

# **BORROWING REQUIREMENTS & FUNDING PLAN** 2017

*Kingdom of Belgium*

1. 2017 Gross Borrowing Requirements and Funding Plan
2. The 2017 Debt Management Strategy
3. The 2017 Funding Strategy

6 December 2016

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# **1. 2017 Gross Borrowing Requirements and Funding Plan**

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## 1.1 The 2017 Gross Borrowing Requirements

The Belgian Debt Agency expects the **2017 gross borrowing requirements** to amount to **EUR 38.98 billion**. This represents a decrease of EUR 2.54 billion compared to the 2016 borrowing requirements which are expected to amount to EUR 41.52 billion.

In establishing this estimate, the Debt Agency assumed that the **2017 net financing requirements** would amount to **EUR 6.52 billion**. They reflect the improvement in the federal government budget which exhibits a deficit reduction of 1.17% of GDP in 2017 (1.28% for the whole government sector).

Redemptions of medium- and long-term debt would amount to EUR 28.58 billion.

The Belgian Debt Agency also plans to buy back bonds maturing in 2018 and later for an amount of EUR 3.63 billion.

## 1.2 The 2017 Funding Plan

The Belgian Debt Agency plans to issue **EUR 35.0 billion** of **OLOs**, which is lower by EUR 2.63 billion compared to the amount of EUR 37.63 billion issued in 2016. It expects to launch three new OLO fixed-rate benchmarks.

A new OLO Floating-Rate Note could also be issued.

The Debt Agency also expects to issue **EUR 4.00 billion** via its EMTN-program or other alternative funding instruments such as Schuldscheine.

State Note issuance for the private investors is again expected to result in EUR 0.25 billion of funding, due to the low interest rate environment.

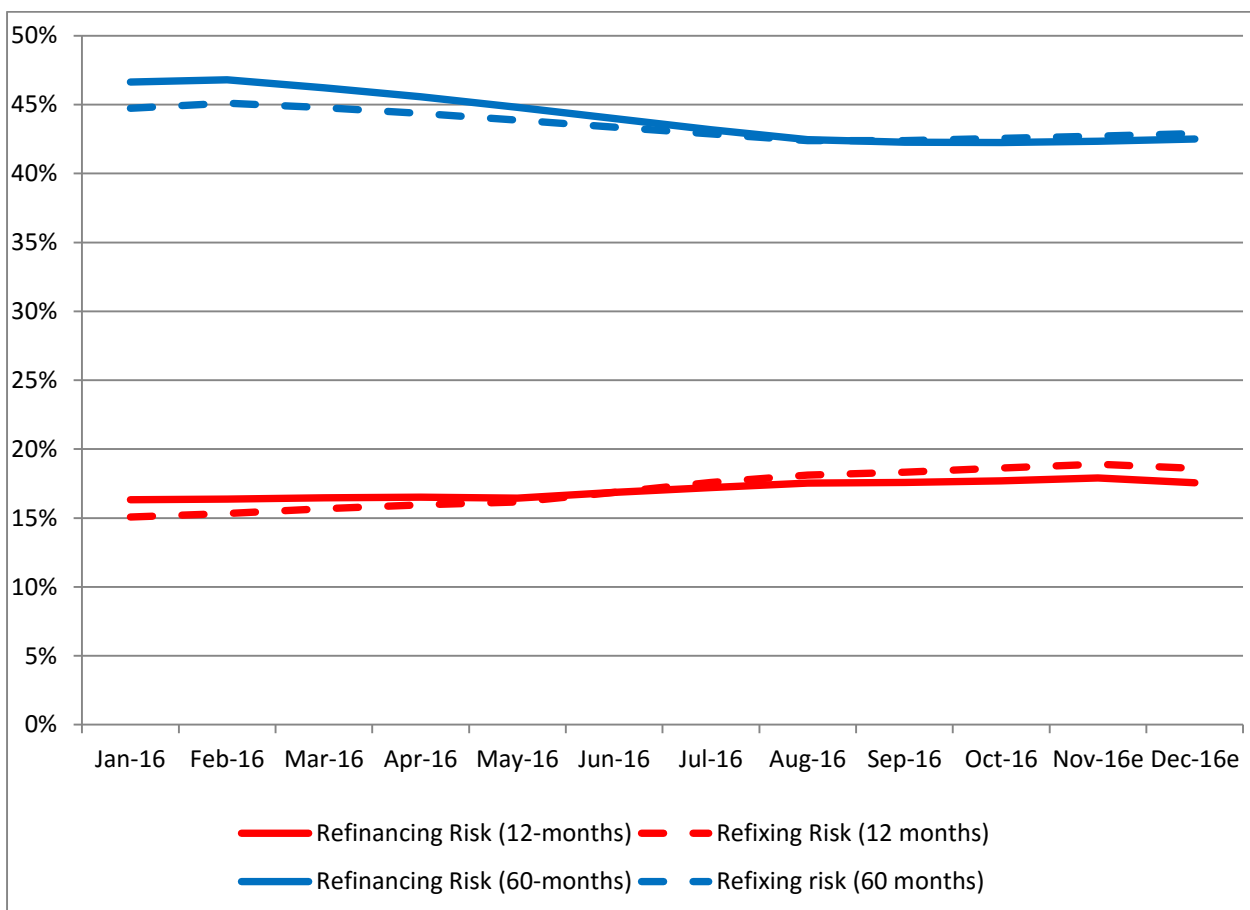
**As for short-term funding**, net short term debt is planned to **decrease** by **EUR 0.27 billion** in 2017. The volume of Treasury Certificates, which is expected to stand at EUR 26.20 billion at year end 2016, would not change over the year 2017.

