BELGIAN DEBT AGENCY

Participating Primary and Recognised Dealers:
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Citigroup, Commerzbank, ING, KBC Bank,
Nomura Internationa Plc., Royal Bank of Canada Capital Markets,
Société Générale Corporate & Investment Banking, UBS Limited

NationalBank OF BELGIUM
Eurosystem

Belgian Prime News

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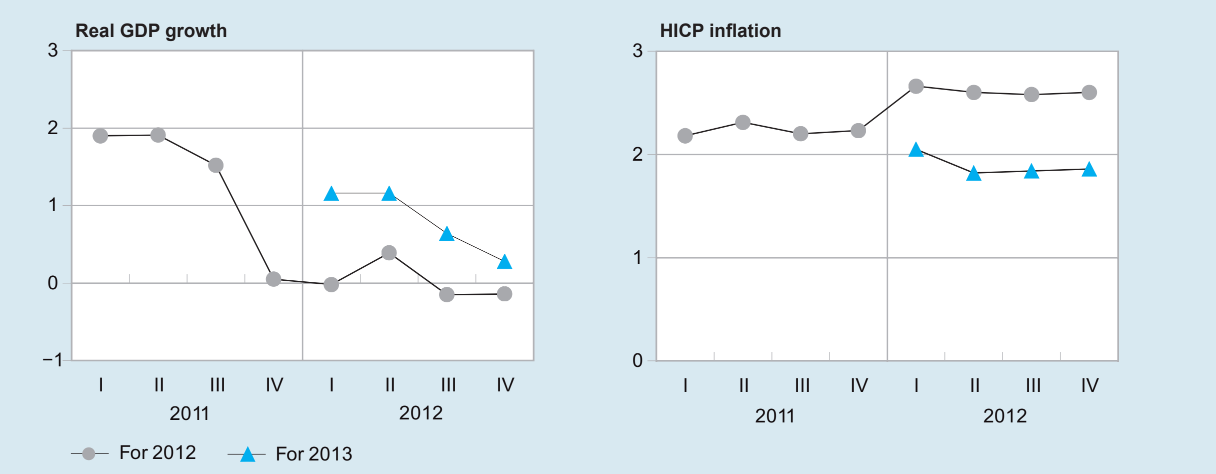
- The marked improvement of financial market conditions since the summer has not yet fed through to stronger business and consumer confidence.
- Therefore, weak domestic demand in the euro area and in Belgium continues to weigh heavily on activity: GDP growth in Belgium is estimated at -0.1 % in 2012 and expected to be +0.3 % in 2013.
- The structural improvements achieved in the 2012 public finance outcome and expected in the 2013 budget should be backed up by additional measures to meet targets in the short and medium term.
- As illustrated in the Special Topic, the fundamentals of the Belgian economy should be further enhanced, to continue to benefit from sound financial conditions and to boost potential growth and resilience to shocks.

Consensus: Average of participants' forecasts

	2011		2012 p				2013 p			
	Belgium	Euro area	Belgium		Euro area		Belgium		Euro area	
Real GDP(1)	1.8	1.5	-0.1	(-0.2)	-0.4	(-0.5)	0.3	(0.6)	-0.2	(0.1)
Inflation (HICP)(1)	3.5	2.7	2.6	(2.6)	2.5	(2.5)	1.9	(1.8)	1.9	(2.0)
General government balance(2)	-3.7	-4.1	-3.0(3)	(-2.9)	-3.3	(-3.2)	-2.3	(-2.3)	-2.6	(-2.4)
Public debt(2)	97.8	87.3	99.9	(99.1)	93.0	(90.8)	99.9	(99.0)	94.9	(91.5)

Numbers in parentheses refer to the previous consensus forecast of September 2012.
(1) Percentage changes.
(2) EDP definition; percentages of GDP.
(3) This estimate is based on the assumption that the capital increase of Dexia (0.8 % of GDP) is to be considered as a purely financial transaction.

