BELGIAN DEBT AGENCY

Participating Primary and Recognised Dealers: Barclays Capital, BNP Paribas Fortis, Citigroup, Commerzbank, Dexia Bank, ING, KBC Bank, Royal Bank of Scotland, Société Générale Corporate & Investment Banking, UBS Limited

NationalBank OF BELGIUM
Eurosystem

Belgian Prime News

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- Real GDP in Belgium is expected to grow by 2.0% in 2011 and by 1.9% in 2012, on the back of improved general economic conditions. Thus, growth is expected to continue outperforming the euro area as a whole.

- The inflation outlook has largely deteriorated recently, due to continuously rising commodity prices, and in particular the sharp acceleration in oil prices. Consequently, Belgian HICP inflation is expected to climb up to 3.0% in 2011 before decelerating to 2.2% in 2012.

- According to the budget decided on 21 March the general government deficit will be limited to 3.6% of GDP in 2011, which is 0.5% of GDP lower than in the latest stability programme. Accordingly, public debt should stabilise.

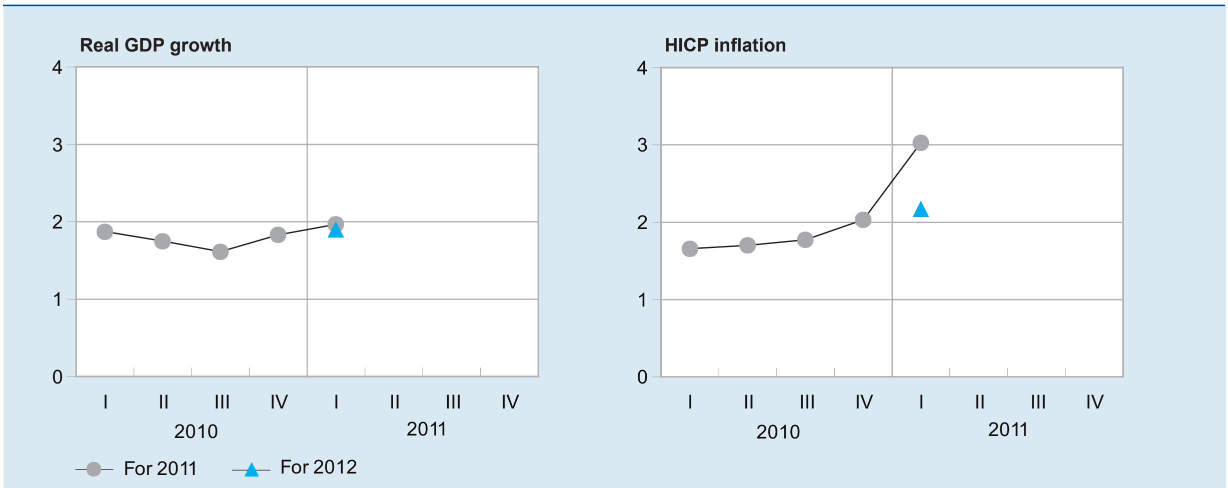
- The new financial supervision framework will come into force in Belgium on 1 April 2011. The NBB becomes in charge of the prudential supervision of credit institutions, stock brokers and insurance companies, while the supervision of financial markets and consumer protection falls under the responsibility of the FSMA (the former CBFA).

Consensus: Average of participants' forecasts

	2010		2011 p				2012 p	
	Belgium	Euro area	Belgium		Euro area		Belgium	Euro area
Real GDP(1)	2.1	1.7	2.0	(1.8)	1.7	(1.4)	1.9	1.7
Inflation (HICP)(1)	2.3	1.6	3.0	(2.0)	2.4	(1.7)	2.2	1.8
General government balance(2)	-4.6	-6.3	-4.4	(-4.3)	-4.6	(-4.8)	-3.8	-3.7
Primary balance(2)	-1.2	-3.5	-0.6	(-0.8)	n.		0.1	n.
Public debt(2)	97.5	84.1	99.6	(99.3)	85.2	(86.7)	99.7	86.4

Numbers in parentheses refer to the previous consensus forecast of January 2011.
(1) Percentage changes.
(2) EDP definition; percentages of GDP. Measures from the budget 2011 were not available at the time participants finalised their forecasts.
n. Not available.

