Frans Lundquist, Managing Director of Telge Kraft.

THE BUSINESS CONCEPT IS to be a market leader in the physical and financial management of power in the Nordic region. The head office in Södertälje is home to a team of portfolio managers and analysts working to hedge the prices of their customers’ power portfolios. There are subsidia-

ries in Norway, Finland and Denmark.

“The deregulated energy market affects electricity prices and entails great opportunities for companies in managing their power portfolios. Our main activity lies in creating low electricity prices for our consumer customers, and a good, stable return for our customers in production.”

“ We need expert help hedging ourselves against currency risks. We have been working with RBS a long time.

LIKE OTHER PLAYERS who trade in electricity in the Nordic region, Telge Kraft operates on the Nord Pool power market.

Stock trading on the Nordic electricity market is divided into two marketplaces: the spot market and the derivative market. Operation and ownership of the two marketplaces have been separate for several years.

On the spot exchange, which is owned by the Nordic grid companies, power is traded with physical delivery. Players on the electricity market send in buy and sell orders for the coming 24 hours in an auction-like process. The average price for the 24 individual hours makes up the spot price. Roughly 75 per cent of the electricity consumed is traded on the spot market.

THE SPOT PRICE IS VOLATILE, so prices need to be hedged. Price hedging contracts are traded on the derivative exchange, which is owned and operated by NASDAQ. This is where financially settled futures and options contracts are traded for future delivery. The futures are based on the underlying

value of the spot market.

As in other financial markets, there are other stakeholders on the derivative market than those seeking price hedging, such as funds, asset managers and investment banks. The derivative exchange trades roughly 5-6 times the underlying electricity consumption in the Nordic region.

“We operate in the financial part of the market, to hedge the electricity price against variations in the spot price for our customers. This is done using different financial products with varying durations. On the futures market, players can hedge electricity prices using forwards, futures and electricity options for a term of up to ten years in daily, weekly, monthly, quarterly or yearly contracts,” says Lundquist.

SO THAT IT CAN offer the securities in the shape of guarantees which trading on NASDAQ requires, Telge Kraft uses RBS. RBS also assists the company with trading in currency futures.

“NASDAQ hedges in euro and our customers want their contracts in Swedish kronor. This means we need expert help in hedging ourselves against currency risks. We’ve been working with RBS for many years, and we’re delighted with the help the bank provides,” says Lundquist.

EMISSION RIGHTS ARE another product that is traded on the financial part of the energy market.

“I believe that demand for emission rights will increase in the future, as more and more players face requirements to climate offset their operations,” says Lundquist.

“Generally, we’re seeing the effects of a stronger sustainability approach. One case in point is that we now only sell green electricity. Several of our customers also want to build up their own electricity production, primarily for environmental reasons. In this we act as an advisor,” says Frans Lundquist, who also believes that solar energy will be the next big energy source after the current rush for wind power. X



Reflections
Pär Magnusson
Chief Economist,
RBS Nordic Region

Norwegian dilemma

A COUPLE OF decades ago, Norwegian authorities realised that the country’s rocketing oil exports would also entail rocketing purchases of Norwegian kroner if all the incoming dollars were exchanged. This would lead to a tremendous strengthening of the NOK, and all other export industry would risk being outcompeted.

To solve the problem an oil fund, a global pension fund, was created. The incoming foreign currency for the oil would be left as foreign currency in the oil fund, and this money would be invested in foreign assets. This would manage the proportion of foreign currency exchanged into NOK.

I WONDER IF Sweden has ended up in a similar situation to Norway. Swedish companies with their headquarters in Sweden have an increasing percentage of their operations and turnover outside of Sweden. But although the majority of the sales and a lot of the production take place in other countries, the earnings come in to Sweden. Sweden is seeing large net inflows of currency. Meanwhile, the production of export goods has decreased dramatically in Sweden. The problem seems to be that profits coming home to Swedish parent companies motivate a stronger krona, while the Swedish industrial production within Swedish borders ought to have a weaker krona.

How can this problem be solved? It won’t be easy, but perhaps we should consider something along the Norwegian lines. X

British opportunities

TEXT ANNELI KAMLIN ILLUSTRATION MATTIAS KÄLL

New investment opportunities in the UK are now available to Nordic investors. In partnership with RBS, Nordic financial institutions can invest in British assets.

“ON A MARKET where ten-year German government bonds offer a return of less than one per cent, many investors are welcoming new alternatives,” says Miles Hunt, Head of Alternative Distribution at RBS.

He and his team can now offer investors across Europe a long-term relationship with RBS for Alternative Assets.

“We work on a wide geographical basis, but nations in Northern Europe are of particular interest. This is mainly because there is a culture of saving here, which means the fund managers, insurance companies and pension funds have plenty of capital and are looking for returns to create long-term value for their customers,” Hunt explains.

“For these capital-strong players, it’s only natural to invest largely, or even wholly, abroad, and we’d like to highlight the UK as an interesting choice.”

RBS IS INVITING NORDIC investors to work with the bank to invest in the British market, primarily lending to medium-sized unlisted companies across the UK.

“RBS has a strong infrastructure and covers a very large part of the country, which means we have well-established channels to the market. We’ve also been working

there for several hundred years so we have the necessary knowledge. We know who to lend to, and who not to lend to,” says Hunt.

“One aspect of building knowledge is to learn from one’s mistakes. If you fall off your horse and get back on, you take it easier second time round. The same learning process applies within RBS too.”

Restructuring in the financial sector has been under way for several years now, and is also affecting most banks’ customers. In the wake of the financial crisis, the banks’ balance sheets are contracting and credit is being granted more restrictively.

