BELGIAN DEBT AGENCY

Participating Primary and Recognised Dealers:
Barclays, Belfius Bank, BNP Paribas Fortis, Citigroup, Commerzbank, ING, KBC Bank, Nomura Internationa Plc., Royal Bank of Scotland, Société Générale Corporate & Investment Banking, UBS Limited

NationalBank OF BELGIUM
Eurosystem

Belgian Prime News

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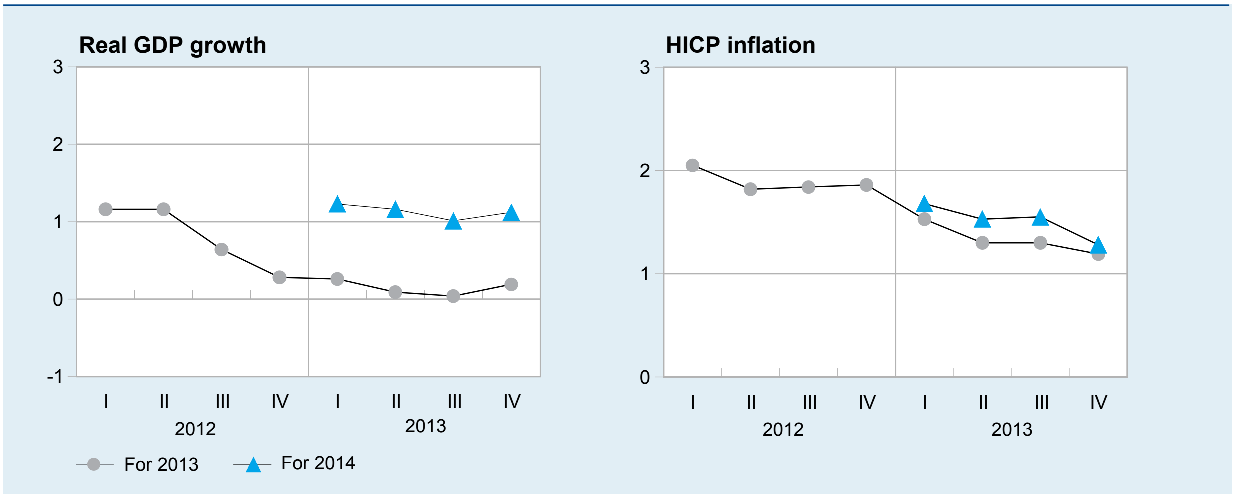
- The recovery is expected to continue at a moderate pace in 2014, both in the euro area and Belgium. In this context, GDP growth is forecast to reach 1.1 % and inflation 1.3 % in Belgium.
- General government deficit is estimated at 2.8 % of GDP in 2013 and 2.5 % of GDP in 2014. In its Opinion, the European Commission states that the draft budgetary plan is broadly compliant for 2013. It points to a risk that the structural balance, although close to the required effort, will not show sufficient progress towards the MTO in 2014. On 7 January, the Minister of Finance announced the debt level stood at 99.7 % of GDP at the end of 2013.
- The revision of the Special Finance Act that regulates the revenues of the Communities and Regions has been approved by a special majority in Parliament. The Fiscal Compact has also been ratified by all the various Parliaments in Belgium, and the practical arrangements are set out in a cooperation agreement between the various entities (see Special Topic).
- The Belgian Debt Agency has published its Funding Plan for 2014: lower gross borrowing requirement and OLOs still the main funding instruments (see Treasury Highlights).

Consensus: Average of participants' forecasts

	2012		**2013 p**				**2014 p**			
	Belgium	Euro area	Belgium		Euro area		Belgium		Euro area	
Real GDP(1)	-0.1	-0.6	0.2	(0.0)	-0.4	(-0.4)	1.1	(1.0)	1.0	(0.9)
Inflation (HICP)(1)	2.6	2.5	1.2	(1.3)	1.3	(1.5)	1.3	(1.6)	1.0	(1.4)
General government balance(2)	-4.0	-3.7	-2.8	(-2.7)	-3.1	(-3.0)	-2.5	(-2.3)	-2.6	(-2.5)
Public debt(2)	99.8	90.5	100.4*	(100.7)	95.7	(95.2)	100.4	(100.6)	96.6	(96.2)

Numbers in parentheses refer to the previous consensus forecast of September 2013.
(1) Percentage changes.
(2) EDP definition; percentages of GDP.
* Based on estimates at mid-December. On 7 January, the Minister of Finance announced the debt level stood at 99.7 % of GDP at the end of 2013.

