

Release

A MAGAZINE FROM RBS NORDIC REGION

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Nordic owners carry weight in reshaping of RBS

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Innovative securitisation paves the way for energy distributor Elenia in Finland.

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KPMG starts again

Vanished from Danish market, now making an aggressive restart.

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"Banking is complex"

Gustav Nilsson looks forward to simplified processes within RBS.

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We're here to stay

27 FEBRUARY WAS an important day for RBS. It was the day our CEO Ross McEwan presented the bank's revised strategic direction.

MORE NEEDS TO be done to enable RBS to strengthen its competitiveness in the long term and the British government to reduce its ownership from the current 80 per cent.

FOLLOWING THE STRATEGY announcement, it is even more clear that the guiding principles for the future are customer focus, simplicity and cost awareness. Complex structures are to be avoided and as many personnel as possible will work in a direct customer support role.

FROM A NORDIC perspective we appreciate that the customer group of corporate and institutional banking will have a clear focus in the new strategy. This is where we have our partnerships. Our customer base is strong, and this is also reflected by the fact that the operation in the Nordic region is one of the most successful within RBS.

WE ARE ALSO pleased that our Nordic customers will continue to have access to the bank's international network in the future, and this will remain important.

SEVEN DIVISIONS WILL become three business areas: Personal & Business Banking, Commercial & Private Banking, and Corporate & Institutional Banking. Seven separate functions will become one shared function for the new business areas. The biggest changes in the RBS organisation will therefore take place in the UK.

RBS IS HERE to stay in the Nordic region, and we are continuing to support large corporations and financial institutions in their mission, both here in the Nordic Region and worldwide.



Reinhold Geijer

Reinhold Geijer
Head of RBS
Nordic Region

Release

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Scania goes for FRN.

Scania issues bond loan

TRUCK AND BUS manufacturer Scania has issued a bond loan, a floating rate note, for € 300m. The loan has a term of 21 months, up to November 2015, a term that fits in well with the company's underlying needs. There was strong demand, particularly from European investors. The

interest rate was set at 3 months Euribor + 27 basis points.

Scania has operations in over 100 countries. In 2013 the company delivered over 80,000 vehicles, which represents an increase of almost 20 per cent on the previous year.

Term Loan B for PGS



PGS refinances.

THE NORWEGIAN seismic company Petroleum Geo-Services ASA (PGS) has amended an extended it's \$400m Senior Secured Term Loan B (TLB), with RBS as Joint Lead Arranger and Joint Bookrunner.

The former \$ 600m TLB was due in 2015 and PGS intended to further optimize the current capital structure by reducing the size of the

existing TLB to \$400m and extending the maturity to March 2021. Pricing was set to Libor +250bps and a Libor floor of 0,75%.

A Term Loan B has elements of a standard bank loan, but is placed with institutional investors; with terms and conditions including pricing that can be favourable compared to bonds.

Braving the storm

Wind and weather should never threaten a secure power supply. A ground-breaking arrangement has laid the financial foundation for a more modern power grid in Finland. Stable income enables a securitisation that is brand new to the Nordic region.

Text: Anneli Kamlin *Photo:* Katri Lehtola, Peo Olsson

Underground electricity lines are the best.

WHEN STORM EINO struck Finland last autumn, almost 200,000 households were left without power as trees snapped like matches over the overhead electricity distribution lines. Today's society in Finland is highly

dependent on heating and technology, meaning storms and snowfall can create too great a risk without proper resilience measures and investment. Elenia, one of Finland's leading electricity distribution and

district heating companies, is a firm believer in this investment and delivering strong security of supply to its customers.

"We want to make the electricity distribution grid more reliable for our >>>

» customers, so we are investing heavily to move the network underground,” says Aapo Nikunen, CFO of Elenia.

The goal is to have 70 per cent of the grid weatherproof by 2027, and the annual investment for the next few years will be around € 80m.

ELENIA IS FINLAND'S second largest electricity network company and has 410 000 customers. The company in its current form was created in 2012 and its current shareholders include Ilmarinen Mutual Pension Insurance Company.

“The starting point for the change came when the former owner, the Swedish company Vattenfall, changed its strategy and decided to reduce its commitments outside Sweden,” explains Nikunen.