SUCCESSIVE FORECASTS FOR BELGIUM



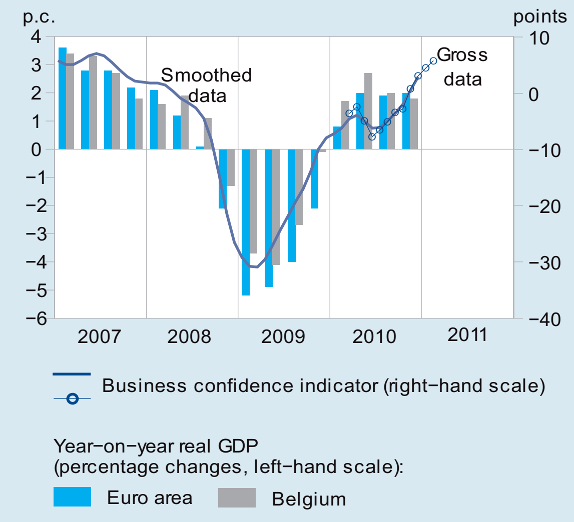
Source: Belgian Prime News.

Macroeconomic developments

World activity rebounded in the last quarter of 2010. Looking ahead, global growth and trade is expected to remain robust in 2011 and 2012, even if a soft patch is expected, reflecting the withdrawal of stimulus measures and the fading away of positive impulses from the inventory cycle. However, the recovery continues to be uneven, with advanced economies lagging behind emerging countries. In the euro area, the recovery is making headway, supported *inter alia* by better prospects for the global economy and upbeat business sentiment. Nevertheless, in a context of necessary fiscal consolidation, lingering vulnerabilities in financial markets and spillover effects stemming from rising commodity prices constitute some major risks to the outlook for growth and inflation in the euro area.

In line with the positive economic performance at the global level, the Belgian economy continues on the recovery path started in mid-2009. **On average, primary and recognised dealers now expect Belgian real GDP to grow by 2.0% in 2011 and 1.9% in 2012**, after a rate of 2.1% was recorded in 2010. Compared to the previous consensus forecast in January 2011, growth figures have been revised upwards by 0.2 pp. in 2011.

GDP GROWTH AND BUSINESS CYCLE INDICATOR

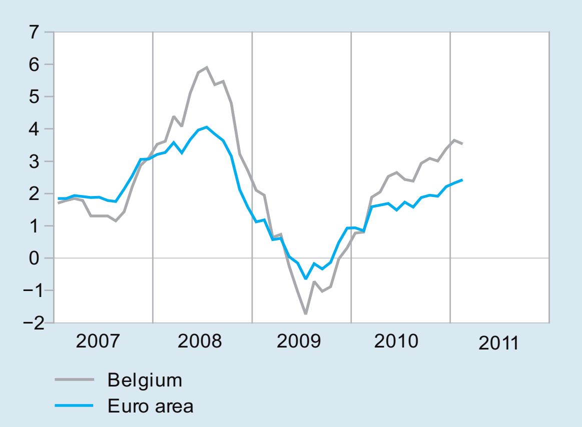


Sources: EC, NAI, NBB.

The recovery is broadening across sectors, with domestic demand increasingly taking over from exports as the main driver. This is reflected *inter alia* in encouraging progress in the business sentiment indicator. As they are facing stronger demand, and as their profitability is rising again, companies are becoming more confident about the sustainability of the recovery and they are expected to accelerate their investment plans, especially in 2012. Private consumption is expected to grow more moderately than GDP in 2011 and 2012, on the back of a muted increase in disposable income, while housing investment is forecast to gain strength in 2012.

The Belgian economy is forecast to continue outperforming the euro area as a whole, where real GDP growth is forecast to amount to 1.7% both in 2011 and 2012 (an upward revision of 0.3 pp. compared to the previous consensus forecast). Large divergences are expected to remain across euro area countries, as some of them still experience housing market weakness, persistently high unemployment rates, and/or acute financial sector vulnerabilities, which are likely to weigh on future activity outcome. By contrast, the absence of large domestic imbalances, both in terms of private sector indebtedness and in terms of competitiveness, has helped Belgium to benefit from the recovery worldwide.

