



GRAND DUCHY OF LUXEMBOURG

EUR 1.25bn 1.375% 7-Year & EUR 1.25bn 1.750% 20-Year Dual Tranche

PRESS RELEASE - Wednesday, the 18th of May 2022

Transaction Terms

Issuer	Grand Duchy of Luxembourg	
Rating	Aaa / AAA / AAA (all stable)	
ISIN	LU2475493826	LU2475494477
Size	EUR 1.25 Bn	EUR 1.25 Bn
Pricing Date	18 May 2022	18 May 2022
Settlement Date	25 May 2022	25 May 2022
Maturity Date	25 May 2029	25 May 2042
Coupon	1.375%	1.750%
Spread to Mid-Swaps	-19 bps	+5 bps
Re-offer Yield	1.420%	1.862%
Re-offer Price	99.702%	98.144%
Spread vs Bunds	52.5 bps	72.2 bps
Lead Managers	Barclays, BCEE, BGL BNP Paribas, BIL and Societe Generale	

Transaction Summary

- On Wednesday, 18 May 2022, the Grand Duchy of Luxembourg – rated Aaa/AAA/AAA (all stable) – returned to the Euro debt capital markets for the first time in 2022 with a new dual tranche transaction comprising a new €1.25 billion 7-year and a €1.25 billion 20-year. The 2029 line was priced with a final spread of +52.5 bps over the 0.250% reference Bund due February 2029, while the 2042 bond was priced with a final spread of +72.2 bps over the 3.250% reference Bund due July 2042, implying a final yield of 1.420% and 1.862% respectively. The reoffer price is 99.702% for the shorter tranche and 98.144% for the longer one.
- Strategically, the new 7-year bond fills a natural gap in the Luxembourg government bond (“LGB”) curve, providing a new liquid point between the existing 2028 and 2030 lines, while the 20-year significantly extends the issuer liquid curve by approximately 10 years. Both tranches serve to increase the average maturity of LGB debt (6.18-years before this transaction).
- Once again the Grand Duchy of Luxembourg has been able to leverage its excellent macroeconomic fundamentals and fiscal discipline to succeed in the capital market. The 24.4% (2021) Debt/GDP ratio is one of the lowest in the Eurozone in absolute terms and Luxembourg has also registered the lowest increase of public debt among Euro Area countries in spite of the COVID-19 pandemic.
- The maturity distance between the two tenors on offer generated a strong reception from investors: orderbook granularity and the involvement from a wide range of buyers guaranteed the success of the transaction with 178 accounts entering the combined books. The composition of demand confirms Luxembourg’s status as a safe haven asset and its appeal among real money, high quality accounts.
- Fair value on the new 2029 line was agreed among Joint Lead Managers and the Issuer at mid-swaps - 18 bps, therefore this line priced with a negative new issue premium in the context of 1 bp; moreover, with a reoffer spread of mid-swaps -19bp, the 7-year tranche priced at the tightest spread to swaps



ever for any maturity across the LGB curve. As for the 20-year tranche, it will provide a key new reference point for future long-end issuance by the Issuer.

- Joint lead managers for the transaction were Barclays, BCEE, BGL BNP Paribas, BIL and Societe Generale.

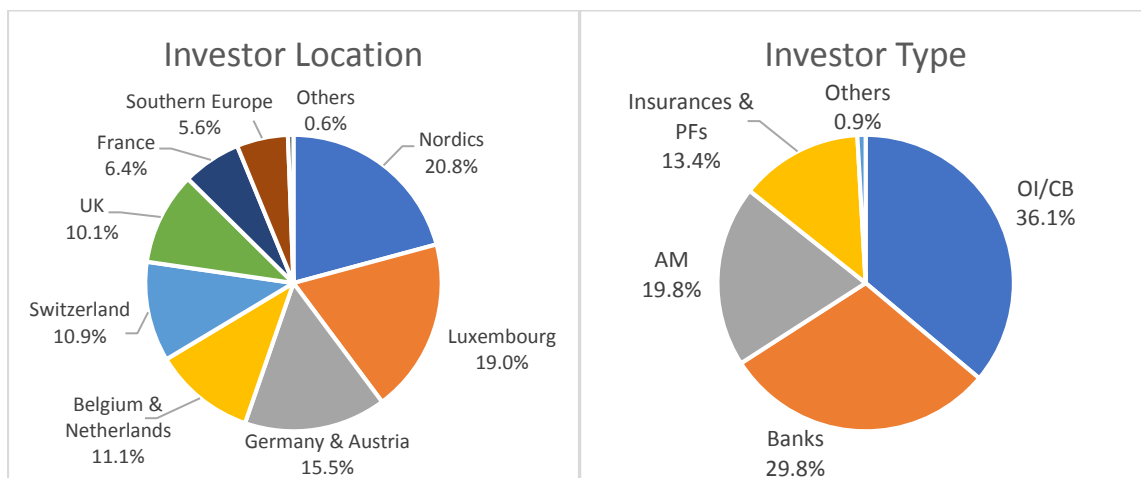
Pricing and Execution

- The formal mandate of the new Grand Duchy of Luxembourg dual tranche transaction was announced on Tuesday 17th of May 2022 at 13:54 CET.
- On Wednesday 18th May 2022, books officially opened at 09:01 CET with a spread guidance of mid-swaps -16 bp area and +6 bp area respectively.
- At 11.00 CET, a first update was released confirming book size over €4bn (including €100m JLM interest) and updating guidance to mid-swaps -18 bp area (+/- 1 bp) for the 2029 tranche. The orderbook for the 2042 tranche was communicated as in excess of €2.4bn (incl. €50mn JLM) while the spread was set at mid-swaps +5 bp. Given the rapid increase in order book size and high quality of underlying demand the spread guidance was revised lower on both tranches.
- The investor demand continued to grow and the transaction was officially launched at 11.27 CET. The new 7-years spread landed at mid-swaps -19 bp, while on the new 20-years it had been already set previously. Sizes were fixed at €1.25bn for both tranches with orderbooks reaching in excess of €4.75bn (excl. JLMs) and in excess of €2.35bn (excl. JLMs) for the 2029 and 2042 lines respectively.
- Books closed at 12.00 CET and the transaction was finally priced at 15.30 CET.

Distribution Summary

- In terms of distribution the 7yr transaction received strong interest from Bank Treasuries and Central Banks/Official Institutions; while Fund Managers played a major role in the longer tranche.
- Geographically the majority of the interest for the shorter tranche came from Europe, with Nordic and Luxembourg investors taking the largest parts. The 20-year instead was sold predominantly in Germany, Austria and UK.

EUR 1.25bn 1.375% 7-Year Benchmark





EUR 1.25bn 1.750% 20-Year Benchmark