SUCCESSIVE FORECASTS FOR BELGIUM



Source: Belgian Prime News.

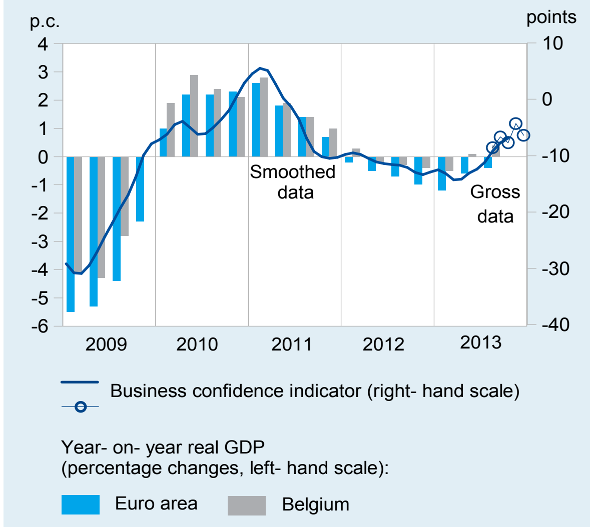
Macroeconomic developments

As in the euro area, the economic recovery unfolded slowly in Belgium during the course of 2013. GDP grew by 0.2 % quarter on quarter in the second three-month period of 2013 and by 0.3 % in the third, after 18 months of stagnating or slightly declining output. Overall, the recovery was supported by stronger private consumption and exports. Recent data releases confirm the picture of improving economic conditions. Besides some volatility in month-to-month movements, business confidence gained momentum in industry in the course of 2013, as well as in more domestically-oriented sectors, such as business services and retail trade, converging towards their long-term average, or even exceeding it in the case of industry. Consumer confidence also showed slight improvement over the last quarter of 2013, after a marked rise between March and September.

All in all, the recent improvements in confidence corroborate the scenario of muted recovery continuing in 2014. Even though this scenario is shared by most forecasters, both from public and international institutions and from private banks, it is still shrouded in uncertainty and could prove fragile. Indeed, there is still substantial slack in the economy, as witnessed by the steady increase in the unemployment rate to 8.4 % of the labour force in November 2013, against a rate of 12.1 % for the euro area. Moreover, credit developments are weak, although less so than in the euro area as a whole: in October 2013, year-on-year growth turned negative for credit to the non-financial corporate sector, largely on the back of weak demand. **On average, the participating institutions expect GDP in Belgium to grow by a mere 0.2 % for the year 2013 as a whole, and by 1.1 % in 2014.** Belgium is thus expected to continue to slightly outperform the average GDP growth predicted for the euro area, at respectively -0.4 % in 2013 and 1 % in 2014.

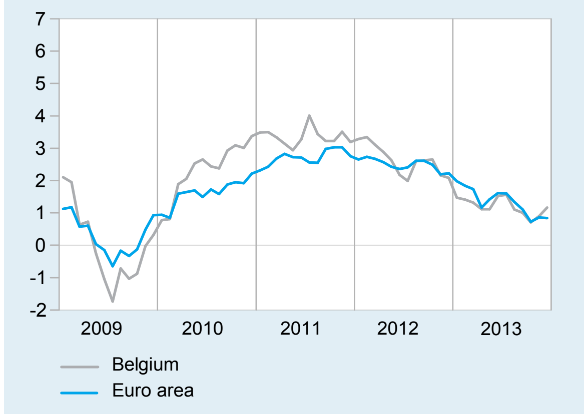
Since the beginning of 2013, HICP inflation has been running well below the 2 % mark in Belgium, whereas it had averaged 2.6 % in 2012. This deceleration reflects lower energy prices in general, and lower consumer prices for gas and electricity in particular. Inflation also receded for the service component, in a context of muted economic activity. The current low inflation context should help to contain wage developments, temporarily curbing the effect of automatic index-linking, while the government has imposed a wage freeze in 2013 and 2014, except for wage indexation or pay scale increases. **The participating institutions expect Belgian HICP inflation to decelerate from 2.6 % in 2012 to 1.2 % in 2013, before rising again to 1.3 % in 2014.**

GDP GROWTH AND BUSINESS CYCLE INDICATOR



Sources: EC, NAI, NBB.

HARMONISED INDEX OF CONSUMER PRICES
(annual percentage changes)



Source: EC.