HARMONISED INDEX OF CONSUMER PRICES
(annual percentage changes)



Source: EC.

In particular, the impact of the economic recession on domestic employment has been relatively contained in Belgium. This resilience was due among other things to the intensive use of temporary unemployment schemes, as well as labour hoarding by firms facing difficulties recruiting skilled manpower. After having already increased by 0.6% in 2010, **total employment is expected to rise further, by 0.9% in 2011 and by 1% in 2012.** As a comparison, in the euro area, employment declined by 0.7% in 2010, and is forecast to increase by only 0.4% in 2011 and by 0.8% in 2012. Consequently, and taking into account a further increase of both the working age population and the labour market participation rate, **the Belgian unemployment rate is expected to start to decline in the course of this year, to 8.2% in 2011, and to moderate further in 2012, to 7.9%.**

In contrast to the improvement in growth prospects, the inflation outlook has largely deteriorated since January, against the background of continuously rising commodity prices, and especially the sharp acceleration in oil prices during the last couple of weeks. **In 2011, HICP inflation is expected to climb up to 3.0% in Belgium and to 2.4% in the euro area**, an upward revision by 1 pp. and 0.7 pp. respectively compared to three months ago. Nevertheless, subdued wage growth and overall well-anchored inflation expectations should keep underlying inflationary pressures contained. **The inflation hike seems mostly seen as temporary since forecasters expect inflation to come back down to 2.2% in Belgium and to 1.8% in the euro area in 2012.** The higher results for Belgium than for the euro area both in 2011 and in 2012 reflect the effect of higher commodity prices – oil in particular – to which Belgian consumer price inflation is more sensitive. As largely explained in the NBB Annual Report 2010, this divergence is largely due to a higher household consumption of energy, a lower level of excise duty, on average, and a quicker and more pronounced transmission of energy commodity prices to gas and electricity tariffs, as well as the response of certain food prices to commodity price hikes.

Turning to Belgian public finances, participating institutions forecast that **the general government budget deficit should moderate to 4.4% of GDP in 2011 and 3.8% in 2012. From a starting level of 97.5% of GDP in 2010, the Belgian public debt is projected to stabilise just below the 100% threshold, reaching 99.6% in 2011 and 99.7% in 2012.** Hence, although the level is still significantly higher than the euro area average, the gap is constantly narrowing. As explained below, consolidation efforts have been speeded up in the 2011 budget set recently by the government. Those measures were not available when the primary dealers finalised their figures, although some of them may have anticipated part of the efforts in their forecast.

Recent economic measures taken by the federal government

Following general elections last June, negotiations are still going on to reach a new balance in the devolution of responsibilities and financial means between the federal level and the federate entities. However, while governments in full capacities are functioning at the Regions and Communities, the previous federal government is still in office in a caretaker capacity. The government exercises all its prerogatives to take actions when necessary.

In January, the government endorsed the **wage agreement** negotiated between the social partners for the period 2011 and 2012. It includes a limited increase of wages in real terms - besides the impact of automatic indexation - and a gradual alignment of the status of blue-collar and white-collar workers in the case of dismissal.

On 21 March, the caretaker federal government set its **budget for 2011**. According to this budget, and those of the Regions and Communities and local authorities, general government deficit should be limited to 3.6% of GDP this year. This is 0.5 pp. better than the target set in the government's stability programme of January 2010. The budget for 2011 benefits from better economic conditions, through which VAT receipts and revenues from State's stakeholdings in the banks would be better than expected. At the same time, the government has decided to reduce running costs and health spending, and to take new measures supporting the purchasing power of low-income people. Under normal circumstances, the budget for 2011 should make it possible to stabilise the debt level as early as this year.

GENERAL GOVERNMENT DEFICIT AND CONSOLIDATED GROSS DEBT
(percentages of GDP)

		2009	2010	2011 p	2012 p
General government deficit	Stability programme January 2010	-5.9	-4.8	-4.1	-3.0
	Actual[1]	-6.0	-4.6		
	Budget 2011			-3.6	
Public gross debt	Stability programme January 2010	97.9	100.6	101.4	100.6
	Actual[1]	96.2	97.5		
	Budget 2011			97.7	

Sources: NAI, NBB, FPS Finance.
[1] NBB estimate for 2010.

