BELGIAN DEBT AGENCY

2013

BORROWING REQUIREMENTS AND FUNDING PLAN

KINGDOM OF BELGIUM

1. 2013 Gross Borrowing Requirements and Funding Plan

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3. The 2013 Funding Strategy

11 December 2012

1. 2013 Gross Borrowing Requirements and Funding Plan

The Treasury expects its 2013 gross borrowing requirements to amount to **EUR 39.99 billion**. This represents a decrease of EUR 3.40 billion compared to the estimated 2012 borrowing requirements (EUR 43.39 billion), which have increased as a result of the prefunding of the 2013 maturities and the expected capitalization of Dexia.

In establishing this estimate, the Treasury assumed that the **2013 net borrowing requirement in cash terms** would amount to **EUR 8.77 billion**.

Redemptions of medium- and long-term debt would amount to EUR 26.75 billion.

The Treasury also plans to buy back bonds maturing in 2014 for an amount of EUR 4.22 billion.

The Belgian Debt Agency plans to issue EUR **37.00 billion** of **OLOs**, less than the amount of EUR 42.95 billion issued in 2012. It is likely that three new OLO benchmarks will be issued in 2012.

In addition, EUR 1.51 billion of instruments for the Silver Fund will be issued.

The Treasury also plans to issue **EUR 3.00 billion** via its EMTN-program or other alternative funding instruments, Schuldscheine in particular.

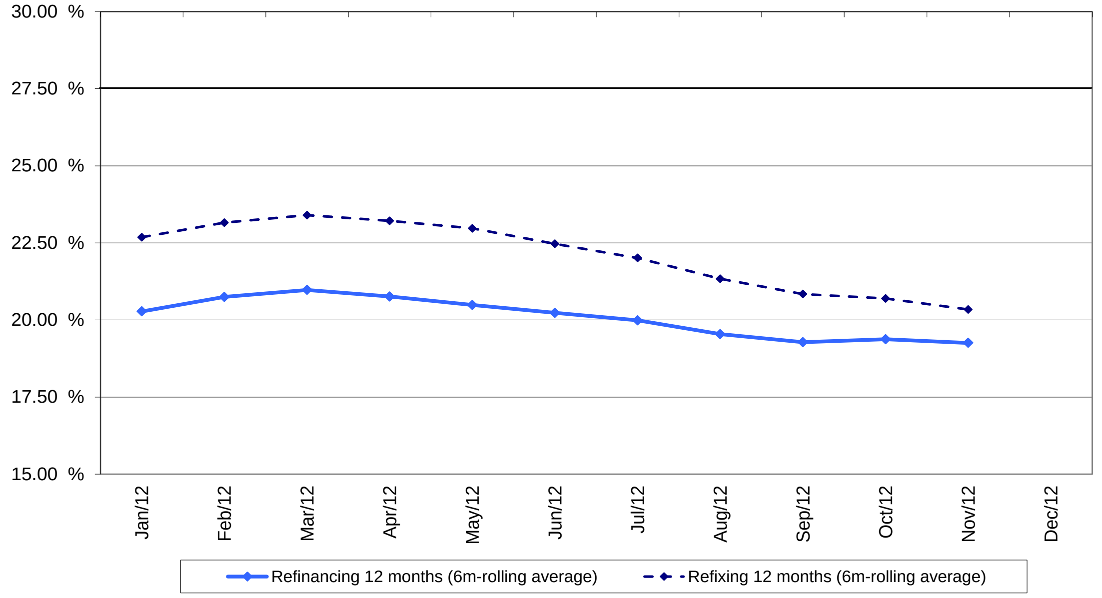
On the other hand, due to the very low yield environment, State Note issuance for the private investors is only expected to result in EUR 0.5 billion of funding.

As for short-term funding, net short term debt, which would decrease by **EUR 5.05 billion** in 2012**,** is expected to further decrease by **EUR 2.02 billion** in 2013. The volume of Treasury Certificates, which stood at EUR 35.10 billion at year end 2011, would evolve towards EUR 31.80 billion by the end of 2012 and to EUR 30.80 billion by year end 2013.