After taking additional measures last summer to improve the structural balance by 1 % of GDP in 2013, in order to comply with the Ecofin Council's request accompanying its 21 June decision to step up the excessive deficit procedure for Belgium, the federal government and the governments of the sub-federal entities submitted their draft budgetary plans for 2014 on 15 October 2013 (see Special Topic). The federal government and the governments of the Regions and Communities reached agreement on their respective fiscal targets for both 2013 and 2014. **According to the average of the participating institutions' forecasts, the general government deficit in Belgium is estimated at 2.8 % of GDP in 2013, and at 2.5 % in 2014.** The debt ratio is expected to increase from 99.8 % of GDP in 2012 to 100.4 % in 2013 and 2014, slightly above the 100 % of GDP limit set by the federal government. However, as the participants' forecasts were finalised before mid-December 2013, they could not include all the measures taken by the government in this respect. **On 7 January 2014, the Minister of Finance announced that the public debt stood at 99.7 % at the end of 2013.**

Special Topic: The new instutional set-up in Belgium and the new European budgetary governance requiring a resolute implementation of a credible fiscal strategy

In the context of the sixth State reform agreed at the end of 2011, the revision of the Special Finance Act regulating the revenues of the Communities and Regions was approved by a special majority in the Parliament in November and December 2013. The State reform involves a further transfer of powers from the federal level to the Communities and the Regions of 4.7 % of GDP. The new Finance Act implies greater tax autonomy and accountability for the Communities and Regions, the latter becoming responsible for about a quarter of total personal income tax revenues. At the same time, to ensure the federal authorities' fiscal sustainability, the Finance Act reform also includes a contribution from the Communities and Regions to both the fiscal consolidation efforts and the budgetary costs related to population ageing. The State and Finance Act reform will enter into force in July 2014.

At the European level, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (the so-called Fiscal Compact) stipulates that the budgetary balance rule, requiring respect of or rapid convergence towards the medium-term objective (MTO) defined in the Stability and Growth Pact, has to be transposed into the signatory Member States' national laws. For Belgium, the MTO is a structural surplus of 0.75 % of GDP. It is higher than the targets that apply to most EU member States, because of the high level of outstanding public debt and the heavy burden of the cost of population ageing in Belgium. By December 2013, this Treaty had been ratified by all the various parliaments in Belgium - the federal one, and those of the Communities and the Regions. The specific arrangements are set out in a cooperation agreement between the various entities, also endorsed by the various parliamentary assemblies. Adopting explicit coordination arrangements to ensure that budgetary targets are binding at federal level and sub-federal levels was one of the Ecofin Council's recommendations to Belgium.

Turning to the budget process, the draft budgetary plan was submitted to the European Commission and the Eurogroup by mid-October, as requested under the new European governance framework (the Two Pack). It targeted headline deficits of 2.5 % of GDP in 2013 and 2.1 % in 2014. In the Opinion delivered on 15 November 2013, the Commission stated that the draft budgetary plan for 2014 is broadly compliant with the rules of the Stability and Growth Pact and with the EDP Decision for 2013. However, the Commission points to a risk that the structural balance, although close to the required effort, will not show sufficient progress towards the MTO in 2014.

TARGETS FOR THE FINANCING REQUIREMENT (-) OR CAPACITY OF BELGIAN GENERAL GOVERNMENT
(percentages of GDP)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Successive stability programmes									
April 2008	**0.0**	0.3	0.7	1.0					
April 2009	-1.2	**-3.4**	-4.0	-3.4	-2.6	-1.5	-0.7	0.0	
September 2009 (complement)		**-5.9**	-6.0	-5.5	-4.4	-2.8	-1.3	0.0	
January 2010		-5.9	**-4.8**	-4.1	-3.0	-2.0	-1.0	0.0	
April 2011			-4.1	**-3.6**	-2.8	-1.8	-0.8	0.2	
April 2012				-3.7	**-2.8**	-2.15	-1.1	0.0	
April 2013[1]					-3.9	**-2.5**	-2.0	-0.5	0.4
p.m. Ecofin decision June 2013						***-2.7***	*-2.1*		
p.m. Actual figures	*-1.0*	*-5.6*	*-3.7*	*-3.7*	*-4.0*	*-2.8**	*-2.5**		

