

KINGDOM OF BELGIUM

Federal Public
Service Finance
Treasury
Administration



THE FINANCIAL PRODUCTS OF THE BELGIAN TREASURY

2004



BELGIAN
DEBT AGENCY

KINGDOM OF BELGIUM
The Treasury

**THE FINANCIAL PRODUCTS OF THE
BELGIAN TREASURY**

A summary of the financial instruments

September 2004

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Website: <http://www.debtagency.be>

THE FINANCIAL PRODUCTS OF THE BELGIAN TREASURY

FOURTEENTH EDITION

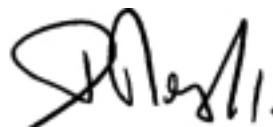
Ladies and Gentlemen,

I have the pleasure to introduce to you this new edition of the brochure presenting Belgian public debt instruments. It aims at facilitating access by market participants and investors to the different products issued by the Treasury of the Kingdom of Belgium. These financial instruments have been extensively modernised over the past few years in order to meet the demands of both professional and private investors as well as the challenges and opportunities offered by the EMU environment. The importance of the two benchmark financial products issued in euros - the OLOs and Treasury certificates - bears witness to the success of Belgian securities.

After a general description of the Kingdom of Belgium, this brochure also gives a brief description of Belgium's fundamentals.

As you know, the positive results achieved in public finances and economic policy made it possible for the Kingdom of Belgium to enter the EMU from the very start, on 1 January 1999. Since then public finances - both indebtedness and deficit ratios - have been improving. In 2003, the Belgian authorities achieved a surplus of 0.3% of GDP despite a difficult international economic environment.

Finally, I would like to take this opportunity to thank you for the confidence that you have shown and that you will continue to show in the securities issued by the Kingdom of Belgium.



Brussels, September 2004

Didier REYNDERS

I. A BRIEF DESCRIPTION OF THE ISSUER: THE KINGDOM OF BELGIUM

Geography and population

Belgium covers an area of 30,528 square kilometres and has a population of around 10 million, 58% of whom live in the Flemish region, 32% in the Walloon region and 10% in the bilingual Brussels region.

Political organisation

Belgium was founded as a constitutional monarchy in 1831. The present Head of State is H.M. King Albert II. Since the reform of 1993, Belgium is, as stipulated in Article 1 of the Constitution, a "federal State composed of Communities and Regions".

The one hundred and fifty Members of the Chamber of Deputies are directly elected for a term of 4 years under universal suffrage. This assembly - and the Senate, which has 71 Members - functions in compliance with the new rules approved in the Constitution. The Chamber of Deputies has become the only assembly empowered to control the Government, to pass a vote of confidence or no confidence and to approve budgetary laws. The Chamber thus has the "power of decision-making", except for institutional reforms and so-called "fundamental" legislation, for which both the Senate and the Chamber remain on a strictly equal footing. The Senate has the power of initiative, evocation (i.e. the right to call in a Bill for further examination) and amendment. Members of the Chamber and of the Senate may no longer belong to the Councils of Regions and Communities, whose members are directly elected. The purpose of removing the double mandate in the federal parliament and in the Councils of Regions and Communities is to improve the efficiency of the assemblies.

For several years now Belgium has consisted of three Communities (the Flemish, the French-speaking and the German-speaking Communities) and three Regions (the Brussels Capital Region, the Flemish Region and the Walloon Region), each with its own assembly - known as a "Council" - and its own government. The Communities are responsible in particular for "person-related matters", such as culture, education, certain aspects of public health and the use of languages. The Regions are mainly responsible for infrastructure, business development, agriculture, economic issues, the environment and the supervision of local authorities.

The Federal State has all the powers necessary to ensure monetary and economic union, especially in the following matters:

- the main taxes (income tax, VAT, excise duties) are levied by the Federal Minister of Finance;
- the financial policy and the organisation of the financial markets and institutions fall under the responsibility of the Federal Public Service Finance and are controlled by special bodies such as the Banking, Finance and Insurance Commission and the Securities Regulation Fund;

- the terms and the issuance calendar for the public bonds issued by the Communities and the Regions are submitted to the Federal Minister of Finance's approval;
- the social security system is organised on a federal basis and functions under the control of the Federal Public Service Social Security;
- similarly, the pension system is organised on a federal basis. In 2001, the Government created a "Fonds de Vieillissement-Zilverfonds" (Silver Fund) in order to cope with the financing of the supplementary costs of pensions due to the ageing population during the period between 2010 and 2030. The Fund's revenue comes from budget surpluses, social security surpluses, non-tax receipts and the yield from its reserve investments;
- the main public enterprises, such as the Post Office and the railways, operate at federal level, notwithstanding the autonomy they now enjoy.

Government

The political parties represented in Parliament cover a broad spectrum, ranging from Liberals, Christian Democrats and Socialists to Ecologists. The major political groups are divided into autonomous Flemish and Walloon parties.

Since World War II the Government has usually been formed by coalitions between two of the three largest parties, i.e. Christian Democrats, Socialists and Liberals.

The latest elections brought to power a coalition between Socialists and Liberals under Prime Minister G. Verhofstadt (Flemish Liberal).

II. THE BELGIAN FINANCIAL MARKETS

Essential characteristics of public debt securities:

1. Management of securities on account (dematerialisation)

Linear bonds (OLOs), Treasury certificates (BTCs) and Belgian Treasury Bills (BTBs) are issued exclusively in dematerialised form. They can only be the object of an account registration with an account keeper approved by the Minister of Finance or of a registered entry into the public debt ledger within the Treasury Administration ⁽¹⁾.

2. The tax system (X/N system)

Every investor is listed with his account keeper according to his tax status under Belgian law ⁽²⁾. Investors exempt from personal income tax ⁽³⁾ on the dematerialised securities receive gross income on their securities. This exemption applies, among others, to non-residents.

The international Euroclear and Clearstream clearing systems are direct participants in the National Bank of Belgium's X/N settlement system and, based on the application of the X/N regulation ⁽³⁾, have a more flexible declaration system for non-resident investors, who can invest in Belgian public debt securities without particular formalities as long as they notify their account keeper of their status.

3. Public debt securities markets

a. Primary markets

The Belgian Treasury has appointed a group of primary dealers and recognised dealers in order to internationalise distribution and enhance trading in Belgian Government securities both inside and outside the euro area. The effort required to promote Belgian debt is offset by some exclusive rights and a preferential relationship with the Treasury. For example, only primary dealers and recognised dealers are authorised to participate in the primary market in linear bonds and Treasury certificates. Potential investors are therefore invited to use their services.

Belgian Treasury Bills (BTBs) in euros or in foreign currencies, however, are issued on tap and are placed by a group of specialised dealers.

⁽¹⁾ The legal status of these securities was established by the January 2, 1991 law concerning the public debt securities market and the instruments of monetary policy, and also by the July 22, 1991 law concerning treasury notes and deposit certificates.

⁽²⁾ The August 6, 1993 law concerning personal stock and share dealings.

⁽³⁾ Royal decree of May 26, 1994 concerning the collection and rebate of the withholding tax conforming to Chapter 1 of the August 6, 1993 law concerning dealings in certain personal stocks and shares.

b. Secondary markets

Linear bonds are the main long-term financing instrument for Belgian public debt. Although they are available to all investors and quoted on Euronext Brussels, linear bonds are essentially a product for the institutional investor. Thus the principal market for linear bonds, stripped securities and Treasury certificates remains the regulated off-exchange secondary market, without overlooking the possibility for the investor of having recourse to the non-regulated off-exchange market ⁽⁴⁾.

Stripped securities are currently available only to tax-exempt investors.

Treasury certificates and BTBs are available, just like linear bonds, to all investors (X or N).

The following table shows the Treasury's different products and the markets on which they can be traded:

	Euronext Brussels	Regulated off-exchange market	Non- regulated market
Linear bonds	YES	YES	YES
Treasury certificates	NO	YES	YES
Belgian Treasury Bills	NO	NO	YES
Stripped securities	NO	YES	YES
Traditional bonds	YES	NO	YES

⁽⁴⁾ - 93/22/EEC Council Directive of May 10, 1993 on investment services in the securities field;
- Law of August 2, 2002 concerning the control of the financial sector and financial services;
- Royal Decree of May 16, 2003 concerning the off-exchange market for linear bonds, stripped securities and Treasury certificates.

MTS Belgium

During the first quarter of 2000 the Belgian Treasury, together with the primary dealers of the Kingdom of Belgium and the company MTS SpA ("Societa per il Mercato dei Titoli di Stato"), set up an electronic trading system (MTS Belgium) for trading Belgian government securities on the secondary market. MTS Belgium is a division of MTS Associated Markets, which is a company incorporated under Belgian law that operates under the supervision of the Banking, Finance and Insurance Commission and the Securities Regulation Fund. The objective of the division is to increase liquidity of OLOs, BPOs and Treasury certificates in the new euro environment.

