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FEDERAL PUBLIC SERVICE FINANCE
Treasury Administration
Kunstlaan 30
1040 Brussels

http://treasury.fgov.be/interdette/

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FOREWORD BY MR. DIDIER REYNDERS
BELGIAN FINANCE MINISTER

The year 2002 began with an historic event: the introduction on 1 January of coins and notes denominated in euros. The switch from the Belgian franc to this new currency unit was greeted with widespread enthusiasm. The fears that some had expressed proved unfounded, and the advantages of a common currency for twelve countries very rapidly became apparent - not just to the financial world but also to most members of the public.

At macroeconomic level also the year began promisingly, with forecasts suggesting a gradual return to stronger economic growth. Unfortunately the reality turned out to be rather different: considerable instability ensued, which progressively undermined financial confidence. The downturn in growth combined with the increasing uncertainty caused by geopolitical developments had a negative impact on the economy. In the second half of the year this situation deteriorated even further. Even the Eurozone did not escape this general climate of despondency, and various countries saw the state of their public finances perceptibly deteriorate.

Against this background, however, Belgium more than held its own, certainly in comparison with our neighbours. Belgium achieved - with room to spare - all the objectives envisaged in the Stability and Growth Pact. The public accounts were in balance; in fact, there was even a small surplus. The fall in the interest burden of the national debt by some 200 million EUR made a substantial contribution to this situation without increasing the risks. The weighted average interest rate of the public debt also fell again.

This Annual Report on the Public Debt, which I now have the pleasure of introducing for the fourth time, provides a concise overview, illustrated with graphs, of the financing strategy adopted by the Belgian Treasury in 2002 and of the various activities of the Belgian Debt Agency. It is an important source of information, and also helps to increase the transparency of Belgian public debt management.

This report shows that the excellent results for 2002 did not happen by accident: they were partly the result of the profound reorganisation that federal debt management has undergone. The structural reduction in our debt burden has already been a reality for several years now. Thanks to its liquid and up-to-date products, the Belgian Debt Agency has succeeded in acquiring an excellent position in the market, where its know-how is generally recognised. The financing terms that Belgium has been able to secure have steadily improved in comparison with the reference loans of other sovereign issuers, as is apparent from the spectacular reduction in the spread between the 10-year OLO and the loans with the same term issued by Germany and France. Thanks to support from the primary dealers in Treasury securities, the placement of public debt securities is becoming increasingly internationalised, with investments not only in other European countries but also in the rest of the world, such as South-East Asia, Japan and Canada.

Within the Debt Agency new projects are under study relating to the issue of products that meet the needs of investors - and at a financing cost that the State feels comfortable with. Stimulating the secondary market in government securities also continues to receive full attention. In addition, the reorganisation of the federal administration is making it possible to develop synergies with the Public Debt Department to increase efficiency and reduce operating expenditure. By the end of the year the Public Debt Department will return to their home in the renovated buildings of the Treasury Administration. The Service's staff will therefore have a pleasanter environment within which to work and will have access to all the latest IT and office equipment.

Belgium has made impressive progress since 1993. Our debt ratio has fallen by almost 40 percentage points in 10 years. Even so, Belgium's debt burden is still significantly above the European average. We must not allow ourselves to become complacent under any circumstances.

A further reduction in the national debt must remain a priority, so that additional resources can be released to meet the two greatest challenges of our society: reducing the excessive fiscal pressure that continues to weigh so heavily on employment levels and the impact of the greying of the population. Thanks to the dedication and debt management expertise of the Treasury's staff and the continuation of a policy that aims to achieve a structural build-up of budgetary surpluses, Belgium will be able to tackle the major challenges of the present day and, in so doing, guarantee future generations a healthy financial future.

The Finance Minister,

Didier REYNDERS

The federal debt in figures (in billions of EUR or %)