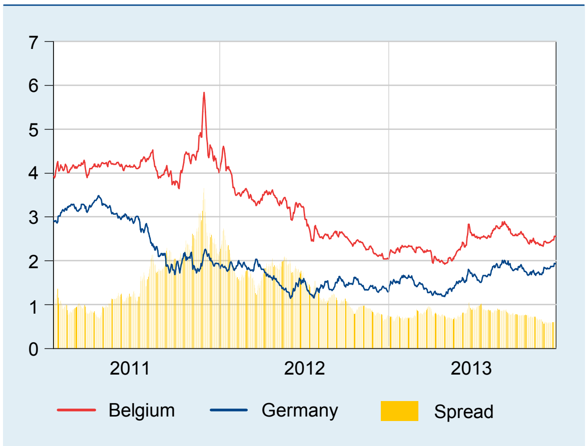
Sources: EC, FPS Finance, NAI, NBB.
[1] Corresponding structural balances : -2.9 % of GDP in 2012, -1.8 % in 2013, -1.2 % in 2014, 0 % in 2015 and 0.75 % in 2016.
* BPN Consensus forecast.

In addition to the forthcoming implementation of the State reform and the new Finance Act, the necessary steps have recently been taken to comply with the institutional budgetary rules set under the European governance framework. Yet, it is of the utmost importance that the Belgian authorities also comply promptly with the EDP and the medium-term strategy objectives, not only to consolidate the improved perception by financial markets of the Belgian debt (see Treasury Highlights), but also, and most importantly, to ensure the sustainability of the public finances, in view of the looming challenge of population ageing.

Treasury highlights

As the tensions in the euro area sovereign bond markets continued to abate in 2013, the Belgian public debt management and funding operations benefited from favourable conditions. For the benchmark 10-year bond yields, the spread with the German Bund averaged 77 basis points, against 143 basis points in 2012, and a maximum of 366 basis points on 25 November 2011, in the midst of the euro area sovereign bond crisis. After having temporarily reduced their holdings of Belgian bonds over the three previous years, foreign investors showed renewed interest during the course of 2013. In 2013, the gross borrowing requirements were mainly financed by long- and medium-term funding. In particular, in a context of demand for longer maturities, the Belgian Debt Agency issued a new 30-year benchmark in September. All in all, the duration of the debt portfolio increased from 5.96 at the end of 2012 to 6.06 at the end of 2013, and the average life went up from 7.18 to 7.60 years. At the same time, the implicit cost of the portfolio further declined to 3.37 %.

YIELDS ON 10-YEAR GOVERNMENT BOND



Source: Thomson Reuters Datastream.

Since September 2013, the Treasury launched one new benchmark via syndication and held one OLO auction

- The € 4 billion OLO 61 3.75% 22/06/2045 was priced on 10 September 2013 and issued on 17 September 2013 at a spread of 113 bp to mid-swaps.
- The 29 October 2013 OLO auction resulted in the issue of € 2.490 billion concerning the following lines:
  - 4.00 % 28/03/2018 (OLO 52): € 0.765 billion – average yield 1.061%; bid-to-cover 2.23
  - 3.00 % 28/09/2019 (OLO 67): € 0.650 billion – average yield 1.565%; bid-to-cover 2.31
  - 2.25 % 22/06/2023 (OLO 68): € 1.075 billion – average yield 2.493%; bid-to-cover 1.72

Having benefited from the proceeds of the sale of the stake in BNP Paribas Fortis in November, the Belgian Debt Agency decided to cancel the remaining OLO auction for 2013.

On 10 December 2013, the Treasury published its borrowing requirements and Funding Plan 2014

2014 BORROWING REQUIREMENTS AND FUNDING PLAN
(billions of euro)

	2013		2014	
I. Gross financing requirements		40.36		38.03
1. Federal State budget deficit		5.69		10.32
Budget deficit (sensu stricto)	8.30		9.77	
Participation in/loans to financial institutions and sovereigns	-2.61		0.55	
Transfers to the Silver Fund	0.00		0.00	
2. Debt maturing during the year		27.26		22.78
Medium- and long-term debt in euro	27.26		22.78	
Medium- and long-term debt in foreign currencies	0.00		0.00	
3. Planned pre-funding (bonds maturing in subsequent years)		7.41		4.43
4. Other financing requirements(1)		0.00		0.50
II. Funding resources (Medium and long-term)		46.72		35.05
1. Long and medium-term funding		45.21		33.50
OLOs	42.33		30.00	
Euro Medium Term Notes/Schuldscheine	2.81		3.00	
Securities for retail investors	0.07		0.50	
Other(2)	0.00		0.00	
2. Treasury bonds - Silver Fund		1.51		1.55
III. Net change in short term foreign currency debt		0.61		0.00
IV. Change in Treasury Certificates stock(3)		-7.05		2.98
V. Net change in other short-term debt and financial assets(4)		0.09		0.00

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 01/01/2013: € 31.70 billion.

