Transaction Review.

LBBW Leads new €2.025bn 10-year NRW Sustainability Bond.

On Tuesday March 6th, LBBW successfully priced a new €2.025bn 10-year Sustainability Benchmark bond for the German Federal State of NRW. With this 4th bond of its kind, the State printed the largest NRW Sustainability bond as yet - and indeed one of the largest German Federal State transactions on record.

Following a more cautious market backdrop during Monday morning (US trade tariffs rhetoric & Italian elections), the issuer and the lead banks on this transaction decided to approach the market with a 2-step execution. IOIs were collected during Monday afternoon with IPTs of midswaps -12bps area. With circled demand of €750mm, books were opened the following morning at m/s -12bps area. Within the hour, demand grew to >€1.7bn, and the guidance was revised down by 1bp. Another 30mins into the process & on the back of demand >€2.3bn, the spread was fixed at m/s -14bps – resulting in a concession of 1-2bps vs. fair value.

The transaction follows a 2-week roadshow across Asia and Europe, which had been announced to the market on Feb 7th and during which the issuer updated investors on the NRW credit in general as well as its sustainability bond programme and the use of proceeds within the framework.

Over and above the record-breaking size of the transaction, the issuer further achieved a record distribution for a (€-denominated) bond of its kind to accounts away from its German domestic sponsorship. Almost 70% was placed in France, the UK, Benelux, Scandinavia, Asia and other parts of Europe. Dedicated SRI investors played a strong role in the transaction, which - by investor type - was most prominently bought by Banks (>50%), followed by Funds and Central Banks / Official Institutions.
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