2. The 2013 DEBT MANAGEMENT STRATEGY

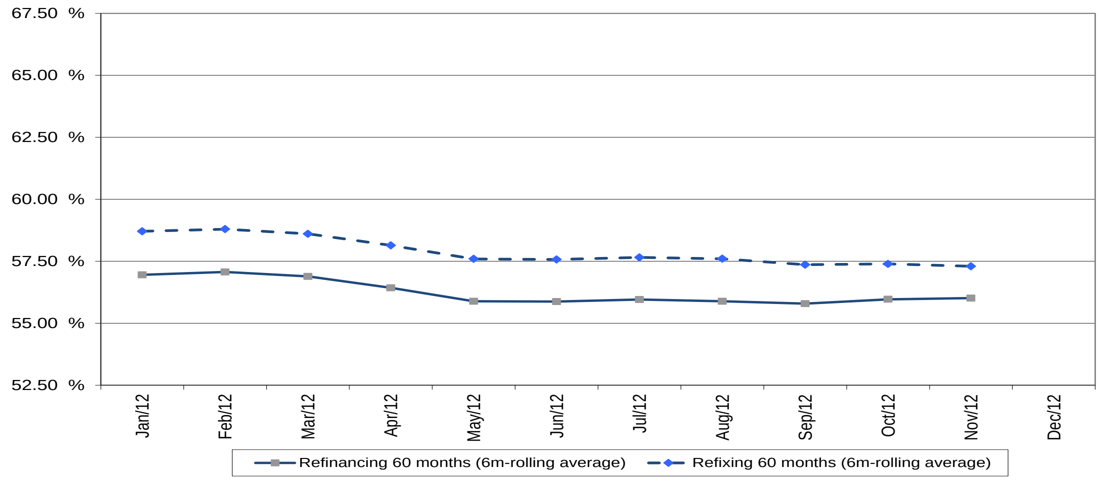
In the course of 2012, the 12-month refinancing needed to stay below 22.50%, and the 12-month refixing risks was limited to 25.00%. These risk parameters evolved as follows:

12-month refinancing and 12-month refixing risk in 2012



In terms of medium-term risks, both the 60-month refinancing risk and the 60-month refixing risk have been well below their respective maxima of 60.00% and 65.00% in 2011.

60-month refinancing and 60-month refixing risk in 2012



The duration of the debt portfolio increased to 5.91 as per 30 November 2012 (31 December 2011: 5.39) whereas the average life increased to 7.17 years (31 December 2011: 6.83 years).

In 2013, the Treasury will review the maximum values for its risk parameters:

- The **12-month refinancing risk** will be limited to **20.00%**
- The **60-month refinancing risk** will be limited to **55.00%** as from 30 June 2013
- The **12-month refixing risk** will be limited to **22.50%**
- The **60-month refixing risk** will be limited to **60.00%.**

The risk profile of the debt portfolio will as such further improve in 2013.

3. The 2013 FUNDING STRATEGY

The main feature of the 2013 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 2013 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.**

- If sufficient demand is identified, **off-the–runs** can be reopened in regular auctions.

- The number of OLO auctions remains stable at 11 but might be canceled and replaced by syndicated issues. Sufficient points of issuance will offer more flexibility as to size per auction and maturities offered.

- The Treasury provides for more flexibility by adding two new issuance techniques :
    - **Syndicated Taps** on longer term OLO benchmarks
    - **Optional Reverse Inquiry Auctions** of off-the-run OLOs at predetermined dates.

  These additional issuance possibilities will only be organized to meet genuine market demand at a particular point in time, when market liquidity should fail to fulfill that demand.

- The OLO issuance will be supplemented by **alternative financing instruments**: an OLO floater, hedged foreign currency issuance and/or structured products issued under the **EMTN program,** possibly including inflation- linked notes, or other funding instruments, in particular Schuldscheine.

With a view of managing its reimbursement schedules, the Treasury will change the redemption dates of newly issued OLOs as from 2013 onwards:

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With regard to **short term financing**:

- A **Treasury Certificate**[1] issuance program consisting of **2 auctions per month** at which 2 fixed lines will be offered. Occasionally the Treasury will offer a supplementary line.

- The regular Treasury Certificate program will be supplemented by issuance under the existing Euro-Commercial Paper Program[2]. This allows for on-tap issuance in various currencies but swapped into Euro.

ANNEXES: 2013 Funding Plan
OLO + CT calendar

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[1] Belgium's Treasury Certificates are in fact T-bills
[2] Named B.T.B. or Belgian Treasury Bills