## 2. The 2017 DEBT MANAGEMENT STRATEGY

In the course of 2016, both the 12-month refinancing and the 12-month refixing risk were subject to a maximum of 20.00%. This maximum limit has not been breached: the 12-month refinancing risk amounted to 17.69% in October 2016, and would reach 17.56% by end of December 2016. The 12-month refixing risk is expected to amount to 18.61% by year end.

In terms of medium-term risks, both the 60-month refinancing risk and the 60-month refixing risk remained well below their maximum level of 50.00%. They are expected to amount to 42.50% and 42.91% in December 2016.

### Refinancing and Refixing risks in 2016

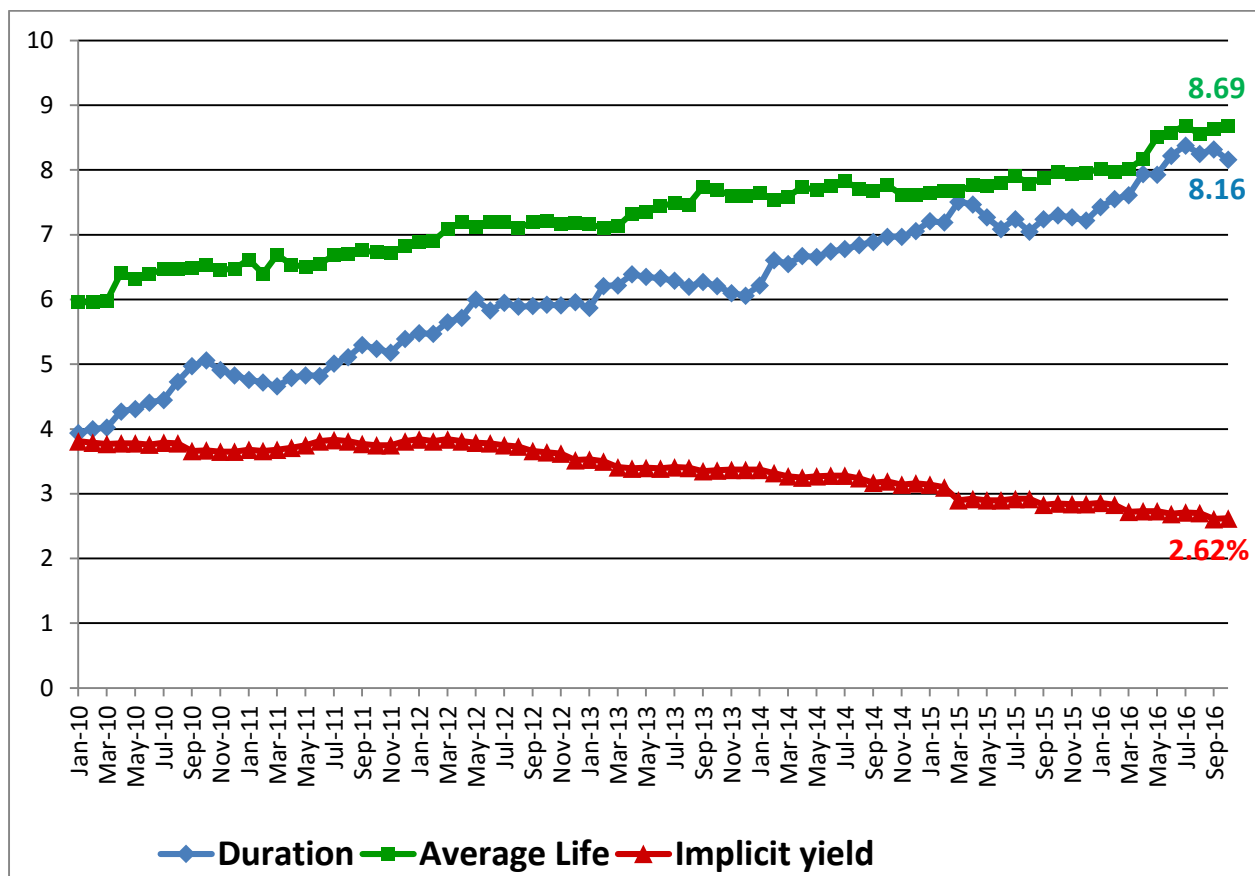


In 2017, the 60-month refinancing and refixing risk will be lowered:

- The **60-month refinancing risk** will decline by 2.50% to **47.50%**
- The **60-month refixing risk** will decline by 2.50% to **47.50%**
- The **12-month refinancing and refixing risk** remain unchanged at **20.00%**

The **average life** of the debt portfolio reached **8.69** as per 31 October 2016 and the **duration** amounted to **8.16** years. The implicit cost of the portfolio however further decreased to **2.62%** as of that date.

**Average Life, Duration and Implicit Cost 01/2010 – 10/2016**



In **2017**, the average life of the debt portfolio is required to be higher than **8.50 years**, or 0.50 year higher than the prevailing minimum for the 2<sup>nd</sup> half of 2016.

### 3. The FUNDING STRATEGY in 2017

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The main feature of the 2017 issuance strategy continues to be the combination of **predictability** and **flexibility** in order to respond adequately to changing market environments. This subtle combination can be obtained by enhanced communication.

The Belgian Debt Agency will remain **predictable** with regard to the number of OLO syndications and of auctions for its main financing instruments, both OLOs and TCs. Predictability will also prevail as to the size of the financing program and the size of issuance in various instruments.

**Flexibility** will allow to adapting the size, instruments and the maturities to prevailing **market demand** at the moment of issuance.

In this context the forecasted issuance strategy for 2017 will be as follows.

With regard to **long term financing**

#### **Methodology**

- It is expected that new benchmarks will be launched through **syndicated issues** and increased in size through **auctions**.
- The Treasury expects to launch **three** new fixed-rate OLO benchmarks
- If sufficient demand is identified, **off-the-runs** can be reopened in regular auctions.
- The number of OLO auctions **remains at 10** – there will be no auction in August nor in December – and an auction might be canceled and replaced by a syndicated issue.
- The Debt Agency **may** use the possibility of Syndicated Taps on longer term OLO benchmarks.
- The OLO issuance will be supplemented by **alternative financing instruments**. They can include: an OLO floater, hedged foreign currency issuance and/or structured products issued under the **EMTN program**, possibly including inflation-linked notes<sup>1</sup>, or other funding instruments, in particular Schuldscheine.

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<sup>1</sup> These should not necessarily be hedged against inflation risk.

