

# **BORROWING REQUIREMENTS & FUNDING PLAN** 2016

*Kingdom of Belgium*

1. 2016 Gross Borrowing Requirements and Funding Plan
2. The 2016 Debt Management Strategy
3. The 2016 Funding Strategy

8 December 2015

# **1. 2016 Gross Borrowing Requirements and Funding Plan**

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## 1.1 Gross Borrowing requirements

The Treasury expects its **2016 gross borrowing requirements** to amount to **EUR 38.86 billion**. This represents a decrease of EUR 1.27 billion compared to the 2015 borrowing requirements which are expected to amount to EUR 40.13 billion.

In establishing this estimate, the Treasury assumed that the **2016 net financing requirements** would amount to **EUR 7.93 billion**. As new issuance premiums would be lower in 2016, the net financing requirements only slightly decrease when compared to the 2015 ones (EUR 8.50 billion), and they reflect as such not fully the expected improvement in the government budget deficit.

Redemptions of medium- and long-term debt would amount to EUR 25.88 billion.

The Treasury also plans to buy back bonds maturing in 2017 and later for an amount of EUR 4.55 billion.

## 1.2 Funding Plan

The Belgian Debt Agency plans to issue **EUR 33.50 billion** of **OLOs**, which is lower by EUR 2.14 billion compared to the amount of EUR 35.64 billion issued in 2015. It expects to launch three new OLO fixed-rate benchmarks.

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

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

In addition, EUR 1.73 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 again expected to result in only EUR 0.25 billion of funding, due to the low interest rate environment.

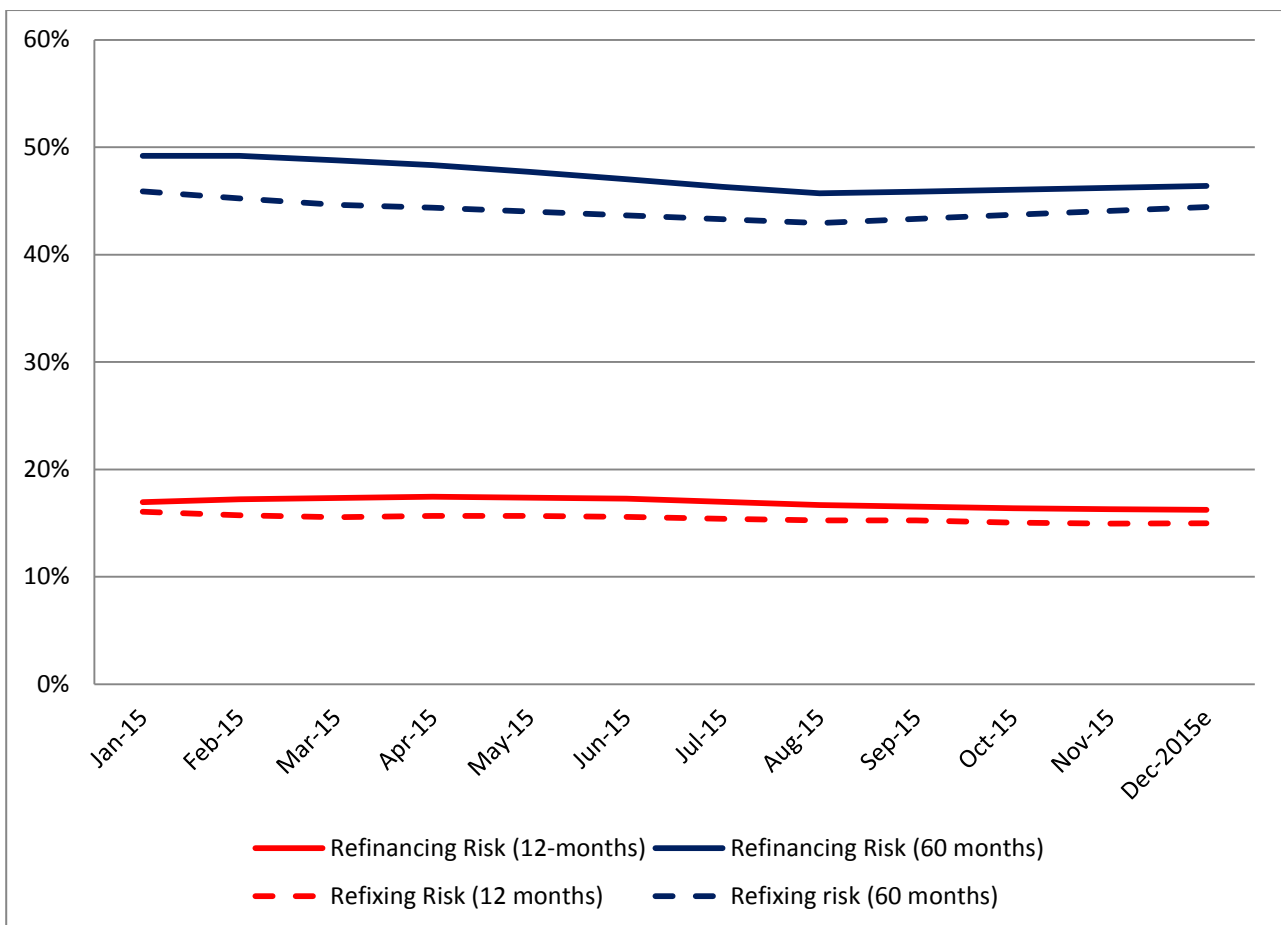
**As for short-term funding**, net short term debt, is planned to **decrease** by **EUR 0.62 billion** in 2016. The volume of Treasury Certificates, which is expected to stand at EUR 25.20 billion at year end 2015, would evolve towards EUR 26.20 billion by the end of 2016. This will be beneficial for the liquidity of this instrument.