SUCCESSIVE FORECASTS FOR BELGIUM



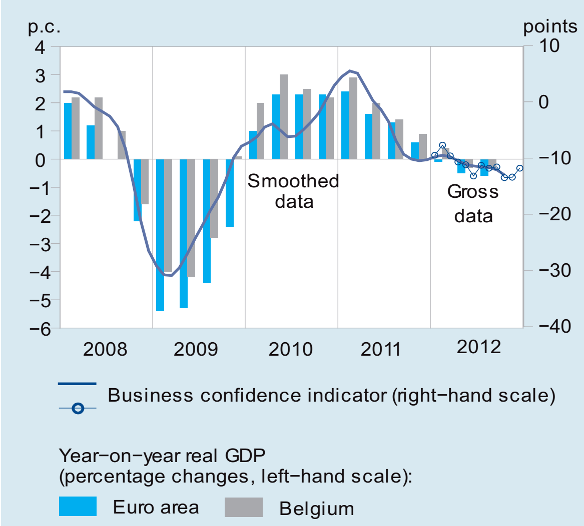
Source: Belgian Prime News.

Macroeconomic developments

Against the backdrop of decisive measures taken since the summer by the ECB and by the European Council to fight the negative feedback loop between sovereigns and the financial sector, financial market conditions improved steadily in the euro area over the last few months of 2012, as witnessed by developments in the sovereign bond markets and in the stock markets. However, these improvements and the accommodative monetary stance are still slow to get traction on the real economy. Activity has remained muted, in a context of continued major uncertainty surrounding implementation of the measures already decided, and in view of the still large deleveraging and structural adjustments needed in some economies.

While initially sheltered from the severe recession observed in the peripheral countries, euro area core countries were increasingly affected by subdued domestic and foreign demand in the course of 2012. In Belgium as well, business and especially consumer confidence remained low. GDP stagnated in the third quarter, following a 0.5 % decline during the previous quarter. This period of stalling or slightly negative growth is likely to continue at the turn of 2012-2013, before a limited recovery is expected to gain pace. Therefore, **the average of the participating institutions' forecast for GDP growth in Belgium is virtually unchanged at -0.1 % for 2012, but has been revised downwards, once again, to 0.3 % for 2013 (0.6 % in September).** As such, Belgium is expected to continue to slightly outperform the average GDP growth predicted for the euro area.

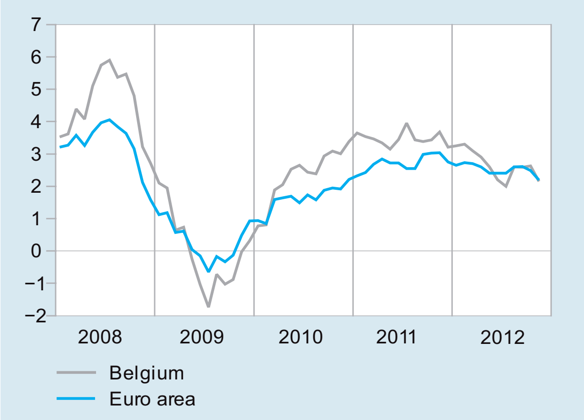
GDP GROWTH AND BUSINESS CYCLE INDICATOR



Sources: EC, NAI, NBB.

The participating institutions expect Belgian HICP inflation to decelerate from 3.5 % in 2011 to 2.6 % in 2012 and go down further to 1.9 % in 2013. Inflation in Belgium exceeded the euro area rate of price increase by some 0.7 of a percentage point in 2011, but is expected to come close to the average both in 2012 and 2013. This convergence stems mainly from the unwinding of larger base effects related to oil price increases a year earlier.

HARMONISED INDEX OF CONSUMER PRICES
(annual percentage changes)



Source: EC.

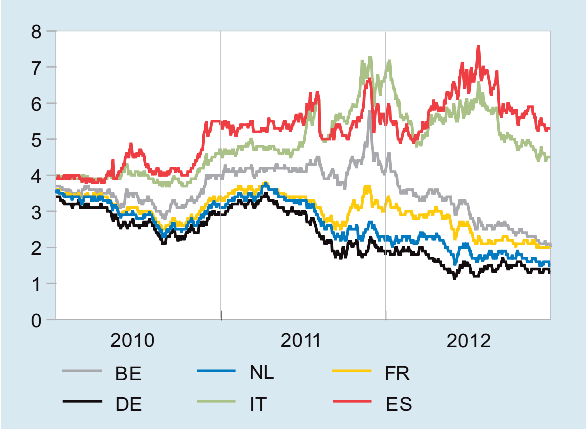
The general government deficit in Belgium is expected to improve from 3.7 % in 2011 to 3.0 % in 2012 (2.9 % in the September 2012 consensus forecast) and to 2.3 % in 2013. Thus, according to the participants' consensus forecast, the government deficit in 2012 should be close to the EU excessive deficit threshold and to the stability programme's target put forward by the government. Pending the final Eurostat decision on this issue, this outcome is based on the assumption that the one-off capital increase in Dexia, to which the Belgian government contributes with some 0.8 % GDP, is considered as a purely financial transaction. As explained in the special topic, the capital injection by the Belgian and the French authorities is one element of the plan for an orderly resolution of Dexia.

