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PRESS POINTS: Kingdom of Belgium €4.0 billion 3% OLO67 due 28 September 2019

Today, the Kingdom of Belgium, rated Aa3 / AA / AA, issued a new 7-year benchmark, the €4.0 billion OLO67, due September 2019.

Highlights

The first 7-year sovereign syndication of 2012

Kingdom of Belgium's third syndication of the year

Final book size was approaching €6.0 billion when books were closed, with 155 accounts involved

Very strong international take-up, with more than 90% of distribution outside of Belgium

Transaction summary

Today, the Kingdom of Belgium, rated Aa3 / AA / AA, issued a new 7-year benchmark, the €4.0 billion OLO67, due September 2019. The 7-year maturity was chosen in response to recent investor demand. It also aligns well with Belgium's strategy to lengthen the duration of its debt portfolio and fits neatly in their maturity calendar.

Belgium decided to take advantage of the strong market backdrop with the launch of a new syndicated 7-year OLO, ahead of the Easter break. This transaction follows the positive spread performance of Belgium's recent 20-year, and the robust performance of the OLO curve in general.

The mandate for a new 7-year OLO due September 2019 was announced at 14.00 CET on Tuesday 27 March. Once the market had adjusted to this news, initial pricing thoughts of OLO March 2019 plus "mid-teens" were released to allow initial conversations with investors.

At 9.15 CET on Tuesday 28 March, official price guidance of mid-swap plus 100 basis points was announced. This represented a new issue premium of around 7 basis points over the interpolated OLO curve.

Momentum built quickly, with books in excess of €4 billion after two hours. Price guidance was revised to mid-swaps plus 98 to 100 basis points at 12.40 CET. Given the lack of sensitivity in the book the spread was set at mid-swaps plus 98 basis points for a €4 billion issue size. Final books closed approaching €6 billion.

Although the market was relatively stable throughout the morning session, there was slight sell-off in government bond markets in the afternoon. At the time of pricing, mid-swaps plus 98 basis points represented a 2.1 basis points new issue premium over the interpolated OLO curve. This was a spread of 163.1 basis points over the July 2019 Bund and 64.6 basis points over the April 2019 OAT.

The transaction received strong support from real money accounts taking more than 60%. Of the amount allocated to banks, the majority of this was to small bank ALM and treasury accounts not part of Belgium's primary dealer network. Take up by leveraged accounts was extremely limited. Distribution outside of Belgium was strong, accounting for 93.29% of allocations. UK distribution was primarily skewed towards fund managers.

Following this transaction, Belgium has completed some 53.5% (€18.217 billion) of its funding programme for 2012. In the same period in 2011, Belgium had raised ~€14.3bn, or 38% of its 2011 funding programme. The increased run rate is in line with many of Belgium's SSA peers and had Belgium issued at the auction scheduled in April funding at the end of the month would be at approximately the same level.

The forthcoming OLO auction, scheduled for 23rd April has been cancelled, as Belgium has progressed so well with its overall funding plans.

Distribution statistics

Distribution by investor type:

Fund manager 43.6%, Bank inter dealer 20.42%, Bank customer 16.8%, Insurance / pension 10.9%, Hedge funds 4.5%, Central banks 3.78%

Distribution by investor location:

Belgium 6.71%, France 12.89%, Germany 3.46%, other Eurozone 15.47%, UK 48.8%, other Europe 8.63%, other 4.04%

Final terms

Issuer: Kingdom of Belgium

Size: €4.0 billion

Rating: Aa3 (neg) / AA (neg) / AA (neg)

Lead managers: Crédit Agricole CIB, ING, RBS and UBS

Pricing: 28 March 2012

Settlement: 4 April 2012

Maturity: 28 September 2019

Coupon: 3.00%, short first coupon

Re-offer spread to mid-swaps: plus 98 basis points

Bund reference: DBR 3.5% Jul-19, yielding 1.39%

Re-offer spread to bund: plus 163.1 basis points

Re-offer price: 99.872%

Re-offer yield: 3.021%

Listing: Euronext Brussels

Governing law: Belgium

Minimum denoms: €0.01

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