	31/12/2002	31/12/2001
I. Federal debt outstanding and leading instruments		
1. Federal debt outstanding (gross)	262.75	257.16
- Financings and placements by the Treasury	2.29	1.50
- Securities in own ownership	4.99	1.71
- Investment reserve	0.00	0.06
- Financing of Belgian Securities Regulation Fund	0.09	0.06
Federal debt outstanding (net)	255.38	253.83
2. Debt instruments		
A. EUR-denominated instruments:	257.29	250.08
- Linear bonds (OLOs)	197.36	185.73
- Traditional loans	12.15	17.35
- State Notes	8.35	7.12
- Treasury certificates	27.00	26.95
- Treasury bonds - Silver Fund	1.09	0.00
- 'Belgian Treasury Bills' in euros	0.35	0.70
- Private loans, Interbank market and miscellaneous	9.12	8.70
- Debt issued in former currencies of the Eurozone	0.76	2.21
- Debt issued in foreign currencies and swapped into EUR	1.11	1.32
- As a % of the debt in EUR:		
- Linear bonds (OLOs)	76.71%	74.27 %
- Traditional loans	4.72%	6.94 %
- State Notes	3.25%	2.85 %
- Treasury certificates	10.49%	10.77 %
- Miscellaneous	4.83%	5.17 %
B. Foreign currency instruments:	5.46	7.08
- Medium- and long-term debt	3.59	5.00
- 'Belgian Treasury Bills' in foreign currencies	1.87	2.08
- Other short-term debt	0.00	0.00
II. Net variation in the federal debt over the year		
1. Variation in billions of EUR	1.55	4.00
- Net balance to be financed	1.78	1.85
- Takeover of debts	0.04	1.70
- Exchange rate differences	-0.12	0.06
- Capitalisation of interest	0.05	0.46
- Transactions with the IMF	-0.23	- 0.55
- Miscellaneous	0.03	0.48
2. Variation in %	+ 0.59%	+ 1.60%

III. Characteristics of the federal debt

	31/12/2002	31/12/2001
1. Rating awarded by the various rating agencies		
- Long-term rating (S&P/Moody's/Fitch)	AA+/Aa1/AA	AA+/Aa1/AA-
2. Split by currency		
- EUR-denominated	97.92%	97.25 %
- Foreign-currency denominated	2.08%	2.75 %
3. Split by term		
- Long- and medium-term (> 1 years)	87.45%	87.38%
- Short-term	12.55%	12.62%
4. Split according to interest rate		
- Fixed interest rate	83.77%	82.77 %
- Variable interest rate	16.23%	17.23 %
5. Effective duration of the EUR-denominated debt	4.17	3.89
Effective duration of the foreign currency-denominated debt	0.45	0.60
6. Interest burden of the federal government	14.70	14.90
7. Weighted average interest rate	5.48%	5.77%
8. Federal interest burden as a percentage of federal expenditure	32.7%	33.9%

IV. Relationship with the General Government Debt[1]

	31/12/2002	31/12/2001
1. Federal debt outstanding	262.75	257.16
2. Outstanding debt of other government	11.80	12.21
3. Debt of Communities and Regions, local administrations and Social Security	28.86	29.56
4. Consolidation effect	20.46	14.87
5. Certificates in favour of the IMF	4.00	4.22
6. Other adjustments	3.22	3.84
7. Consolidated General Government Debt (1+2+3-4-5-6)	275.74	276.00
8. Gross domestic product (GDP)	261.72	254.28
9. General Government Debt Ratio (7/8))	105.36%	108.54%

[1] According to the criteria of the Treaty of Maastricht.

PART I

ECONOMIC TRENDS, PUBLIC FINANCE AND THE ORGANISATION OF THE FINANCIAL MARKETS

1. ECONOMIC TRENDS IN 2002

Growth stagnates in 2002

After a disappointing 2001 and despite the encouraging signs observable at the beginning of 2002, economic recovery in Belgium ultimately did not reach the level that was originally hoped for. The chief culprits were weak investment expenditure and the general climate of insecurity resulting from the freefall in stock market prices and the tensions in the Middle East.

GDP grows by 0.7%

The growth in the GDP in 2002 averaged 0.7%, almost as much as in the preceding year (0.8%). Domestic expenditure rose again, but only by 0.5%. Private consumption, the most important element in domestic demand, grew by only 0.6%, while investments fell by 2.6%. Exports fell by 1%, but thanks to the heavier downturn in imports (-1.5%) they continued to make a net contribution to the growth in GDP (0.3%). Thanks to the improved terms of trade (primarily as a result of the increase in the value of the euro) the surplus on the current balance of payments rose in 2002 from 4.4% to 5.7% of GDP.

Inflation falls to +1.6%

Inflation as measured against the harmonised consumer price index fell again, averaging 1.6% in 2002. The fall was more striking than in 2001, when the inflation figure averaged 2.4%. Various factors played a part in this phenomenon, such as the abolition of the radio and TV licence in some parts of the country, the fall in food prices, and the cheaper import prices caused by the strength of the euro.