A. Listed instruments

a. Linear bonds (OLOs)

Since May 2000 all fixed-interest-rate OLO securities ranging from 1.25 years' to 30 years' maturity are traded on MTS Belgium. Listed securities are divided into 4 different maturity buckets: A (1.25-3.5y); B (3.5-6.5y); C (6.5-13.5y); D (>13.5y).

b. Treasury certificates (BTCs)

Since April 2001 BTCs have been listed on MTS Belgium. BTCs are divided into 3 different maturity buckets: A (up to 3 months); B (up to 6 months); C (up to 12 months).

c. Strips (BPOs)

Since January 2004 BPOs have been listed on MTS Belgium. BPOs are divided into 2 different maturity buckets: A (1.25-13.5y); B (>13.5y).

B. Market making obligations

MTS Belgium is a price-driven system in which market makers have to provide two-way proposals (bids and offers) - for at least 5 hours per trading day - in accordance with a set of minimum quantity and maximum spread obligations, which can vary from bucket to bucket and between benchmark and liquid issues.

Since July 4, 2000 the system has been opened to non-shareholder institutions, which can participate either as a market maker or as a market taker. Market takers do not have market making obligations.

C. Minimum trading lots

a. OLOs

Depending on the maturity bucket, proposals must be formulated for a minimum quantity equal to EUR 5 or EUR 10 million for benchmark securities and EUR 5 million for the other securities. Orders may be made for EUR 2.5 million or multiples thereof. Orders for EUR 0.5 million

between the quantities of 0.5 and 2.5 million are considered odd-lots and are subject to market makers' acceptance.

b. Treasury certificates (BTCs)

Proposals as well as orders must be formulated for a minimum quantity of at least EUR 10 million. Any order for a quantity below 10 million is subject to manual acceptance from the proponent of the price.

c. Strips (BPOs)

Proposals must be formulated for a minimum quantity of EUR 10 million. Orders may be made for EUR 2.5 million or multiples thereof. Orders for EUR 0.5 million between the quantities of 0.5 and 2.5 million are considered odd-lots and are subject to market makers' acceptance.

D. Participants

Currently 26 institutions participate in the MTS Belgium system: 18 in the capacity of market maker (16 of which are shareholders of the company) and 8 in the capacity of market taker.

Participants	OLO	BTC	Strips
ABN Amro London Branch	market maker	market maker	market maker
Dexia Bank Belgium	market maker	market maker	market taker
ING Belgium NV	market maker	market maker	market maker
Barclays Bank Plc	market maker	market maker	market maker
BNP Paribas	market maker	market maker	market maker
Commerzbank AG London Branch	market taker	market taker	-
Calyon	market maker	market maker	market maker
Deutsche Bank AG	market maker	market maker	market maker
Fortis Bank NV	market maker	market maker	market maker
Goldman Sachs International	market maker	market maker	market maker
JP Morgan Securities Ltd	market maker	market maker	market taker
KBC Bank NV	market maker	market maker	market maker
Morgan Stanley Int. Ltd	market maker	market maker	-
Citygroup Global Markets Ltd	market maker	market maker	market maker
Société Générale	market maker	market maker	market maker
UBS Warburg	market maker	market maker	market maker
CDC-Marchés	market taker	-	-
Bank of America Securities Ltd	market taker	market taker	-
Crédit Suisse First Boston	market taker	market taker	-
Dresdner Bank AG	market taker	market taker	-
Merrill Lynch	market taker	market taker	-
CCF-HSBC	market maker	market maker	market maker
Lehman Brothers Int. Ltd.	market maker	-	-
Nordea Bank Denmark	market taker	-	-
Nomura International	market maker	market maker	market taker
OKO Bank	market taker	market taker	-

E. Buy-backs

On 31 July 2001 MTS Belgium introduced Belgian buy-backs (BBB) operations as a new system functionality. This allows the Belgian State to buy back OLOs from the secondary market.

Only the primary dealers of the Kingdom of Belgium and the Belgian Treasury have been granted access to BBB operations. On the BBB segment the Treasury is allowed to insert proposals only on the BID side whilst the primary dealers are allowed to insert proposals only on the ASK side.

All the other participants of MTS Belgium (non-primary dealers) are being prevented from seeing the prices of the buy-back operations and from trading.

All OLOs with a remaining maturity < 12 months are subject to BBB operations.

There are no market making obligations on OLOs subject to BBB operations.

F. Statistics

During the first six months of 2004, the OLO segment reached an average daily turnover of EUR 555 million for a total turnover of over EUR 70.5 billion. Representing 70% of total activity, the OLO segment remains the largest segment on MTS Belgium.

Over the same period, the Treasury certificates segment maintained an average daily turnover close to EUR 202 million for a total turnover of EUR 25.7 billion, representing almost 26% of the MTS Belgium activity. Especially on the day of an auction for Treasury certificates, a large activity and turnover are usually noticed.

The Buy-back operations done by the Belgian Debt Agency have continued to be quite successful, with EUR 2.65 billion already bought back during the first six months of 2004.

During the first semester of 2004, the BPO segment reached an average daily turnover of EUR 7.4 million for a total turnover of EUR 895 million representing almost 1% of total activity.

Adding up all segments of MTSB Division, the daily average amount of traded volumes single counted was EUR 785.9 million during the first semester of 2004.

III. THE PRODUCTS

The Treasury issues long-term euro linear bonds with maturities ranging from 1 to 30 years and short-term euro Treasury certificates ranging from 3 to 12 months. These securities have the same characteristics: safety, standardisation, liquidity and transparency. They are both dematerialised and recorded in an accounting system run by the National Bank of Belgium's clearing system. They are issued via an American-style (multiple-price) auction based on the prices and yields offered.

For short-term purposes, the Treasury also makes use of a multicurrency Belgian Treasury Bill ("BTB") programme. BTBs are book-entry notes denominated in euros and in foreign currencies, which cover the very short-term segment of debt financing. They are placed by a panel of dealers and are issued on tap.

Further information about Belgian public debt can be found in the report published annually by the Treasury as well as in the brochure "Review Outlook". These reports which can be consulted on the website of the Belgian Treasury (<http://www.debtagency.be>) are also obtainable on request from the following address:

The Treasury - Studies and Annual Report
30 avenue des Arts
B - 1040 Brussels BELGIUM
Tel.: 32 2 - 233 73 96 Mr Didier DELETRAIN
Fax: 32 2 - 233 71 14
Email: didier.deletrain@minfin.fed.be

1. OLOs DENOMINATED IN EUROS

1.1. Main features

The term "OLO" is the abbreviation for "Obligations Linéaires - Lineaire Obligaties" (i.e. Linear Bonds).

OLOs were created in 1989 to modernise the management of the federal government debt and to stimulate the market for the Kingdom of Belgium's public bonds. They are mainly designed for market professionals and investors with a substantial or diversified portfolio.

Since their launch, OLOs have become the leading federal government debt product. For instance, at the end of June 2004 the share of OLOs in the federal government debt amounted to 77.3%, which corresponds to a nominal amount outstanding of EUR 208.5 billion.

OLOs are:

- medium-term, long-term and very long-term securities with a fixed or floating interest rate and issued in successive tranches via auctions or syndications; OLOs of different tranches with the same characteristics (same coupon and maturity date) are fungible and form a single line;
- denominated in euros;
- dematerialised securities booked in the clearing system of the National Bank of Belgium (Clearing NBB), which can be accessed by international clearing systems (Euroclear and Clearstream). They can also take the form of registered entries in a ledger of the public debt. The amount to be recorded as book-entries or as registered entries in a ledger of the public debt is the nominal amount to be paid by the State upon maturity;
- reimbursable at par upon maturity but may be bought back by the Treasury in principle from one year before final maturity.

Transactions on the primary market are settled through the clearing system of the NBB.

Who is entitled to hold OLOs?

Any private person or legal entity may hold linear bonds as a book-entry in a securities account with an approved account keeper or as a registered entry in the ledger of the public debt. The X-N Clearing NBB can differentiate between holders who are liable for withholding tax on interest and those who are not.

Who is entitled to submit competitive bids at the auctions?

Only primary dealers and recognised dealers are entitled to submit competitive bids at the auctions. Only primary dealers are entitled to subscribe to the non-competitive part of the auctions.

1.2. Primary dealers and recognised dealers

Primary and recognised dealers have been appointed to promote Belgian debt instruments on both primary and secondary markets. However, primary dealers benefit from some exclusive rights (such as participation in the non-competitive part of the auctions) in conjunction with more stringent obligations.

a. Primary dealers

Primary dealers have to:

- participate regularly in auctions of both OLOs and Treasury certificates on the primary market;
- take an active part in the secondary market and ensure its liquidity;
- quote fixed buying and selling yields/prices at the request of clients;
- post prices on their screens that are in line with the market;
- contribute to promoting OLOs and Treasury certificates in order to ensure their placement both in Belgium and abroad;
- generally speaking, contribute to providing information on the Treasury and regularly report on their market activity to the Treasury.