According to the average of the available forecasts, additional consolidation efforts beyond the measures taken in the federal budget will be required to reach the deficit target of -2.15 % for 2013 as, among other factors, expected growth is now lower than assumed a couple of months ago, when the budget was prepared. **The debt ratio is expected to increase from 97.8 % of GDP in 2011 to 99.9 % in 2012 and to stabilise at that level in 2013.**

Special Topic: Laying sound foundations for the future to build confidence in the short run

While the economic conditions and the prospects for growth in Belgium have weakened continuously in the course of the last year, as illustrated by the downward revision of GDP growth for 2013 in the Belgian Prime News (BPN) Consensus (see chart on the first page), the federal debt financing conditions have improved dramatically over the past thirteen months. In the midst of the euro area sovereign bond crisis, the Belgian 10-year benchmark bond yield reached an high of 5.84 % on 25 November 2011, posting a 366 bp. spread compared to the German bund. By the end of 2012, the yield had receded to 2.05 %, and the spread had come down to around 70 bp.

YIELDS ON 10-YEAR GOVERNMENT BONDS



Source: Thomson Reuters Datastream.

The very tense situation one year ago was the result of a combination of euro-area-wide and Belgian specific factors. At that time, contagion effects across euro area countries and the negative feedback loop between sovereigns and the financial sector were at their highest. Against the backdrop of a sharp economic downturn, Belgium was perceived as being particularly exposed. On top of the sheer size of the public debt and the strong economic and financial interrelationships with its euro area partners, the political uncertainty stemming from a 541-day-long government formation process weighed heavily on the country's image.

Both at the European level and on the domestic front, decisive measures have been taken during the last year that have contributed to calming the financial markets. Through various measures, and most notably the 3-year refinancing operations conducted in December 2011 and February 2012, the ECB is providing ample liquidity to the financial sector. The Outright Monetary Transactions programme is perceived as a credible instrument to fight against redenomination risks and restore the proper functioning of the monetary transmission mechanisms throughout the euro area. More generally, the establishment of the European Stability Mechanism and the concrete steps taken towards setting up a banking union in Europe are further building blocks to improve the resilience of the European economies against future shocks. They complement the improved macroeconomic and fiscal governance structure put in place at the EU level. In the meantime, national authorities, businesses and local populations have made great efforts towards structural adjustments.

In Belgium as well, important steps have been taken. Alongside an agreement on a new State reform, according to which a whole range of competences and financial resources will be transferred from the federal government to the Regions and Communities, the new government has decided on structural reforms to raise the current retirement age and to boost incentives to work, via activation policies and stronger degressivity of unemployment benefits, among others.

The federal government also decided upon an important set of measures for the 2012 budget, cutting public spending and boosting revenue growth. In addition, strict budget monitoring was applied during the year, in a worsening economic context. As a result, the structural primary balance improved by more than 1 percentage point of GDP and the general government deficit was reduced to less than 3 % of GDP, i.e. under the threshold above which a country has an excessive deficit according to the European rules. On 20 November 2012, a new set of fiscal measures was approved for the 2013 budget, with the objective of further reducing the deficit to 2.15 % of GDP, as targeted in the most recent stability programme. Measures on the expenditure side include reductions in public administrations' expediture, transfers to public companies and health care spending. On the revenue side, some excise duties and taxes on movable property will be raised and the rate for the notional interest deduction will be reduced. In addition, a fiscal regularisation operation is foreseen and the fight against tax and social security fraud will be stepped up.