As explained more in detail in the Special Topic section, the federal government has also finalised the **reform of the architecture for the supervision of the financial sector.**

Special Topic: New architecture for the supervision of the financial system in Belgium

The institutional architecture for the supervision of the financial sector in Belgium will change on 1 April 2011, with the introduction of the so-called "twin peaks" model. As from that date, the National Bank of Belgium (NBB) will take over from the former integrated financial sector supervisor Commission Bancaire, Financière et des Assurances (CBFA) the competence and responsibilities in the area of the microprudential supervision of Belgian credit institutions, stock brokers and insurance companies. The responsibilities of the former CBFA not taken over by the NBB will remain with the newly renamed Financial Services and Markets Authority (FSMA).

On 2 July 2010, the Belgian parliament adopted a Law to restructure the supervision of the Belgian financial sector. The implementing decree for this Law was adopted and published in March of this year, foreseeing the entry into force of the so-called "twin peaks" model on 1 April 2011.

The introduction of the "twin peaks" model will lead to a fundamental reshaping of the architecture for the supervision of the financial sector in Belgium. Under the previous regime, the microprudential supervision of banks, insurance companies and other financial institutions was entrusted to the CBFA, the integrated financial supervisor that was created in the beginning of 2004 by the merger of the erstwhile Banking and Finance Commission and the Insurance Supervision Office. In addition, the CBFA was also the Belgian market authority. In this previous institutional architecture, the NBB was in charge of the macroprudential supervision of the Belgian financial system.

Summary overview of supervisory competence and responsibilities under the Belgian "twin peaks" model

National Bank of Belgium (NBB)	**Financial Services and Markets Authority (FSMA)**
Microprudential supervision of banks, stock brokers and insurance companies	Surveillance of markets and listed companies, financial products and services, and pension funds(1)
Macroprudential supervision of the Belgian financial system	Consumer protection and information

(1) Until at the latest 31/12/2015.

The introduction of the "twin peaks" model aims to better integrate the micro- and macroprudential supervision of the financial sector, by bringing them together in the central bank. To this effect, the NBB's responsibilities are extended to the prudential supervision of individual credit institutions and insurance companies among others, in addition to its existing task of macroprudential supervision. At a later stage, and by 31/12/2015 at the latest, these responsibilities will be extended to the prudential supervision of pension funds. This transfer of competences includes the integration of some of the CBFA staff within the NBB as well.

The former CBFA will become the new FSMA, from 1 April 2011 onwards. This institution will take charge of all aspects of the surveillance of the financial markets and the supervision of listed companies, financial products, services and intermediaries and the relevant rules of conduct. The FSMA has also been given wider competence and responsibilities as regards consumer protection and information. For the time being, it remains responsible for the supervision of pension funds.

The reform of the institutional architecture for the supervision of the financial sector in Belgium takes place in the context of a significant remodeling of the European financial supervision structure, which took effect with the launch of the European System of Financial Supervision at the beginning of 2011. On the microprudential side, this European-wide reform created three European Supervisory Authorities (ESAs) charged with achieving greater harmonisation in the application of the regulatory measures and the operational conduct of microprudential surveillance in the Member States. On the macroprudential side, the new European Systemic Risk Board (ESRB) has the task of developing a global view of potential systemic risks, incorporating in particular the interactions between components of the financial system and the correlations between various risk categories.

Summary overview of the European architecture for the supervision of the financial sector

Microprudential supervision	ESAs	European Banking Authority (EBA)
		European Insurance and Occupational Pensions Authority (EIOPA)
		European Securities and Markets Authority (ESMA)
Macroprudential supervision	European Systemic Risk Board (ESRB)	

Treasury highlights

1. The Treasury held its first OLO syndication of the year on 18 January 2011. Accordingly, the OLO auction scheduled for end-January was cancelled. The Kingdom of Belgium EUR 3 billion 4.25% OLO 61 due September 2021 is the new 10-year benchmark. It was priced at mid-swap + 93 basis points and had wide international distribution with strong international support from real money accounts. 33% of the orders were placed in Belgium while the rest was mainly taken by investors in Europe. In terms of investor type, central banks and public entities, customer banks, insurance companies and asset managers accounted for 90% of the deal.

