

2005

BORROWING REQUIREMENTS AND FUNDING PLAN

KINGDOM OF BELGIUM

1. Gross Borrowing Requirements
2. Funding Plan
3. Funding Strategy
4. Debt Management Strategy

December 9, 2004

1. 2005 Gross Borrowing requirements

The Belgian Debt Agency expects the gross borrowing requirements of the Treasury to amount to **€29.53 billion**.

The federal budget would show a **deficit of €5.05 billion¹**, taking into account a transfer of €1.13 billion to the Silver Fund as well as €2.06 billion of payments towards the Fund for Railway Infrastructure that is taking over the National Railway Company's historical debt.

Redemptions will amount to € 21.62 billion, a figure that is slightly higher than the corresponding figure for 2004 (€ 21.13 billion). Buy-backs of bonds maturing in 2006 or later are expected to amount to €2.69 billion, representing a significant decrease compared to 2004 (€4.24 billion).

2. 2005 Funding Plan

The Belgian Debt Agency plans to meet the financing requirements mainly by issuing in the medium and long term. Hence the outstanding amount of short-term debt is expected to increase, and in addition, the Treasury's cash balances would be further structurally reduced.

OLO issuance is planned to amount to **€23.77 billion** and would thus be **€1.41 billion higher** than the 2004 OLO issuance (€22.36 billion).

The transfers to the Silver Fund, amounting to €1.13 billion, would be accompanied by the issuance of an equivalent amount of Treasury bonds – Silver Fund. Furthermore, in 2005, the OLOs will not be presented any more to the private investors, but the Belgian Debt Agency expects the State Notes to result in €1.0 billion of funding.

Medium- and long-term issuance would consequently amount to **€25.90 billion**.

The remaining funding needs would be covered by an increase in the Treasury Certificates stock of €1.13 billion, and a net change in other short-term debt and in financial assets of €2.50 billion.

¹ Please note that the general government budget, as defined by the Excessive Deficit Procedure of the Maastricht Treaty, is expected to be balanced in 2005

3. 2005 FUNDING STRATEGY

The main features of the forecasted issuance strategy in 2005 are:

- the launch of **new benchmarks through syndication**
- the intention to offer the 10-year benchmark at each auction
- the extension of the **bond OTC buy back program** to OLO 24 – 7.00% 15 May 2006 and OLO 37 – 4.75% 28 September 2006. These OTC buy backs can be complemented by reverse auctions.
- the **maintaining of the TC issuance calendar** towards a schedule where 2 auctions are held per month.

4. 2005 DEBT MANAGEMENT STRATEGY

The Treasury's Debt Management Strategy in 2005 will consist of the following:

- Respect of the upper limits for the refinancing risk (22.50% on 12 months; 60.0% on 60 months) and interest rate (refixing) risk (25.0% on 12 months, 65.0% on 60 months)
- Reduction in foreign currency debt, subject to favourable exchange rates

The duration of the debt portfolio is expected to stay within a range of 3.75 – 4.25, except in cases where important changes in the level or shape of the interest rate curve would occur.

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2005 BORROWING REQUIREMENTS

Euro Billion

	<u>Budget 2005</u> (n = 2005)	<u>Latest forecast 2004</u> (n = 2004)
<u>I. Gross financing requirements</u>	<u>29,53</u>	<u>32,66</u>
<u>1. Funding needs.</u>	<u>26,67</u>	<u>28,33</u>
<u>Budget deficit:</u>	<u>5,05</u>	<u>7,19</u>
<i>Including transfers to the Silver Fund</i>	<i>1,13</i>	<i>7,80</i>
<i>and financing of the Fund for Railway Infrastructure</i>	<i>2,06</i>	<i>-</i>
<u>Debt maturing in year n</u>	<u>21,62</u>	<u>21,13</u>
- Long and medium term debt in euro	<i>21,24</i>	<i>20,07</i>
- Long and medium term debt in foreign currencies	<i>0,38</i>	<i>1,06</i>
<u>2. Pre-funding planned (bonds maturing in n+1 and later)</u>	<u>2,69</u>	<u>4,24</u>
Buy-back	<i>2,69</i>	<i>4,24</i>
<u>3. Other financing requirements (1)</u>	<u>0,17</u>	<u>0,09</u>
<u>II. Funding sources (long and medium term)</u>	<u>25,90</u>	<u>31,06</u>
<u>1. Long and medium term issues in euro</u>	<u>25,90</u>	<u>31,06</u>
OLOs	<i>23,77</i>	<i>22,36</i>
Treasury bonds - Silver Fund	<i>1,13</i>	<i>7,80</i>
State notes - OLOPs	<i>1,00</i>	<i>0,88</i>
Other (2)	<i>0,00</i>	<i>0,02</i>
<u>2. Long and medium term issues in foreign currencies</u>	<u>0,00</u>	<u>0,00</u>
<u>III. Net change in short-term foreign currency debt</u>	<u>0,00</u>	<u>0,00</u>
<u>IV. Change in Treasury Certificates stock (3)</u>	<u>1,13</u>	<u>-0,12</u>
<u>V. Net change in other short-term debt and financial assets (4)</u>	<u>2,50</u>	<u>1,72</u>

(1) Including puts exercised on state bonds and the net redemptions of treasury bonds representing Belgian participation in international organisations.