## **Maturities**

The Belgian Debt Agency has the intention to issue a 10 year benchmark and a benchmark in the 15 to 20 year area. It will further explore the possibility to issue a new very long term benchmark and/or a new benchmark with a shorter maturity. The choice will be guided by investor demand and yield environment at the timing of issuance.

With regard to **short term financing**:

- A **Treasury Certificate<sup>2</sup>** issuance program consisting of **2 auctions per month** at which 2 fixed lines will be offered. Exceptionally, the Treasury will offer a supplementary line.
- The regular Treasury Certificate program will be supplemented by issuance under the updated ECP-program offering enlarged possibilities to issue in foreign currencies<sup>3</sup>. This allows for on-tap issuance in various currencies but swapped into Euro.

**ANNEXES: 2017 Funding Plan  
OLO + TC calendar**

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<sup>2</sup> Belgium's Treasury Certificates are in fact T-bills

<sup>3</sup> Formerly called BTB - Belgian Treasury Bills

## APPENDIX 1 2017 BORROWING REQUIREMENTS

<i>Euro Billion</i>	<b><u>2017 Plan</u></b>	<b><u>2016 Estimate as of December 6, 2016</u></b>
<b><u>I. Gross financing requirements</u></b>	<b><u>38.98</u></b>	<b><u>41.52</u></b>
<b><u>1. Net financing requirements</u></b>	<b><u>6.52</u></b>	<b><u>10.64</u></b>
<b><u>2. Debt maturing during the year</u></b>	<b><u>28.58</u></b>	<b><u>25.88</u></b>
<b><u>3. Pre-funding (bonds maturing in n+1 or later)</u></b>	<b><u>3.63</u></b>	<b><u>5.00</u></b>
<b><u>4. Other financing requirements (1)</u></b>	<b><u>0.25</u></b>	<b><u>0.00</u></b>
<b><u>II. Funding resources (long and medium term)</u></b>	<b><u>39.25</u></b>	<b><u>42.33</u></b>
<b><u>1. Long and medium-term funding</u></b>	<b><u>39.25</u></b>	<b><u>40.60</u></b>
<i>OLOs</i>	<i>35.00</i>	<i>37.63</i>
<i>Euro Medium Term Notes/Schuldscheine</i>	<i>4.00</i>	<i>2.93</i>
<i>Securities for retail investors</i>	<i>0.25</i>	<i>0.04</i>
<i>Other (2)</i>	<i>0.00</i>	<i>0.00</i>
<b><u>2. Treasury bonds - Silver Fund</u></b>	<b><u>0.00</u></b>	<b><u>1.73</u></b>
<b><u>III. Net change in short-term foreign currency debt</u></b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>
<b><u>IV. Change in Treasury Certificates stock (3)</u></b>	<b><u>0.00</u></b>	<b><u>1.00</u></b>
<b><u>V. Net change in other short-term debt and financial assets (4)</u></b>	<b><u>-0.27</u></b>	<b><u>-1.81</u></b>

(1) Including buy backs of long term debt issued in foreign currencies, "put" options exercised on state notes and net redemption bonds representing Belgian participation in international organisations.

(2) Including net issues of treasury bonds representing Belgian participation in international organisations.

(3) Outstanding stock of Treasury Certificates on 01/01/2017 (estimated) : 26.2 billion euro.

(4) This section includes residual financing instruments complementing the reference instruments mentioned in the previous section collateral margin changes. A positive figure represents an increase in the stock of residual financing and/or a reduction in financing.