Increase in unemployment

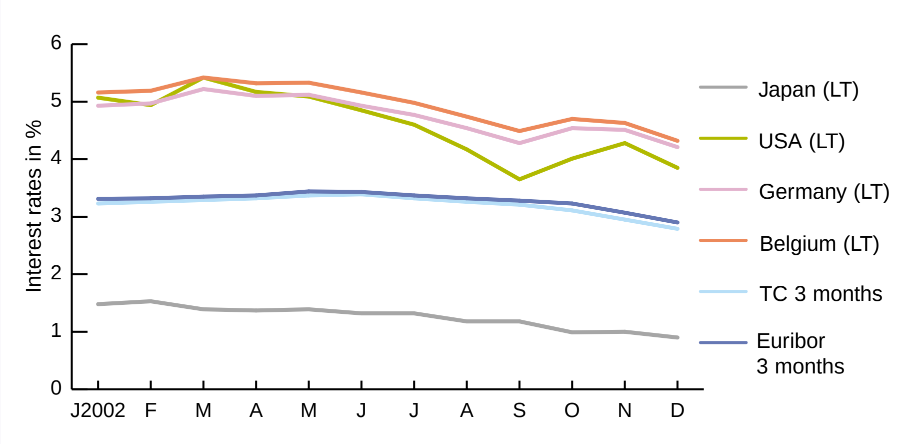
The weak economic situation also made itself felt on the labour market, where unemployment, defined as the percentage of job-seekers in proportion to the economically active population, increased from 6.7% in 2001 to 7.3% in 2002 according to the calculations of the National Bank of Belgium.

Fall in short- and long-term interest

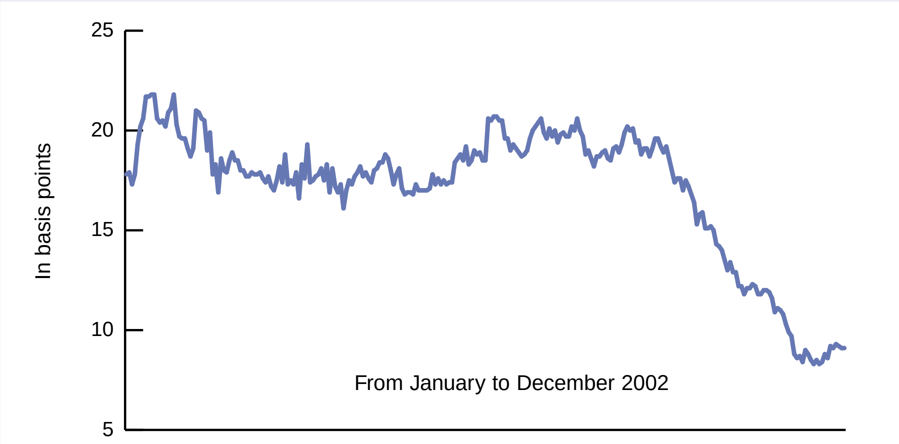
Short-term interest rates within the Eurozone increased slightly in the first six months of 2002 in the light of expectations regarding economic recovery and persistent inflationary pressure, but then continued to fall until the end of the year because of worsening economic prospects. In December, when the inflation risk had passed, the European Central Bank decided to reduce its guiding rate in order to impart some additional stimulus to a slack economy. Long-term interest followed a fairly similar trend, with the difference that the fall began as early as the second quarter of the year.

In October there was a slight rise thanks to a short rally in stock market prices, but for the next few months the fall continued. From January to December the interest on Belgian 3-month Treasury certificates fell by an average of 3.23% to 2.79%.

Graph 1: Evolution of interest rates at 3 months and yields of 10 year benchmarks (monthly averages)



Graph 2: Daily evolution of the interest rate spread between 'Bunds' and 10-year OLOs



Adjusted curve, allowing for differences in maturity date

The yield of the 10-year OLO benchmark fell from 5.16% to 4.32%, while the average spread compared with Bunds with the same term fell from 23 to 11 basis points between January and December 2002. Germany traditionally pays the lowest rate of interest in the Eurozone on its 10-year state loans. On the other hand the interest rate difference between the Belgian and German government securities obviously decreased substantially during 2002. If allowance is made for the difference in maturity date between the Belgian and German reference loans, then it is apparent that the difference in interest rate is actually even smaller and has fallen by something like half - from 17.8 basis points at the beginning of 2002 to 8.6 basepoints at the end of 2002 (see graph 2). The fall occurred in the fourth quarter of 2002 and was characteristic of Belgium's stable budgetary condition.

