Kingdom of Belgium | Belgian Debt Agency
EUR 3bn 0.5% new 7-year due 22 October 2024 (OLO82)
EUR 3bn 2.25% new 40-year due 22 June 2057 (OLO83)

TRANSACTION SUMMARY – 07th February 2017

The Kingdom of Belgium, rated Aa3/AA/AA- by Moody's, S&P and Fitch (stable/stable/stable), launched today, via the Belgian Debt Agency, a dual-tranche OLO syndicated benchmark transaction, comprising new 7-year and 40-year lines. This represented Belgium's second benchmark deal since the beginning of the year.

The new EUR 3 billion OLO82 due 22 October 2024 pays an annual coupon of 0.5% and was priced at a spread of flat versus the interpolated mid-swap reference rate implying a reoffer yield of 0.508%.

The new EUR 3 billion OLO83 due 22 June 2057 pays an annual coupon of 2.25% and was priced at a spread of + 87bps versus the interpolated mid-swap reference rate implying a reoffer yield of 2.288%.

Joint bookrunners for both tranches were BNP Paribas Fortis, HSBC, J.P. Morgan, KBC Bank, Morgan Stanley and SG CIB.

Background

- The Belgian Debt Agency expects its 2017 gross borrowing requirements to amount to EUR 38.98bn to cover redemptions and the projected deficit. It is anticipated that EUR 35bn of financing needs will be financed by issuing OLOs.
- "Against a backdrop of upcoming elections in France, the Netherlands and Germany this year investors see Belgium as a comparative stable political haven for over the coming months. With a constructive market environment and strong demand for European Sovereign debt, the Kingdom of Belgium decided to go ahead with its second syndicated transaction for 2017 after having issued their first EUR 6bn 10-year benchmark transaction in January 2017."
- The choice of the maturities and dual-tranche strategy reflected the Belgium Debt Agency's longstanding policy to proactively and dynamically respond to investor feedback and market conditions. The 7-year tranche allowed Belgium to maintain its profile in the front end, providing a fresh, liquid, on-the-run benchmark reference that investors had been asking for in sub-10 year space. Meanwhile, the 40-year tranche allowed Belgium to satisfy the hunt for duration from investors pushing further out the curve to achieve their yield targets after having issued their first ever 50-year tranche in 2016 – also in form of a dual-tranche transaction. It also continued the Belgium Debt Agency's prudent and well-considered strategy of responsibly extending the duration of its debt, to mitigate interest cost and refinancing volatility, and neatly linked up its 30-year and 50-year OLOs.

Execution highlights

- The mandate was announced at 3:00pm CET on Monday 06th February. Although no Initial Pricing Thoughts ("IPTs") had been communicated to the market following the announcement, the response from investors was positive for both tranches, with indications of interest shown before close of business.

- IPTs were released on Tuesday 07th February at 9:15am CET at MS+ "mid single digits" on the 7-year and + "low 90's" on the 40-year. The response was extremely positive. In a bit more than an hour, Indications of Interest ("IoI"s) were above EUR 6.5 billion for the 7yr (including EUR 975 million of Joint Lead Manager ("JLM") interest) and IoIs were above EUR 7.5 billion for the 40-year (including EUR 2.15 billion of JLM interest).

- The transaction continued to progress exceptionally well once books were open in a market recovering from quite some volatility. This allowed further revisions of guidance, and ultimately the spreads being set at MS flat on the 7-year and at MS+87bps on the 40-year.

- By the time the order book closed at 12:30pm CET, orders were over EUR 8.0 billion for the 7-year (including EUR 975 million of JLM orders) and above EUR 10.0 billion for the 40-year (including EUR 2.15 billion of JLM interest). The quality of the orderbook enabled the Belgian Debt Agency to set the new issue size at EUR 3 billion on each tranche, EUR 6 billion in total, with more than 100 investors in the 7-year and more than 200 investors in the 40-year.

- The new October 2024 OLO priced at MS flat implying a reoffer yield for investors of 0.508% with a coupon rate of 0.5%. This represents a limited new issue concession of 4bps over the interpolated OLO curve. The new June 2057 OLO priced at MS +87bps implying a reoffer yield for investors of 2.288% and a coupon rate of 2.25%. This represents a new issue concession of 8bps over the interpolated OLO curve and a spread of +1.5bps between OLO-OAT.

