

Borrowing  
Requirements  
& Funding  
Plan  
**2018**

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13 December 2017

# 1. 2018 GROSS BORROWING REQUIREMENTS AND FUNDING PLAN

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## 1.1 The 2018 Gross Borrowing Requirements

The Belgian Debt Agency expects the **2018 gross borrowing requirements** to amount to **EUR 33.25 billion**. This represents a decrease of EUR 3.83 billion compared to the 2017 borrowing requirements, which are now expected to amount to EUR 37.08 billion (originally announced to amount to EUR 38.98 billion).

In establishing this estimate, the Debt Agency assumed that the **2018 net financing requirements** would amount to **EUR 4.54 billion**. They do not assume any proceeds of asset sales or privatisations. The latter are quite probable, though, and the borrowing requirements and funding plan will be updated in case of material proceeds.

Redemptions of medium- and long-term debt would amount to EUR 25.05 billion.

The Belgian Debt Agency also plans to buy back bonds maturing in 2019 or later for an amount of EUR 3.11 billion.

## 1.2 The 2018 Funding Plan

The Belgian Debt Agency plans to issue **EUR 31.00 billion** of **OLOs**, a reduction by EUR 4.55 billion compared to the amount of EUR 35.55 billion issued in 2017. It expects to launch two new OLO fixed-rate benchmarks.

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

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

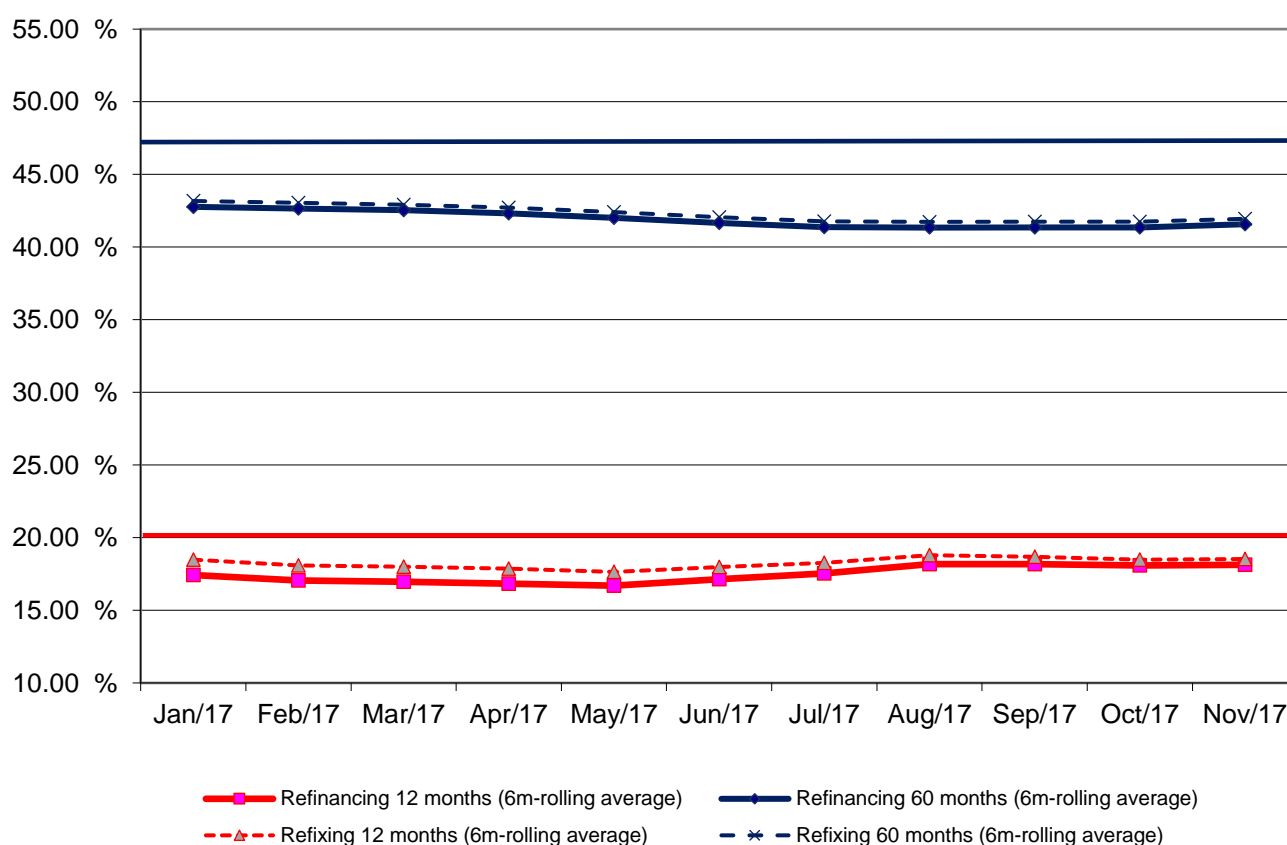
**As for short-term funding**, net short term debt is planned to **decrease** by **EUR 1.00 billion** in 2018. The volume of Treasury Certificates, forecasted to amount to EUR 25.3 billion at year end 2017, would not change over the year 2018.