2. On 8 February 2011, the Treasury issued a new 5-year FRN benchmark, the EUR 3 billion OLO 62 due 15 February 2016, which was priced at 3-month Euribor + 67 basis points. This floater got strong support from investors. It was mainly placed in Europe. The majority investors were funds and banks.

3. On 28 February 2011, the Treasury auctioned OLOs for an amount of EUR 3.202 billion showing high bid-to-cover ratios.

4. On 21 March 2011, the Treasury held its third OLO syndication and issued a 6-year bond. The OLO auction of 28 March was cancelled. The new bond is the EUR 5 billion OLO 63 due 28 June 2017 with a fixed coupon of 3.50%. The issue price was 98.81 and the bond was priced at mid-swap +55 basis points. With regard to geographical distribution, more than 90% of the orders were placed in Europe (17% in Belgium). In terms of investor type, asset managers and customer banks accounted for 75% of the orders.

5. As a result, the Kingdom has already issued more than 14 billion in the OLO market, i.e. about 42% of the total amount of 34 billion planned for this year.

6. Information on the financing strategy for 2011 and on the auction calendars is available on the website: Belgian Federal Public Debt | Products | OLOs | Auctions | Calendar.

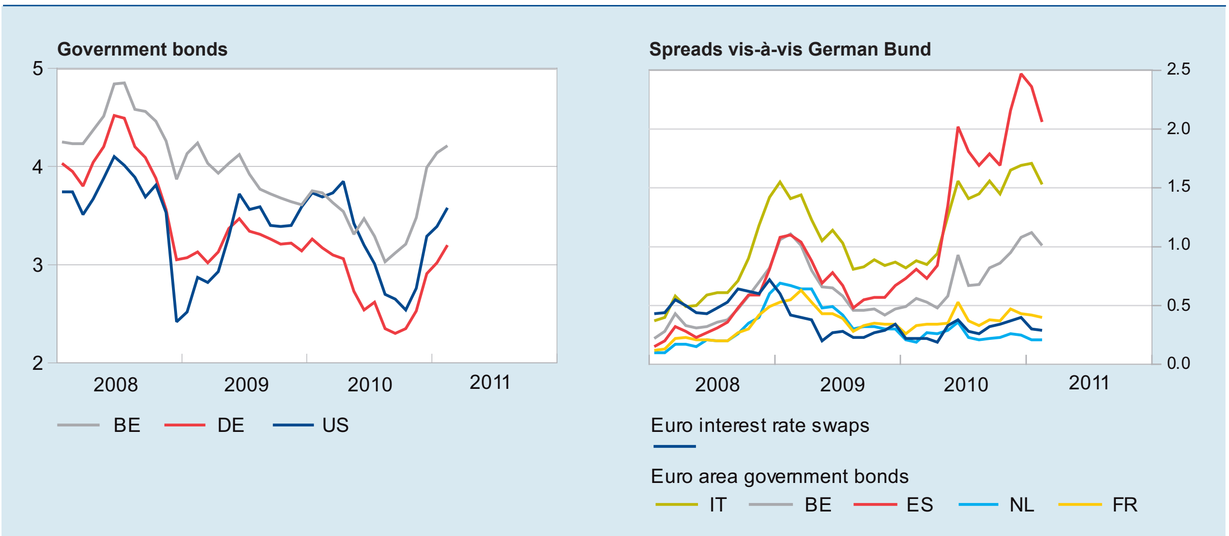
The OLO auction dates for the remainder of 2011 are the following:

Issuance date	Settlement date
28 March	31 March
18 April	21 April
23 May	26 May
27 June	30 June
25 July	28 July
22 August	25 August
26 September	29 September
31 October	3 November
28 November	1 December

Please note that this schedule may be modified and that a new syndicated issue may replace an auction.

