

Kingdom of Belgium

EUR 7.0bn 2.85% 2034 OLO 100 due October 2034

Deal Summary – 9th January 2024

On January 9th 2024 the Kingdom of Belgium, rated Aa3/AA/AA- by Moody's, S&P and Fitch, kicked off its 2024 funding with the launch of its first syndicated OLO. The new OLO has a 10y maturity and a coupon of 2.85% for a size of EUR 7bn. This new 10y benchmark transaction is the 100th OLO of the Kingdom and follows 35 years after the first one in 1989. The lead managers for this syndicated OLO 100 were Barclays, BNP Paribas Fortis, Crédit Agricole CIB, J.P. Morgan and Natixis.

On June 1st 1989 the Kingdom of Belgium issued a first instance of its new main financing instrument: the OLO, short for Obligations Linéaires/Lineaire Obligaties. OLOs were designed to enhance liquidity and competition through fixed maturities and coupons and fungible taps during their lifetime. OLO 1 was issued for an initial size of BEF 18.78bn (EUR 465m eq) and carried a coupon of EUR 8.25% for a maturity of 10 years. At that time, Belgium had a debt-to-GDP ratio of nearly 130%, a budget deficit of 6.6%, Philippe Maystadt was the Minister of Finance and the Maastricht Treaty was still 3 years away. The new instrument was a great success – 10 years later OLOs represented already nearly two thirds of the then outstanding Belgian government debt and contributed to the attraction of Belgian government debt in the broader investor community after the introduction of the Euro.

The 2024 funding plan

The Belgian Debt Agency expects a gross borrowing requirement of EUR 52.92bn (EUR 21.48bn net) for the year 2024. Although this represents an increase of 5.62bn compared to 2023, overall long and medium-term funding is expected to remain stable and OLO issuance is expected to decrease if some long-term funding can be achieved through alternative funding instruments. The Debt Agency announced its intention to launch 3 new OLO fixed rate benchmarks: a 10 year, traditionally in January, a new long-term OLO (for example 30 years) and a medium-term benchmark (for example 5-6 years). With the new OLO 100, the Debt Agency has already achieved 17% of its planned OLO issuance in 2024.

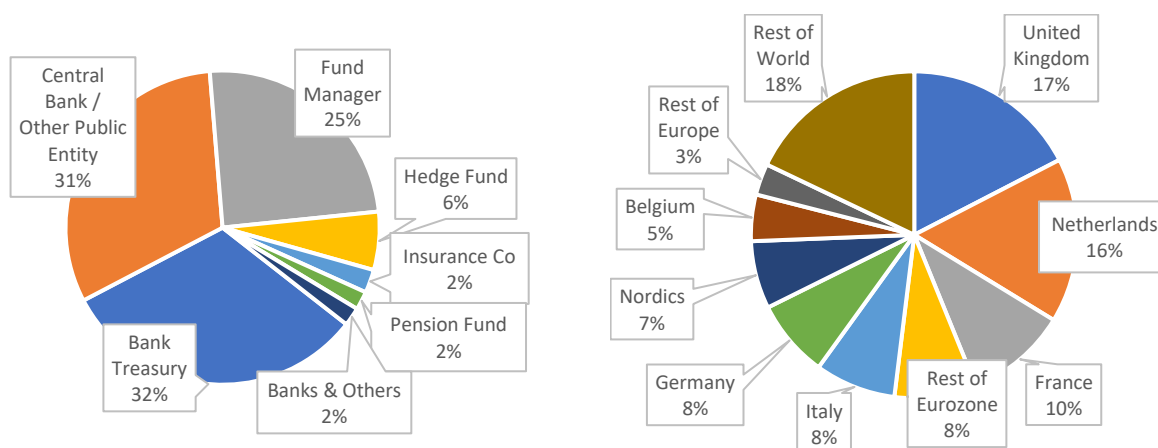
Execution highlights:

- In keeping with its intention to be predictable for investors, the Debt Agency announced its intention to launch a new 10 year benchmark on January 8th.
- On the back of the positive initial feedback of investors, positive market tone and stability of the secondary market, the syndicate of banks were in a position to open books the following day at 9:00 CET with a guidance of MS+26 bp area, implying an initial New Issue Premium of 4/5 bp versus the OLO curve.
- The investor reaction was immediate and fast. A little over 1 hour of bookbuilding resulted in total orders of more than EUR 50bn. After setting the spread of the new OLO at MS+24 bp, books grew further to EUR 75bn (including lead manager interest) at the 11:00 CET close, the largest ever orderbook for a Kingdom of Belgium OLO benchmark in its 35y history. This is all the more remarkable in view of the EUR 33bn of new issuance by SSA issuers printed on the same day, an all-time record as well.
- Allocations were released to the market at 15:00 CET and the transaction was priced at 16:00 CET.

- Fair value for the new 10y benchmark was seen at MS+21/22 bp before announcement based on interpolation and extrapolation of the different outstanding OLOs around the new maturity point. At final pricing the New Issue Premium amounted to 2/3 bp.

Summary of distribution

Bank Treasuries represented 32% of the allocations closely followed by Central Banks & Official Institutions (31%), and Fund Managers (25%). By geographical distribution, the UK represented the largest single country share (17%), followed by the Netherlands (16%) and France (10%).



Summary of terms and conditions

Issuer	Kingdom of Belgium
Ratings	Aa3 (Moody's, stable) / AA (S&P, stable) / AA- (Fitch, Neg)
Pricing Date	9 th January, 2024
Settlement Date	16 th January, 2024 (T+5)
Maturity Date	22 nd October, 2034
Size	EUR 7 billion
Coupon	2.85% Annual Act/Act, short first to 22 nd October 2024
Re-offer spread	MS+24bp
Re-offer price	99.788%
Re-offer yield	2.874%
Listing / Law	Brussels / Belgian law
ISIN	BE0000360694
Joint Lead Managers	Barclays, BNP Paribas Fortis, Credit Agricole, J.P. Morgan, Natixis