## 2. THE 2018 DEBT MANAGEMENT STRATEGY

In the course of 2017, 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 18.13% in November 2017. The 12-month refixing risk amounted to 18.53%.

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 47.50%. They amounted to 41.56% and 41.95% in November 2017.

### Refinancing and Refixing risks in 2017

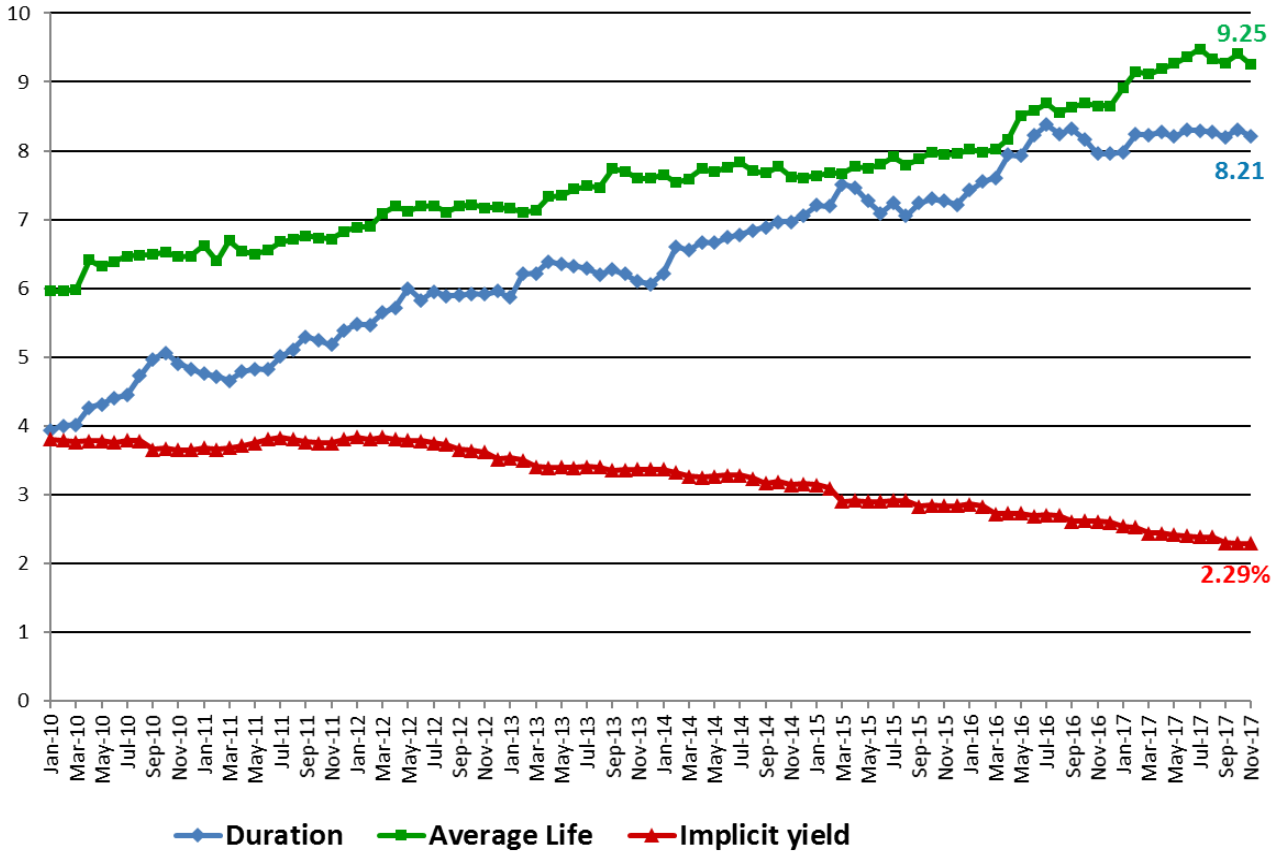


In 2018, both the maximum of the 12-month refinancing and of the refixing risk will be lowered by 2.50%, to **17.50%**.

The maximum of the 60-month refinancing and refixing risk will also be lowered, by 5.00%, to **42.50%**.

The **average life** of the debt portfolio reached **9.25** years as per 30 November 2017, and the **duration** amounted to **8.21** years. The implicit cost of the portfolio further decreased to **2.29%** as of that date.

**Average Life, Duration and Implicit Cost Jan 2010 – Nov 2017**



In **2018**, the average life of the debt portfolio is required to be higher than **9.00 years**, or 0.50 year higher than the prevailing minimum for 2017.

### 3. THE FUNDING STRATEGY IN 2018

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The main feature of the 2018 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 2018 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 **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 **will be reduced to 7**, and auctions might be cancelled 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: hedged foreign currency issuance, structured products issued under the **EMTN program**, possibly including inflation-linked notes, or other funding instruments, in particular Schuldscheine.

## **Maturities**

The Belgian Debt Agency has the intention to issue a 10-year benchmark and a benchmark in the 15 to 20 year area. The latter will be issued as a **Green OLO**. The framework for such issuance has been jointly prepared by the Prime Minister, Ministry of Finance, the Ministry for the Environment and the Belgian Debt Agency. The Green OLO Framework follows the green Bond Principles and is in full alignment with the current best practices in the Green Bond Markets. The size of the inaugural Green OLO will be comparable with other OLOs. The timing of these syndications will be guided by investor demand and the yield environment.