Interest burden falls in absolute and relative terms

The interest burden on the government debt fell in absolute terms from 14.9 billion EUR in 2001 to 14.7 billion in 2002 as a result of the continuous fall in the weighted average interest rate over the past few years. In proportion to the GDP the interest burden has decreased still further, a trend that was already in evidence several years ago. Together with an ample primary surplus this resulted in budgetary equilibrium in 2002.

2. THE EVOLUTION OF PUBLIC FINANCES IN 2002

2.1. Compliance with the stability programme 2002-2005

In the 2002-2005 stability programme begun in November 2001 the government committed itself - despite the uncertain prospects for 2002 - to achieving at least a budgetary equilibrium in 2002, after two years with a small surplus (0.1% of the GDP in 2000 and + 0.2% in 2001, excluding the revenues from the UMTS licences).

A balanced budget

On the basis of the data available in February 2003, the General Government financing balance in 2002 was very close to equilibrium. Some indications suggest that an even better result than that was achieved.

The target was therefore achieved, despite the fact that the real growth in 2002 was much smaller (0.7%) than the +1.3% envisaged when the budget was initially drawn up.

Table 1: Targets and realisations for the financing balance (as a % of the GDP)

	2001 Realisations[1]	2002 Targets[2]	2002 Estimates
General Government			
Financing balance	0.2	0.0	0.0
Primary surplus	6.8	6.0	6.0[3]
Entity I			
Financing balance	-0.5	-0.3	-0.2
Primary surplus	5.6	5.1	5.4
Entity II			
Financing balance	0.7	0.3	0.2
Primary surplus	1.2	0.9	0.7

[1] Without the revenues from the sale of UMTS licences.
[2] Stability programme 2002 -2005, November 2001.
[3] Rounding-off can lead to discrepancies.

To ensure that it achieved these results, the government decided to make a few changes during a first budgetary audit conducted at the beginning of 2002. The target growth figure was reduced to 0.9%. The estimated receipts were also revised downward, not just because of the unfavourable growth rate but also to make allowance for the disappointing receipts in 2001. Because the government was determined to achieve budgetary equilibrium, a close eye was kept on the primary expenditure in accordance with the 'anchor principle'. This has obviously borne fruit, as a second budgetary audit in July showed that performance was in line with forecasts.

Evolution per entity

According to the 2002-2005 stability programme, Entity I (the federal government and social security) had to limit its financing requirement to 0.3% of the GDP and achieve a primary surplus of 5.1% (see table 1). These targets were not only achieved but actually surpassed, which has certainly not been the case in previous years.

Entity II did not quite achieve the target surplus of 3% laid down in the stability programme; however, it fell just 0.1% short.

Revenue and expenditure

During 2002 the measures for the reorganisation of personal taxation were taken a stage further. The Communities and Regions (primarily the Flemish Community) also implemented a number of tax reduction measures. Even so, global fiscal pressure, as measured on the basis of the national accounts, decreased only marginally because of various technical adjustments.

The share of primary expenditure in the GDP increased, partly as a result of the economic slowdown and the rise in unemployment expenditure. This led to a reduction in the primary surplus, but this was partially compensated by a fall in the interest burden.

Table 2 : General Government Revenue and expenditure (as a % of GDP)

	2001[a] Realisations	2002 Estimates
Revenue (1)	47.8	47.8
Primary expenditure (2)	40.8	41.8
Primary balance (3 = 1-2)	7.0	6.0
Interest burden (4)	6.6	6.1
Financing balance (5 = 3-4)	0.4	0.0