As explained in the previous edition of BPN, the Belgian financial sector is engaged in protracted deleveraging and restructuring of its business model. However, by refocusing on less risky activities in their core markets, the supply of lending to the domestic non-financial private sector has been largely maintained, albeit with stricter credit conditions in a context of large economic risks and a need to reinforce banks' capital positions. Obviously, the prospects remain challenging for the Belgian financial sector, but here too, recent events should help face them from a stronger position. In particular:

- On 28 December 2012, the European Commission approved the orderly resolution plan for Dexia notified by the Belgian, French and Luxembourg States. This plan contains the disposal of its commercial franchises - which is already well-advanced -, support by the authorities by means of a tripartite refinancing guarantee of up to € 85 billion and a capital injection by the Belgian and French States of € 5.5 billion. As indicated by the EC, the plan avoids a disorderly liquidation of Dexia, which would have substantial negative effects on financial stability. It minimises the amount of aid needed, limits distortions of competition and ensures future business activity for those parts of Dexia Group where long-term viability can be restored.

- On 17 December 2012, having received the National Bank of Belgium's stamp of approval, KBC proceeded with the full repayment of € 3.0 billion of state aid to the Belgian federal government. It has announced its intention to accelerate repayment of € 1.17 billion of state aid to the Flemish regional government in the first half of 2013 subject to the NBB's customary approval. On 10 December 2012, KBC also issued € 1.25 billion worth of new shares.

According to financial markets, some of the risks have been cleared in the euro area and in Belgium in the course of 2012. However, the progress should be maintained and deepened in a consistent way, as creating sound bases for sustainable growth is essential for restoring confidence among businesses and households. In Belgium, structural fiscal improvements remain of crucial importance given the high level of public debt and the financial markets' focus on budgetary developments. This goes hand in hand with stronger potential for growth, in order to preserve the well-being and welfare of the population.

Treasury highlights

On 11 December 2012, the Belgian Debt Agency published its funding plan 2013.

2013 BORROWING REQUIREMENTS AND FUNDING PLAN
(billions of euro)

	2012		2013	
I. Gross financing requirements		43.39		39.99
1. Federal State budget deficit		11.01		8.77
Budget deficit (sensu stricto)	9.59		8.64	
Participation in/loans to financial institutions and sovereigns	1.42		0.13	
Transfers to the Silver Fund	0.00		0.00	
2. Debt maturing during the year		25.56		26.75
Medium- and long-term debt in euro	25.56		26.75	
Medium- and long-term debt in foreign currencies	0.00		0.00	
3. Planned pre-funding (bonds maturing in subsequent years)		6.83		4.22
4. Other financing requirements(1)		0.00		0.25
II. Funding resources (Medium and long-term)		48.44		42.01
1. OLOs		42.95		37.00
2. Other medium and long term funding		5.49		5.01
Euro Medium Term Notes/Schuldscheine	3.50		3.00	
Securities for retail investors	0.14		0.50	
Treasury bonds - Silver Fund	1.85		1.51	
Other(2)	0.00		0.00	
III. Net change in short term foreign currency debt		0.00		0.00
IV. Change in Treasury Certificates stock(3)		-3.30		-1.00
V. Net change in other short term debt and financial assets(4)		-1.75		-1.02

Source: Belgian Debt Agency.
(1) Including buy backs of long term debt issued in foreign currencies, "put" options exercised on state notes 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 01/01/2012 : 35,10 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.

Treasury highlights (continued)

Lower gross borrowing requirement in 2013

The Treasury expects its 2013 gross borrowing requirement to amount to € 39.99 billion. This represents a decrease of € 3.40 billion compared to the estimated 2012 borrowing requirement (€ 43.39 billion), which was inflated by the pre-funding of the 2013 maturities and the expected capitalisation 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 are expected to reach € 26.75 billion. The Treasury also plans to buy back € 4.22 billion woth of bonds maturing in 2014.

Olos still the main funding instruments: three new benchmarks likely to be issued, complemented with EMTN programme and alternative instruments

The Belgian Debt Agency plans to issue € 37.00 billion of OLOs, less than the € 42.95 billion issued in 2012. It is likely that three new OLO benchmarks will be issued in 2013. In addition, € 1.51 billion worth of instruments for the Silver Fund will be issued. The Treasury also plans to issue € 3.00 billion via its EMTN programme or other alternative funding instruments, Schuldscheine in particular.

