

State of NRW 15-year Sustainability Bond + 7-year Conventional Benchmark

Land NRW blows the doors off with Sustainability Bond #5

Use of Proceeds

Project category	SDG
Education and Sustainability Research	4,9
Inclusion and Social Coherence	1,10
Public Transport and Local Mobility	9,11
Climate Protection and Energy Transition	7,13
Protection of Natural Resources	2,15
Sustainable Urban Development	9,11
Modernisation of Educational & Public Health Facilities	3,13

Background

- The German State of North Rhine-Westphalia (NRW) has been consistently issuing Sustainability bond benchmarks since 2015 and is one of the largest Sustainability bond issuers in the international capital markets. The new 15-year tranche represents the 5th such Sustainability bond from the issuer. In addition, the issuer also issued a 7-year conventional benchmark to cater for the strong demand for NRW paper in the intermediate part of the curve.
- The proceeds of this Sustainability Bond will be used to finance selected eligible projects belonging to the 2018 budget of NRW, which closes at the end of Q1 2019. An amount equivalent to the net proceeds will be used to refinance projects and initiatives of NRW with clear environmental and / or social benefits, in accordance with NRW's Sustainability Policy.
- The selected projects are part of the State's discretionary spending.** Projects prescribed by federal law are excluded. Project categories mainly relate to 10 out of 17 SDGs (+1 affected secondarily).
- The NRW Sustainability Strategy which has been approved in 2016, serves as a political reference for the bond. The strategy is meant to implement the UN SDGs at state level. It also serves as a political reference for the bond.

Deal highlights

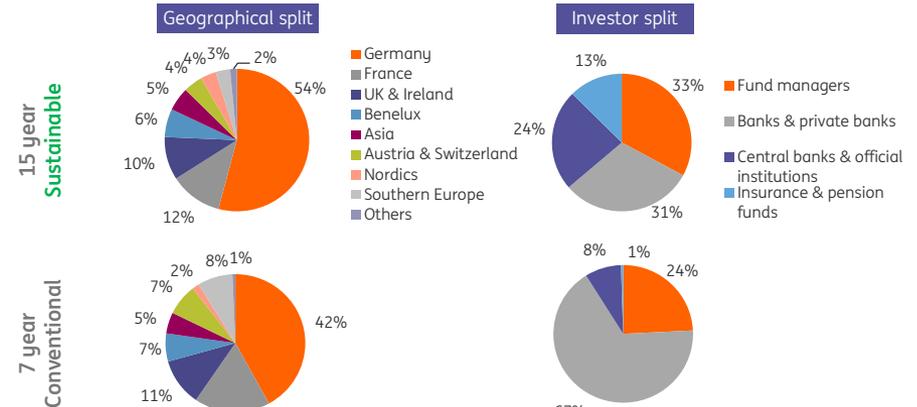
- This dual tranche transaction represented a series of firsts:
 - ✓ The 15-year Sustainability bond is the **largest** and **longest** benchmark issue from a German public sector / SSA borrowers in the SRI sector
 - ✓ The EUR 4.75bn combined issuance was the largest transaction for the State of NRW
 - ✓ The orderbook was the largest ever amassed by a German public sector / SSA borrower in the SRI sector
- Both tranches were issued flat to fair value (zero new issue concession) on the back of very strong investor demand, which was the result of extensive preparation by the borrower (including a 2 week roadshow to meet with investors in Europe and Asia) and excellent primary market conditions.
- The 7-year offered a spread of around 3m Euribor flat which attracted huge interest from bank treasuries. The 15-year Sustainability bond drew strong interest from SRI investors as well as regular investors attracted by the spread to Bunds in that part of the curve. **More than two thirds of the 15-year Sustainability Bond was allocated to SRI investors**

Timeline

31 January	Mandate announced including roadshow schedule
18 Feb to 01 March	Roadshow in Europe and Asia
05 Feb 11.30 CET	IPTs announced; ms+13 / -4 bps area for 15-year Sustainable / 7-year Conventional tranche
06 Feb 09.05 CET	IOIs in excess of €6.4bn (inc. €325m JLM interest); guidance announced of ms+12 / -6 bps area for 15-year Sustainability / 7-year Conventional tranche. Books grew massively thereafter and stood in excess of €11bn one hour later
06 Feb 09.55 CET	Spread and size set. €2.5bn 7-year conventional at ms-8 bps and €2.25bn 15-year Sustainability at ms+10 bps. Total books in excess of €11.3bn (inc. €325m JLM interest)
06 Feb 10.20 CET	Books closed. Final books at reoffer of > €13.9bn • 7yr Books > €6.1bn (including €180m JLM interest) • 15yr Books > €7.8bn (including €150m JLM interest)

Final Terms

Issuer	The German State of North Rhine-Westphalia	
Issuer rating	Aa1/AA-/AAA (Stable/Positive/Stable M/S/F)	
Status & Format	Senior Unsecured, Reg S Registered Eurobond	
Tenor	7 year Fixed	15 year Fixed Sustainable
Amount	€2.5bn	€2.25bn
IPT levels	MS-4bp area	MS+13bp area
Final issue spread	MS-8bp	MS+10bp
Re-offer yield	0.265%	1.112%
Coupon	0.250%	1.100%
Re-offer price	99.896%	99.835%
Spread to benchmark	+44.1bp	+73.0bp
Denomination	€1k	€1k
Listing / law	Düsseldorf / German Law	
Pricing date	6 March 2019	
Bookrunners	DekaBank, DZ BANK, HSBC, ING, Nomura, SG CIB	



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