Government securities market

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

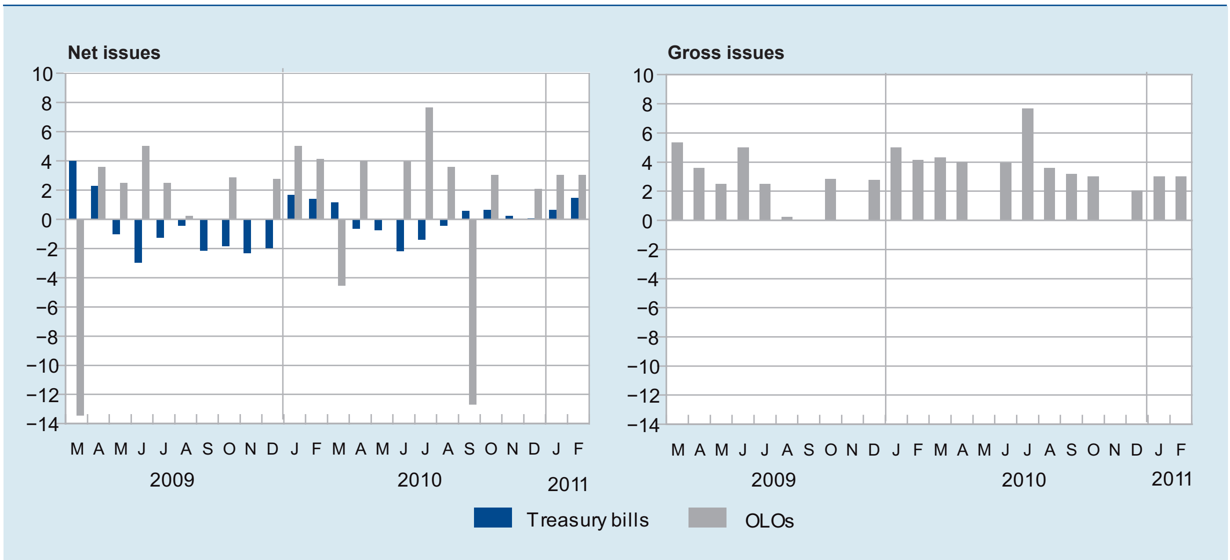


Sources: BIS, Datastream.

The rise in long-term interest rates on government bonds in Germany and the United States, which started in November last year, continued into early this year. This increase in yields was primarily a reflection of the positive economic momentum in the United States and the euro area. Towards the end of the review period, political tensions in northern Africa and the Middle East triggered flight-to-safety investment flows that put some downward pressure on government bond yields both in the euro area and the United States.

Spreads of most issuers vis-à-vis the German Bund narrowed somewhat as a result of the economic recovery at the euro area level and as a consequence of market participants' expectations of an extension of the scope and size of the European Financial Stability Facility (EFSF).

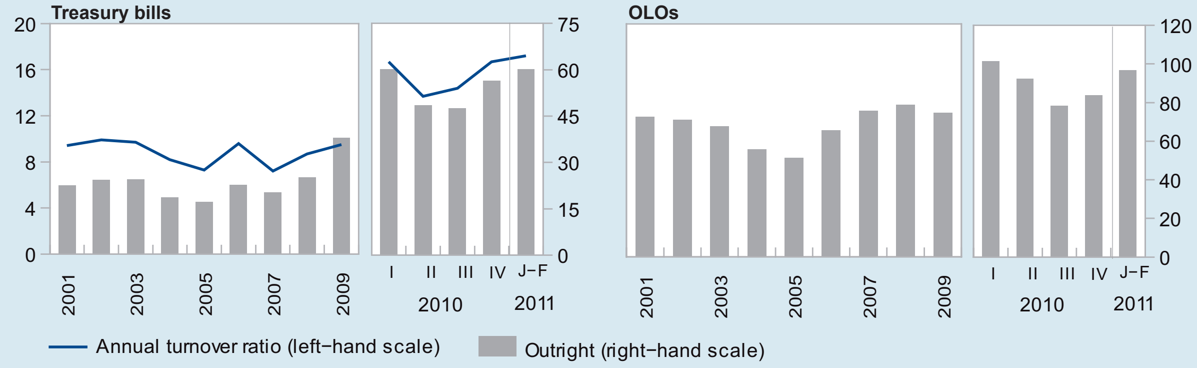
PRIMARY MARKET
(billions of euro)