On the other hand, due to the very low yield environment, State Note issuance for private investors is only expected to result in € 0.5 billion of funding. As for short-term funding, net short-term debt, which should come down by € 5.05 billion in 2012, is expected to fall by a further € 2.02 billion in 2013. The volume of Treasury Certificates, which stood at € 35.10 billion at year-end 2011, is estimated to have dropped to € 31.80 billion by the end of 2012 and to € 30.80 billion by year-end 2013.

Funding strategy : Predictability and Flexibility

The main feature of the 2013 issuance strategy continues to be a 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 auctions for its main financing instruments, both OLOs and TCs. The same goes for the size of the funding plan and issues of various instruments. Flexibility will enable the size, instruments and maturities to be adapted to prevailing market demand at the time of issue. In this context, the forecast 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 expanded through auctions.
- If there is sufficient demand, 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 enable more flexibility as to size per auction and maturities on offer.
- The Treasury is boosting 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 arranged to meet genuine market demand at a particular point in time, when market liquidity falls below that demand.
- The OLO issuance will be supplemented by alternative financing instruments: an OLO floater, hedged foreign currency issues and/or structured products issued under the EMTN programme, possibly including inflation-linked notes, or other funding instruments, in particular *Schuldscheine*.

With a view to better managing the cash disbursements resulting from OLO redemption dates, the Treasury will change the redemption dates of newly issued OLOs as from 2013 onwards. The new redemption date for OLOs as from 2013 onwards will be June 22nd.

With regard to short-term financing:

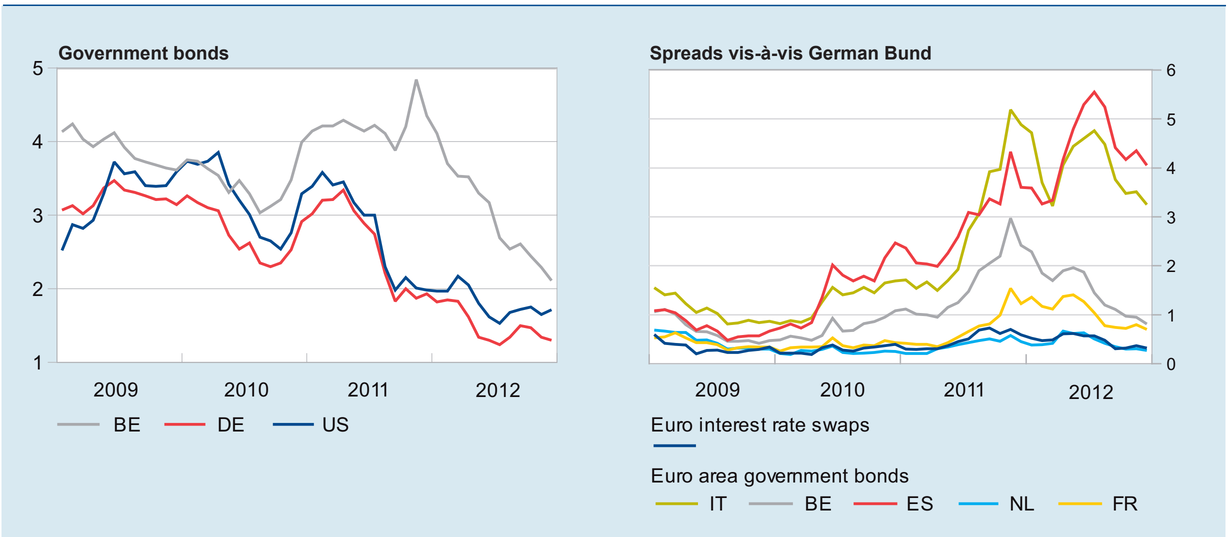
- A Treasury Certificate issuance programme consisting of 2 auctions per month at which 2 fixed lines will be offered. Occasionally, the Treasury will offer a supplementary line.

- The regular Treasury Certificate programme will be supplemented by issues under the existing Euro-Commercial Paper Programme. This allows for on-tap issuance in various currencies but swapped into euro.