(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.

Treasury highlights (continued)

Lower gross borrowing requirement in 2014

The Treasury expects its 2014 gross borrowing requirement to amount to € 38.03 billion. This is € 2.33 billion less than the 2013 borrowing requirement (€ 40.36 billion). In establishing this estimate, the Treasury assumed that the 2014 net borrowing requirement in cash terms would amount to € 10.32 billion. Redemptions of medium- and long-term debt would amount to € 22.78 billion. The Treasury also plans to buy back bonds maturing in 2015 and in later years for an amount of € 4.43 billion. Moreover, the plan assumes that the options in the LOBO-instruments would be executed for an amount of € 0.50 billion, though this is far from certain.

OLOs still the main funding instruments: two new benchmarks likely to be issued, backed up by EMTN programme and alternative instruments

The Belgian Debt Agency plans to issue € 30.00 billion of OLOs, which is significantly less than the € 42.33 billion issued in 2013. It is likely that only two new OLO fixed-rate benchmarks will be issued. The Treasury also plans to issue € 3.00 billion via its EMTN-programme or other alternative funding instruments such as Schuldscheine. In addition, € 1.55 billion worth of instruments for the Silver Fund will be issued in order to refinance the existing Treasury Bond that will come to maturity. State Note issuance for private investors is expected to result in only € 0.5 billion of funding, due to the low interest rate environment. As for short-term funding, net short-term debt, which has decreased by € 6.35 billion in 2013, is planned to rise by € 2.98 billion in 2014. The volume of Treasury Certificates (TCs), which is stood at € 24.65 billion at year end 2013, would evolve towards € 27.63 billion by the end of 2014. This would be beneficial for the liquidity of this instrument.

Funding strategy: predictability and flexibility

The main feature of the 2014 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 extent of the financing programme and the issuance size of various instruments. Flexibility will allow the size, instruments and the maturities to be adapted to prevailing market demand at the moment of issuance. In this context, the forecast issuance strategy for 2014 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.
- The Treasury expects to launch two new fixed-rate OLO benchmarks.
- If there is sufficient demand, off-the–runs can be reopened in regular auctions.
- The number of OLO auctions is decreased to 10 – there will be no auction in August – and an auction might be cancelled and replaced by a syndicated issue.
- The Treasury will not use the possibility of Syndicated Taps on longer term OLO benchmarks and is cacelling the Optional Reverse Inquiry Auctions of off-the-run OLOs at predetermined dates.
- The OLO issuance will be supplemented by alternative financing instruments. They may include: an OLO floater, hedged foreign currency issuance and/or structured products issued under the EMTN program, possibly involving inflation-linked notes, or other funding instruments, in particular Schuldscheine.

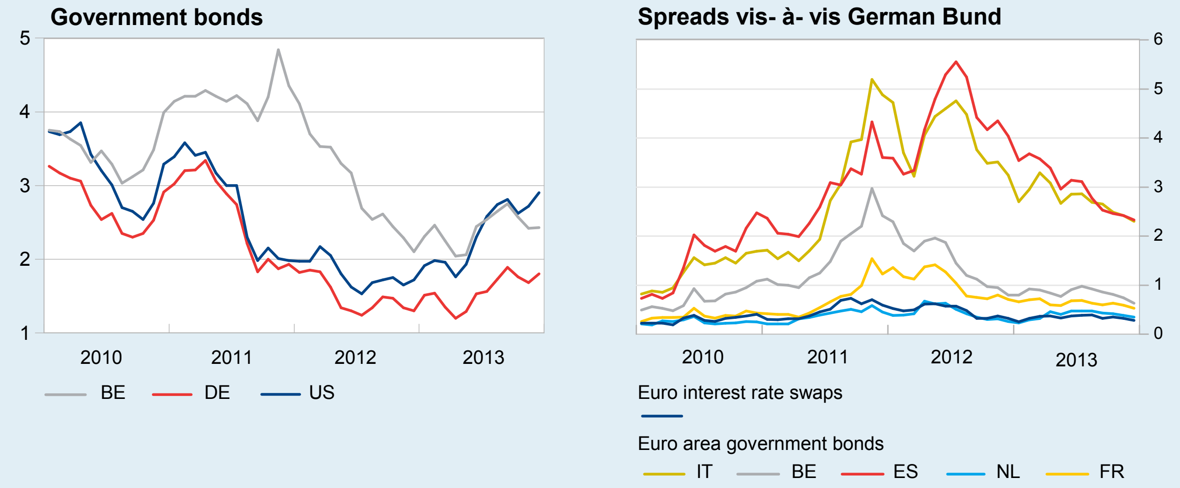
With regard to short term financing:

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

The details of the 2014 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)

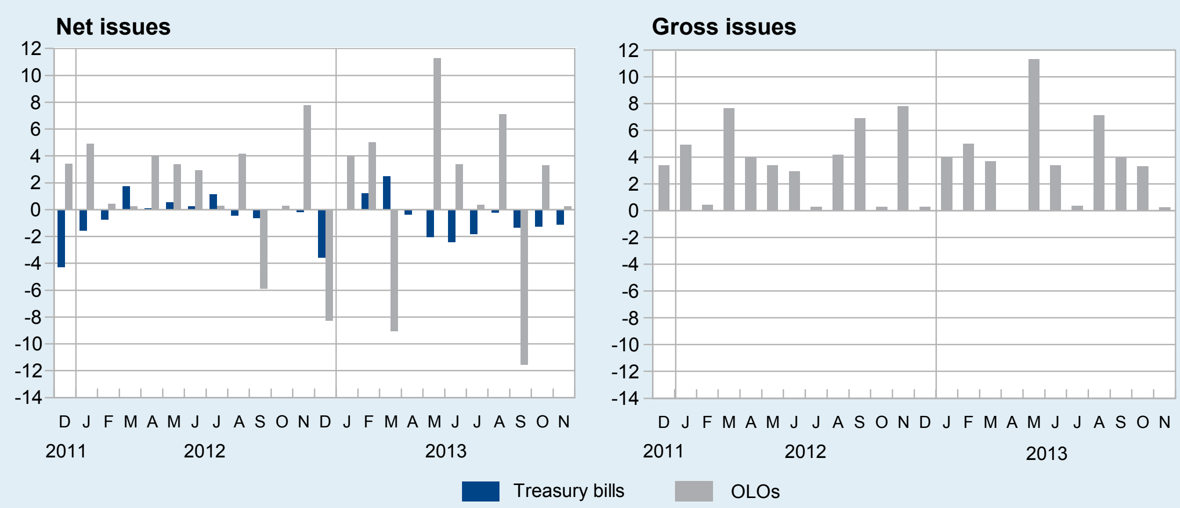


Sources: BIS, Datastream.

During the fourth quarter of 2013, long-term yields on sovereign bonds in the US and Germany followed broadly similar developments, mainly driven by news concerning the tapering of asset purchases by the FED and issues regarding the US debt ceiling. More specifically, between mid-September and end October, long-term yields decreased following the decision by the FED on 18 September to keep its asset purchasing policy unchanged and, although they slightly increased in the beginning of October amid uncertainty surrounding the US federal budget, they continued to decline after the US Congress agreed to raise the debt ceiling. Over this period, the US 10-year yield decreased by 29 bp to 2.57 % while the yield on the 10-year Bund decreased by 28 bp to 1.61 %. From the beginning of November till end December against a background of the confirmation of tapering by the FED and an improving economic outlook, US yields increased to reach a monthly average of 2.90 % in December. Despite the decision by the ECB on November 7 to decrease its main refinancing operations rate by 25 bp to 0.25 %, long-term German yields tended to follow the increase in US yields and reached 1.80 % at the end of the review period.

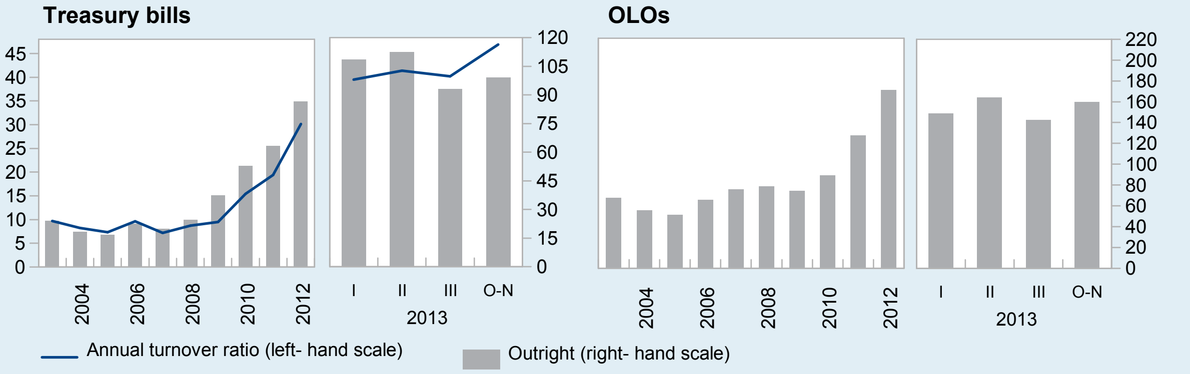
Spreads on long-term yields relative to the Bund continued to decrease over the period under review for most euro area countries. The Spanish and Italian spreads in particular, decreased, by 20 and 34 bp, to reach, respectively, 233 and 231 bp (monthly averages). The Belgian spread also decreased, by 23 bp, to 63 bp and continued to narrow the gap with the Dutch and French spreads. These developments occurred in a context of an improved economic outlook and positive revisions to the credit assessment for some euro area countries, and in particular for those countries most affected by the sovereign crisis. Besides, uncertainty about near-term bond market developments, as measured by the implied volatility of options, declined over the review period for both the euro area and the US.

