



Kingdom of Belgium | Belgian Debt Agency

EUR 4bn 1% new 15-year OLO75 due 22 June 2031

POST MORTEM – 10th FEBRUARY 2015

The Kingdom of Belgium, rated Aa3/AA/AA by Moody's, S&P and Fitch, launched today, via the Belgian Debt Agency, the second OLO syndicated benchmark transaction in 2015. The new EUR 4 billion OLO75 due 22 June 2031 pays an annual coupon of 1% and was priced at a spread of +4bps over the interpolated mid-swap reference rate implying a reoffer yield of 1.063%. Joint bookrunners were BNP Paribas Fortis, Crédit Agricole CIB, J.P. Morgan and SG CIB. All remaining primary dealers in the Belgian government securities were invited into the syndicate as co-leads.

Background

- The Treasury expects its 2015 gross borrowing requirements to amount to EUR 39.90 billion to cover redemptions and the expected deficit which will be financed by issuing EUR 32.5 billion of OLOs, marginally higher than the EUR 31.82bn issued via OLO in 2014.
- The transaction priced today is the second syndicated OLO benchmark for 2015 and follows the OLO74 benchmark issued on 6th January. The Treasury expects to launch in total three new fixed-rate OLO benchmarks in 2015.
- The Belgian Debt Agency remained flexible in order to take advantage of favourable market conditions particularly for European Sovereigns on the back of the recently announced ECB Public Sector Purchasing Programme expected to start later in March. The anticipation of this programme at the end of last year and further announcement earlier in January caused a continued rally in European rates that saw yields reaching historical lows.
- In this context, the decision was taken to issue a new 15-year OLO during the second week of February to satisfy the real money demand for longer dated European Sovereign debt in the primary market.

Execution highlights

- The mandate for this new 15-year benchmark was announced at 2:45pm CET on Monday 10th February. Although no Initial Pricing Thoughts had been communicated to the market following the announcement, the response from investors was positive with indication of interest shown before close of business. No impact was observed on the outstanding OLO curve post announcement.
- Greece related news and geopolitical tensions remained latent but core markets opened unchanged on Tuesday. This stable background allowed for the release of IPTs at 9:00am CET in the context of MS+mid single digits.
- Real money accounts continued to show their interest, with soft orders amounting to EUR 3 billion by 10:00am CET. Books opened at 10:20am CET with initial price guidance at MS+5bps area, providing further momentum to the order book, which reached EUR 3.5 billion (including EUR 800mn of Joint Lead Managers trading orders) within minutes. This allowed for the guidance to be refined to MS+4/+5bps.

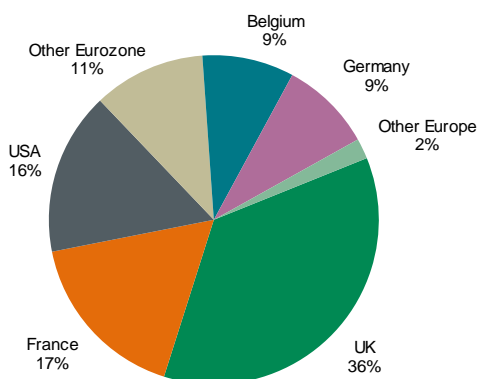


- The spread was set at MS+4bps, the tight end of the guidance, at 12:00 CET, with orders standing at EUR 5 billion.
- The orderbook closed at 1:30pm CET. Overall, 114 investors participated in the transaction with total orders in excess of EUR 5 billion (including EUR 1.25 billion of Joint Lead Managers trading orders) and average ticket size of EUR 47 million. The quality of the orderbook enabled the Belgium Debt Agency to set the new issue size at EUR 4 billion.
- The new June 2031 OLO priced at 15:45pm CET at MS +4bps implying a reoffer yield for investors of 1.063% and a coupon rate of 1%. Notably, this new 15-year benchmark was priced:
 - at the lowest ever yield and lowest ever coupon for a 15y OLO
 - tightest ever spread versus swap for a new 15yr OLO
 - very limited new issue premium of just 2.5bps considering the long maturity
- With this new transaction, Belgium is bringing a new liquid reference in a key benchmark maturity that will be available for taps via auction throughout the year. In this very low interest rate environment, exacerbated by the recent rally, the level of MS+4bps (representing a new issue concession of just 2.5bps over the interpolated OLO curve) is particularly remarkable.

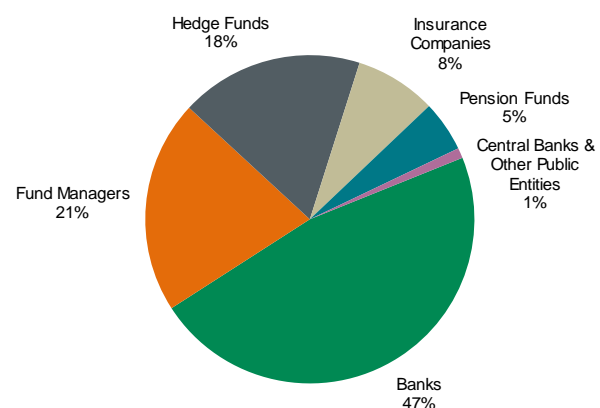
Summary of distribution

- The geographical distribution shows a good balance between the largest European jurisdictions (UK 36%, France 17% and Germany 9%), and the USA (16%).
- By investor type, the issue attracted substantial participation from Banks, including Bank Treasuries (47%) ahead of the ECB asset purchase programme, but also from Fund Managers which represented 21% of the allocation, while Insurance Companies took 8% and Pension Funds 5%.

Distribution by region



Distribution by type





Summary of terms and conditions

Issuer	The Kingdom of Belgium
Issue ratings	Aa3 (Stable) / AA (Stable) / AA (Negative)
Pricing date	10 th February 2015
Settlement date	17 th February 2015 (T+5)
Maturity date	22 nd June 2031
Size	EUR 4,000,000,000
Coupon	1% annual Act/Act (ICMA) with short first coupon
Re-offer spread	MS +4bps (DBR 5.5% Jan 2031+40.4bps)
Re-offer price / Yield	99.061% / 1.063%
Spread versus Bund 01/04/2030	40.4 bp
Spread versus OAT 05/25/2031	3.1 bp
Interpolated spread versus OAT curve	1.1 bp
Listing / Law	Brussels / Belgian law
ISIN	BE0000335449
Joint bookrunners	BNP Paribas Fortis, Credit Agricole CIB, J.P. Morgan and SG CIB