

Press Release – 13 November 2013

## **Kommunalbanken Norway USD 500 million 3-year Green RegS/144A Bond**

Today Kommunalbanken ("KBN"), 100% owned by the Kingdom of Norway, priced a new USD500 million 3-year RegS/144A Green bond transaction to support climate friendly projects. This is KBN's first ever syndicated Green bond, representing the issuer's commitment to environmental sustainability.

The issue has a final maturity of 21 November 2016, pays an annual coupon of 0.75% and has an issue price of 99.725% to give a spread of +22.61 basis points over the 0.675% US Treasury due November 2016. The issue priced at mid-swaps +13 bps, in line with their outstanding benchmark curve.

In September 2009, the Norwegian government acted to address climate change at the local government level by making an amendment to an existing government Act, requiring municipalities and counties to draw up energy and climate plans as part of their annual budgets. In order to support the Norwegian local governments in their climate friendly aspirations, KBN began offering a discounted interest rate product to projects rooted in the municipal climate action plan. On the back of this KBN launched an initiative in April 2010 to issue green bonds under their EMTN programme, targeting retail investors. KBN has issued 14 retail green bonds to date, totalling USD 300m equivalent.

In response to growing institutional demand for green product, KBN explored the opportunity to launch a larger, liquid green bond. A public KBN green bond would provide international investors with access to a triple-A rated Norwegian agency credit, combined with the opportunity to diversify into climate friendly investing. CICERO, the Norwegian government established research centre associated with the University of Oslo, was enlisted to carry out an independent assessment of KBN's green bond framework.

KBN mandated BofA Merrill Lynch, Citigroup, Morgan Stanley and Skandinaviska Enskilda Banken AB on Tuesday 5<sup>th</sup> November 2013 to explore opportunities in advance of a debut public US Dollar green bond transaction, with the proceeds reserved for financing climate-friendly projects. After receiving positive feedback from a large range of investors, a USD500m 'no-grow' transaction was launched on Tuesday 12<sup>th</sup> November with initial pricing thoughts of mid swaps + 'mid-teens'. The following morning, with indications of interest over USD600m, official guidance of mid swaps + 13 to 15 basis points was released to the market. The order book closed to European and Asian accounts at 10am London time, at which point the spread was fixed at mid swaps + 13 basis points. The order book was closed to US accounts at 1:30pm London time with total orders of almost USD840m from over 40 investors.

The order book saw strong interest from socially responsible investment portfolios: 58% of the deal was allocated to investors motivated by the green format, with KBN's traditional investor base also participating in the transaction. Many high quality accounts participated, including African Development Bank, AP2, AP4, California State Teachers' Retirement System (CalSTRS), Calvert Investment Management, Nikko Global Asset Management, State Street Global Advisors (SSgA) participating in buying the bond for their High Quality Green Bond Fund and TIAA-CREF. Distribution was broad, with the United States taking 39%, Europe taking 30%, and Middle East and Africa taking 16%. Central banks and official institutions represented 28% of the deal, whilst banks/bank treasuries took 23% and corporate treasuries took 20%.

"We are excited to participate in the inaugural US Dollar KBN Green Bond issuance. The bond complements our responsible investment strategy of the newly launched Green Bond Fund. Vishal Khanduja, Portfolio Manager, Calvert Investment Management, Inc."

KBN has increased its borrowing requirement in recent years due to the growth in loan demand from the Norwegian municipal sector. With today's transaction, KBN has now raised a total of USD 26 billion in the capital markets year to date which nearly completes the borrowers programme for the year, whilst still having the option to do some prefunding for 2014 should opportunities arise. In addition to benchmark financing, KBN maintains a visible presence in institutional public niche markets and private placements. KBN is also one of the most dynamic borrowers in the market for structured private placements. Established by an act of Parliament in 1926 as a state administrative body,

KBN gained its status and structure through a conversion act in 1999. KBN is a direct continuation of its predecessor Norges Kommunalbank and has for 86 years been the main provider of credit to the local government sector in Norway. KBN is defined as a state instrumentality with a public policy mandate from the central government to provide low cost finance to the Norwegian local government sector. The Norwegian Central Government is 100 per cent owner of KBN. Given the fact that the Kingdom currently does not issue any foreign currency debt, KBN – which represents both Norway as owner and the Norwegian public sector - is the closest proxy to Norwegian sovereign debt available in the international capital markets.

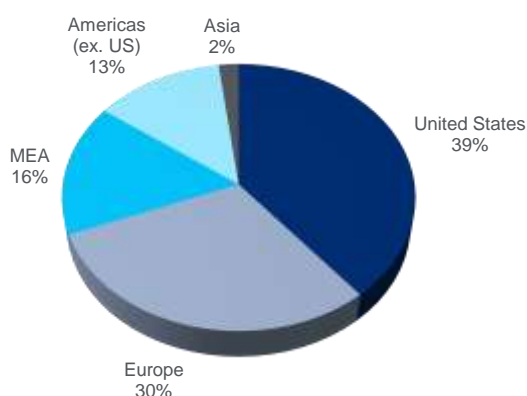
### **Final Terms**

Issuer:	Kommunalbanken (KBN)
Size:	USD 500 million
Rating:	Aaa / AAA
Pricing:	13 <sup>th</sup> November 2013
Settlement:	21 <sup>st</sup> November 2013
Maturity:	21 <sup>st</sup> November 2016
Coupon:	0.75% (s.a)
Re-offer spread to mid-swaps:	+13 basis points
Re-offer spread to Treasuries:	+22.61 basis points
Re-offer price:	99.725%
Re-offer yield:	0.843%
Use of proceeds:	The Bond Proceeds are reserved for financing climate friendly projects according to the KBN Green Bond criteria

**Lead Managers** for the transaction were BofA Merrill Lynch, Citigroup, Morgan Stanley and Skandinaviska Enskilda Banken AB

### **Distribution Statistics**

**Statistics by Geography**



**Statistics by Investor Type**