The details of the 2013 Funding Plan are available on the Belgian Debt Agency's website www.debtagency.be

Government securities market

10-YEAR INTEREST RATES
(percentage points, monthly averages[1])

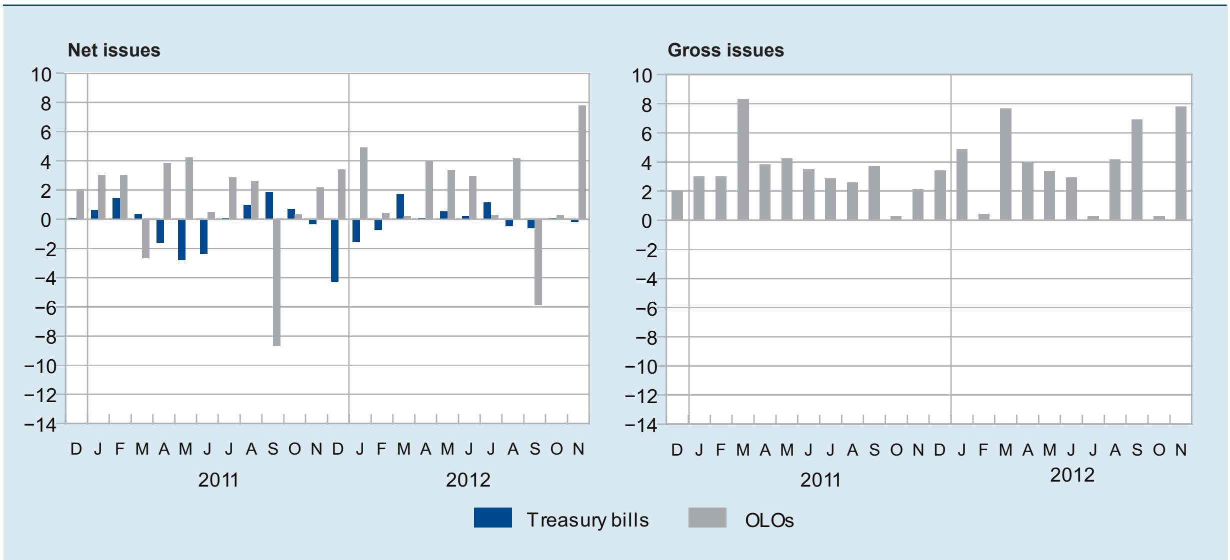


Sources: BIS, Datastream.
[1] Average over the first 27 days for December 2012.

Since the publication of the previous Belgian Prime News in September 2012, yields on long-term bonds have remained broadly stable for the US and Germany. However, long-term yields in most euro area countries, and especially in Greece and Portugal, decreased further - albeit at different paces and toward significantly different levels - by the end of 2012. Hence, despite the marked decline in long-term yields over the previous and current reporting period, a substantial degree of heterogeneity - also referred to as fragmentation- remains in the euro area sovereign bond markets.

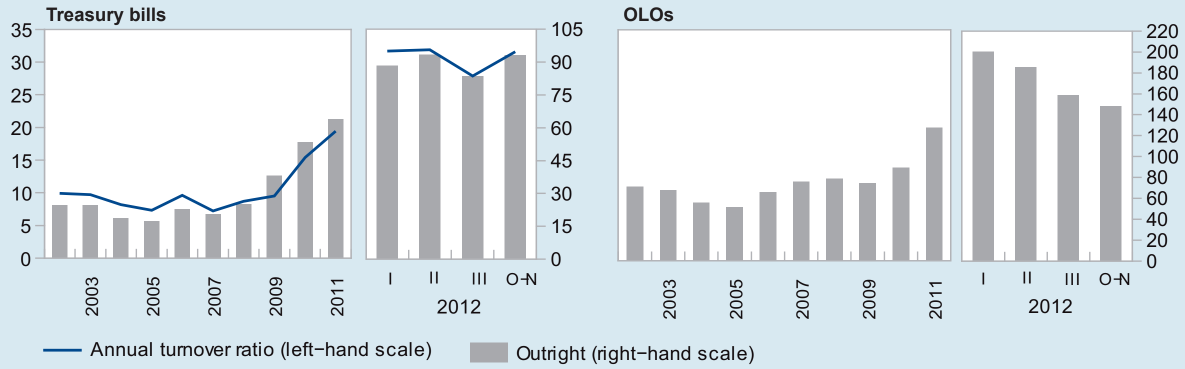
As a consequence of the decrease in bond yields in the euro area, spreads vis-à-vis the German Bund narrowed further during the reporting period. The Belgian-German spread displayed a further slight decline, levelling off below 100 bp, corroborating the status of Belgium as a "core" country. While the Italian and Spanish spreads decreased slightly towards the end of the year. Uncertainty about near-term bond market developments, as measured by the implied volatility of options, decreased further to its lowest level since May 2011, indicating some further calming of markets.