There were several prospective buyers and the acquisition was supported by an initial € 1.25bn acquisitions loan from a number of banks, including RBS.

POST ACQUISITION, A new corporate structure was implemented based on the companies that had previously been part of Vattenfall.

“We created a new corporate identity and new central functions,” says Nikunen, who started working at the company at around this time and led the work to establish a new finance department.

“The planning for a long-term refinancing started at an early stage,” says Nikunen. The company looked into opportunities for financing through the international debt capital markets.

WHEN IT CAME to long-term financing a key factor for Elenia is that its business is in a regulated market, where prices are determined by the individual companies, but an overall reasonable return is set by the government in an independent regulatory authority.

“We have a monopoly for electricity



“It was a complicated process,” notes Aapo Nikunen.

distribution in our region of the grid, which seems more sensible than having several grids in the same geographical area for the same thing,” says Nikunen.

“As a result, our cash flows fluctuate

“We started planning our long-term financing early on”

very little. We work within the framework of four-year regulatory periods and the current period ends in 2015. Income is therefore stable and predictable, which is in turn highly attractive to debt.

In terms of financing, a solution quickly emerged that could optimise

terms for long term financing. This model came from the UK.

Britain’s utilities had already pioneered a special type of financing arrangement for infrastructure

business with stable cash flows. In a complex process, the income flows of the business are used as security for creditors in the company.

In other words, the operation itself is securitised.

ELENIA, WHO ALREADY had contacts with RBS recognised the benefits of the UK examples. The question was whether the solution would work in Finland, bearing in mind no transaction of this kind had ever been done outside UK borders.

“RBS considered it possible,” says Nikunen.

There was certainly no doubt at RBS in London that the arrangement was feasible.

“We’ve been at the forefront of many major financing transactions like this in the UK, but this was the first of its kind in mainland Europe. As there was no precedent, other banks advised them it couldn’t be done. We said it could,” says Jamie Doyle, part of RBS’s Secured Markets Team and the deal captain on the transaction.

THIS MARKED THE beginning of a collaboration between Elenia and RBS that would last around a year and a half.

“It was a complicated process and our owners were very heavily involved. The legal aspect was by far the most complicated, because the legal system in Finland is very different to the UK’s,” Nikunen explains. One labour-intensive part of the preparations was writing the prospectus, which needed to cover all aspects of the business and the financing while also being easy to understand.

“**IT ENDED UP** being 526 pages long,” says Nikunen, adding:

“We are delighted with our collaboration with RBS. They did a very good job, particularly when it came to

explaining the arrangement to everyone involved. The detailed communication meant, for example, that we also had investors on board who may otherwise have rejected the arrangement as being too complicated.”

Representatives from the bank attended meetings with potential investors.

“That was extremely valuable”, says Nikunen.

JAMIE DOYLE BELIEVES the transaction will be a door-opener in the Nordic region.

“Putting RBS’s UK expertise to use elsewhere meant setting an industry-wide precedent that unlocks the ability for further investment in electricity networks across Europe,” says Doyle.

“The process posed a lot of challenges as each stage was new to everyone: customer, rating agency, banks and investors. It will be easier the next time.”

THE TANGIBLE RESULT of the process for Elenia was the establishment of a secured bond programme listed on the London Stock Exchange. Two bond loans were issued successfully in December: a seven-year € 500m bond and a 17-year € 150m bond.

“The issuance of the bonds was the final proof that we had done the right thing,” Nikunen concludes. ✕

FACTS

Elenia

Business: Distributing electricity to households and businesses and delivering district heating.

Head office: Tampere

No. of electricity network customers: 410,000

Electricity network: 65,100 km, enough to go 1.5 times round Earth

Network per customer: 160 kilometres

Net sales (2012): € 300m

Reflections

Pär Magnusson
Chief Economist, RBS Nordic Region



PHOTO: HEINZ ANGERMAYR

Lasting prosperity

IN UKRAINE A corrupt regime will be replaced by something, but we don’t know what yet. One thing’s for certain: the citizens cannot rely on their state.