There are currently 16 primary dealers:

	PAGES ON REUTERS	BLOOMBERG
ABN-AMRO BANK, London Branch Bishopsgate 250 GB-LONDON EC2M 4AA	ABNEURO	AAEG
BARCLAYS BANK PLC 5, The North Colonnade Canary Wharf GB-LONDON E14 4BB [21 Bld de la Madeleine F-75038 PARIS CEDEX 01]	BARCEGB	BARX

BNP PARIBAS, London Branch 10, Harewood Avenue ENGLAND-LONDON NW1 6AA [Boulevard des Italiens, 16 F-75009 - PARIS]	BNPPEUROGOV	BNGO
CALYON Quai du Président Paul Doumer, 9 F-92920 PARIS LA DEFENSE CEDEX	CALYON	/
CITIGROUP GLOBAL MARKETS Limited Citigroup Centre, 33 Canada Square Canary Wharf GB-LONDON E14 5LB	SSBFIINDEX	CGEG
DEUTSCHE BANK AG Grosse Gallusstrasse, 10-14 D-60272 FRANKFURT AM MAIN	DEUTSCHEBANK	DABB
DEXIA Bank N.V./BANQUE S.A. Pachecolaan 44, bld Pachéco B-1000 BRUSSELS	DEXIAMENU	DEXG
FORTIS BANK N.V./BANQUE S.A. Warandeborg 3, Montagne du Parc B-1000-BRUSSELS	FORTIS/BE/ MENU2	FRTM
GOLDMAN SACHS INTERNATIONAL 133, Fleet Street - Peterborough Court GB-LONDON EC4A 2BB	For OLOs: GSBE/GSBF For BTCs: GSBF	/
HSBC CCF 103, Avenue des Champs Elysées F - 75008 PARIS CEDEX 08	HSBCCCCFGOVT	CCFC
ING Belgium N.V./S.A. Marnixlaan 24, avenue Marnix B-1000 BRUSSELS	INGMENU	IGOV
JP MORGAN SECURITIES Ltd 125, London Wall GB-LONDON EC2Y 5AJ	JPMORGAN	JPGX

KBC BANK N.V./KBC BANQUE S.A. Havenlaan 12, Avenue du Port B-1080 BRUSSELS	KBC/MENU	KBCP
NOMURA INTERNATIONAL PLC Nomura House 1 St Martin's-le-Grande GB-LONDON EC1A 4NP	/	EGBT
SOCIETE GENERALE Tour Société Générale 17, Cours Valmy F-92987 PARIS LA DEFENSE CEDEX	SGGOVT	SOCB
UBS LIMITED 100, Liverpool Street GB-LONDON EC2M 2RH	UBSEURO	UEUG

b. Recognised dealers

"Recognised dealers in Belgian Government securities" have the specific task of promoting the placement of the Treasury's securities in specific markets or market segments.

There are currently 5 recognised dealers:

BANCA D'INTERMEDIAZIONE MOBILIARE S.p.A. Milano Corso Matteotti, 6 I-20121 MILANO	CAIXA GERAL DE DEPOSITOS Avenida João XXI, 63 P-1000-300 LISBOA
CSFB CREDIT SUISSE FIRST BOSTON (EUROPE) LTD One Cabot Square GB-LONDON E14 4 QJ	LEHMAN BROTHERS INTERNATIONAL (EUROPE) 25 Bank Street GB - LONDON E14 5LE
NORDEA BANK Christiansbro - 3 Strandgade PO Box 850 DK - 0900 COPENHAGEN C	

1.3. Auction process

a. Invitation to bid and competitive bids

An indicative issue calendar for the coming year is published on the Treasury's website (see "Products", "OLOs", "Practical", "Schedule") before January 1st of each year.

The Treasury issues OLOs by means of competitive auctions that, in principle, take place on the last Monday of every other month. Non-competitive bids are submitted on the two next business days.

The invitation to bid is announced via the Treasury's pages on Bloomberg, Reuters and Telerate within a period compatible with market practices, usually after 5 PM on the Monday preceding the auction (D-5). In addition, a personal notification is sent to each primary dealer via the Bloomberg electronic Auction System (BAS).

On the Friday morning preceding the auction (D-1), the Treasury also announces the target range of the global nominal amount which will be auctioned, all lines together.

Usually, two or three lines are issued on the same day.

Competitive bids must be submitted from 11:45 AM until 12 noon at the latest on the day itself (D 0) through the BAS.

b. Announcement of the results

The results of the auction are normally published a few minutes after the cut-off time of the bidding process, first via the BAS and thereafter on Reuters, Telerate and Bloomberg.

c. Non-competitive bids

Participating in non-competitive bids is an exclusive right of primary dealers. Non-competitive bids are submitted at the weighted average price of the auction.

d. Settlement

Settlement and delivery of the securities take place on the third business day following the auction (D + 3).

The amount to be paid is the price of the bids plus accrued interest, which is calculated on an "actual/actual" basis.

1.4. Manual of procedure

A manual of procedure (in English, French and Dutch) concerning OLOs denominated in euros is available through the Treasury's website.

2. TRANSACTIONS CARRIED OUT ON PUBLIC DEBT INSTRUMENTS

2.1. Buy-backs

Buy-back operations apply to OLOs as well as traditional bonds and can be carried out by the Treasury on a daily basis via MTS Belgium or over the telephone. These buy-backs aim at smoothing out the schedule of maturities. They also provide primary dealers with a more or less permanent bid, thus ensuring them a counterparty. For these buy-backs, prices are determined by the Treasury, which posts them on MTS Belgium screens every working day for at least 4 hours.

In addition, the Treasury can also organise reverse auctions at the start of buy-backs on an OLO line. The Treasury initiates the buy-back programme via reverse auctions with a view to increasing market awareness of the fact that the line concerned can be bought back. The invitation to the reverse auction is announced to the participants, at the latest, one calendar week before the reverse auction via the Treasury's pages on Bloomberg (BELG), Reuters (BELG/OLO) and Telerate (36365+36366). In this case offers are accepted at the prices submitted by the participants in the reverse auction through the BAS between 11:30 AM and 12 noon on the day of the auction. The prices accepted must be lower than or equal to the stop price determined by the Treasury. Offers submitted at the stop price may be proportionally scaled down. The results of the reverse auctions are published shortly after the cut-off time of the reverse auction process, first via the BAS and thereafter via the Treasury's pages on Bloomberg, Reuters and Telerate.

Reverse auctions can also be organised from time to time to provide the market with an opportunity to offer the bond in a transparent manner.

2.2. Bond-stripping

In October 1992 Belgium authorised the stripping of some of its linear bonds in a similar fashion to the American and French systems.

Under the "Separate Trading of Registered Interest and Principal of Securities" (the "STRIPS"), both capital and interest can have their own life as autonomous dematerialised zero-bonds. It is, of course, possible to reconstitute the original bond at any time.

Such bond-stripping can only be requested by primary dealers and recognised dealers. The stripping is effected by the National Bank of Belgium's clearing system.

The primary dealers have, among other obligations, to ensure liquidity in this market.

The stripped linear bonds are:

OLO 257 - 8.50 % - 1 October 2007

OLO 282 - 8 % - 28 March 2015

OLO 286 - 6.25% - 28 March 2007

OLO 288 - 5.75% - 28 March 2008
OLO 291 - 5.50% - 28 March 2028
OLO 292 - 3.75% - 28 March 2009
OLO 294 - 4.75% - 28 September 2005
OLO 295 - 5.75% - 28 September 2010
OLO 296 - 5% - 28 September 2011
OLO 297 - 4.75% - 28 September 2006
OLO 298 - 5% - 28 September 2012
OLO 300 - 5.50% - 28 September 2017
OLO 301 - 4.25% - 28 September 2013
OLO 302 - 3% - 28 September 2008
OLO 303 - 4.25% - 28 September 2014
OLO 304 - 5% - 28 March 2035

Further information about OLO stripping (such as the monthly updated percentage of actually stripped bonds within each line) can be found on the Treasury's website.

2.3. Repo facility

In order to guarantee the availability of securities for the lines quoted on MTS Belgium, the Belgian Treasury has created a repo facility for the market makers on MTS Belgium. This measure aims at ensuring the good functioning of the market for Belgian public debt products. If there is a delivery problem the Treasury delivers the missing securities via a repo transaction concluded for one business day renewable for a maximum of 10 business days. Pricing rates vary from Eonia -25 to -100 basis points.

The Treasury has determined the minimum and maximum amounts available per security and per market maker, depending on the lines and securities concerned. Each dealer has the right to a maximum amount of EUR 100 million for OLOs and EUR 100 million for BTCs.

