

Press Release – 11th October 2018

Kommunalbanken Norway USD 1.5 billion 3-year RegS/144A Benchmark

Today, Kommunalbanken (“KBN”), 100% owned by the Kingdom of Norway, rated Aaa (stab)/AAA (stab), priced a new USD 1.5 billion 3-year RegS/144A benchmark. The issue has a final maturity of 18th October 2021, pays a semi-annual coupon of 3.125% and has an issue price of 99.932%, to give a spread of 19.5 basis points over the 2.875% US Treasury due October 2021, equivalent to mid-swaps +3 basis points.

With a busy primary market following the Asian and US holidays, KBN decided to take advantage of a clear issuance window, announcing their fourth US Dollar benchmark of 2018 on Wednesday 10th October at 13:30 CEST. Initial Price Thoughts (“IPTs”) were set at mid-swaps +4 basis points area, allowing ample time for gathering Indications of Interest (“IOIs”) over the European afternoon and overnight.

The high-quality order book grew strongly throughout the US and Asia sessions, with Indications of Interest in excess of USD 1.3 billion when books officially opened at 09:00 CEST on Thursday 11th October. Price guidance was left unchanged at mid-swaps +4 basis points area at this time. The momentum continued in the European morning, and with an orderbook above USD 2 billion at 11:00 CET the spread was set at mid-swaps +3 basis points, 1 basis point tighter than guidance.

Global books went subject at 14:30 CEST, and very soon after, at 14:45 CEST the size was set at USD 1.5 billion. The transaction subsequently priced at 16:40 CEST.

The final order book stood in excess of USD 2 billion with nearly 70 investors participating. Central banks and official institutions from across the globe represented the bulk of the demand, receiving 68% of the final allocations. Investors in America were dominant at 44%, followed by investors in Asia at 31% and Europe (25%).

Edward Mizuhara, Debt Syndicate, BMO Capital Markets:

“Demand has remained strong for fixed rate SSA supply in the recent weeks, with many of the borrowers approaching completion of their funding requirements for the year. Despite the market volatility over the past 24 hours, the transaction continued to grow steadily throughout the book building period and the depth of the demand allowed KBN to price their largest benchmark of the year at \$1.5bn. Not only was the issuer able to achieve the size, but also it managed to price 1bp inside the initial price thoughts finally at MS+3bps, which was virtually no new issue concession to secondary markets. The deal’s high quality book and roughly 33% oversubscription is a testament to the popularity of the KBN name.”

Alex Barnes, Head of SSA Syndicate, Citi:

“Given the very choppy market backdrop, this was a sensational result for KBN. They pitched things just perfectly - by starting at MS+4a they were able to achieve an impressive momentum in the order book. It ended up over \$2bn and allowed for a very strong \$1.5bn deal at MS+3. Over \$1bn placed into central bank & official institution hands is testament to the quality of the final book and sets things up nicely for potential secondary performance. Citi was delighted to have been involved in this transaction.”

Neal Ganatra, SSA Syndicate, Deutsche Bank:

“On the back of a high-quality oversubscribed orderbook, KBN successfully priced US\$1.5bn of a new 3-year benchmark at MS+3bps. The transaction set new records for KBN as its largest 3-year USD offering ever and largest benchmark of 2018 (together with the US\$1.5bn 5-year in January). The large amount raised didn’t prevent KBN from issuing with optically zero new issue premiums vs. secondaries and 1bp inside IPTs, despite market volatility.”

Issy Spanswick, SSA Syndicate, Morgan Stanley:

“This deal was an unquestionable success and highlighted how sheltered the SSA market is currently from broader market weakness. The deal attracted a strong bid from extremely high quality accounts from the Central Bank, Official Institution and Real Money universes. This allowed KBN to reach the upper end of their initial size target at \$1.5bln, whilst at the same time tightening in guidance by 1bp to m/s+3. We are thrilled to have been a part of this transaction with KBN and look forward to seeing strong performance of the new deal in the secondary market.”

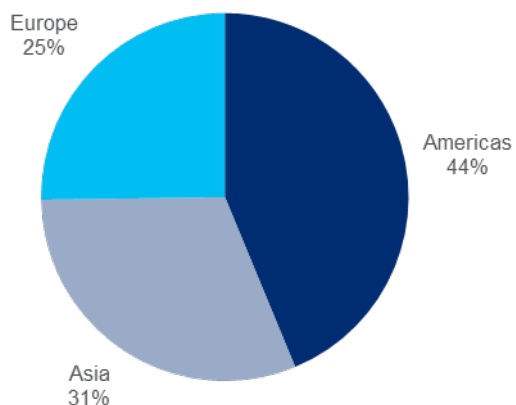
Established by an act of Parliament in 1926 as a state administrative body, KBN gained its status and structure through a conversion act in 1999. KBN is a direct continuation of its predecessor Norges Kommunalbank and has for 90 years been the main provider of credit to the local government sector in 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.

Final Terms

Issuer:	Kommunalbanken (KBN)
Size:	USD 1.5 billion
Rating:	Aaa / AAA
Pricing:	11 th October 2018
Settlement:	18 th October 2018
Maturity:	18 th October 2021
Coupon:	3.125% (s.a)
Re-offer spread to mid-swaps:	+3 bps
Re-offer spread to Treasuries:	+19.5 bps
Re-offer price:	99.932%
Re-offer yield:	3.149% (s.a.)
Lead managers	BMO Capital Markets, Citi, Deutsche Bank, Morgan Stanley

Distribution Statistics

Statistics by Geography



Statistics by Investor Type