This got me thinking about a chat I once had with a customer. The man was of Chinese descent, and our conversation turned to the fast-rising price of gold. He explained that Westerners probably lack the experience to understand the appetite for precious metals.

The man’s great grandfather had been a successful businessman in China. When the revolution came, he and his family fled to Vietnam. They were forced to leave everything behind. Once in Vietnam, the family began to amass a new fortune, but after a few years they once again had to flee the country.

Since the 1970s the family have lived in Singapore and appear to have done well for themselves. What saved them was that they managed to take a fraction of their assets in the form of jewels. You can’t take factories and real estate with you, and securities are worthless where property is nationalised, but you can sew diamonds into a coat.

The man’s story offered an interesting perspective. In Sweden we are among a minority in the world when it comes to reliable legal systems, ownership and political stability. These institutions are the foundation of our prosperity. And that’s worth protecting. ✕

An export credit guarantee can help finance activities, increase sales and transform uncertain markets into certain exports. One recent example is the landmark deal orchestrated to finance Irish state owned energy company Bord Gais Eireann's portfolio of wind farms.

Text: Helene Murdoch Photo: Miguel Mendez

Cross-border export support

IRELAND MAY BE short of funding, but not of wind. Turbines are cropping up across the country as part of a drive to make use of the Atlantic winds constantly sweeping over the island. The object is to meet EU green energy targets and generate 40 per cent of Ireland's electricity from wind by 2020. There are also plans to export wind power to England.

IN THIS CONTEXT, Irish Bord Gais Eireann (BGE), a key player in the Irish wind market, supplying energy to homes and businesses, was looking to expand its wind energy portfolio in 2013.

To finance the project, the company wished to source long term finance for



Jesper Pettersson, RBS.

the proposed new wind parks. The equipment was to be delivered by Danish Vestas, along with German Nordex and Enercon.

"But the sort of stable 16-year finance BGE was looking for is very unusual and difficult to find in the bank market, even for a company owned by a state," says Jesper Pettersson, Director, Markets, at RBS, based in Copenhagen and one of the structurers behind the deal.

RBS in cooperation with Ulster Bank was selected for setting up the pione-

ering financing structure. BGE sought long tenors using export government support, as well as accessing competitive long term funding where required.

The solution was based on using an export credit agency (ECA) mandate for the total of €210 million. ECA financing is attractive to borrowers who are looking to finance large assets that require significant capital and longer repayment profile, typically between five and 15 years.

ECA SUPPORTS THE export of capital goods and services from the country of origin by extending guarantees representing a sovereign risk, against which commercial banks structure financing packages.

That way, the importing buyer raises the finance for the deal, while the exporter's government provides the insurance coverage for the loans. In the case of BGE, the Danish export credit agency EksportKreditFonden (EKF) and its German counterpart Euler Hermes provided 95 per cent political and commercial risk coverage for the transaction.

"This is the first ECA transaction ever executed for BGE. It reflects a broader trend of utility companies tapping into this financing option," says Jesper Pettersson.

"The ECA financing has allowed BGE to grow their wind farm portfolio



Three countries were involved in financing the wind power deal. The Bord Gais Energy Theatre in Dublin is partnered by the energy company.

by allowing them cheaper longer term financing than would have been possible to achieve via project financing. The competitive pricing is enabled by the insurance provided by EKF and Euler Hermes."

THE DEAL OFFERED many challenges. One was that during the deal negotiation, BGE required the flexibility to allow for the sale of the BGE Energy Supply business by the Irish Government.

"But RBS and the other banks involved were able to structure the documentation so as to ensure flexibility, while also preserving value in the financing for a future owner," says Jesper Pettersson.

Another challenge was the European debt crisis. Previously companies have

"Our combined Nordic and German network worked excellently"

been able to raise long term debt easily with the direct or even sometimes indirect backing of their sovereign, but with sovereigns themselves facing down grading, this possibility has been limited. BGE is also under state ownership and operates in a highly regulated environment; something that had to be taken into account into both the approach and time taken for the financing.

An additional challenge was the technical flexibility required of the financing. The deal involved at number

of different projects, starting up over a two year period.