All requests for use of the repo facility should be addressed to the Treasury before 3.30 PM.

3. TREASURY CERTIFICATES

3.1. Main features

Treasury certificates have been auctioned directly by the Treasury since 1991 and now form the most important segment of the Belgian money market.

Their share in the financing of the federal public debt amounted to 10.7% at the end of June 2004, which corresponds to a nominal amount outstanding of EUR 28.8 billion.

Treasury certificates are:

- short-term bills with a maximum maturity of one year. This maximum maturity can be extended so that the maturity date matches an operating day of "TARGET" ⁽¹⁾;
- denominated in euros;
- issued through auctions based on interest rates by means of competitive bidding as well as of non-competitive subscriptions. The auctions take place twice a month for 3- and 6- or 3- and 12-month certificates;
- dematerialised securities booked in the clearing system of the National Bank of Belgium (Clearing NBB), which can be accessed by international clearing systems (Euroclear and Clearstream). They can also take the form of registered entries in a ledger of the public debt. The amount to be recorded as book-entries or as registered entries in a ledger of the public debt is the amount (capital and interest included) before deduction of withholding tax, if any, to be paid by the State upon maturity.

Transactions on the primary market are settled through the clearing system of the NBB.

Who is entitled to hold Treasury certificates?

Any private person or legal entity may hold Treasury certificates as a book-entry in a securities account with an approved account keeper or as a registered entry in a ledger of the public debt. The X-N Clearing NBB can differentiate between holders who are liable for withholding tax on interest and those who are not.

Who is entitled to submit competitive bids at the auctions?

Only primary dealers and recognised dealers are entitled to submit competitive bids at the auctions. Only primary dealers are entitled to subscribe to the non-competitive part of the auctions.

⁽¹⁾ Trans-European Automated Real-time Gross Settlement Express Transfer system.

3.2. Primary dealers and recognised dealers

The same groups of recognised and primary dealers as in the case of OLOs are responsible for promoting the placement and liquidity of Treasury certificates (see pages 15 to 18 for a description of their rights and obligations, and a list of names).

3.3. Auction process

a. Invitation to bid and competitive bids

An indicative calendar for the auctions is published on the Treasury's website before January 1st of each year.

The Treasury of the Kingdom of Belgium issues Treasury certificates with 3-, 6- and 12-month maturities by means of competitive auctions. These issues are effected twice a month on a Tuesday and concern either 3- and 6-month maturities or 3- and 12-month maturities. Non-competitive bids are submitted on the next two business days.

Treasury certificate auctions are based on the yield rates offered by the bidders.

The invitation to bid is announced via the Treasury's pages, usually before 5 PM on the Friday before the auction (D-2). At that time the Treasury also announces the range within which competitive bids will be awarded. In addition, a personal notification is sent to each primary dealer via the Bloomberg auction system.

On the day itself (D 0) competitive bids must be submitted from 11 AM until 11:30 AM via the BAS.

b. Announcement of the results

The results of the auction are usually communicated a few minutes after the cut-off time of the bidding process first via the BAS and thereafter on Bloomberg, Reuters and Telerate.

c. Non-competitive bids

Participating in non-competitive bids is a privilege granted to primary dealers.

Non-competitive bids are submitted at the auction's weighted average rate.

d. Settlement

Settlement and delivery of the securities take place on the second business day following the auction (D+2).

The amount to be paid is the discounted value of the accepted bids calculated on an "actual/360" basis.

3.4. Manual of procedure

A manual of procedure (in English, French and Dutch) for Treasury certificates is available on request through the Treasury's website.

4. THE BELGIAN TREASURY BILL PROGRAMME

ARRANGER: GOLDMAN SACHS INTERNATIONAL

CO-ARRANGER: FORTIS BANK

Belgian Treasury Bills (BTBs) are short-term bills issued by the Kingdom of Belgium. BTBs and BTCs are comparable in that they are both short-term instruments. While their maturity is up to one year, they are issued on a discount basis and redeemed at par. They exist only in book-entry form (i.e. no paper is issued) and are subject to Belgian law. Eligible investors holding the securities in a tax-exempt account receive payments without any Belgian tax being deducted or withheld.

However, BTBs and BTCs differ in that BTCs are only issued in euros, by auction and for standardised maturities. In contrast, BTBs can also be denominated in currencies of other OECD member states, they are issued on tap and are placed by dealers. BTBs can thus be tailored to investors' needs.

BTBs denominated in foreign currencies have been issued by the Kingdom since July 1996. The BTB programme was adjusted in September 1998 to allow for the issuance of BTBs denominated in BEF as well (euros from 1 January 1999) and to give BTBs exactly the same tax status as BTCs. The BTB programme has no fixed issue limit in scale.

The Kingdom has appointed the following banks as dealers for the programme: Citibank, Dexia, Deutsche Bank AG London, Fortis Bank, Goldman Sachs International, KBC Bank, UBS Warburg and Credit Suisse First Boston. The Treasury can also act as a dealer for this programme. The programme is open to reverse enquiries.

The National Bank of Belgium acts as the BTB issuing and paying agent.

The amount outstanding on BTBs denominated in EUR and in foreign currencies reached the equivalent of EUR 2.99 billion at the end of June 2004.

IV. SUMMARY OF PAGE CODES FOR BLOOMBERG, REUTERS AND TELERATE

The following page codes for Bloomberg, Reuters and Telerate will make it easier to find information on the Belgian Treasury's financial products.

BLOOMBERG, REUTERS and TELERATE	BLOOMBERG AUCTION SYSTEM	REUTERS	TELERATE
INDEX page	BELG	BELG/MENU	21391
GENERAL			
GENERAL INFORMATION AND ANNOUNCEMENTS	BGTB for TCs BGTS for OLOs	BELG/INFO1 BELG/INFO2	36361+36362 36363+36364
CAPITAL MARKET			
OLO AUCTIONS-RESULTS		BELG/OLO	36365+36366
OLO SYNDICATIONS		BELG/ SYN	36344+36345
OLO REVERSE AUCTIONS		BELG/REVERSE	36346+36347
OLO FRN		BELG/FRN	36367+36368
OLO/Trad. Loans BUY BACKS		BELG/BBB	36348+36349
RETAIL PRODUCTS		BELG/RETAIL	36350+36351
MONEY MARKET			
TC AUCTIONS-RESULTS		BELG/TC	36354+36355
OTHER INFORMATION			
CONTACTS		BELG/CONTACT	36352+36353

V. BUDGETARY ESTIMATES FOR 2004

The net financing requirement (budget deficit in cash terms) of the Treasury (Federal State) is expected to amount to EUR 7.7 billion for 2004, taking into account transfers to the Silver Fund of EUR 7.80 billion. The Silver Fund will invest the amount received in "Treasury bonds - Silver Fund".

The table below shows the breakdown of the estimated gross financing requirements and funding resources for the year 2004 (in billions of EUR).

	Budget 2004 ⁽¹⁾	Achieved as of 31/07/04
I. Gross financing requirements 2004	<u>34.51</u>	<u>15.26</u>
1. 2004 funding needs	<u>28.84</u>	<u>13.88</u>
Budget deficit ⁽²⁾ :	<u>7.70</u>	<u>3.45</u>
Including transfers to the Silver Fund	7.80	5.30
Debt maturing in 2004	<u>21.14</u>	<u>10.43</u>
- Long and medium term debt in euro:	20.07	9.94
- Long and medium term debt in foreign currencies	1.07	0.49
2. Pre-funding planned (bonds maturing in 2005 and later)	<u>5.30</u>	<u>1.32</u>
Buy-backs ⁽³⁾	5.30	1.32
3. Other financing requirements ⁽⁴⁾	<u>0.37</u>	<u>0.06</u>
II. Funding resources 2004	<u>34.80</u>	<u>22.34</u>
1. Long and medium term issues in euro	<u>34.80</u>	<u>22.34</u>
OLOs	<u>26.00</u>	<u>16.61</u>
Treasury bonds - Silver Fund	<u>7.80</u>	<u>5.30</u>
State Notes - OLOPs	<u>1.00</u>	<u>0.44</u>
Other ⁽⁵⁾	<u>0.00</u>	<u>0.00</u>
2. Long and medium term issues in foreign currencies	<u>0.00</u>	<u>0.00</u>
III. Net change of short term debt in foreign currencies	<u>0.00</u>	<u>0.97</u>
IV. Net change of short term debt in euro ⁽⁶⁾	<u>-0.29</u>	<u>-8.06</u>

⁽¹⁾ Forecast as of March 2004 (budget control).

⁽²⁾ Seasonal parameter : interest charges are important during the first semester and in September and tax receipts are large during the second semester.

⁽³⁾ As of 1 January 2004 total medium- and long term debt in euro maturing in 2005 : 24,11 billion euro.

⁽⁴⁾ Including the puts exercised on state bonds and the net redemptions of treasury bonds representing Belgian participation in international organisations.

