



Kingdom of Belgium | Belgian Debt Agency

EUR 5bn 0.800% new 10-year due 22 June 2028 (OLO85)

DEAL SUMMARY – 16th January 2018

The Kingdom of Belgium, rated Aa3/AA/AA- (all stable) by Moody's, S&P and Fitch, launched today, via the Belgian Debt Agency, the first OLO syndicated benchmark transaction in 2018. The new EUR 5bn OLO85 due 22 June 2028 pays an annual coupon of 0.800% and was priced at a spread of -17bps over the interpolated mid-swap reference rate, implying a reoffer yield of 0.812%. Joint bookrunners were BNP Paribas Fortis, Citi, NatWest Markets and SG CIB. All remaining primary dealers in the Belgian government securities were invited into the syndicate as co-leads.

Background

- The Belgian Debt Agency expects its 2018 gross borrowing requirements to amount to EUR 33.25bn to cover redemptions and the projected deficit, a decrease of EUR 3.83bn compared to the 2017 borrowing requirements. It is anticipated that EUR 31bn of financing needs will be financed by issuing OLOs.
- On the back of a positive market backdrop and very strong demand for European Sovereign debt in the new issues in the previous week, the Kingdom of Belgium decided to go ahead with its first syndicated transaction for 2018. In line with their historical strategy, they offered investors a new 10-year benchmark, a tenor which has been consistently chosen by the Kingdom over the past few years to start off their syndicated programme. The Treasury expects to launch one further new fixed-rate OLO benchmark during 2018, which will be issued as a Green OLO in the 15 to 20 year area.
- With an issue size of EUR 5bn and a reoffer yield of 0.812%, this is the first time a Kingdom of Belgian 10 year benchmark government bond has priced through the French Government Bond curve. This demonstrates the growing investor confidence in the out-performance and improving debt dynamics of the Belgian economy.

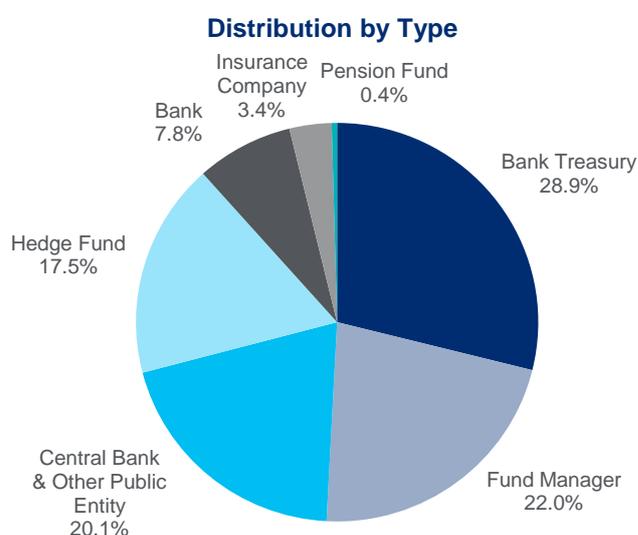
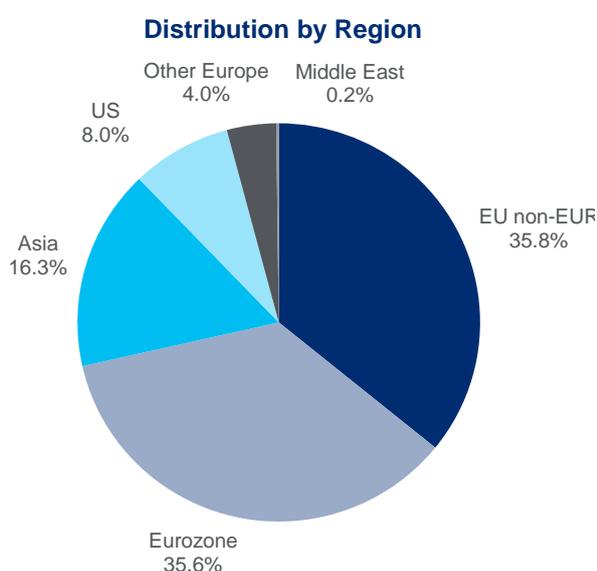
Execution highlights

- The mandate for this new 10-year benchmark was announced at 3pm CET on Monday 15th January. Despite no Initial Pricing Thoughts having been communicated to the market following the announcement, the response from investors was positive from the outset, demonstrated in the existing BGB-curve tightening after the announcement.
- IPTs were released at 9am CET the following morning at MS-13bps area. A very strong response and Indications of Interest in excess of EUR 13.5bn (including EUR 1.6bn Joint Lead Manager ("JLM") interest) warranted the issuer to announce initial guidance at MS-15bp area just over an hour later, at 10:15 CET, for formal book opening.
- Investors continued to show positive interest once books were open, allowing for the spread to be set at MS-17bps at 12:00 CET.
- The orderbook closed at 12:30pm CET with total orders in excess of EUR 15.5bn (including EUR of 2.1bn of JLM interest). The quality of the orderbook enabled the Belgium Debt Agency to set the new issue size at EUR 5bn.

- The new June 2028 OLO priced at 16:55pm CET at MS-17bps giving a reoffer yield for investors of 0.812%, a coupon rate of 0.800% and an issue price of 99.881%. This represents a spread of 25.8bps over DBR 0.5% Feb-2028, and 1.5bps through the FRTR 0.5% May-28.
- The asset swap interpolation to June 2028 from the OLO81 June 2027 and OLO71 June 2031 indicated fair value at MS-19bps, implying a new issue concession (NIC) of 2bps.

Summary of distribution

- The geographical distribution highlights the strong support for this transaction from European accounts (71.4%) and notable investor interest from Asia (16.3%) and the US (8.0%)
- By investor type, the issue attracted significant participation with the majority of the transaction being placed with Bank Treasuries (28.9%), followed by Fund Managers (22.0%), Central Banks and Public Institutions (20.1%), Hedge Funds (17.5%), Banks (7.8%), Insurance Companies (3.4%), and Pension Funds (0.4%).



Summary of terms and conditions

Issuer:	Kingdom of Belgium
Ratings:	Aa3/AA/AA- (Moody's/S&P/Fitch - stable/stable/stable)
Format:	Belgium Government Bond (in dematerialised book entry form) Reg S Cat 1, 144A Eligible, CAC
Size:	EUR 5bn
Maturity:	22-Jun-2028
Settlement:	23-Jan-2018 (T+5)
Coupon:	0.800% Annual ACT/ACT, short first to 22-Jun-18
Final Spread:	MS-17
Reoffer	Price 99.881 / Yield 81.2bps / 25.8 over DBR 0.5% 28 (spot 99.475)
Listing/ Law:	Brussels, Belgian Law
Denominations:	EUR 0.01/ EUR 0.01
Target Market:	Retail / Professional / Eligible Counterparties (all distribution channels)
ISIN:	BE0000345547
Bookrunners:	BNP Paribas Fortis, Citi, NatWest Markets, SG CIB (BD&DM)