APART FROM BGE and RBS, there were five banks, three countries, two export credit agencies, three exporting companies involved. RBS acted as joint co-ordinating mandated lead arranger for the German part of the deal, covering five wind parks. Meanwhile, the bank acted sole mandated lead arranger, EKF Agent and Danish Facility Agent for an EKF Facility for the remaining park.

"OUR COMBINATION OF Nordic and German network really worked well in this case. When it comes to this type of arrangement, no two deals are the same," Jesper Pettersson says. ✕

Export credits guarantees - how it works:

AN EXPORT CREDIT guarantee is an insurance against the risks of doing business and investing in other countries. Backed by an export credit guarantee from an export credit agency, a company is assured of getting paid, even if the buyer is unable or unwilling to pay. If something goes wrong, the agency will pay compensation. With an export credit agency to take on the risk, the seller and the customer have far better prospects of securing financing for your mutual transactions. RBS has great experience in setting up financing solutions based on export credit guarantees. Nordic companies we have assisted include: Ericsson, Sandvik, Vattenfall, Siemens, ABB, Kongsberg, Statkraft, Aker Solutions, Flowtite, National Oilwell, Wartsila, NSN, Metso, Stora Enso, Amipac, A.P. Moeller Maersk, Vestas, FLS, DONG and Arla.

Key players

Text: Anneli Kamlin Illustration: Lars Rehnberg

Nordic investors are playing a key role in the reshaping of the RBS Group. They already control 2 per cent of the bank and make up one of the largest owner groupings. In the long term this figure could rise to 10 per cent.

There has been turmoil in the bank sector in recent years, and this has affected RBS as well. The major UK bank has undergone extensive changes and this process is continuing, evident most recently in the new strategy presented by CEO Ross McEwan on 27 February. One important objective is privatisation.

The UK state currently owns 80 per cent of RBS. Of the 20 per cent under private ownership, Nordic players account for 10 per cent. In other words, 2 per cent of the bank as a whole is owned by Nordic investors.

“OUR NORDIC OWNERS are important to us. We attach great value to their commitment,” says Richard O’Connor, Group Head of Investor Relations at RBS.

“Nordic investors take a very long-term approach and have a good understanding of the UK market. They fit in well with the ideal profile of our owners and strengthen the development that RBS is undergoing. We hope our owners will see good value development as the bank sector normalises.”

RBS PREDICTS THAT the Nordic players will continue to be among the strongest stakeholder groups in the long term, and even play an increasingly important role in the privatisation of the bank.

“We predict that Nordic ownership could increase to 8-10 per cent of all shares,” says O’Connor.



A significant percentage of RBS is owned from the Nordic region.

The bank’s own survey of views from the financial markets reveals a mixture of negative and positive. Critics say there is still a great deal to do before the bank is attractive to investors, while others speak of attractive potential and praise both the openness surrounding the problems and the measures that have been carried out.

“GENERALLY SPEAKING, companies and financial institutions that undergo far-reaching change are of great interest for investment, particularly to investors who take a long-term approach to their holdings. There is potential for value growth here as the restructuring takes effect,” says Per Josefsson, co-founder and part-owner of asset management firm Brummer & Partners.

“A PARALLEL CAN be drawn with developments in the Nordic banks, where the change has taken time but produced good results. The privatisation of Nordea, for example, has offered excellent opportunities in the long term.” ✕

The Nordic players are also very important when it comes to the liabilities section of the balance sheet.

“This group has often been very active with regard to our issues of bonds. This too is characterised by a long-term approach that is fundamental-driven,” says O’Connor.

Nordic investors take a very long-term approach and have a good understanding of the UK market”

The RBS team for investor contacts visits Stockholm frequently to market the bank and pursue a dialogue with key players there.

Professional services firm KPMG vanished from the Danish market overnight. A few months on, a strong expansion is now taking place which includes a major investment in advisory services.

Text: Anneli Kamlin Photo: KPMG

Restart in Denmark for KPMG



Thomas Hofman-Bang is leading the re-establishment of KPMG.

In December 2013 equity partners at KPMG in Denmark decided to merge the Danish firm with rival Ernst & Young’s business.

KPMG’s global management immediately decided to launch a major restart. Denmark is an extremely important market with a host of major internationals based there. It is only natural for KPMG to have a strong operation here,” says Thomas Hofman-Bang, Senior Partner and CEO of the new KPMG in Denmark.