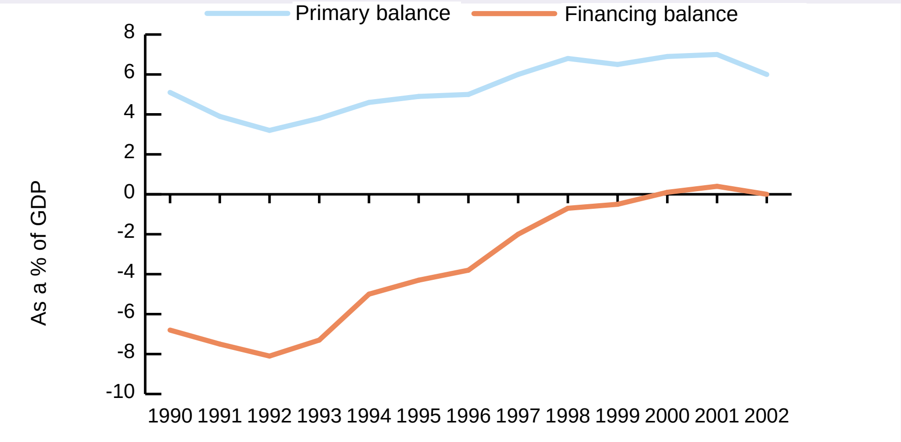
[a] Including the receipts from the sale of UMTS licences.

In 2002 the pressure of the interest burden was perceptibly reduced (-0.5% of GDP), primarily thanks to the substantial fall (-0.5%) in the implicit debt interest rate, which fell to 5.7%. During the previous three years this rate had still had a tendency to stagnate. The heavy fall was exacerbated by the more relaxed monetary policy and by the continuing weakening of stock market prices. As a result the bond market became more attractive, which led to an accelerated fall in the long-term interest rate and, ipso facto, to a refinancing of the debt on more favourable terms.

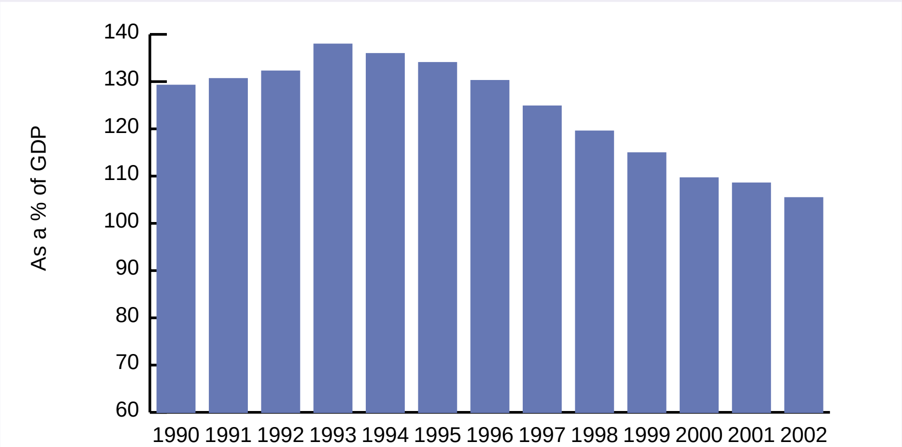
Heavy fall in the implicit interest rate

The reduction in the debt ratio is estimated at 3.2% of the GDP, instead of the 3.7% envisaged in the stability programme. The difference is entirely attributable to weaker economic growth. At the end of 2002 the debt ratio was 105.4% of the GDP. To recap: in 1993 an all-time record was achieved (137.9% of GDP). Since then this ratio has fallen systematically.

Graph 3: Evolution of the primary balance and the financing balance as a % of the GDP



Graph 4: Evolution of the debt ratio during the period 1990-2002



Comparison with Europe

In 2002, for the second year running, Belgium was one of three Eurozone countries that achieved all the targets of their stability programme. It was also one of four Eurozone countries that achieved budgetary equilibrium or surplus. Finally, Belgium was one of the top three countries that most improved its financing balance (cyclically adjusted to eliminate the negative effects of the economic situation) in the period 1999-2002.

Belgium's debt ratio has continued to fall, while the average level of indebtedness in the Eurozone has risen slightly for the first time since 1996.

2.2. The 2003-2005 stability programme

The 2003-2005 stability programme is the second updating of the 2001-2005 stability programme, which was submitted at the end of 2000. The macroeconomic framework that served as a basis for the creation of this programme was, however, overtaken by events, as the accumulated growth in the GDP for the period 2001-2003 worked out at least 4 percentage points lower than the hypotheses that had been used as a starting-point. This change in economic context necessitated an adjustment of budgetary targets.

Despite the unfavourable macroeconomic climate, the government persisted with the realisation of the targets stipulated in the growth and stability pact, especially a balanced budget (or even a surplus).

