

# 2014

## **BORROWING REQUIREMENTS AND FUNDING PLAN**

**KINGDOM OF BELGIUM**

1. 2014 Gross Borrowing Requirements and Funding Plan
2. The 2014 Debt Management Strategy
3. The 2014 Funding Strategy

# **1. 2014 Gross Borrowing Requirements and Funding Plan**

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## 1.1 Gross Borrowing requirements

The Treasury expects its 2014 gross borrowing requirements to amount to EUR 38.03 billion. This represents a decrease of EUR 2.56 billion compared to the 2013 borrowing requirements which are expected to amount to EUR 40.59 billion.

In establishing this estimate, the Treasury assumed that the **2014 net borrowing requirement** in cash terms would amount to **EUR 10.32 billion<sup>1</sup>**.

Redemptions of medium- and long-term debt would amount to EUR 22.78 billion.

The Treasury also plans to buy back bonds maturing in 2015 and later for an amount of EUR 4.43 billion. Moreover, the plan assumes that the options in the LOBO-instruments will be executed for an amount of EUR 0.50 billion, though this is far from certain.

## 1.2 Funding Plan

The Belgian Debt Agency plans to issue **EUR 30.00 billion** of **OLOs**, which is significantly less than the amount of EUR 42.33 billion issued in 2013. It is likely that only two new OLO fixed-rate benchmarks will be issued.

The Treasury also plans to issue **EUR 3.00 billion** via its EMTN-program or other alternative funding instruments such as Schuldscheine.

In addition, EUR 1.55 billion of instruments for the Silver Fund will be issued in order to refinance the existing Treasury Bond that will come to maturity.

State Note issuance for the private investors is expected to result in only EUR 0.5 billion of funding, due to the low interest rate environment.

**As for short-term funding**, net short term debt, which would decrease by EUR 6.13 billion in 2013, is planned to **rise** by **EUR 2.98 billion** in 2014. The volume of Treasury Certificates, which is expected to stand at EUR 24.13 billion at year end 2013, would evolve towards EUR 27.11 billion by the end of 2014. This would be beneficial for the liquidity of this instrument.

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<sup>1</sup> The 2013 net borrowing requirement was favourably influenced by the sale of the Kingdom's stake in BNP Paribas Fortis to BNP Paribas for EUR 3.25 billion. In addition, the Treasury received a significant amount of issuance premiums on existing OLOs as a result of the low interest rate environment.