He has had to roll up his sleeves and get straight down to work. The company aims to quickly resume its position among the elite auditing and consultancy firms – a group often referred to as

the Big Four comprising KPMG, Ernst & Young, PwC and Deloitte.

“WE STARTED FROM zero and quickly reached 50 hired personnel. Within three or four years we will have 500, and in six or seven years we expect to have around 1,000,” says Hofman-Bang.

“But size isn’t everything. The important thing is that we can offer the expertise that clients need.”

The target group is partly the international corporations that KPMG has as clients in other countries and is re-establishing collaborations with in Denmark, and partly other prominent companies based in the country.

“We’re probably talking about the

1,000 biggest companies,” says Hofman-Bang.

Some of the first well-known companies to announce a collaboration were Carlsberg and A.P. Møller-Maersk.

The main segments for KPMG and its competitors are auditing, tax and advisory services.

“THE BIG FOUR account for 80 per cent of the market for auditing services. When it comes to advisory, however, the situation is more fragmented. This is where the new KPMG will concentrate its main focus. We see great potential for expansion in advisory and will maintain world class in this segment which comprises risk management, management consulting and acquisition consulting.”

KPMG has agreed to admit consultancy firm Accura Tax to the international network as a base for re-establishing itself in the field of tax in Denmark.

Hofman-Bang emphasises that the client perspective is key in the entire operation, and in many ways he personifies this approach.

“I MAY HAVE WORKED as an auditor before, but I’ve primarily been CFO and CEO for different companies, most recently the industrial group NKT. So I also know how clients think,” he says.

RBS is supporting KPMG with the financial infrastructure for its operation in Denmark. ✕

Text: Tove Gyllenstierna Photo: Matz Arnström

Ocean contact

Telenor is refurbishing its offices in Karlskrona, which are owned by RBS Nordisk Renting. The new work environment will be activity based so as to support the work processes and make good use of the office space.



Telenor's offices in Karlskrona are owned by RBS Nordisk Renting.



Fredrik Telleborn, building manager.

“The goal is to promote collaboration, creativity and flexibility in order to ultimately become more efficient”

The new offices are based on the workplace model that Telenor applies worldwide.

“An activity-based work environment with modern technology which makes it easier for our personnel to communicate, resolve problems and share knowledge. The goal is to promote collaboration, creativity and flexibility in order to ultimately become more efficient,” says building manager Fredrik Telleborn.

Thanks to laptops, mobile phones and Internet access, people can work anywhere. Alone or in groups.

“This is why we offer what’s

known as a clean desk. It means that personnel don’t have a personal desk, they have a work task, and who they’re working with determines their workplace for that day. There will be different types of meeting rooms and zones. Also quiet zones where people can work undisturbed.

THE NEW OFFICE will be a product development centre for all brands in the Swedish Telenor Group.

“In the long term we will bring together all personnel in one building to create more flexibility, energy and dynamism in the operation. At the same time we’re creating a serviced



The view across Danmarksfjärden bay is part of the backdrop at Telenor.



The new premises facilitate collaboration.

office block for our strategic partners, to enable them to grow and develop in the region,” says Fredrik Telleborn.

He says that it has been possible to carry out a lot of the refurbishment during normal working hours:

“It’s being done in stages to minimise impact on the day-to-day work. We have informed personnel in advance that things could get messy at times. So far our personnel have been very understanding and have followed the refurbishment with great interest.”

The new offices are scheduled for completion in spring 2014. ×

Euro flows better with SEPA

Text: Anneli Kamlin

Deadline met. RBS’s customers have already finished reorganising their payment procedures in line with EU-adapted SEPA routines, even though the deadline has been extended.

1 FEBRUARY WAS the date by which the authorities had decided that payments should start going fully through the SEPA system. This put pressure on companies, many of which needed to review their business systems.

“It’s pleasing to see that most of our customers are already there”

“We started the switch in April last year and finished in mid-January. It’s been an intensive process,” says Csilla Nemeth, project manager for SEPA payments at Stena Line Group.

SEPA stands for Single Euro Payments Area and is an EU initiative to make overseas payments in euro easier.