Table 3: Budgetary evolution of the various entities in the stability programme 2003-2005 (as a % of GDP)

	2001[1] Realisations	2002 Estimate	2003	2004 Targets	2005
General Government					
Primary surplus	6.9	6.1	5.5	5.6	5.6
Interest burden	6.5	6.1	5.6	5.3	5.1
Financing balance	0.4	0.0	0.0	0.3	0.5
Entity I					
Primary surplus	5.8	5.4	4.8	4.9	5.0
Interest burden	6.0	5.6	5.1	4.9	4.7
Financing balance	-0.2	-0.2	-0.3	0.0	0.2
Entity II					
Primary surplus	1.2	0.7	0.7	0.6	0.6
Interest burden	0.5	0.5	0.5	0.4	0.4
Financing balance	0.7	0.2	0.3	0.2	0.2

[1] Including the receipts from the sale of UMTS licences.

For 2003 the government has decided that it wishes to continue its guarantees regarding healthy public finances, and it has therefore proposed a balanced budget that nevertheless leaves room for full implementation of all the measures previously announced, such as a reorganisation of personal taxation. The government has also promised to use the room for manoeuvre that stronger growth would create to improve the financing balance.

As elections for the federal parliament are scheduled for May, it will be the task of a new government to outline the budgetary programme for the period after 2003. There is, however, already sufficient consensus on the need to build up a budgetary surplus over the next few years, among other things to mitigate the future impact on public expenditure of the 'greying' of the population. The progressive build-up of this financing capacity must, however, make due allowance for economic conditions. The government - taking as its starting-points an economic revival during 2003 and a growth in GDP that is somewhat higher than the trend growth for the next few years - has outlined a scenario in which a financing capacity of 0.5% of the GDP will be built up by 2005. This is regarded as a desirable target.

Budgetary equilibrium and surplus for the years to come

Over the next few years the share of government income in the GDP will decline structurally. The reorganisation of personal taxation, including the abolition of the supplementary crisis tax, will lead to a situation where, between 2001 and 2005, fiscal pressure will fall by 1.3% of the GDP. What is more, in 2003 the reorganisation of the corporation tax will become effective. From a budgetary perspective, however, this measure is neutral in its effects.

Should an economic recovery materialise, then the share of primary expenditure in the GDP will also exhibit a declining trend over the next few years.

If the budget and the economic situation evolve as envisaged in this updated stability programme, the debt ratio will decline further and should fall below the 100% mark in 2004. The impact of purely endogenous factors (primary balance, interest burden and economic growth rate) should ensure that this ratio falls in 2005 to 93.6% of the GDP.

3. THE REORGANISATION OF THE SECONDARY MARKETS

Following the lead of other countries, Belgium has created a new legal framework for market supervision. The Law of 2 August 2002 on the supervision of the financial sector and financial services stipulates, inter alia, that the various supervisory authorities (whose constituent bodies the Law is reorganising) must be brought much closer together, and it also contains the basis for a reorientation of the powers of the Belgian Securities Regulation Fund.

A closer relationship between the supervisors

Article 14 of the Law of 2 August 2002 also provides for the possibility of elaborating a specific regulatory regime for the government securities markets via a Royal Decree, as the off-board market for linear bonds, split securities and Treasury certificates in particular has some distinctive features. This is a decentralised market: transactions only take place between professionals and there is only one issuer.

Special supervisory regime for government securities

The general philosophy behind the Law and the distinctive characteristics of the off-board market mean that the Belgian Securities Regulation Fund can largely continue to exercise its present powers, since it has the relevant experience. It is therefore also expected that the King, in compliance with article 14 §4 of the Law, will work out a specific supervisory scheme for the off-board market in linear bonds, split securities and Treasury certificates. In that connection, negotiations have already taken place between the Belgian Securities Regulation Fund and the Belgian Banking and Finance Commission.

The Belgian Securities Regulation Fund will continue to organise the market. It will therefore remain responsible for the market rules, for reporting trades and for transparency. The Banking and Finance Commission will supervise compliance with the code of conduct and shall, in accordance with the draft guideline on insider trading and market manipulation (market abuse), be ultimately responsible for supervising compliance with the rules against market manipulation and the insider trading regulations. Presumably the Banking and Finance Commission will also call, wherever possible, on the Belgian Securities Regulation Fund to mediate in these matters. The arrangements for this form of cooperation will be laid down in a protocol between the Belgian Securities Regulation Fund and the Banking and Finance Commission. The powers of the Belgian Securities Regulation Fund in the areas of supervision of custody and the management of dematerialised government securities will be entrusted to the Banking and Finance Commission.