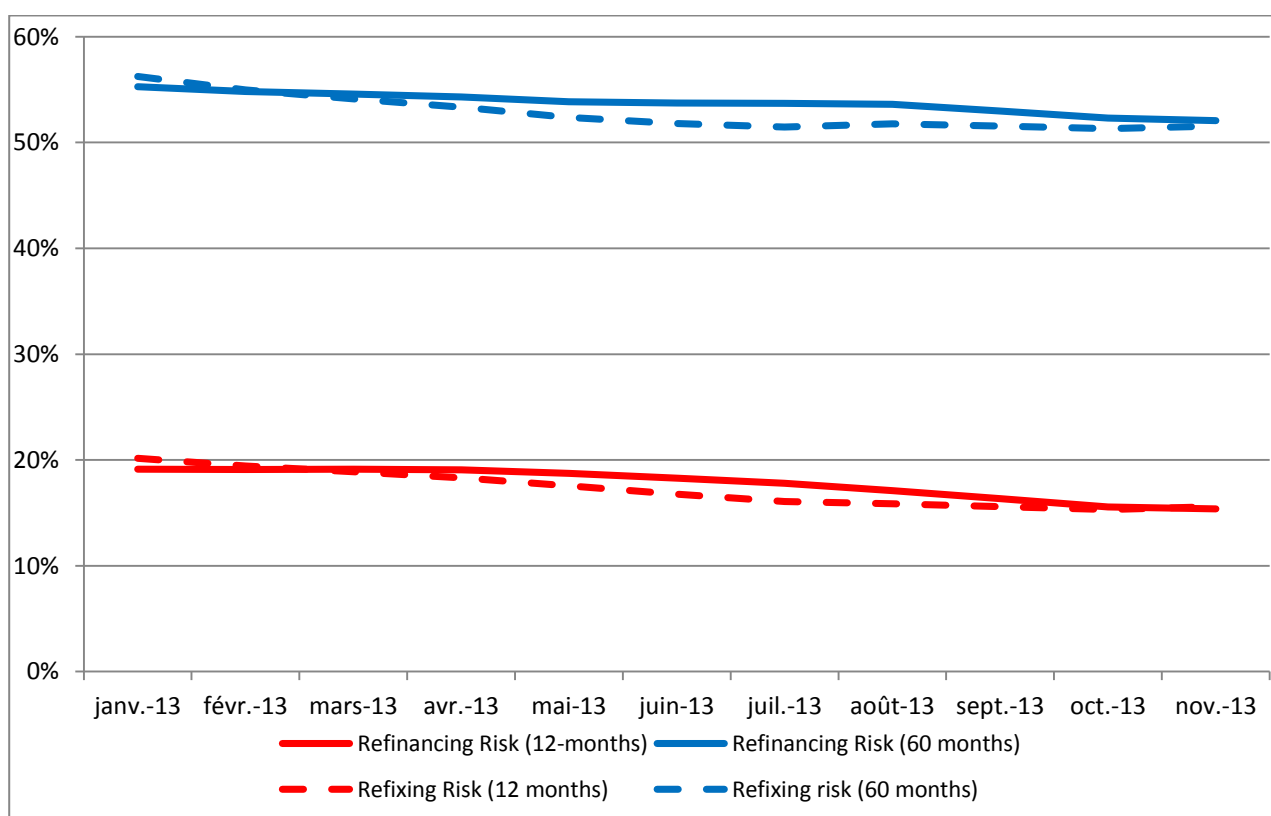


## 2. The 2014 DEBT MANAGEMENT STRATEGY

In the course of 2013, the 12-month refinancing was required to stay below 20.0%, and the 12-month refixing risk was limited to 22.5%. The 12-month refinancing risk decreased to 15.38% in November 2013, and the 12-month refixing risk dropped to 15.60%.

In terms of medium-term risks, both the 60-month refinancing risk and the 60-month refixing risk were well below their respective maxima of 60.0%/55.0%<sup>2</sup> and 60.0% in 2013. In November 2013, these risk parameters amounted to 52.08% and 51.55% respectively.