PRIMARY MARKET
(billions of euros)

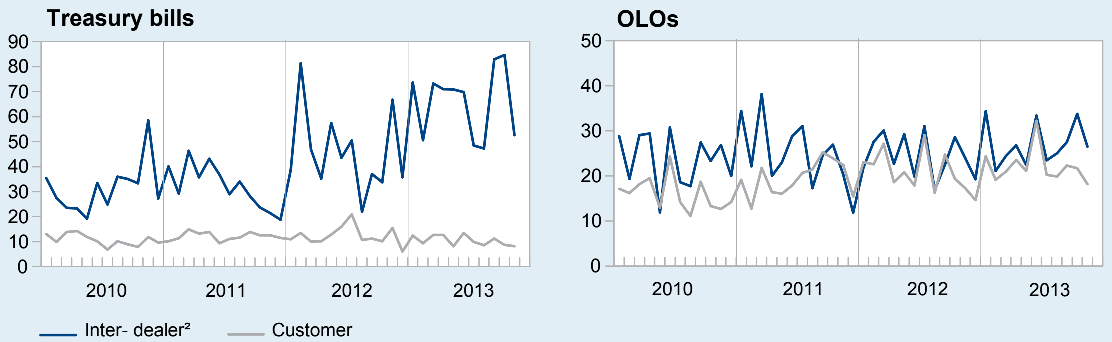


SECONDARY MARKET TURNOVER

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)

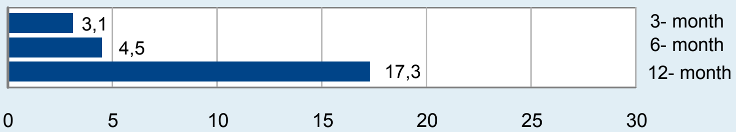


[1] As of January 2009, reporting information obtained via TREM is also included. The Securities Regulation Fund's turnover figures include some sell/buy- back transactions which are in fact repurchase agreements.
[2] Please note that inter- dealer turnover is double- counted in these figures.

OUTSTANDING AMOUNTS AND TURNOVER
(billions of euros)

TREASURY BILLS

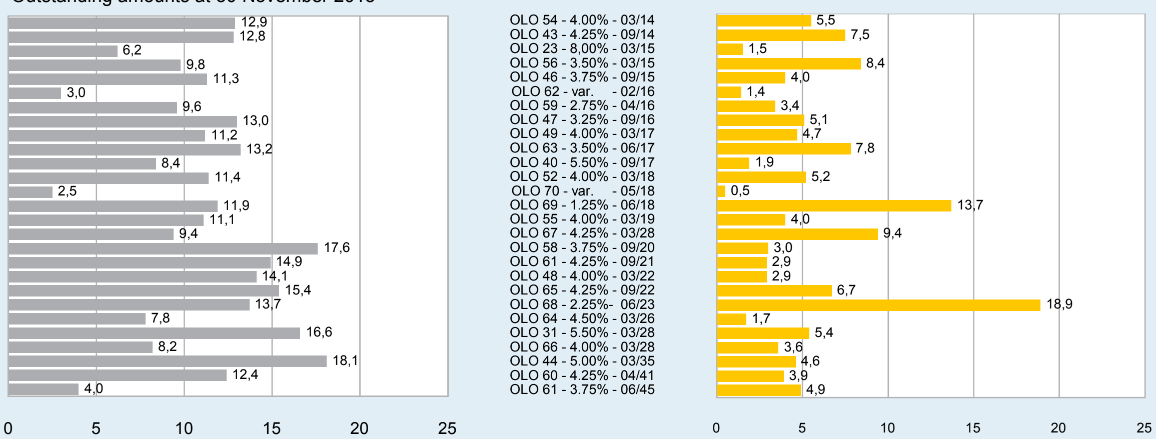
Nominal outstanding amounts at 30 November2013