⁽⁵⁾ Including the net issues of Treasury bonds representing Belgian participation in international organisations.

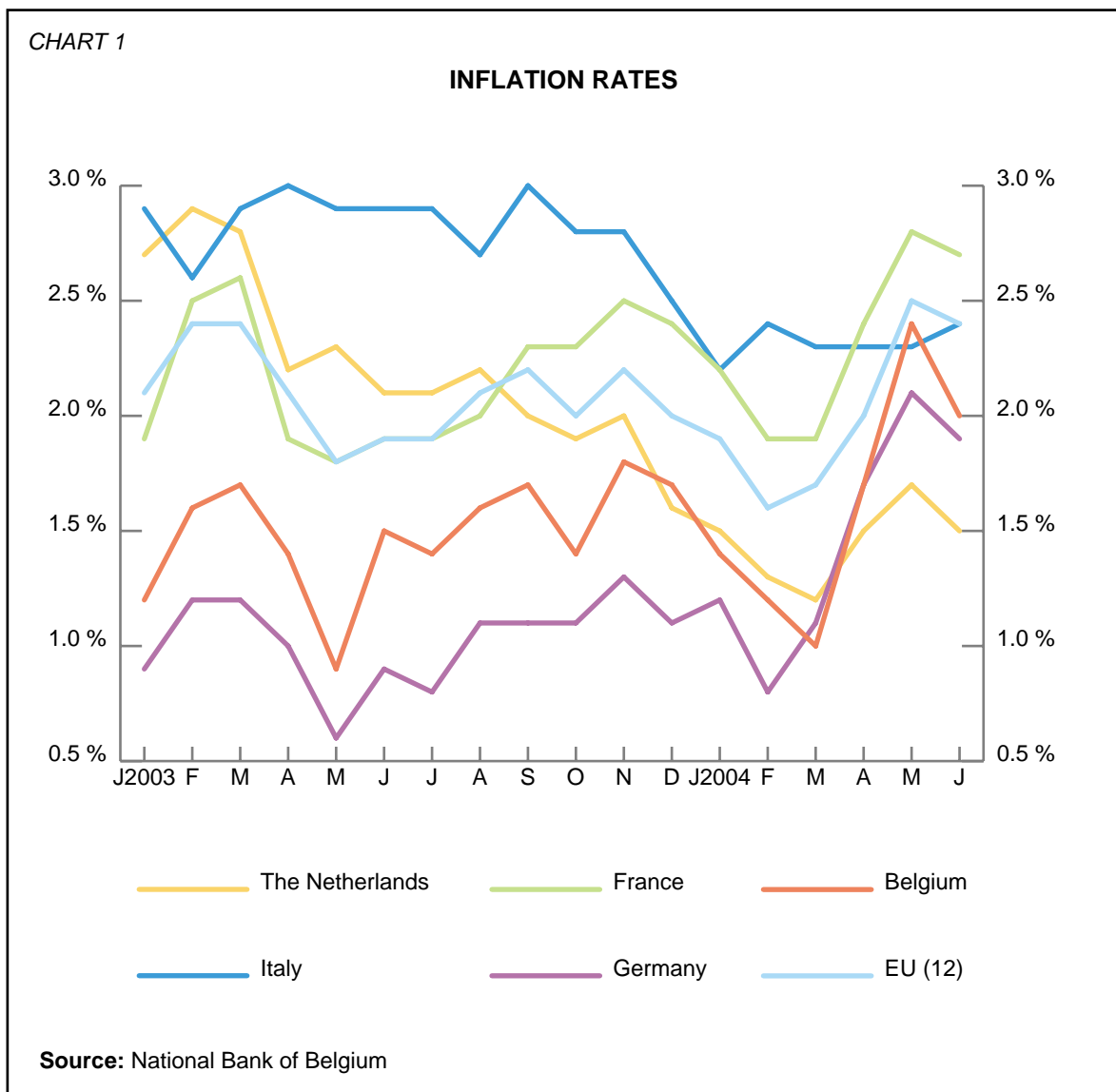
⁽⁶⁾ Outstanding gross short term debt in euro on 01/01/2004 : 30,22 billion euro.

⁽⁷⁾ Figures do not sum up to the total because of rounding.

VI. WHY INVEST IN THE TREASURY'S FINANCIAL INSTRUMENTS?

1. A global currency: the euro

Almost all the securities issued by the Belgian Treasury are denominated in euros, giving investors the benefit of a global currency. With an inflation rate of 1.6% for the first six months of this year, Belgium offers foreign investors the benefit of a stable monetary environment.

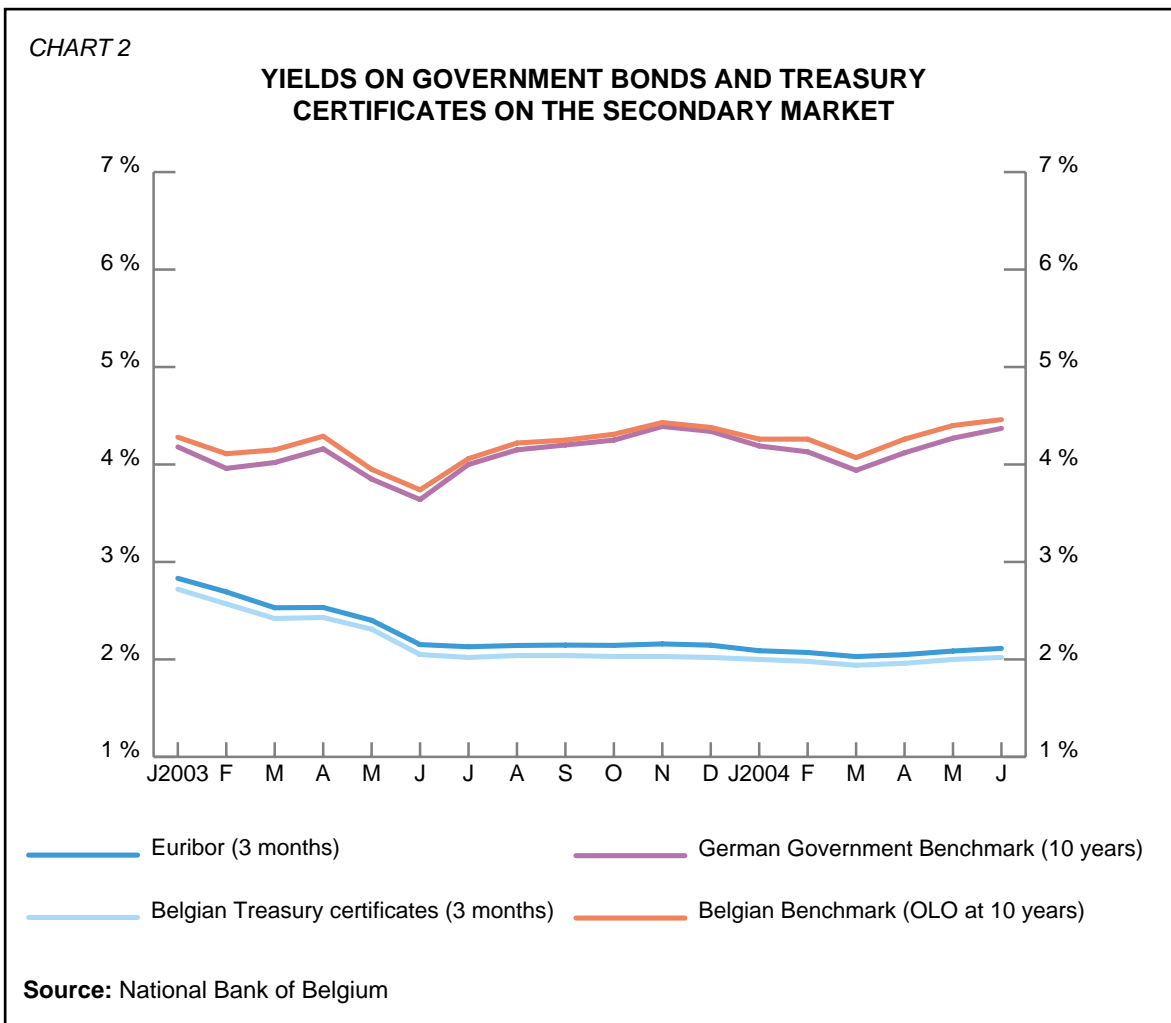


2. An attractive return

Chart 2 shows the month-by-month comparison, from January 2003 to June 2004, of the yields on the secondary market offered by the OLO Benchmark (OLO at 10 years), 3-month Treasury certificates and the German Government benchmark (Bund at 10 years).

Compared with the beginning of the nineties, the improvement in the budgetary outlook and the strength of Belgian economic fundamentals have led to a narrowing of the spread between German and Belgian long-term interest rates. At that time the spread amounted to some 80 basis points, compared with 11 basis points on average for the first six months of the year 2004. The average spread nevertheless offers investors an additional attractive return.