### Refinancing and Refixing risks in 2013



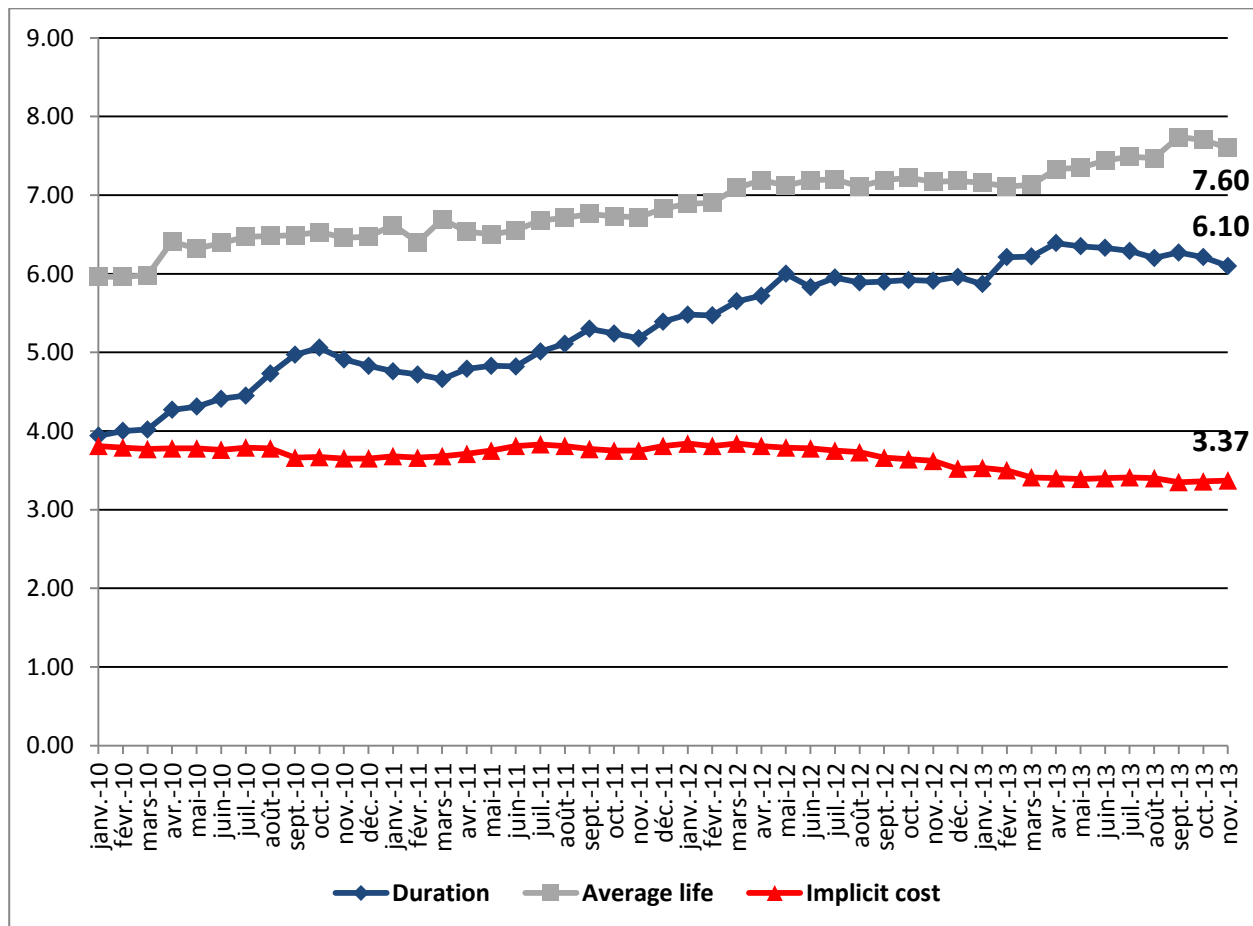
In 2014, these maxima will remain unchanged.

- The **12-month refinancing risk** will be limited to **20.00%**
- The **60-month refinancing risk** will be limited to **55.00%**
- The **12-month refixing risk** will be limited to **22.50%**
- The **60-month refixing risk** will be limited to **60.00%**.

<sup>2</sup> 55.0% as from July 2013 onwards

The **duration** of the debt portfolio increased to **6.10** as per 30 November 2013 (31 December 2012: 5.96) and the **average life** increased to **7.60** years (31 December 2012: 7.18 years). The implicit cost of the portfolio nevertheless further decreased to **3.37%** as of 30 November 2013.

### Average Life, Duration and Implicit Cost 2010 – 11/2013



In **2014**, the average life of the debt portfolio is expected to fluctuate in a range of **7.50 – 7.80 years**, depending on the maturities issued.

### 3. The 2014 FUNDING STRATEGY

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The main feature of the 2014 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 Treasury 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 2014 will be as follows.

With regard to **long term financing**:

- It is expected that new benchmarks will be launched through **syndicated issues** and increased in size through **auctions**.
- The Treasury expects to launch **two** new fixed-rate OLO benchmarks
- If sufficient demand is identified, **off-the-runs** can be reopened in regular auctions.
- The number of OLO auctions **decreases to 10** – there will be no auction in August – and an auction might be canceled and replaced by a syndicated issue.
- The Treasury will **not** use the possibility of Syndicated Taps on longer term OLO benchmarks and **cancel**s the Optional Reverse Inquiry Auctions of off-the-run OLOs at predetermined dates.
- 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>3</sup>, or other funding instruments, in particular Schuldscheine.

