BELGIAN
DEBT AGENCY

2006

BORROWING REQUIREMENTS AND FUNDING PLAN

KINGDOM OF BELGIUM

December 1, 2005

1. The 2006 Gross Borrowing requirements

The Belgian Debt Agency expects that the gross borrowing requirements of the Treasury will amount to **€27.69 billion**.

The federal cash budget is expected to show a **deficit** of **€2.66 billion**[1], taking into account a transfer of €0.62 billion to the Silver Fund as well as €0.18 billion of payments towards the Fund for Railway Infrastructure to be used for the redemption of the latter's debt.

Redemptions would amount to **€20.03 billion**, a figure that is practically identical to the 2005 redemptions (€19.97 billion). They consist almost entirely of redemptions of euro-denominated securities. The Belgian Debt Agency also expects to **buy back** bonds maturing in 2007 or later for an amount of **€5.0 billion**.

2. The 2006 Funding Plan

The Belgian Debt Agency plans to meet the financing requirements mainly, but not entirely, by issuing in the medium and long term. In addition, the outstanding amount of the main short-term funding instrument (i.e. Treasury Certificates) would stabilize. The Treasury's financial deposits are consequently expected to decrease during 2006.

OLO issuance is planned to amount to **€22.89 billion,** slightly lower than the 2005 issuance (€23.32 billion).

The transfers to the Silver Fund, amounting to €0.62 billion, would be accompanied by the issuance of an equivalent amount of Treasury bonds – Silver Fund. The Belgian Debt Agency also expects the retail investment products to provide for €0.50 billion of funding.

As a result, total medium- and long-term issuance would amount to **€24.01 billion.**

As the Treasury Certificates stock is expected not to evolve over 2006, and as the net change in short-term foreign currency debt is not very material, a reduction of the Treasury's financial assets by an amount of €4.04 billion should make up for the remaining funding needs.

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[1] Please note that the general government budget, as defined by the Excessive Deficit Procedure of the Maastricht Treaty, is expected to be <u>in balance</u> in 2006

3. 2006 FUNDING STRATEGY

The main features of the forecasted issuance strategy in 2006 are:

- the launch of **new benchmarks through syndications**
- **increasing the size** of the benchmarks through **auctions**
- the extension of the **bond OTC buy back program** to OLO 26 – 6.25% 28 March 07 and OLO 9 – 8.50% 1 October 07, and could be further extended to also include longer dated maturities
- the **maintaining of the TC issuance calendar** towards a schedule where 2 auctions are held per month.

4. 2006 DEBT MANAGEMENT STRATEGY

The Treasury's Debt Management Strategy in 2006 will consist of the following:

- Respecting the upper limits for the **refinancing risk** (22.50% on 12 months; 60.00% on 60 months) and **interest rate (refixing) risk** (25.00% on 12 months, 65.00% on 60 months)
- Reduction of **FX-exposure**, subject to favourable exchange rates

The duration of the debt portfolio is expected to remain contained in the range 4.00 – 4.50, as long as the changes in level and/or shape of the yield curve are not too important.

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2006 BORROWING REQUIREMENTS

Euro Billion

	Budget 2006 (n = 2006)		Current 2005 forecast (n = 2005)	
I. Gross financing requirements		**27.69**		**23.40**
1. Funding needs.		**22.69**		**22.23**
Budget deficit:	2.66		2.26	
Including, amongst others, transfers to the Silver Fund	*0.62*		*0.44*	
and financing of the Fund for Railway Infrastructure	*0.18*		*2.02*	
Debt maturing in year n	20.03		19.97	
- Long and medium term debt in euro	*19.95*		*19.60*	
- Long and medium term debt in foreign currencies	*0.08*		*0.37*	
2. Pre-funding planned (bonds maturing in n+1 and later)		**5.00**		**1.16**
Buy-back	*5.00*		*1.16*	
3. Other financing requirements (1)		**0.00**		**0.01**
II. Funding resources (long and medium term)		**24.01**		**24.33**
1. Long and medium term issues in euro		**24.01**		**24.33**
OLOs	22.89		23.32	
Treasury bonds - Silver Fund	0.62		0.44	
Retail investment products (State notes)	0.50		0.57	
Other (2)	0.00		0.00	
2. Long and medium term issues in foreign currencies		**0.00**		**0.00**
III. Net change in short-term foreign currency debt		**-0.36**		**-0.65**
IV. Change in Treasury Certificates stock (3)		**0.00**		**1.12**
V. Net change in other short-term debt and financial assets (4)		**4.04**		**-1.39**

(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 01/01/2005 : 26.02 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.

Rem.: Figures may not sum up to the total because of rounding.