As regards Treasury certificates, they offer investors a return relatively close to the rates provided by the interbank market, with the added attraction of being a negotiable security and bearing a top-quality sovereign signature.



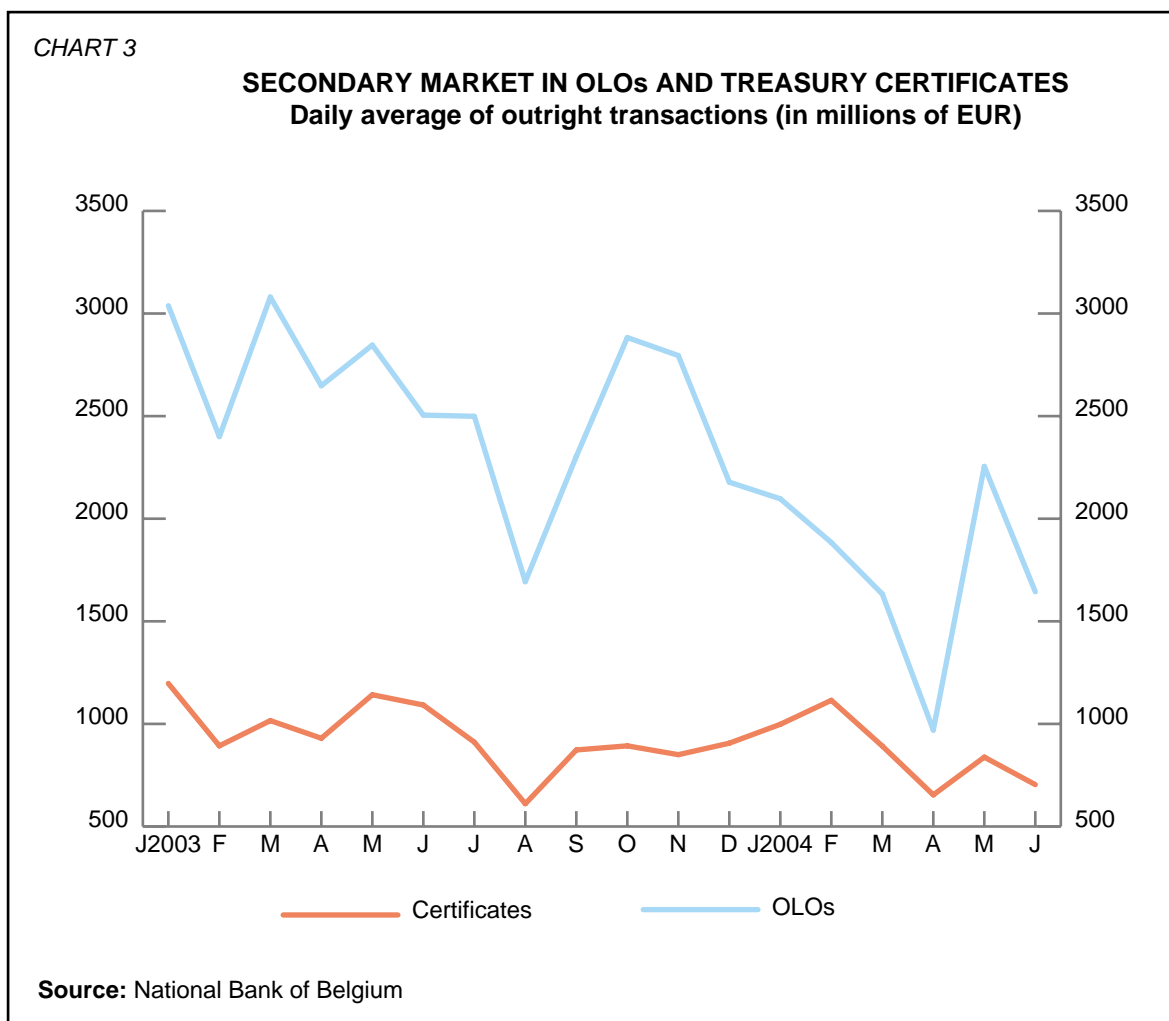
3. Liquidity

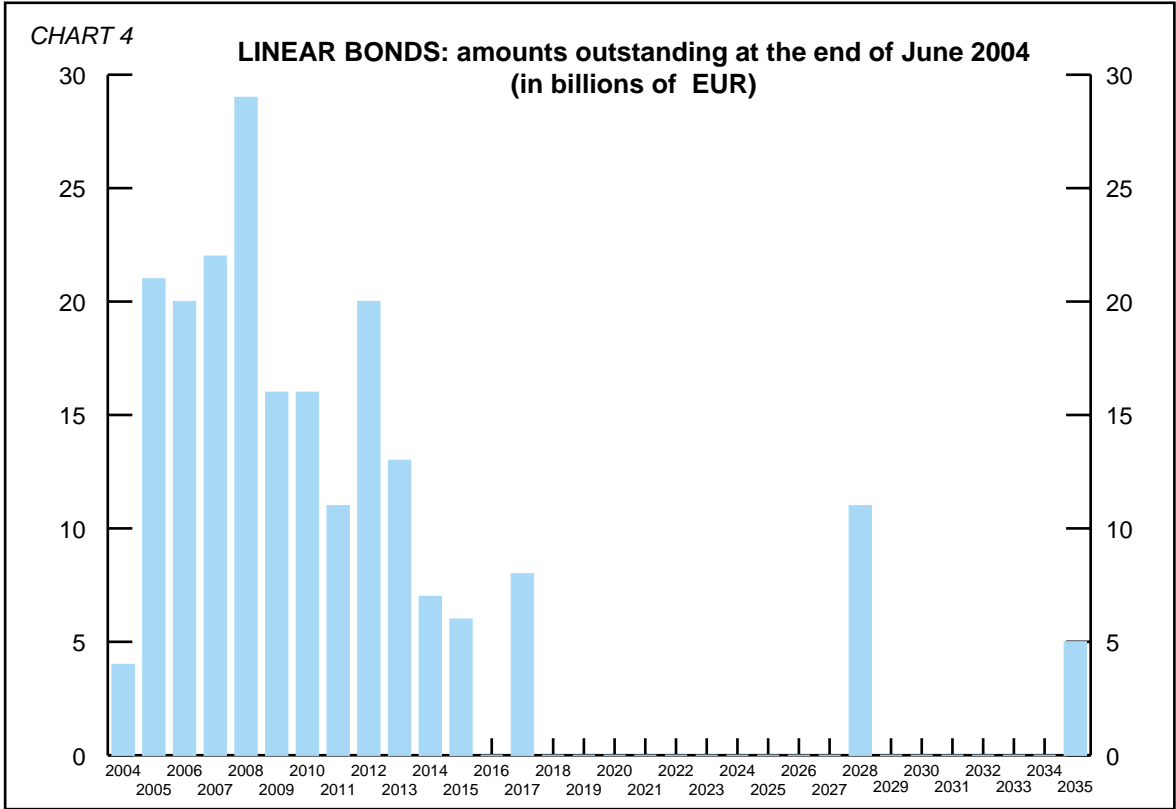
It is important for investors to be able to invest in securities traded on liquid secondary markets, as is the case for linear bonds and Treasury certificates.

Chart 3 shows the month-by-month daily average of outright transactions in these securities since the beginning of 2003. The turnover figures reported in this schedule exclude repo transactions. This was not the case in the previous publications of this brochure.