With regard to **short term financing**:

- Some changes are being made to the **Treasury Certificate**<sup>1</sup> program but the issuance calendar, with **2 auctions per month** remains unchanged. The number of maturities though, will be reduced from twelve to six per year. 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>2</sup>. This allows for on-tap issuance in various currencies but swapped into Euro.

## **APPENDICES :**

- **2018 Funding Plan**
- **OLO + TC calendar**

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<sup>1</sup> Belgium's Treasury Certificates are in fact T-bills

<sup>2</sup> Formerly called BTB - Belgian Treasury Bills

## APPENDIX 1 - 2018 BORROWING REQUIREMENTS

<i>Euro Billion</i>	<u>2018 Plan</u>	<u>2017 estimate</u> <u>As of December 8th, 2017</u>
<b><u>I. Gross financing requirements</u></b>	<b><u>33.25</u></b>	<b><u>37.08</u></b>
<b><u>1. Net financing requirements :</u></b>	<b><u>4.54</u></b>	<b><u>3.70</u></b>
<i>Net financing requirements (stricto sensu) :</i>	4.54	5.64
<i>Participation in/loans to financial institutions and sovereigns :</i>	0.00	-1.95
<b><u>2. Debt maturing</u></b>	<b><u>25.05</u></b>	<b><u>28.54</u></b>
<i>Long and medium term debt in euro :</i>	25.05	28.54
<i>Long and medium term debt in foreign currencies :</i>	0.00	0.00
<b><u>3. Planned pre-funding (bonds maturing in 2019 and later)</u></b>	<b><u>3.11</u></b>	<b><u>4.84</u></b>
<i>Buy backs</i>	3.11	4.84
<b><u>4. Other financing requirements (1)</u></b>	<b><u>0.55</u></b>	<b><u>0.00</u></b>
<b><u>II. Funding resources 2018 (long and medium term)</u></b>	<b><u>34.25</u></b>	<b><u>36.85</u></b>
<i>OLOs</i>	31.00	35.55
<i>Euro Medium Term Notes/Schuldscheine</i>	3.00	1.28
<i>Securities for retail investors</i>	0.25	0.03
<i>Other (2)</i>	0.00	0.00
<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>-1.10</u></b>
<b><u>V. Net change in other short-term debt and financial assets (4)</u></b>	<b><u>-1.00</u></b>	<b><u>1.33</u></b>

(1) Including put/call options exercised on bonds or loans 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 01/01/2017 : 26.46 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.