## 2. The 2016 DEBT MANAGEMENT STRATEGY

In the course of 2015, both the 12-month refinancing and the 12-month refixing risk were limited to 20.00%. Yet these risk parameters were in fact much lower than their maximum: the 12-month refinancing risk amounted to 16.30% in November 2015, and would reach 16.24% by end of December 2015. The 12-month refixing risk is expected to amount to only 14.98% by year end, on the back of the interest rate hedging operations that were implemented in 2014.

In terms of medium-term risks, both the 60-month refinancing risk and the 60-month refixing risk were also well below their respective maxima of 50.00% and 55.0% in 2015. They are expected to amount to 46.41% and 44.42% in December 2015.

### Refinancing and Refixing risks in 2015



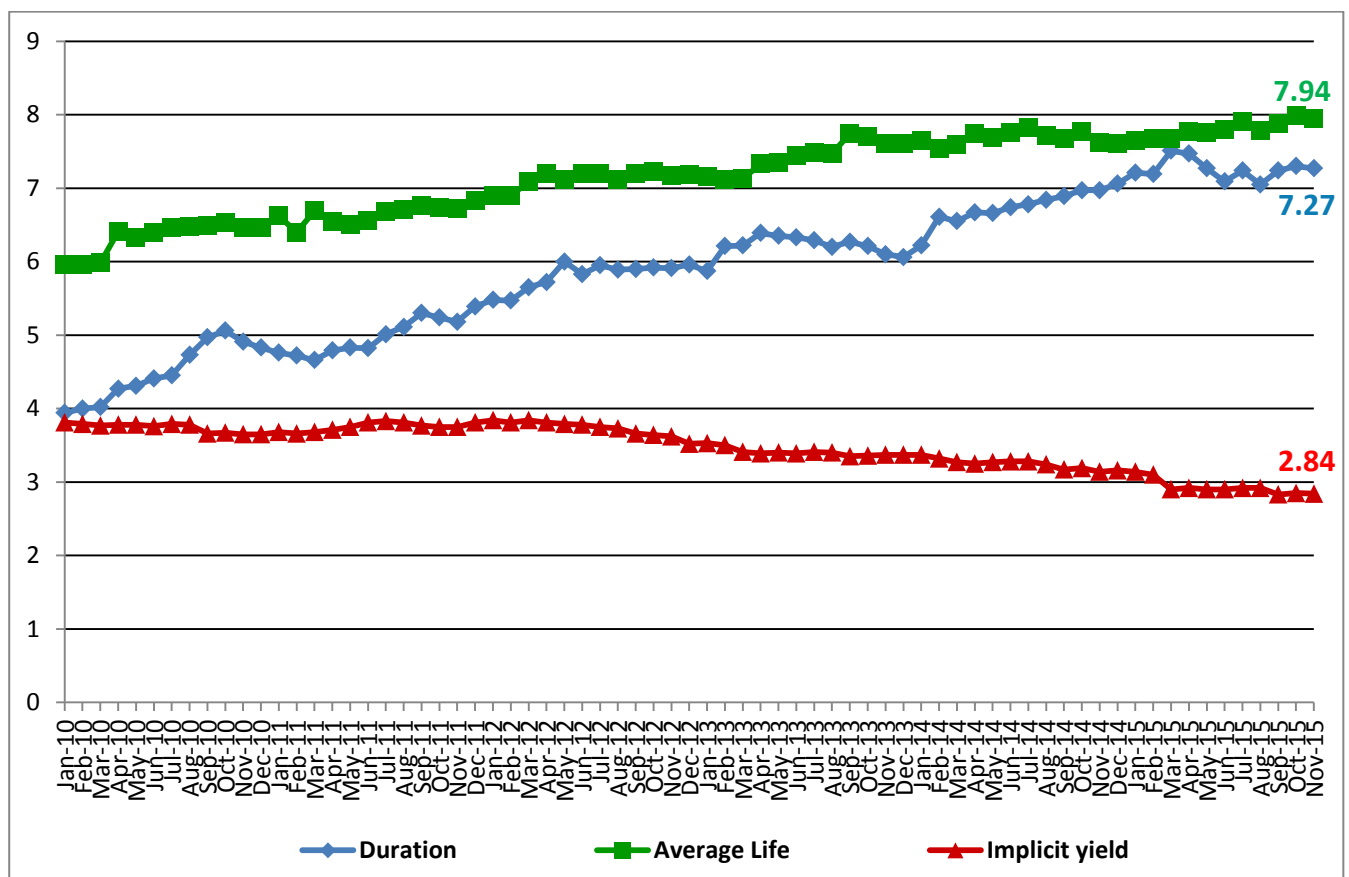
In 2016, most of these limits will still prevail:

- The **12-month refinancing risk** will be limited to **20.00%**
- The **60-month refinancing risk** will be limited to **50.00%**

- The **12-month refixing risk** will be limited to **20.00%**
- The **60-month refixing risk** will however decrease by 5.00%, to **50.00%**.

The **duration** of the debt portfolio reached **7.27** as per 31 November 2015 and the **average life** amounted to **7.94** years. The implicit cost of the portfolio nevertheless further decreased to **2.84%** as of 31 November 2015.

### Average Life, Duration and Implicit Cost 01/2010 – 11/2015



In **2016**, the average life of the debt portfolio is required to be higher than **7.75 years** during the first **six months**, and this minimum increases to **8.00 years** thereafter.

### 3. The FUNDING STRATEGY in 2016

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The main feature of the 2016 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 2016 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 **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 Treasury **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.

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: 2016 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 2016 BORROWING REQUIREMENTS

<i>Euro Billion</i>	<b><u>2016</u></b> <b><u>Plan</u></b>	<b><u>2015</u></b> <b><u>Estimate as of 8</u></b> <b><u>December, 2015</u></b>
<b><u>I. Gross financing requirements</u></b>	<b><u>38,86</u></b>	<b><u>40,13</u></b>
<b><u>1. Net financing requirements</u></b>	<b><u>7,93</u></b>	<b><u>8,50</u></b>
<b><u>2. Debt maturing in 2016 (2015)</u></b>	<b><u>25,88</u></b>	<b><u>28,02</u></b>
<b><u>3. Planned pre-funding (bonds maturing in 2017 (2016) and later)</u></b>	<b><u>4,55</u></b>	<b><u>3,61</u></b>
<b><u>4. Other financing requirements (1)</u></b>	<b><u>0,50</u></b>	<b><u>0,00</u></b>
<b><u>II. Funding resources Year N (long and medium term)</u></b>	<b><u>39,48</u></b>	<b><u>40,72</u></b>
<b><u>1. Long and medium-term funding</u></b>	<b><u>37,75</u></b>	<b><u>39,09</u></b>
<i>OLOs</i>	33,50	35,64
<i>Euro Medium Term Notes/Schuldscheine</i>	4,00	3,43
<i>Securities for retail investors</i>	0,25	0,02
<i>Other (2)</i>	0,00	0,00
<b><u>2. Treasury bonds - Silver Fund</u></b>	<b><u>1,73</u></b>	<b><u>1,63</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>1,00</u></b>	<b><u>-1,20</u></b>
<b><u>V. Net change in other short-term debt and financial assets (4)</u></b>	<b><u>-1,62</u></b>	<b><u>0,61</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 01/01/2015 : 26.4 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.