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PART II

THE TREASURY'S FINANCING STRATEGY

1. THE TREASURY'S FINANCING REQUIREMENTS IN 2002

Fall in financing requirements

The gross financing requirements in 2002 were 25.08 billion EUR, or 2.33 billion EUR (8.5%) less than estimated in the budgetary audit at the start of the year. The envisaged net balance to be financed was exceeded by 0.38 billion EUR, while expenditure on the repayment of debts fell by 2.71 billion EUR. The (lower than envisaged) repayments related primarily to the prefinancing of amounts that will expire in 2003 and 2004.

The total amount that reached expiry in the long- and medium-term in 2002 was 15.72 billion EUR. This amount can be split as follows:

- Repayments of long- and medium-term loans in euros in the sum of 14.67 billion EUR, 2.02 billion EUR of which was via buybacks of debts (target figure: 4.19 billion EUR) and 0.38 billion EUR via exchange transactions (target figure: 0.92 billion EUR). The repayment of loans at expiry date related primarily to two OLO lines (8.66 billion EUR) and one traditional loan (1.52 billion EUR).

- Repayments of long- and medium-term debts in foreign currencies for a sum of 1.05 billion EUR.

In 2002 the Treasury also bought back onto the market an OLO with an expiry date in 2003 and a traditional loan with an expiry date in 2004 for a global amount of 6.14 billion EUR (original target: 6.73 billion EUR). Added to this was a further 0.62 million EUR from the buyback on the stock market of traditional loans via the Belgian Securities Regulation Fund (target figure: 49.60 million EUR). In 2002 there were also some exchanges of a traditional loan with expiry date in 2003 for the sum of 1.02 billion EUR (originally envisaged: 2.22 billion EUR).

The gross financing needs for 2002 also include approximately 49 million EUR in interest from securities repaid via an exchange, which have been capitalised in the newly issued OLOs. They also contain the State Notes paid early as a result of the exercise of the 'put' option and accelerated repayments relating to the dematerialisation of certain state loans[1] for a combined total of 69 million EUR, and repayments of Treasury certificates that represented the Belgian participation in international organisations, which amounted to 124 million EUR.

1 Law of 10/06/2001 on the dematerialisation of some state loans (Belgian Official Journal 30/06/2001) and the Royal Decrees of 11/06/2001 on the dematerialisation of the '2.5% Debt loan' (Belgian Official Journal 30/06/2001), of 30/12/2001 on the dematerialisation of the '3.5% 1937 Debt loan' (Belgian Official Journal 08/02/2002), of 18/12/2001 on the dematerialisation of the 'Unified debt 4% first series' loan (Belgian Official Journal 16/01/2002), of 30/04/2002 on the dematerialisation of the 'Unified debt 4% second series' loan (Belgian Official Journal 10/07/2002) and of 03/10/2001 on the dematerialisation of the 4% Liberation loan (Belgian Official Journal 31/10/2001).

Table 4: Financing of the Treasury in 2002 (in billions of EUR)

	Realisation at 31.12.2002	Estimate 2002[1]
I. Gross balance to be financed (in billions of EUR)	**25.08**	**27.41**
1) 2002 Financing Requirements	**17.50**	**17.12**
Budget deficit:	1.78	1.40
Debt at maturity 2002	15.72	15.72
- EUR-denominated medium- and long-term debt[2]	14.67	14.67
- Medium- and long-term debt in foreign currencies	1.05	1.05
2) Scheduled prefinancing (bonds reaching maturity in 2003 or later)	**7.16**	**8.99**
Buybacks	6.14	6.77
Exchanges[2]	1.02	2.22
Calls	0.00	0.00
3) Other financing requirements[3]	**0.42**	**1.30**
II. 2002 Funding Resources	**28.55**	**29.14**
1) Long- and medium-term issues in EUR	**28.55**	**29.14**
OLOs	26.10	27.07
- Syndications	12.00	12.00
- Auctions	12.77	11.79
- Exchanges (including the capitalised interest)	1.33	3.28
Treasury bonds - Silver Fund	1.06	0.62
- Scheduled in budget 2001	0.63	0.00
- Scheduled in budget 2002	0.43	0.62
State Notes	1.30	1.00
Miscellaneous[4]	0.09	0.45
2) Long- and medium-term issues in foreign currencies	**0.00**	**0.00**
III. Net evolution of the foreign currency-denominated short-term debt	**-0.16**	**-0.14**
IV. Net evolution of the EUR-denominated short-term debt[5]	**-3.30**	**-1.58**

