Kingdom of Belgium | Belgian Debt Agency
EUR 5bn 3.00% new 20-year OLO73 due 22 June 2034

POST MORTEM – 11TH MARCH 2014

The Kingdom of Belgium, rated Aa3/AA/AA by Moody's, S&P and Fitch, launched today, via the Belgian Debt Agency, its second syndicated OLO benchmark of 2014. The new EUR 5 billion OLO73 due 22 June 2034 pays an annual coupon of 3.00% with a short first coupon and was priced at a spread of 58bps over the interpolated mid-swap reference rate implying a reoffer yield of 3.080%. Joint bookrunners were Barclays, HSBC, RBS and SG CIB. All remaining primary dealers in the Belgian government bond market were invited into the syndicate as co-leads.

Background

- The Treasury expects its 2014 gross borrowing requirements to amount to EUR 38.03 billion to cover redemptions and the expected deficit which will be financed by issuing EUR 30 billion of OLOs, i.e. 30% less than the EUR 42.33 billion issued in 2013.
- The transaction priced today will be the last syndicated OLO benchmark for 2014. It follows a new EUR 5 billion 10-year OLO launched in January 2014 and is in line with the Belgian Treasury's expectation that two new fixed-rate OLO benchmarks will be launched this year.
- Over the past two years, the 20-year maturity became a standard benchmark maturity for sovereigns and this is the second 20-year OLO issued by Belgium following the EUR 4 billion OLO66 launched in March 2012. From a pure strategic point of view, the new 20-year benchmark will fill out the OLO curve between the OLOs 4.00% 3/32s and 5.00% 3/35s with a new current coupon OLO.
- The transaction brings a liquid CACed benchmark at the long-end of the OLO curve. Following the inclusion of Collective Active Clauses ("CACs") in January 2013, the new OLO will facilitate strips trading given that the new strips with CACs are not fungible with the "old" ones without the clause.
- With this transaction, Belgium is capitalising on the perceived improvement in its creditworthiness after Moody's raised the outlook to Stable from Negative on its long-term Aa3 rating on Friday 7th March. This follows a similar move by S&P one week earlier. The rating agency expects under its central scenario that fiscal consolidation in Belgium will continue and is to support a reversal in government debt in 2014-15.

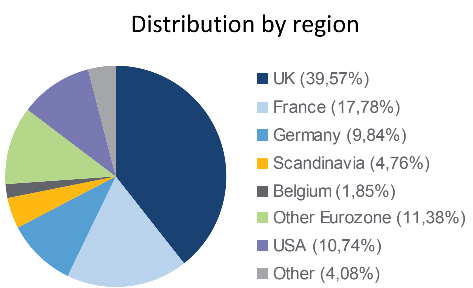
Execution highlights

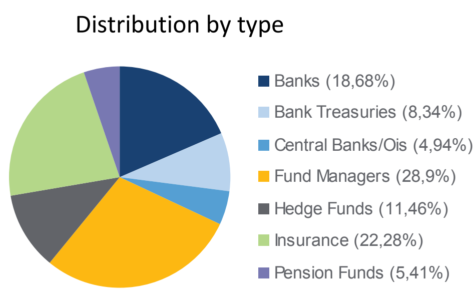
- The mandate for this new 20-year benchmark was announced at 4:30pm CET on Monday 10th March. Immediate response to the mandate was very encouraging with positive reverse enquiries and limited impact on outstanding OLO bonds post announcement.
- In a pretty stable market environment, initial pricing thoughts ("IPTs") were released at 9:00am CET on Tuesday 11th March at MS +60bps area, a new issue concession of 4bps given estimations of fair value based on a straight linear interpolation of the outstanding OLOs 3/32s and 3/35s respectively quoted at MS +53bps and MS +56.5bps.
- Given a very constructive IPT process with EUR 5 billion of interest (including orders from Joint Bookrunners), the orderbook officially opened at 10:15am CET with guidance at MS +58/60bps. The momentum was strong from the outset, with orders gathered in excess of EUR 7 billion by 11:15am CET enabling to set the spread at MS +58bps.

- The orderbook continued to grow steadily and closed at 12:00 CET. More than 150 investors took part to the transaction with a total amount requested in excess of EUR 8.5 billion (including orders from Joint Bookrunners). It was made of high quality real money investors enabling to launch at the tight end of the guidance an upsized EUR 5 billion benchmark, i.e. the largest ever SSA transaction with a 20-year tenor and the largest OLO in the 10yr+ segment since 2004.
- The new 20-year OLO priced at 2:30pm CET at MS +58bps implying a reoffer yield for investors of 3.080% and a coupon rate of 3.00%. With this new transaction, the Belgian Debt Agency brings another key benchmark to the markets. Further, the low levels at which Belgium has been able to raise these funds (slim 2bps new issue concession to fair value) re-affirms the breadth and quality of Belgium's investor franchise and gives a strong message to the market as the result achieved is another clear vote of confidence for the country going forward.
- Including this transaction, Belgium has now completed 47% of its OLO funding for the year and increased the average life of its debt portfolio which was already at an all-time high of 7.65 years at the beginning of the year.

<u>Summary of distribution</u>

- While the bulk of the demand came from the UK (39.57%), the placement saw a balanced presence of other European accounts. It's worth mentioning the significant participation of investors out of France and the USA with an allotted share of 17.78% and 10.74% of the issuance respectively.
- By investor type, the issue attracted substantial participation from high quality real money accounts (bank treasuries, central banks, fund managers, insurance and pension funds) accounting for almost 70% of the final allocation.





<u>Summary of terms and conditions</u>

Issuer	The Kingdom of Belgium
Issue ratings	Aa3 (Stable) / AA (Stable) / AA (Stable)
Pricing date	11th March 2014
Settlement date	18th March 2014 (T+5)
Maturity date	22nd June 2034
Size	EUR 5,000,000,000
Coupon	3.000% annual Act/Act (ICMA) with short first coupon
Re-offer spread	MS +58bps (DBR 4.75% 7/34 +65.7bps)
Re-offer price / Yield	98.816% / 3.080%
Listing / Law	Brussels / Belgian law
ISIN	BE0000333428
Joint bookrunners	Barclays, HSBC, RBS, SG CIB

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