(5) Figures may not sum up to the total because of rounding.

## APPENDIX 2 - 2018 ISSUANCE CALENDARS

### 1. OLO ISSUANCE CALENDAR

<b>Auction Date (Value Date : D+2)</b>	<b>NC1 (Value Date : D)</b>	<b>NC2 (Value Date : D)</b>
Mon 22/01/2018	Thu 25/01/2018	Mon 29/01/2018
Mon 19/03/2018	Thu 22/03/2018	Mon 26/03/2018
Mon 23/04/2018	Thu 26/04/2018	Mon 30/04/2018
Mon 18/06/2018	Thu 21/06/2018	Mon 25/06/2018
Mon 23/07/2018	Thu 26/07/2018	Mon 30/07/2018
Mon 17/09/2018	Thu 20/09/2018	Mon 24/09/2018
Mon 19/11/2018	Thu 22/11/2018	Mon 26/11/2018

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



## 2. TREASURY CERTIFICATE ISSUANCE CALENDAR

Auction	ONC + Settlement	NCs + Settlement	Code ISIN	Maturity		
				Short	Medium	Long
02/01/2018	04/01/2018	08/01/2018	BE0312754261 BE0312756282	10/05/2018	12/07/2018	
09/01/2018	11/01/2018	15/01/2018	BE0312754261 BE0312762348	10/05/2018		10/01/2019
30/01/2018	01/02/2018	05/02/2018	BE0312754261	10/05/2018		
06/02/2018	08/02/2018	12/02/2018	BE0312755276 BE0312762348	14/06/2018		10/01/2019
27/02/2018	01/03/2018	05/03/2018	BE0312756282 BE0312758304	12/07/2018	13/09/2018	
06/03/2018	08/03/2018	12/03/2018	BE0312756282 BE0312763353	12/07/2018		07/03/2019
03/04/2018	05/04/2018	09/04/2018	BE0312756282	12/07/2018		
10/04/2018	12/04/2018	16/04/2018	BE0312757298 BE0312763353	09/08/2018		07/03/2019
02/05/2018	04/05/2018	08/05/2018 (*)	BE0312758304 BE0312760326	13/09/2018	08/11/2018	
08/05/2018	10/05/2018	14/05/2018	BE0312758304 BE0312764369	13/09/2018		09/05/2019
05/06/2018	07/06/2018	11/06/2018	BE0312759310 BE0312761332	11/10/2018	13/12/2018	
12/06/2018	14/06/2018	18/06/2018	BE0312758304 BE0312764369	13/09/2018		09/05/2019
03/07/2018	05/07/2018	09/07/2018	BE0312760326 BE0312762348	08/11/2018	10/01/2019	
10/07/2018	12/07/2018	16/07/2018	BE0312760326 BE0312765374	08/11/2018		11/07/2019
31/07/2018	02/08/2018	06/08/2018	BE0312760326	08/11/2018		
07/08/2018	09/08/2018	13/08/2018	BE0312761332 BE0312765374	13/12/2018		11/07/2019
04/09/2018	06/09/2018	10/09/2018	BE0312762348 BE0312763353	10/01/2019	07/03/2019	
11/09/2018	13/09/2018	17/09/2018	BE0312762348 BE0312766380	10/01/2019		12/09/2019
02/10/2018	04/10/2018	08/10/2018	BE0312762348	10/01/2019		
09/10/2018	11/10/2018	15/10/2018	BE0312766380			12/09/2019
30/10/2018	01/11/2018	05/11/2018	BE0312763353 BE0312764369	07/03/2019	09/05/2019	
06/11/2018	08/11/2018	12/11/2018	BE0312763353 BE0312767396	07/03/2019		07/11/2019
04/12/2018	06/12/2018	10/12/2018	BE0312763353	07/03/2019		
11/12/2018	13/12/2018	17/12/2018	BE0312767396			07/11/2019

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