## APPENDIX 2 - 2016 ISSUANCE CALENDARS

### 1. OLO ISSUANCE CALENDAR

Month	OLO Auction date	Settlement Date	NC1	NC2
JANUARY	Mo 18/01/2016	Wed 20/01/2016	Th 21/01/2016	Mo 25/01/2016
FEBRUARY	Mo 22/02/2016	Wed 24/02/2016	Th 25/02/2016	Mo 29/02/2016
MARCH	Mo 21/03/2016	Wed 23/03/2016	Th 24/03/2016	Tu 29/03/2016
APRIL	Mo 18/04/2016	Wed 20/04/2016	Th 21/04/2016	Mo 25/04/2016
MAY	Mo 23/05/2016	Wed 25/05/2016	Th 26/05/2016	Mo 30/05/2016
JUNE	Mo 20/06/2016	Wed 22/06/2016	Th 23/06/2016	Mo 27/06/2016
JULY	Mo 18/07/2016	Wed 20/07/2016	Fr 22/07/2016	Mo 25/07/2016
SEPTEMBER	Mo 19/09/2016	Wed 21/09/2016	Th 22/09/2016	Mo 26/09/2016
OCTOBER	Mo 24/10/2016	Wed 26/10/2016	Th 27/10/2016	Mo 31/10/2016
NOVEMBER	Mo 21/11/2016	Wed 23/11/2016	Th 24/11/2016	Mo 28/11/2016

**Remark:** The Treasury can decide to cancel an OLO auction



## 2. TREASURY CERTIFICATE ISSUANCE CALENDAR

Auction	ONC + Settlement	NCs + Settlement	Code ISIN	Maturity		
				3 month	6 month	12 month
05/01/2016	07/01/2016	11/01/2016	BE0312729016 BE0312731038	14/04/2016	16/06/2016	
12/01/2016	14/01/2016	18/01/2016	BE0312729016 BE0312738108	14/04/2016		12/01/2017
02/02/2016	04/02/2016	08/02/2016	BE0312730022 BE0312732044	12/05/2016	14/07/2016	
09/02/2016	11/02/2016	15/02/2016	BE0312730022 BE0312739114	12/05/2016		09/02/2017
01/03/2016	03/03/2016	07/03/2016	BE0312731038 BE0312733059	16/06/2016	11/08/2016	
08/03/2016	10/03/2016	14/03/2016	BE0312731038 BE0312740120	16/06/2016		09/03/2017
05/04/2016	07/04/2016	11/04/2016	BE0312732044 BE0312734065	14/07/2016	15/09/2016	
12/04/2016	14/04/2016	18/04/2016	BE0312732044 BE0312741136	14/07/2016		13/04/2017
03/05/2016	05/05/2016	09/05/2016	BE0312733059 BE0312735070	11/08/2016	13/10/2016	
10/05/2016	12/05/2016	16/05/2016	BE0312733059 BE0312742142	11/08/2016		11/05/2017
31/05/2016	02/06/2016	06/06/2016	BE0312734065 BE0312736086	15/09/2016	10/11/2016	
14/06/2016	16/06/2016	20/06/2016	BE0312734065 BE0312743157	15/09/2016		15/06/2017
05/07/2016	07/07/2016	11/07/2016	BE0312735070 BE0312737092	13/10/2016	15/12/2016	
12/07/2016	14/07/2016	18/07/2016	BE0312735070 BE0312744163	13/10/2016		13/07/2017
02/08/2016	04/08/2016	08/08/2016	BE0312736086 BE0312738108	10/11/2016	12/01/2017	
09/08/2016	11/08/2016	15/08/2016	BE0312736086 BE0312745178	10/11/2016		10/08/2017
30/08/2016	01/09/2016	05/09/2016	BE0312737092 BE0312739114	15/12/2016	09/02/2017	
13/09/2016	15/09/2016	19/09/2016	BE0312737092 BE0312746184	15/12/2016		14/09/2017
04/10/2016	06/10/2016	10/10/2016	BE0312738108 BE0312740120	12/01/2017	09/03/2017	
11/10/2016	13/10/2016	17/10/2016	BE0312738108 BE0312747190	12/01/2017		12/10/2017
02/11/2016	04/11/2016	08/11/2016 (*)	BE0312739114 BE0312741136	09/02/2017	13/04/2017	
08/11/2016	10/11/2016	14/11/2016	BE0312739114 BE0312748206	09/02/2017		09/11/2017
29/11/2016	01/12/2016	05/12/2016	BE0312740120 BE0312742142	09/03/2017	11/05/2017	
13/12/2016	15/12/2016	19/12/2016	BE0312740120 BE0312749212	09/03/2017		14/12/2017

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