FOR RBS, THIS new age entails a stronger focus on the core business. Prioritised customers should be able to count on continued strong support from the bank.

“We are however phasing out types of asset with no direct link to the core business. The Alternative Distribution unit is working alongside the other

Crossing borders: RBS is building contacts between the Nordic region and the United Kingdom.



parts of the bank to diversify the bank’s risks. We are making them interesting to investors. This is a broad initiative on the part of the bank, and one that encompasses various categories of asset.”

IT IS THANKS to this initiative that investors, alongside RBS, can invest in loans offered to British companies.

“New circumstances mean we need to think outside the box. Companies still need to borrow money, and investors still need to invest funds to obtain returns. In the meantime the bank has to remain as solid as a rock in a changing world,” Hunt explains.

The solution means that Nordic investors contribute a share of the transaction amount. Investors are matched with borrowers, based among other things on industry interests.

“Our UK customers should know where the money comes from, or not be affected by it. The basic principle is that both parties should be in agreement,” says

Hunt. Transparency is key for it to work for both parties.

“The return varies with the risk level, but is between one and ten per cent. Higher risks don’t come into it, as we’re conservative in our choices.”

The fact is that new regulations are driving collaborations between banks and investors, according to Markus Jennemyr, Head of Financial Institutions Coverage at RBS Nordic Region:

“The bank’s strengths are its customer relations and credit rating, while in the long term some assets are better off outside of the bank’s balance sheet, for instance in a pension company,” he explains.

The new offering will prompt a greater exchange between the UK and the Nordic countries.

“We already have strong links. There is significant trade, and Nordic investors are major shareholders in RBS. The fact that companies and institutions here can now invest alongside RBS in the UK will only serve to further strengthen these links,” says Reinhold Geijer, Head of RBS Nordic Region. ×



Euro record

IN MARCH, NORWEGIAN energy company Statkraft issued a 15-year bond of € 500m at 1.5 per cent fixed interest.

This is the lowest ever bond interest rate for Statkraft, and the term is the longest to date for a euro bond from the company.

“It was the first euro bond since 2012 for Statkraft, which has a very attractive profile for investors. This helped ensure the issue was a success, despite a volatile market. The company has also actively engaged with investors, including during periods when no deals were on the cards, which is a big positive,” says Sverre Sivertsen of RBS.

STATKRAFT IS A LEADER in renewable energy and is investing for the future, not least in British wind power. It was recently announced that the company is working with RWE Innogy of Germany to develop and build the new offshore wind farm Triton Knoll off the UK’s eastern Lincolnshire coast. When finished, the farm will be able to produce electricity equivalent to the annual consumption of 800,000 British households. Construction is planned to begin in 2017.

“The agreement is a key step in Statkraft’s wind power strategy,” said Statkraft’s EVP Wind Power and Technologies Jon Brandsar in connection with the announcement.

The project is characterised by excellent conditions, including shallow water, good wind conditions and favourable seabed conditions. ×



Co-worker portrait: Charlotta Wallman Hörlin

” Nordisk Renting sets high demands

TEXT ANNELI KAMLIN PHOTO HÅKAN LINDGREN

At work, a suit. Outside of office hours, outdoor clothing and wellington boots.

“I’ve always put everything into my job, but I break away completely by living in the country. We have a forest lake close to our house, with a wood-fired sauna nearby. It’s a magical place to come home to after an intense week at work,” says Charlotta Wallman Hörlin.

THIS FORMER LAWYER at Mannheimer Swartling has been Head of Legal at RBS’s wholly owned subsidiary Nordisk Renting for almost two years.

“Nordisk Renting and me make a great match, it’s like the part was written for me,” she says.

Charlotta has many years’ experience in real estate, corporate business and venture capital related issues, and has also worked with stock market matters – all of which amounts to the ideal background for a lawyer who

helps put together business solutions for customers’ strategically important properties.

“I like meeting customers and doing business, alongside my colleagues who have client responsibility. That’s what I want to be a part of, not just a pen-pusher once a deal has already been made.”

CHARLOTTA WALLMAN HÖRLIN also has a managerial role, is secretary of the Nordisk Renting board of directors and is on the management team.

“This wide variety of tasks broadens my perspective from purely legal issues. Also, Nordisk Renting is a professional organisation that sets high demands, which suits me well.”

EVEN AS A TEENAGER, Charlotta knew she wanted to be a lawyer.

“I had a placement with one of Sweden’s first female lawyers, Elin Lauritzen, and found it very exciting.”

The law programme at Stockholm University was complemented by a year as an exchange student and eventually a master’s degree, both at the University of Glasgow. This now all seems like part of a grand plan, bearing in mind she’s now with a company owned by a Scottish bank. Scotland was also the perfect arena to indulge Charlotta’s passion for hiking and the great outdoors.

“I love cooking on a camping stove. The kids’ favourite is wraps with Falun sausage and mashed potatoes.”

CHARLOTTA WALLMAN HÖRLIN grew up in a farming area in Södermanland province, west of Stockholm. Ten years ago, she and her husband decided to build a house on her parents’ land. With nine kilometres to transport connections, only extended family as human neighbours and acres of wild terrain on her doorstep, this is just about the best place this nature lover could hope to call home.

Brought up and lives: In Sjunda, close to Södertälje, south of Stockholm.

Closest neighbours: A pair of wolves.

Became a lawyer: A few hours before her first child was born.

Top hike: To the top of Ben Nevis in Scotland, Britain’s highest mountain.

Favourite holiday accommodations: Tent and sleeping bag, ideally around -18°C.

Memorable trip: Sea to shining sea across South America by local transport.