



GRAND DUCHY OF LUXEMBOURG

EUR 2.5bn 0.000% 10-Year Benchmark

PRESS RELEASE - Wednesday, the 17th of March 2021

Transaction Terms

Issuer	Grand Duchy of Luxembourg
Rating	Aaa / AAA / AAA (all stable)
ISIN	LU2320463339
Size	EUR 2.5 Bn
Pricing Date	17 March 2021
Settlement Date	24 March 2021
Maturity Date	24 March 2031
Coupon	0.000%
Spread to Mid-Swaps	-9 bps
Re-offer Yield	-0.045%
Re-offer Price	100.451%
Spread vs Bunds	25.2 bps

Lead Managers Barclays, BCEE, BGL BNP Paribas, BIL and Deutsche Bank

Transaction Summary

- On Wednesday, 17 March 2021, the Grand Duchy of Luxembourg – rated Aaa/AAA/AAA (all stable) – returned to the Euro debt capital markets for the first time in 2021 with a new €2.5 billion 10-year benchmark due 24 March 2031. The transaction was priced with a final spread of +25.2 bps over the 0.000% reference Bund due February 2031, implying a final yield of -0.045% and a reoffer price of 100.451%.
- From a strategic point of view, the new 10-year bond fills a natural gap in the Luxembourg government bond ("LGB") curve providing a new liquid point between the existing 2030 and 2032 lines. Moreover the negative reoffer yield enables the issuer to further reduce interest expense on its stock of debt while increasing its average maturity of LGB debt (6.14-years before this transaction).
- The deal received widespread support from a range of investors across both core and peripheral European jurisdictions with over 210 accounts participating and setting a record for the final order book size in excess of €13bn, more than any other past LGB transaction. Such demand reconfirms Luxembourg's status as a safe haven asset for global investors on the back of excellent macroeconomic fundamentals such as a Debt/GDP ratio at 25% and unemployment rate at 6.8% in 2020, despite the ongoing Covid-19 pandemic.
- Fair value on the new transaction was agreed among Joint Lead Managers and the Issuer at mid-swaps -11 bps, therefore the €2.5bn deal priced with a small new issue premium in the context of 2 bps. Such pricing represents a fair balance between providing cost efficient pricing to the issuer, while being attractive enough for investors.
- Joint lead managers for the transaction were Barclays, BCEE, BGL BNP Paribas, BIL and Deutsche Bank.



Pricing and Execution

- The formal mandate of the new Grand Duchy of Luxembourg 10-year benchmark was announced on Tuesday 16th of March 2021 at 01:04pm CET.
- On Wednesday 17th March 2021, books officially opened at 09:01am CET with a spread guidance of mid-swaps -6 bps area.
- At 10.04am CET, a first update was released confirming book size over €7.5bn (excluding JLM interest). Given the rapid increase in order book size and high quality of underlying demand the spread guidance was revised lower at mid-swaps -8 bps and adding also the language “(+1/-1 bps) will price in range”.
- The investor demand continued to grow and orders reached in excess of €10bn (excluding JLM interest) after less than 30 minutes from the previous communication. The spread was set at mid-swaps -9 bps via a further update released at 10.21am CET. Books closed at 10.40am CET.
- The transaction was officially launched for an amount of €2.5bn and a final order book of more than €13bn excluding orders from the Managers. The transaction was finally priced at 1.33pm CET.

Distribution Summary

- Luxembourg gathered investor demand from a wide range of domestic and international accounts with an order book in excess of €13bn with over 210 orders. In terms of distribution the transaction received strong interest from Bank Treasuries, Fund Managers and Central Banks/Official Institutions, as detailed here below.
- Distribution was broadly based throughout Europe, with German and Dutch investors taking the largest parts.

EUR 2.5bn 0% 10-Year Benchmark