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<sup>3</sup> These should be hedged against inflation risk. In the course of 2014, the Treasury might include the possibility of unhedged inflation-linked issuance

With regard to **short term financing**:

- A **Treasury Certificate**<sup>4</sup> issuance program consisting of **2 auctions per month** at which 2 fixed lines will be offered. Occasionally the Treasury will offer a supplementary line.
- The regular Treasury Certificate program will be supplemented by issuance under the existing Euro-Commercial Paper Program<sup>5</sup>. This allows for on-tap issuance in various currencies but swapped into Euro.

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<sup>4</sup> Belgium's Treasury Certificates are in fact T-bills

<sup>5</sup> Named B.T.B. or Belgian Treasury Bills

## APPENDICE 1 – 2014 BORROWING REQUIREMENTS

<i>Euro Billion</i>	<u>2014</u> <u>Plan</u>	<u>2013</u> <u>Estimate as of 10</u> <u>December, 2013</u>
<b>I. Gross financing requirements</b>	<b><u>38.03</u></b>	<b><u>40.59</u></b>
<b>1. Federal State budget deficit :</b>	<b><u>10.32</u></b>	<b><u>6.33</u></b>
<i>Budget deficit (stricto sensu) :</i>	9.77	8.96
<i>Participation in/loans to financial institutions and sovereigns :</i>	0.55	-2.63
<i>Transfers to the Silver Fund :</i>	0.00	0.00
<b>2. Debt maturing in 2013/2014</b>	<b><u>22.78</u></b>	<b><u>27.26</u></b>
<i>Long and medium term debt in euro :</i>	22.78	27.26
<i>Long and medium term debt in foreign currencies :</i>	0.00	0.00
<b>3. Planned pre-funding (bonds maturing in 2014/2015 and later)</b>	<b><u>4.43</u></b>	<b><u>7.00</u></b>
<i>Buy backs</i>	4.43	7.00
<b>4. Other financing requirements (1)</b>	<b><u>0.50</u></b>	<b><u>0.00</u></b>
<b>II. Funding resources Year N (long and medium term)</b>	<b><u>35.05</u></b>	<b><u>46.72</u></b>
<b>1. Long and medium-term funding</b>	<b><u>33.50</u></b>	<b><u>45.21</u></b>
<i>OLOs</i>	30.00	42.33
<i>Euro Medium Term Notes/Schuldscheine</i>	3.00	2.81
<i>Securities for retail investors</i>	0.50	0.07
<i>Other (2)</i>	0.00	0.00
<b>2. Treasury bonds - Silver Fund</b>	<b><u>1.55</u></b>	<b><u>1.51</u></b>
<b>III. Net change in short-term foreign currency debt</b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>
<b>IV. Change in Treasury Certificates stock (3)</b>	<b><u>2.98</u></b>	<b><u>-7.57</u></b>
<b>V. Net change in other short-term debt and financial assets (4)</b>	<b><u>0.00</u></b>	<b><u>1.44</u></b>

(1) Including buy backs of long term debt issued in foreign currencies, "put" options exercised on state notes and net redemptions of the treasury 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 01/01/2013 : 31.70 billion euro.