SECONDARY MARKET TURNOVER

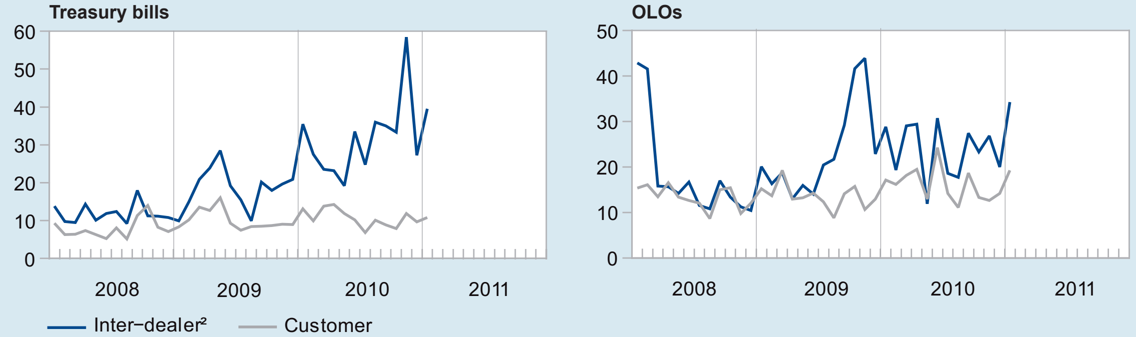
As compiled by the Securities Regulation Fund[1]

(billions of euros unless otherwise stated, monthly averages)



As reported by primary and recognised dealers to the Treasury

(billions of euros)



[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.

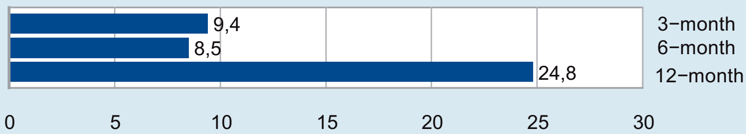
[2] Please note that inter−dealer turnover is double−counted in these figures.

OUTSTANDING AMOUNTS AND TURNOVER

(billions of euro)

TREASURY BILLS

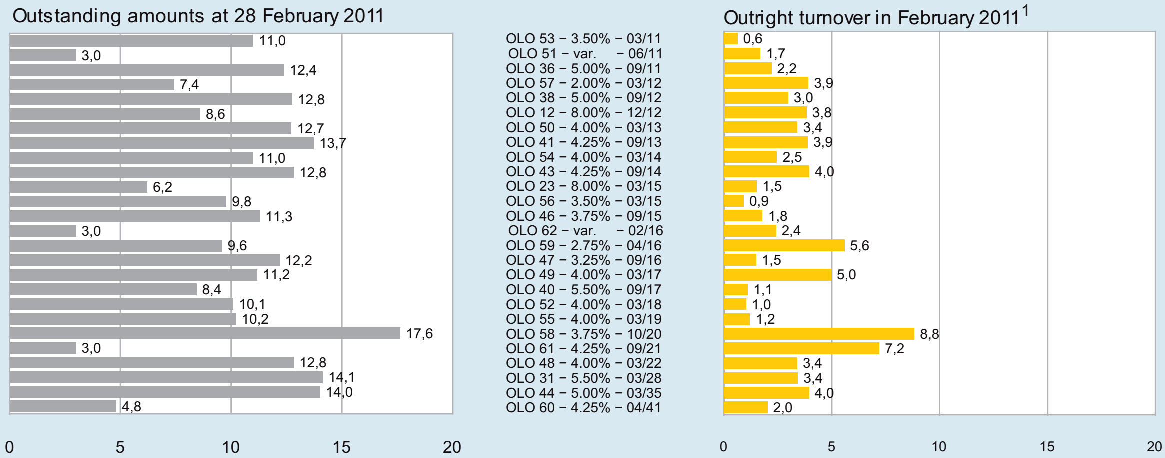
Nominal outstanding amounts at 28 February 2011