## APPENDIX 2 - 2017 ISSUANCE CALENDARS

### 1. OLO ISSUANCE CALENDAR

Auction Date (Value Date : D+2)	NC1 (Value Date : D)	NC2 (Value Date : D)
Mon 23/01/2017	Wed 25/01/2017	Mon 30/01/2017
Mon 20/02/2017	Wed 22/02/2017	Mon 27/02/2017
Mon 20/03/2017	Wed 22/03/2017	Mon 27/03/2017
Mon 24/04/2017	Wed 26/04/2017	Tue 02/05/2017
Mon 22/05/2017	Wed 24/05/2017	Mon 29/05/2017
Mon 19/06/2017	Wed 21/06/2017	Mon 26/06/2017
Mon 24/07/2017	Wed 26/07/2017	Mon 31/07/2017
Mon 18/09/2017	Wed 20/09/2017	Mon 25/09/2017
Mon 23/10/2017	Wed 25/10/2017	Mon 30/10/2017
Mon 20/11/2017	Wed 22/11/2017	Mon 27/11/2017

**Remark:** The Belgian Debt Agency can decide to cancel an OLO auction

### 2. TREASURY CERTIFICATE ISSUANCE CALENDAR

Auction	ONC +	NCs +	ISIN Code	3 month	6 month	12 month
03/01/2017	05/01/2017	09/01/2017	BE0312741136	13/04/2017		
			BE0312743157		15/06/2017	
10/01/2017	12/01/2017	16/01/2017	BE0312741136	13/04/2017		
			BE0312750228			11/01/2018
31/01/2017	02/02/2017	06/02/2017	BE0312742142	11/05/2017		
			BE0312744163		13/07/2017	
07/02/2017	09/02/2017	13/02/2017	BE0312742142	11/05/2017		
			BE0312751234			08/02/2018
28/02/2017	02/03/2017	06/03/2017	BE0312743157	15/06/2017		
			BE0312745178		10/08/2017	
07/03/2017	09/03/2017	13/03/2017	BE0312743157	15/06/2017		
			BE0312752240			08/03/2018
04/04/2017	06/04/2017	10/04/2017	BE0312744163	13/07/2017		
			BE0312746184		14/09/2017	
11/04/2017	13/04/2017	19/04/2017	BE0312744163	13/07/2017		
			BE0312753255			12/04/2018



<b>Auction</b>	<b>ONC +</b>	<b>NCs +</b>	<b>ISIN Code</b>	<b>3 month</b>	<b>6 month</b>	<b>12 month</b>
02/05/2017	04/05/2017	08/05/2017	BE0312745178	10/08/2017		
			BE0312747190		12/10/2017	
09/05/2017	11/05/2017	15/05/2017	BE0312745178	10/08/2017		
			BE0312754261			10/05/2018
30/05/2017	01/06/2017	05/06/2017	BE0312746184	14/09/2017		
			BE0312748206		09/11/2017	
13/06/2017	15/06/2017	19/06/2017	BE0312746184	14/09/2017		
			BE0312755276			14/06/2018
04/07/2017	06/07/2017	10/07/2017	BE0312747190	12/10/2017		
			BE0312749212		14/12/2017	
11/07/2017	13/07/2017	17/07/2017	BE0312747190	12/10/2017		
			BE0312756282			12/07/2018
01/08/2017	03/08/2017	07/08/2017	BE0312748206	09/11/2017		
			BE0312750228		11/01/2018	
08/08/2017	10/08/2017	14/08/2017	BE0312748206	09/11/2017		
			BE0312757298			09/08/2018
05/09/2017	07/09/2017	11/09/2017	BE0312749212	14/12/2017		
			BE0312751234		08/02/2018	
12/09/2017	14/09/2017	18/09/2017	BE0312749212	14/12/2017		
			BE0312758304			13/09/2018
03/10/2017	05/10/2017	09/10/2017	BE0312750228	11/01/2018		
			BE0312752240		08/03/2018	
10/10/2017	12/10/2017	16/10/2017	BE0312750228	11/01/2018		
			BE0312759310			11/10/2018
31/10/2017	02/11/2017	06/11/2017	BE0312751234	08/02/2018		
			BE0312753255		12/04/2018	
07/11/2017	09/11/2017	13/11/2017	BE0312751234	08/02/2018		
			BE0312760326			08/11/2018
05/12/2017	07/12/2017	11/12/2017	BE0312752240	08/03/2018		
			BE0312754261		10/05/2018	
12/12/2017	14/12/2017	18/12/2017	BE0312752240	08/03/2018		
			BE0312761332			13/12/2018

(\* ) from 10:00 till 10:30 Brussels time