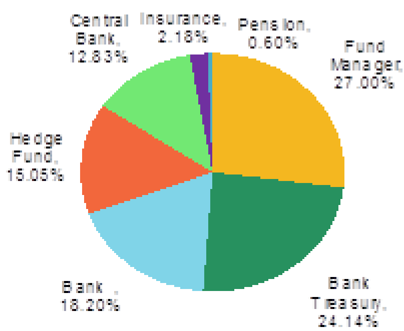
- With these two new OLO lines, Belgium is bringing liquid references in benchmark maturities that instantly refresh the curve, and neatly complement the 10-year OLO from earlier in the year – all of which will be available for taps via auction throughout in the future.

Summary of distribution on 7-year

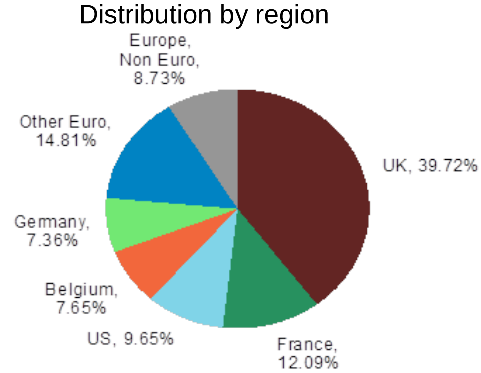
- The geographical distribution shows a good balance between the largest European jurisdictions (UK 40%, France 12% and Belgium 8%), and the USA (10%).

- By investor type, the issue attracted substantial participation – over 100 accounts - with the majority of the transaction being placed with strong real money accounts, namely Fund Managers (27%), Bank Treasuries (24%), Central Banks, Insurance Companies and Pension Funds (totalling 16%). Banks (18%) and hedge Funds (15%) completed the picture.

Distribution by type



Distribution by region

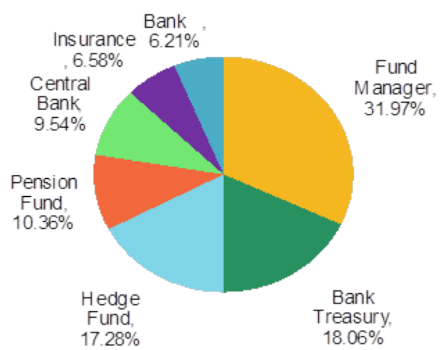


Summary of distribution on 40-year

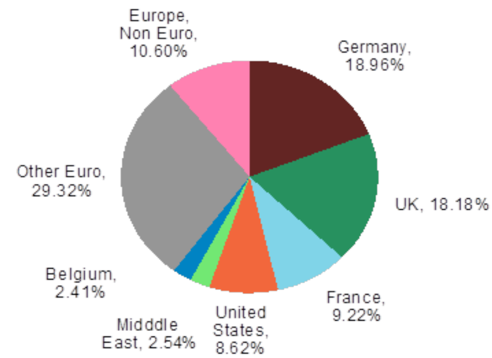
- The geographical distribution was dominated by Europe, led by the Germany (19%), UK (18%), the France (9%) and Belgium (2%), as well as a notable showing from the US (9%).

- By investor type, the issue attracted substantial participation, more than 200 accounts, mainly from real money investors, across Fund Managers (32%), Bank Treasuries (18%), Insurance Companies (7%), Pension Funds (10%) and Central Banks (10%). Hedge Funds (17%) and Banks (6%) took the remainder.

Distribution by type



Distribution by region



Summary of terms and conditions

Issuer:	The Kingdom of Belgium	
Issuer Ratings:	Aa3 (Moody's) stable/ AA (S&P) stable/ AA- (Fitch) stable	
Joint Bookrunners:	BNP Paribas Fortis, HSBC, J.P. Morgan, KBC Bank, Morgan Stanley and SG CIB	
Amount:	Euro 3 billion	Euro 3 billion
Pricing Date:	07 February 2017	
Settlement Date:	14 February 2017 (T+5)	
Maturity Date:	22 October 2024	22 June 2057
Coupon:	0.5% Annual	2.25% Annual
Benchmark:	Mid Swap	Mid Swap
Reoffer Spread vs. Benchmark:	Flat	+87 bps
Reoffer Yield:	0.508%	2.288%
Reoffer Price:	99.94%	99.012%
ISIN Number:	BE0000342510	BE0000343526