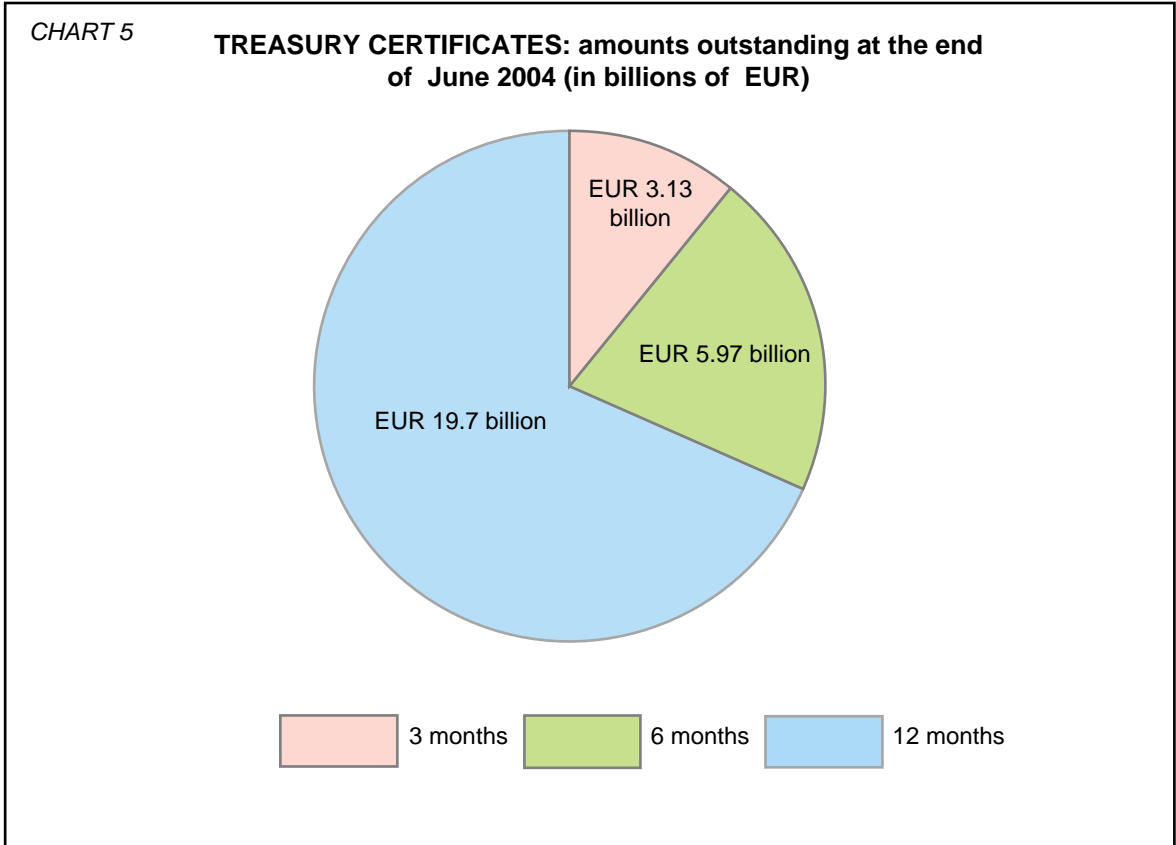
During the first six months of 2004, an average of EUR 2.29 billion per day was recorded on the OLO side, compared with EUR 2.61 billion for the same period in 2003. For the Treasury certificates the average was EUR 918 million, compared with EUR 1 billion for the same period in 2003.

Finally, it is also worth noting that by the end of June 2004 the total amount outstanding on linear bonds was EUR 208.5 billion. At the same time, the outstanding amount of certificates was EUR 28.8 billion for the three maturities (3, 6 and 12 months) combined (Charts 4 and 5). They both represent the bulk of Belgian public debt.





Source: Federal Public Service Finance



4. Safety

The dematerialisation of Treasury securities and the settlement of transactions on the primary and secondary markets by means of the fully electronic system used by the National Bank of Belgium's clearing system make your investment absolutely safe.

The characteristics of this clearing system are as follows:

- fully automatic settlement system;
- application of the principle of "delivery versus payment" ("DVP");
- procedures for automatic lending of securities.

Moreover, the link between the NBB clearing system and EUROCLEAR-CLEARSTREAM makes it possible to allow delivery against payment on the right value date.

5. Strong sovereign credit

The following charts show the recent development of Belgian economic fundamentals.

Chart 6 shows the evolution of consumer prices in Belgium compared with the EU (12), the USA and Japan for the period 2002-2004.

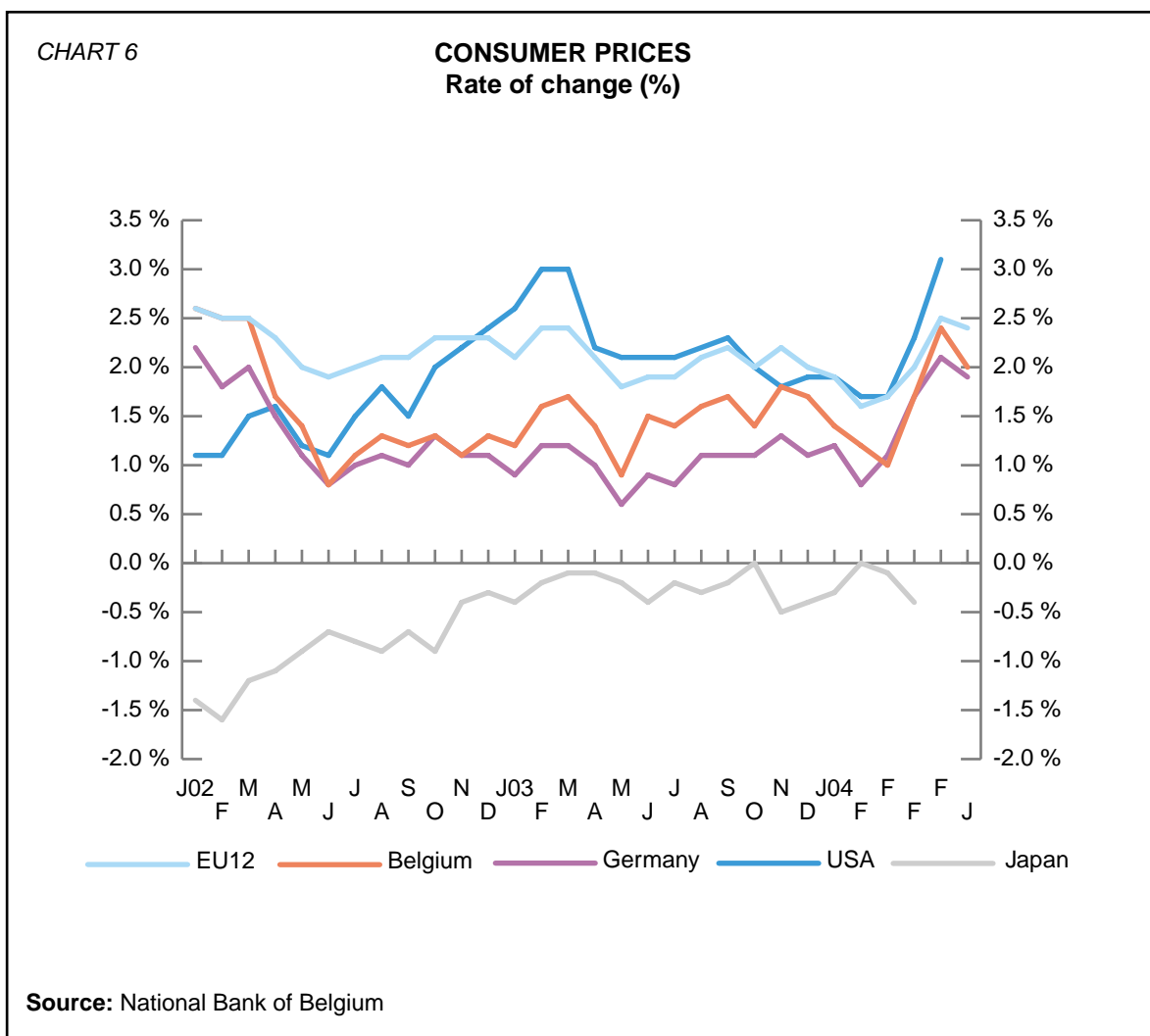
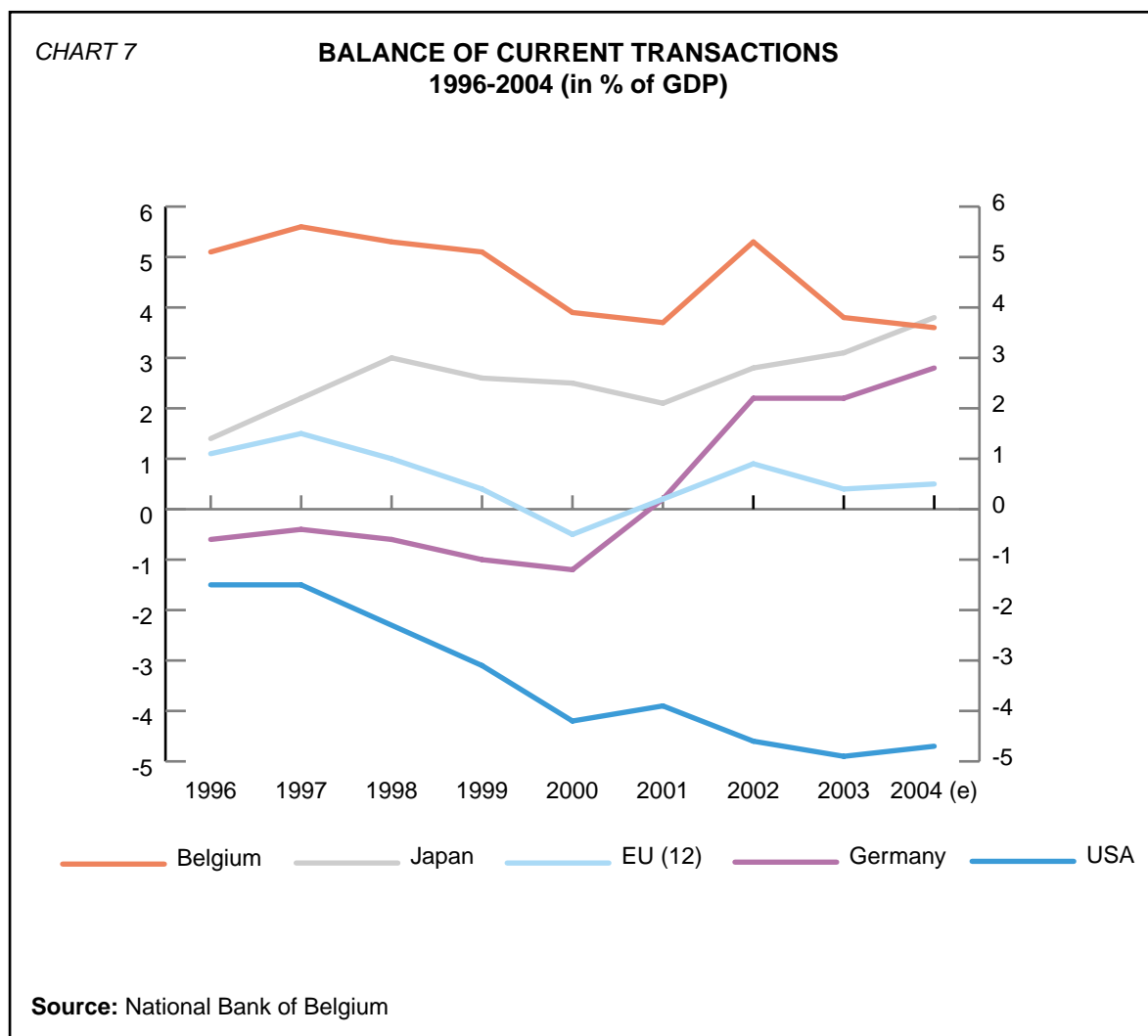
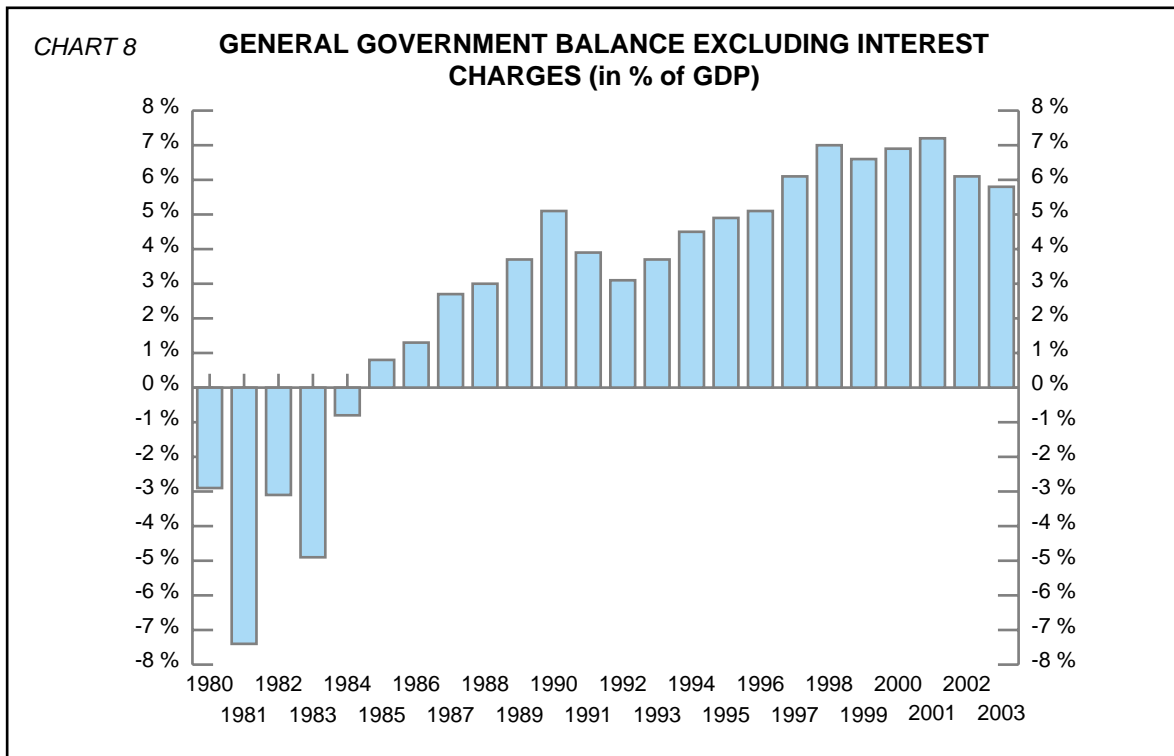