OLOs

Outstanding amounts at 28 February 2011

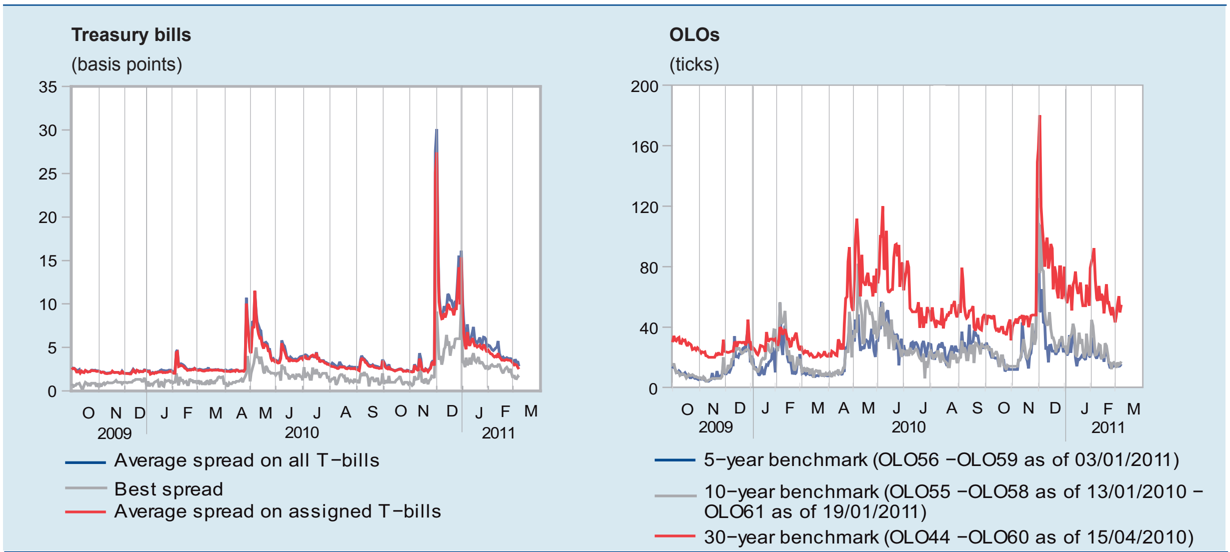
Outright turnover in February 2011[1]



Source: Securities Regulation Fund.

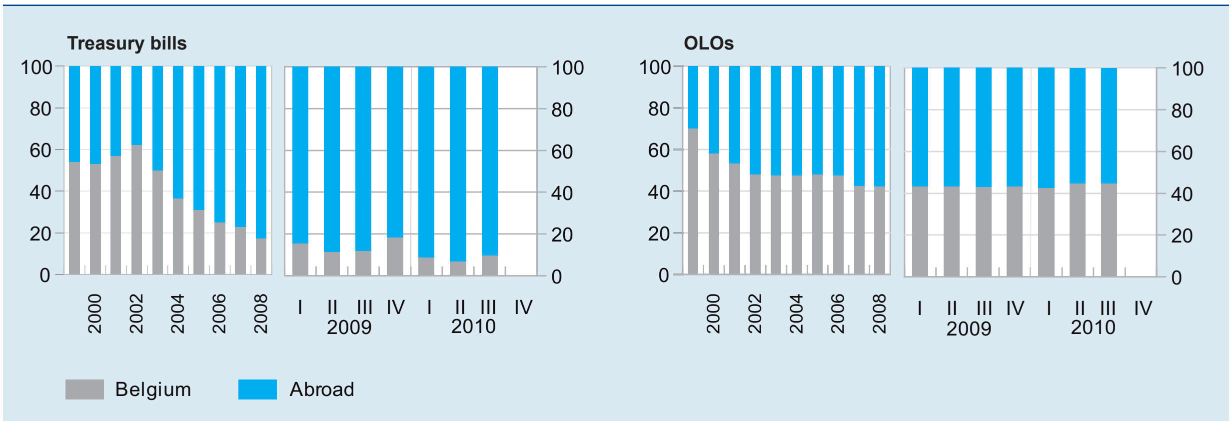
[1] The turnover figures include sell/buy−back transactions which are in fact repurchase agreements.

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.

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General information on the Belgian government's action can be found on the website www.belgium.be.