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GLOBAL MTN  
AWARDS  
2007International Bank for Reconstruction  
& Development/ABN AMRO Bank  
EUR230,000,000  
Eco-3Plus Floored Index-Linked Notes

## Eco Success Story

As the pick of last year's attempts to harness the growing environmental investment theme, ABN AMRO's Eco-3Plus note for the World Bank is a Landmark Deal of 2007. Very strong sales via the Dutch bank's domestic branch network built an initial EUR5m underwriting into an unexpected EUR230m jumbo with more than 2,500 private investors, reports Julian Lewis.

Like almost all of 2007's other 'green' MTNs, the 6-year note packages a principal-protected play on a proprietary index of liquid stocks likely to benefit from increased emphasis on environmental issues. It references the ABN AMRO Eco Price Return Index of 30 companies across eight differentially-weighted sectors (water, waste management, geothermics/alternative fuels, platinum/palladium mining, wind power, water-powered energy, bio-ethanol and solar energy); each must also pass an independent social responsibility audit.

Coupons are floored at 3% and carry an annual cap of 26.4%, based on monthly index observations. Negative annual performances are added to the subsequent year's coupon calculation.

### MEANINGFUL & IMPORTANT

"This was the most meaningful transaction we did in 2007 and a very important one for us," comments Doris Herrera-Pol, global head of capital markets at the World Bank. As well as the attractions of its structure, the deal highlighted the Washington-headquartered supranational's development mandate and its socially responsible use of proceeds, she notes.

The deal contrasted strikingly with the year's other eco jumbo, the European Investment Bank's 5-year public deal on the FTSE4Good Environmental Leaders Europe 40 index via Dresdner Kleinwort, Merrill Lynch and UniCredit. EIB, which must meet a notably larger annual funding requirement than its triple-A peer, aimed to raise EUR1bn from the second issue under its European Public Offering of Securities (EPOS) programme, which allows for simultaneous offers across all 27 EU jurisdictions; in the event, the deal closed at EUR600m.

"We recognise that local markets and investment cultures differ from country to country, and prefer to tailor-make securities in response to local preferences," notes George Richardson, head of capital markets at the World Bank.

ABN did not participate in the EIB deal, which preceded Eco-3Plus by several months.

### SMART MARKETING

Smart marketing was key to Eco-3Plus's success. The note was launched during last September's 'Environmental Awareness Month' in the Netherlands, where vulnerability to rising sea levels contributes to already high awareness of environmental issues.

Moreover, the World Bank's role in sustainable development and combating poverty was emphasised heavily. A prominent Dutch executive



director of IBRD, Herman Wijffels, played an important role too.

Denominations were set at just EUR100 to maximise retail appeal. In the event, the average ticket size ended up at around EUR85,000. The note was also listed on Euronext Amsterdam.

In addition, it made the triple-A IBRD the first sovereign/supranational/agency credit to access ABN's network (now being folded into Fortis after ABN's takeover last year by an RBS-led consortium). While the bank had used its own name on previous 3Plus retail issues (without the Eco Index underlying) and takes pride in its own green credentials, it selected the carbon-neutral supranational, which also ranks as the world's largest financier of environmental projects, as the most appropriate issuer.

However, despite a widespread market view to the contrary, it offered no tax benefits for buyers.

### UNEXPECTED JUMBO

"It could have been a EUR5m MTN, but it kept building despite the challenging market backdrop," comments Clinton Orr, head of public-sector origination at ABN AMRO. He puts the deal's success down to "the right name at a time of growing focus on socially responsible investing".

The size "surpassed our expectations", agrees Heike Reichelt, head of investor relations at the World Bank. She attributes this to "a very, very well designed product" that was customised to specific Dutch demand.

Subsequently, the pair combined on a near-identical EUR13.5m tranche. This was sold into the bank's Swiss investor base last December.

World Bank officials note demand from dealers for further eco deals in new markets. A "moderately optimistic" Orr cautions, however, that not all issuers can earmark proceeds for approved projects, which could hold future volume back. ■