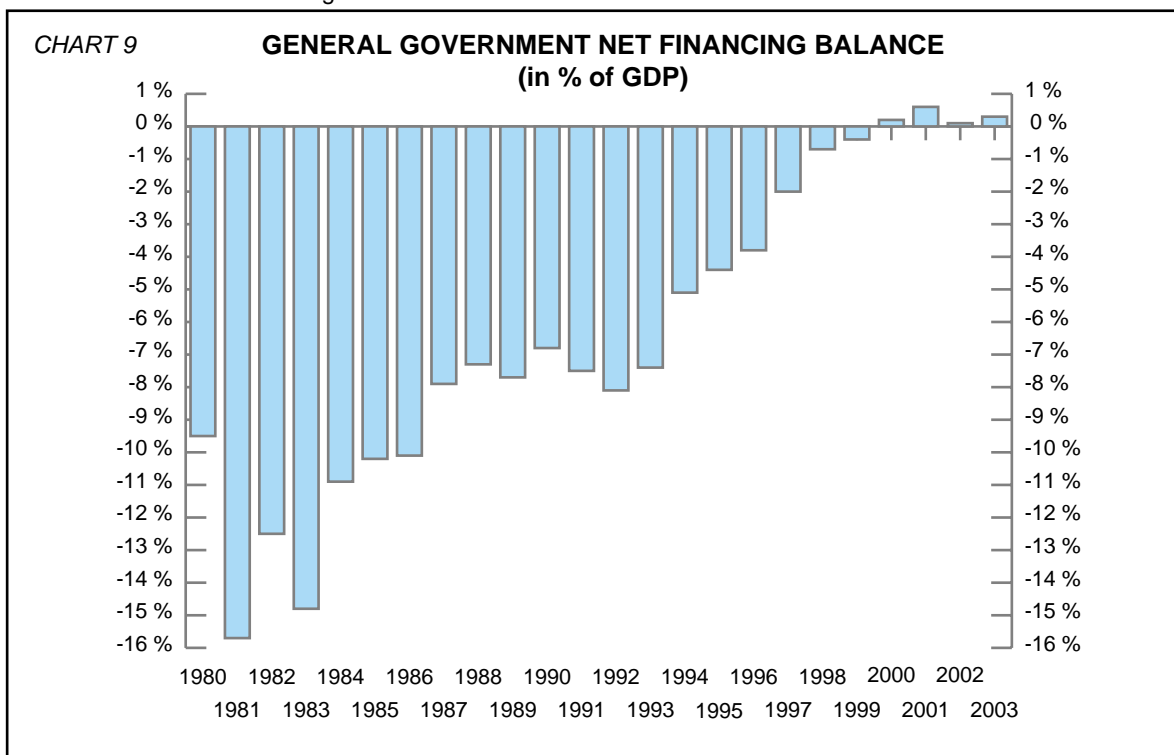
Chart 7 presents the trend for the balance of current transactions as a proportion of GDP for the same countries.



Charts 8 and 9 present the trend for Belgium's general government balance excluding interest charges and the general government net financing balance for the period 1980-2003.



Source: National Bank of Belgium



After many years of sound economic policy, which included measures to moderate labour costs, reduce general government imbalances and modernise financial markets, the Belgian economy has achieved impressive results:

- Belgium's balance of payments current account has shown a surplus for several years. This surplus reached 3.8% of GDP in 2003 and is estimated at 3.6% for the year 2004;
- The Belgian inflation rate is relatively low at 2% at the end of June 2004;
- The fiscal improvement has been vigorous. The general government balance excluding interest charges turned from a deficit at the beginning of the eighties to a surplus of 5.8% in 2003, i.e. a balance considerably better than that of the EU, the USA, Japan and Germany. The general government net financing requirement (including interest charges) fell from a double-digit figure in the eighties to small surpluses these last years with 0.3% of GDP in 2003. For its part, the Kingdom's ratio of public indebtedness will be further reduced and is expected to reach 97.6% of GDP at the end of 2004.

Finally, in addition to its efforts to improve Belgium's financial fundamentals, the Government's involvement in social dialogue and its commitment to promoting employment will make it possible to stabilise unemployment and will allow a further reduction in the level of structural unemployment in the years to come.

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