“THE CHANGES CONCERN payments of small amounts which used to be handled through local clearing. In many cases SEPA can also help companies to streamline their account structure,” says Cathrine Sandgren, Head of Transaction Services Nordic Region at RBS.

The deadline for full implementation of SEPA has now been extended.

“BUT EVEN THOUGH we could have taken longer, we’re glad to already have the new routines in place,” says Csilla Nemeth.

“First we had to update all our customers’ and suppliers’ bank

accounts with IBAN and BIC codes. Then we downloaded the SEPA software, which was not available for the version of the accounts system we run. Setting up credit transfers, supplier payments and salaries went quite smoothly, but it was more difficult to set up direct debits, where we take money directly from customers’ accounts.”

THE MAIN POSITIVES have been evident in supplier payments.

It’s far easier being able to send payments in a single file, whether they’re domestic payments or overseas payments in euro. For Stena Line this means payments to Ireland, the Netherlands and Germany.

A special project manager from RBS has supported Stena Line through the process.

“We’re delighted with their help,” says Nemeth.

RBS HAS WORKED together with all its customers with the aim of being ready for the switchover to SEPA on 1 February.

“For example, we’ve offered a special test environment for the new file formats. This has saved time because trial runs of new routines with banks are usually staff intensive and time consuming for customers,” says Sandgren.

“It’s pleasing to see that most of our customers are already there.” ×



“Greater customer focus will strengthen the bank”

Text: Anneli Kamlin Photo: Håkan Lindgren

A big difference. This is how Gustav Nilsson sums up his move from a customer company to RBS's Nordic operation.

Gustav Nilsson not only changed companies when he started at RBS last autumn. He also changed industry, leaving behind the customer side to become a supplier.

“For the first time I’m now at a company where financial issues are the core business. This means there are a great many knowledgeable colleagues and interesting development opportunities.”

HE HAS BEEN Head of Middle Office at RBS in Stockholm since the autumn.

“I’m leading a team of four who deal with the whole lifecycle of a business deal. It’s great getting to know the customers and understanding what it takes to do business with them. I’m also Head of Treasury for RBS Nordisk Renting,” he says.

Gustav has joined RBS from the accounts department of ASSA ABLOY, and before that he was at Electrolux.

“Being here is a big difference.

Banking is more complex. A single transaction can involve 10 teams in different countries. I can honestly say that I didn’t realise this as a customer, and I’ve gained a greater understanding of how the processes can sometimes take a bit longer.”

AT THE SAME time he welcomes the fact that ‘simplicity’ is one of the keywords

in RBS’s new global strategy.

“Here in the Nordic region the bank has been very successful in being customer driven and relevant. The customers are very high quality and the results are impressive. But there is potential for simplification;

there are a great many control functions,” he observes.

“This is understandable, particularly bearing in mind developments in the bank sector in recent years, but a more efficient global infrastructure and an even stronger focus on customers in all parts of the bank will strengthen RBS’s offering.”

The bank is an old acquaintance of Gustav’s, who used to be a customer.

“I’ve always liked RBS, both the people and the bank’s offering.”

Gustav was born on ice and grew up on water. As a child he lived in the big ice-hockey town of Västerås, and later in Saltsjöbaden on the Stockholm archipelago, where he spent a lot of his time sailing.

“THERE ARE STRONG comparisons between competitive sailing and the finance market. Everyone is given the same information, but the outcomes depend on the decisions they make.

Sailing has a glamorous image, but the reality is often ice-cold fingers and wet sandwiches. I do still like to sail, but I can also enjoy not having to be out on the water on a rainy day.” ✕

IN BRIEF

Gustav Nilsson

Born in: Nora, central Sweden

Family: Wife (fellow student at Stockholm School of Economics, now a division manager in purchasing for H&M), two children aged 5 and 3.5.

Likes: The building at Strandvägen 1 where RBS is based – “one of Stockholm’s finest”.

Sailing tournaments: Optimist dinghy, 420, match racing, J80 etc.

Plays in: One of Lidingö’s veteran hockey teams.

Other sports: Golf, wind surfing, downhill and cross-country skiing, cycling and family sailing.