

Press Release – 4th February 2015

Kommunalbanken Norway USD 500 million 10-year RegS/144A Green Bond

Today Kommunalbanken (“KBN”), 100% owned by the Kingdom of Norway, priced a new USD 500 million 10-year RegS/144A Green Bond transaction to support climate friendly projects. This is the market’s first syndicated new Green Bond issue in 2015. It also represents KBN’s second ever syndicated Green Bond, following its inaugural transaction in November 2013, and underscores the issuer’s commitment to environmental sustainability.

The issue has a final maturity of 11th February 2025, pays a semi-annual coupon of 2.125% and has an issue price of 99.955% to give a spread 17 basis points over mid-swaps, or 30.8 basis points over the 2.25% US Treasury due November 2024. This is also KBN’s first ever syndicated USD benchmark in the 10-year maturity.

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, and in November 2013 launched its first USD 500 million syndicated Green Bond.

KBN Green Bonds 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.

The mandate was announced at 1.30pm London time on Tuesday 3rd February to ensure all three major time zones had sufficient time to participate in the deal. Initial pricing thoughts of mid swaps + ‘high teens’ basis points were released at the same time. Indications of interest approached USD 500 million overnight, prior to the official orderbook opening at 8.15am London time on Wednesday 4th February, with guidance of mid swaps + 18 basis points area. The orderbook had reached well over USD 600 million by 12.30pm London time, and the spread was set at mid swaps + 17 basis points. The final orderbook exceeded USD 700 million from 28 investors.

The orderbook saw strong interest from socially responsible investment portfolios: 74% of the deal was allocated to investors motivated by the green format, with KBN’s traditional investor base also participating in the transaction. Distribution was broad, with the United States taking 37%, Europe 35% and Asia 28%. Fund managers, insurance companies and pension funds represented 44% of allocations, followed by bank treasuries at 25%, central banks and official institutions at 24% and retail at 7%.

KBN has a net borrowing requirement of approximately USD 15 billion in 2015. 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 89 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.

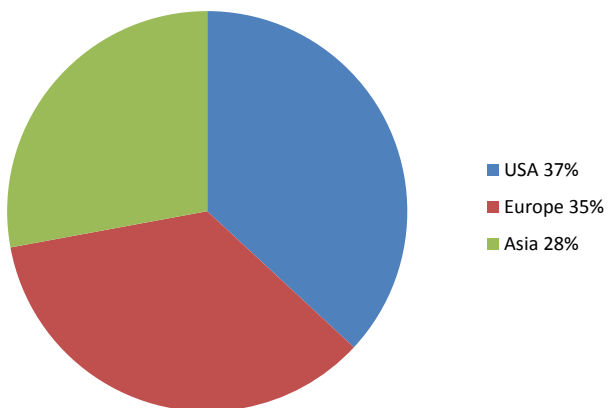
Final Terms

Issuer:	Kommunalbanken (KBN)
Size:	USD 500 million
Rating:	Aaa / AAA
Pricing:	4 th February 2015
Settlement:	11 th February 2015
Maturity:	11 th February 2025
Coupon:	2.125% (s.a)
Re-offer spread to mid-swaps:	+ 17 basis points
Re-offer spread to Treasuries:	+ 30.8 basis points
Re-offer price:	99.955%
Re-offer yield:	2.130%
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, HSBC, J.P.Morgan and Morgan Stanley.

Distribution Statistics

Statistics by Geography



Statistics by Investor Type