PRIMARY MARKET
(billions of euro)

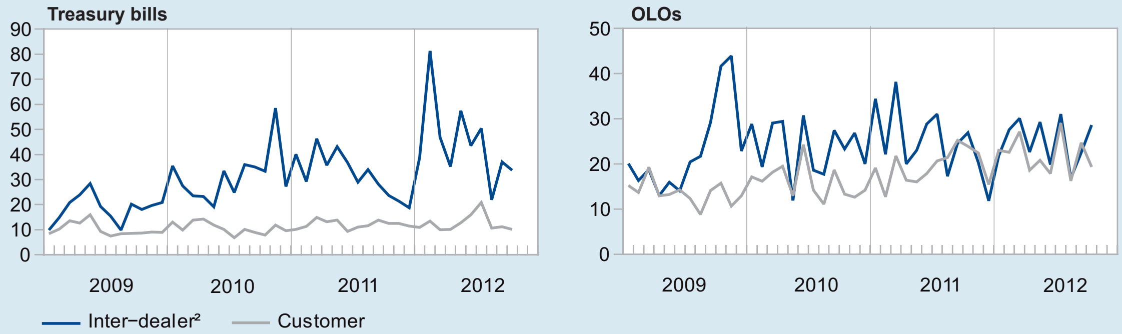


SECONDARY MARKET TURNOVER

As compiled by the Securities Regulation Fund[1]
(billions of euro unless otherwise stated, monthly averages)



As reported by primary and recognised dealers to the Treasury
(billions of euro)

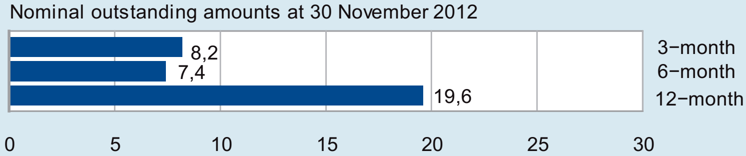


[1] As of January 2009, reporting information obtained via TREM is also included. The Securities Regulation Fund's turnover figures include some sell/buy-back transactions which are in fact repurchase agreements.
[2] Please note that inter-dealer turnover is double-counted in these figures.

OUTSTANDING AMOUNTS AND TURNOVER
(billions of euro)