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

(3) Treasury Certificates stock outstanding on 01/01/2004 : 26,16 billion euro.

(4) This section contains the financing instruments complementing the reference instruments mentioned in the previous section. A positive figure is the result of an increase of the complementary financing instruments stock, and/or of a decrease in the financial assets.

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

TC Issuance Calendar

Auction date	Settlement date	Code ISIN	Maturity date		
			3 month	6 month	12 month
4/01/2005	6/01/2005	BE 0 312594 60/0 BE 0 312596 62/1	14/04/2005	16/06/2005	
11/01/2005	13/01/2005	BE 0 312594 60/0 BE 0 312603 69/0	14/04/2005		12/01/2006
1/02/2005	3/02/2005	BE 0 312595 61/5 BE 0 312597 63/7	12/05/2005	14/07/2005	
15/02/2005	17/02/2005	BE 0 312595 61/5 BE 0 312604 70/6	12/05/2005		16/02/2006
1/03/2005	3/03/2005	BE 0 312596 62/1 BE 0 312598 64/3	16/06/2005	18/08/2005	
15/03/2005	17/03/2005	BE 0 312596 62/1 BE 0 312605 71/1	16/06/2005		16/03/2006
5/04/2005	7/04/2005	BE 0 312597 63/7 BE 0 312599 65/8	14/07/2005	15/09/2005	
12/04/2005	14/04/2005	BE 0 312597 63/7 BE 0 312606 72/7	14/07/2005		13/04/2006
3/05/2005	5/05/2005	BE 0 312598 64/3 BE 0 312600 66/2	18/08/2005	13/10/2005	
10/05/2005	12/05/2005	BE 0 312598 64/3 BE 0 312607 73/3	18/08/2005		11/05/2006
31/05/2005	2/06/2005	BE 0 312599 65/8 BE 0 312601 67/8	15/09/2005	17/11/2005	
14/06/2005	16/06/2005	BE 0 312599 65/8 BE 0 312608 74/9	15/09/2005		15/06/2006
5/07/2005	7/07/2005	BE 0 312600 66/2 BE 0 312602 68/4	13/10/2005	15/12/2005	
12/07/2005	14/07/2005	BE 0 312600 66/2 BE 0 312609 75/4	13/10/2005		13/07/2006
2/08/2005	4/08/2005	BE 0 312601 67/8 BE 0 312603 69/0	17/11/2005	12/01/2006	
16/08/2005	18/08/2005	BE 0 312601 67/8 BE 0 312610 76/0	17/11/2005		17/08/2006
30/08/2005	1/09/2005	BE 0 312602 68/4 BE 0 312604 70/6	15/12/2005	16/02/2006	
13/09/2005	15/09/2005	BE 0 312602 68/4 BE 0 312611 77/6	15/12/2005		14/09/2006
4/10/2005	6/10/2005	BE 0 312603 69/0 BE 0 312605 71/1	12/01/2006	16/03/2006	
11/10/2005	13/10/2005	BE 0 312603 69/0 BE 0 312612 78/2	12/01/2006		12/10/2006
1/11/2005	3/11/2005	BE 0 312604 70/6 BE 0 312606 72/7	16/02/2006	13/04/2006	
15/11/2005	17/11/2005	BE 0 312604 70/6 BE 0 312613 79/8	16/02/2006		16/11/2006
29/11/2005	1/12/2005	BE 0 312605 71/1 BE 0 312607 73/3	16/03/2006	11/05/2006	
13/12/2005	15/12/2005	BE 0 312605 71/1 BE 0 312614 80/4	16/03/2006		14/12/2006

OLO Issuance Calendar

	Auction date	Settlement Date
JAN	31 jan 2005	03 feb 2005
FEB	-	-
MAR	21 mar 2005	24 mar 2005
APR	-	-
MAY	30 may 2005	02 jun 2005
JUN	-	-
JUL	25 jul 2005	28 jul 2005
AUG	-	-
SEP	26 sep 2005	29 sep 2005
OCT	-	-
NOV	28 nov 2005	01 dec 2005
DEC	-	-