

2007

BORROWING REQUIREMENTS AND FUNDING PLAN

KINGDOM OF BELGIUM

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1. The 2007 Gross Borrowing requirements

The Belgian Debt Agency expects that the gross borrowing requirements of the Treasury will amount to **€29.39 billion**.

The Federal State budget is expected to show a **deficit of €3.11 billion¹**, taking into account a transfer of €0.90 billion to the Silver Fund and an amount of €0.50 billion to be paid to the AleSH/FADELS enabling the latter to reimburse further its debt.

Assuming that the amounts of 2007 maturities bought back will reach €2.50 billion at the end of 2006, the 2007 **Redemptions** will amount to **€20.72 billion**. The Belgian Debt Agency also expects to **buy back** bonds maturing in 2008 or later for an amount of **€5.56 billion**.

2. The 2007 Funding Plan

The Belgian Debt Agency plans to meet the financing requirements mainly, but not entirely, by issuing in the medium and long term. The outstanding amount of the Treasury Certificates is planned to increase, the remaining funding requirements to be achieved by a further decrease of the Treasury's financial deposits during 2007.

OLO issuance is planned to amount to **€23.80 billion**, which is higher than the amount issued in 2006 (estimated at €20.22 billion on 20 November 2006, and confirmed at €20.83 billion as of today).

The transfers to the Silver Fund, amounting to €0.90 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 €0.70 billion of funding.

As a result, total medium- and long-term issuance would amount to **€25.40 billion**.

The Treasury plans to reduce its short-term foreign currency debt by 0.58€ billion, subject to favorable market conditions. In doing so, the remaining short-term foreign currency debt will only consist of fully hedged debt by the end of the year.

As already mentioned, the Treasury Certificates stock is planned to increase. It would do so by €2.58 billion. Finally, the Treasury's financial assets would reduce by €1.99 billion.

¹ Please note that the general government budget, as defined by the Excessive Deficit Procedure of the Maastricht Treaty, is expected to show a surplus of 0.3% in 2007

3. 2007 FUNDING STRATEGY

The main features of the forecasted issuance strategy in 2007 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 28 – 5.75% 28 March 08, OLO 16 – 7.50% 29 July 08, and OLO 42 – 3.00% 28 September 08. This program could be further extended to also include longer dated maturities.
- **a TC issuance calendar** consisting of a schedule where 2 auctions are held per month.

4. 2007 DEBT MANAGEMENT STRATEGY

The Treasury's Debt Management Strategy in 2007 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 4.25 – 4.75, as long as the changes in level and/or shape of the yield curve are not too important.

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The Kingdom of Belgium's 2007 Financing Plan

(Euro Billion)	2007 Financing Plan	2006 Forecast (as of Nov 20 th , 2006)
<u>I. Gross financing requirements</u>		
	<u>29,39</u>	<u>25,05</u>
<u>1. Federal State budget deficit ⁽¹⁾</u>	<u>3,11</u>	<u>2,92</u>
<i>Budget deficit (stricto sensu)</i>	1,71	1,84
<i>Transfers to the Silver Fund</i>	0,90	0,62
<i>Reimbursement of ALeSH/FADELS debt</i>	0,50	0,46
<u>2. Debt maturing during the year</u>	<u>20,72</u>	<u>19,63</u>
Medium and long-term debt (EUR)	20,72	19,56
Medium and long-term debt (foreign currencies)	0,00	0,07
<u>3. Other financing requirements</u>	<u>0,00</u>	<u>0,00</u>
<u>4. Planned pre-funding (bonds maturing in subsequent years)</u>	<u>5,56</u>	<u>2,50</u>
(Euro Billion)		
	2007 Financing Plan	2006 Forecast (as of Nov 20th, 2006)
<u>II. Funding resources</u>		
	<u>25,40</u>	<u>21,56</u>
<u>1. Medium and long term issues in euro</u>	<u>25,40</u>	<u>21,56</u>
OLOs	23,80	20,22
Treasury bonds - Silver Fund	0,90	0,62
Securities for retail investors	0,70	0,72
<u>2. Medium and long 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>-0,58</u>	<u>-0,19</u>
<u>IV. Change in Treasury Certificates stock</u>		
	<u>2,58</u>	<u>0,38</u>
<u>V. Net change in other short-term debt and financial assets ⁽²⁾</u>		
	<u>1,99</u>	<u>3,31</u>

(1) Please note that the General Government budget in terms of the Excessive Deficit Procedure is expected to show a surplus of 0,3% of GDP.

(2) This 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.