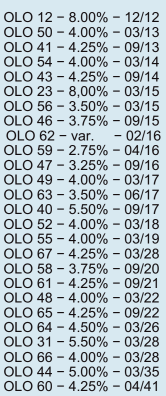
TREASURY BILLS

Nominal outstanding amounts at 30 November 2012

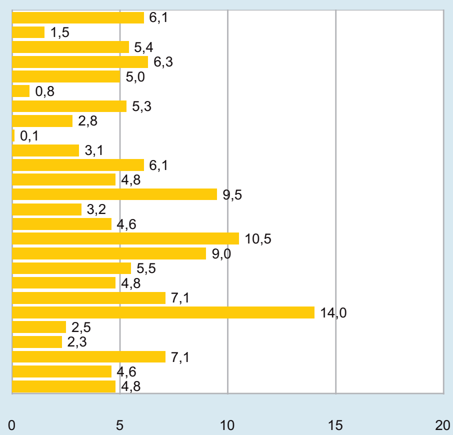


OLOs

Outstanding amounts at 30 November 2012

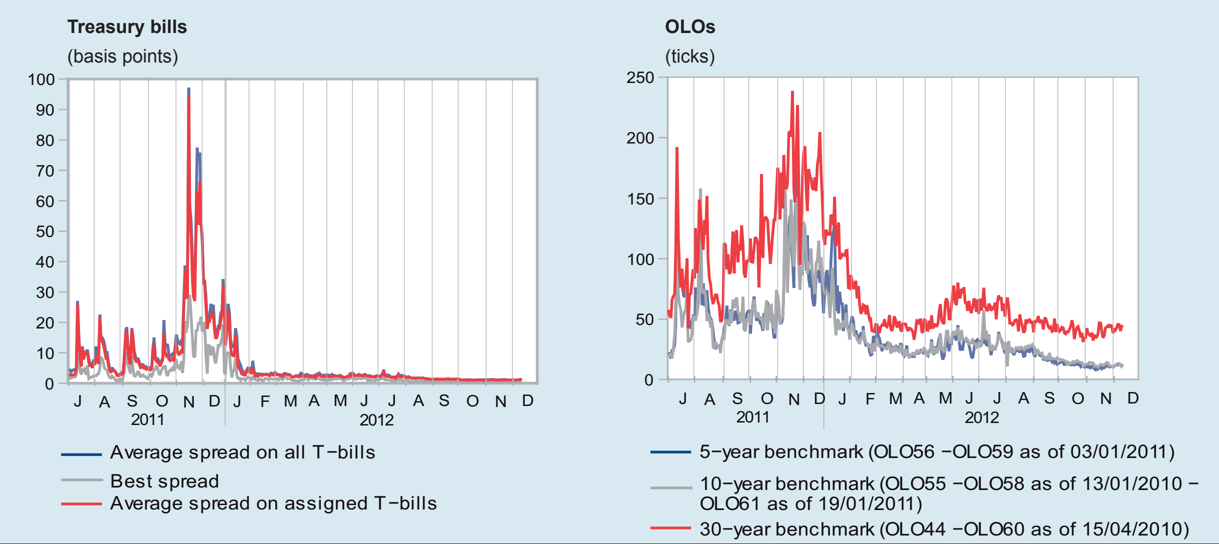


Outright turnover in November 2012



Source: Securities Regulation Fund.
[1] The turnover figures include sell/buy-back transactions which are in fact repurchase agreements.

BEST BID/OFFER SPREADS[1]

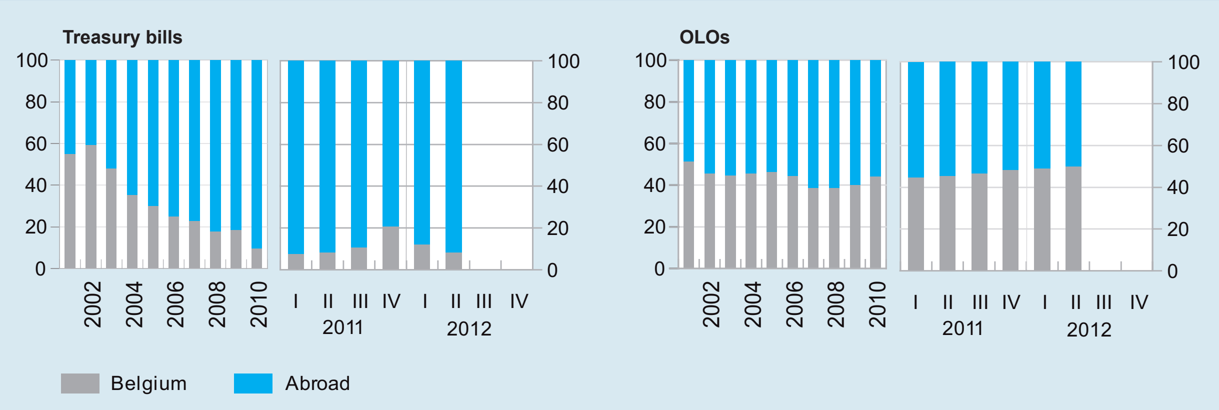


Source: Treasury.

[1] As reported by three electronic platforms (MTS, Broker Tec and BGC eSpeed). For the period October-December 2009, this is the best average over 6 hours; since January 2010, it is the best average over 5 hours.

LOCATION OF HOLDERS

(percentages of total)



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Sources: NBB, unless otherwise stated.

This publication is also available on the internet site www.nbb.be.
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General information on the Belgian government's action can be found on the website www.belgium.be.