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

## APPENDICE 2 – 2013 ISSUANCE CALENDARS

### 1. TREASURY CERTIFICATE ISSUANCE CALENDAR

Auction	ONC + Settlement	NCs + Settlement	Code ISIN	Maturity		
				3 month	6 month	12 month
07/01/2014	09/01/2014	13/01/2014	BE0312702716 BE0312704738	17/04/2014	19/06/2014	
14/01/2014	16/01/2014	20/01/2014	BE0312702716 BE0312714836	17/04/2014		15/01/2015
04/02/2014	06/02/2014	10/02/2014	BE0312703722 BE0312705743	15/05/2014	17/07/2014	
11/02/2014	13/02/2014	17/02/2014	BE0312703722 BE0312715841	15/05/2014		12/02/2015
04/03/2014	06/03/2014	10/03/2014	BE0312704738 BE0312706758	19/06/2014	14/08/2014	
11/03/2014	13/03/2014	17/03/2014	BE0312704738 BE0312716856	19/06/2014		12/03/2015
01/04/2014	03/04/2014	07/04/2014	BE0312705743 BE0312707764	17/07/2014	18/09/2014	
15/04/2014	17/04/2014	<b>22/04/2014*</b>	BE0312705743 BE0312717862	17/07/2014		16/04/2015
29/04/2014	<b>02/05/2014*</b>	05/05/2014	BE0312706758 BE0312708770	14/08/2014	16/10/2014	
13/05/2014	15/05/2014	19/05/2014	BE0312706758 BE0312718878	14/08/2014		14/05/2015
03/06/2014	05/06/2014	09/06/2014	BE0312707764 BE0312713820	18/09/2014	13/11/2014	
17/06/2014	19/06/2014	23/06/2014	BE0312707764 BE0312719884	18/09/2014		18/06/2015
01/07/2014	03/07/2014	07/07/2014	BE0312708770 BE0312710792	16/10/2014	18/12/2014	
15/07/2014	17/07/2014	21/07/2014	BE0312708770 BE0312720890	16/10/2014		16/07/2015
05/08/2014	07/08/2014	11/08/2014	BE0312713820 BE0312714836	13/11/2014	15/01/2015	
12/08/2014	14/08/2014	18/08/2014	BE0312713820 BE0312721906	13/11/2014		13/08/2015
02/09/2014	04/09/2014	08/09/2014	BE0312710792 BE0312715841	18/12/2014	12/02/2015	
16/09/2014	18/09/2014	22/09/2014	BE0312710792 BE0312722912	18/12/2014		17/09/2015
30/09/2014	02/10/2014	06/10/2014	BE0312714836 BE0312716856	15/01/2015	12/03/2015	
14/10/2014	16/10/2014	20/10/2014	BE0312714836 BE0312723928	15/01/2015		15/10/2015
04/11/2014	06/11/2014	10/11/2014	BE0312715841 BE0312717862	12/02/2015	16/04/2015	
11/11/2014	13/11/2014	17/11/2014	BE0312715841 BE0312724934	12/02/2015		12/11/2015
02/12/2014	04/12/2014	08/12/2014	BE0312716856 BE0312718878	12/03/2015	14/05/2015	
16/12/2014	18/12/2014	22/12/2014	BE0312716856 BE0312725949	12/03/2015		17/12/2015

\*Target closed 01/05 and 21/04



## 2. OLO ISSUANCE CALENDAR

Month	OLO Auction date	NC1	NC2
JANUARY	Mo 20.01.2014	Th 23.01.2014	Mo 27.01.2014
FEBRUARY	Mo 17.02.2014	Th 20.02.2014	Mo 24.02.2014
MARCH	Mo 24.03.2014	Th 27.03.2014	Mo 31.03.2014
APRIL	<b>Tu 22.04.2014</b>	<b>Fr 25.04.2014</b>	Mo 28.04.2014
MAY	Mo 19.05.2014	Th 22.05.2014	Mo 26.05.2014
JUNE	Mo 23.06.2014	Th 26.06.2014	Mo 30.06.2014
JULY	<b>Tu 22.07.2014</b>	<b>Fr 25.07.2014</b>	Mo 28.07.2014
SEPTEMBER	Mo 22.09.2014	Th 25.09.2014	Mo 29.09.2014
OCTOBER	Mo 20.10.2014	Th 23.10.2014	Mo 27.10.2014
NOVEMBER	Mo 17.11.2014	Th 20.11.2014	Mo 24.11.2014