OLOs

Outstanding amounts at 30 November 2013

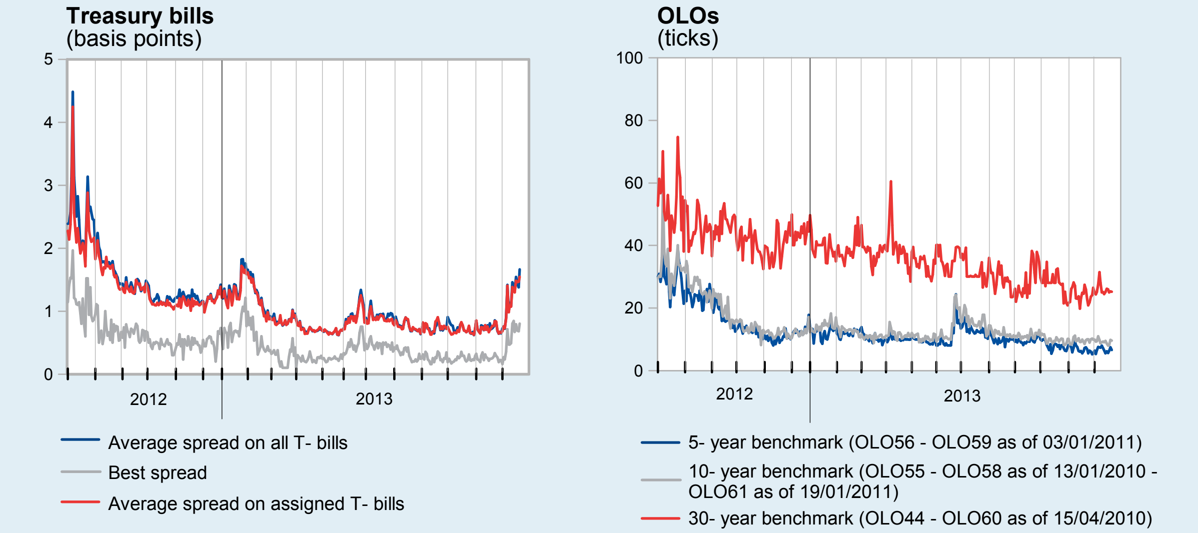
Outright turnover in November 2013



Source: Securities Regulation Fund.

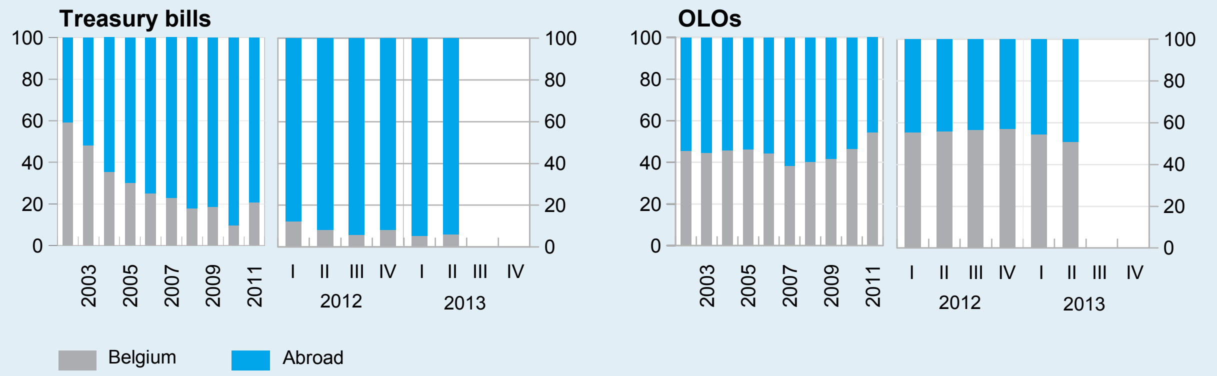
[1] The turnover figures include sell/buy- back transactions which are in fact repurchase agreements.

BEST BID/OFFER SPREADS[1]



Source: Treasury.
[1] As reported by three electronic platforms (MTS, Broker Tec and BGC eSpeed).

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.