[1] Estimates for March 2002 (budgetary audit).
[2] Excluding the capitalised interest on exchanges.
[3] Including the interest capitalised on exchanges, the 'puts' executed on the State Notes and the buybacks of Treasury certificates that represent Belgian participation in international organisations.
[4] Including the issues of Treasury certificates that represent Belgian participation in international organisations.
[5] Gross short-term debt in EUR per 01.01.2002: 34.85 billion EUR.

2. THE TREASURY'S FUNDING RESOURCES IN 2002

In 2002 total long- and medium-term issues amounted to 28.55 billion EUR, or 98% of the target figure at the start of the year (29.14 billion).

The OLO issues accounted for 26.10 billion EUR, approximately 1 billion EUR less than the target amount (27.07 billion EUR). Of this figure, 12 billion EUR was spent via syndication, 12.77 billion via auctions and 1.33 billion via exchanges (originally estimated at 3.28 billion EUR). The exchanges related to two traditional loans, namely Philippe XII and Philippe XV. Of the issues via auctions and syndications, 46% went on 10-year OLOs, 23% on 5-year OLOs, 23% on 15-year OLOs and 8% on the new OLO FRN with maturity date in 2006.

In 2002 the issue of State Notes generated 1.30 billion EUR (estimated amount: 1 billion EUR) and the issue of Treasury bonds for the Silver Fund amounted to 1.06 billion EUR (estimated amount: 0.62 billion EUR). The issues of Treasury certificates that represent the Belgian participation in international organisations amounted to 93 million EUR.

Further reduction of the foreign currency debt

In conformity with the General Guidelines, there were no new foreign currency-denominated long- or medium-term issues.

As the long- and medium-term funding resources exceeded the gross financing requirements, there was a fall in the short-term debt. This fall amounted to 0.16 billion EUR for the foreign currency debt and 3.30 billion EUR for the EUR-denominated debt.

3. THE PRINCIPAL OBJECTIVES OF DEBT MANAGEMENT

The Treasury is striving to achieve a better positioning of its financing instruments and a further internationalisation of the investor base by pursuing a coherent strategy based on liquidity, transparency, efficiency, effective management of market risks and limitation of the cost price of the debt.

3.1. The quest for liquidity and transparency

a. Liquidity

(1) The primary dealers

Sufficient liquidity on the secondary market is one of the Treasury's most important objectives. Liquidity does, after all, have a beneficial effect on the pricing of the financial instruments and the ultimate cost of financing the debt.

The liquidity on the secondary market is primarily ensured by a group of primary dealers who have concluded a contract to that end with the Treasury. The group of primary dealers remained unchanged in 2002, but there were some small changes for the working year 2003. The full list of primary dealers forms appendix 5 of this report.

The Treasury also encourages the primary dealers to play an active part in the primary market. As a consideration the Treasury gives them the right to purchase a specific volume of securities after each auction at the weighted average price of the issue. The primary dealers are also the privileged counterparties in the transactions that the Treasury performs on the financial markets.

(2) The recognised dealers

The specific task of the recognised dealers is to promote Belgian Treasury Securities, especially in specific geographical areas or market segments. The group of recognised dealers was expanded to 6 members through the appointment of 5 new dealers in December 2002. The primary aim is to penetrate specific geographical areas or market segments. The contracts also stipulate that the recognised dealers must be considered as potential partners for the Treasury's management operations. Since these operations continue to increase, it is in the Treasury's interests to expand the number of counterparties by involving the recognised dealers more actively in them. The complete list of recognised dealers will be found in appendix 5 of this report.

(3) Debt management instruments

The essential precondition for stimulating liquidity is to concentrate the financing in large benchmark issues and to encourage trade on the secondary market. In 2002 the Treasury remained loyal to its policy of only reopening benchmark loans during auctions. What is more, in the prefinancing of expiry dates the emphasis has been placed on buybacks via MTS Belgium or 'reverse auctions' rather than exchange transactions. These buybacks were then financed via the issue of benchmarks.

Treasury certificates

Since the inclusion in April 2001 of the Treasury certificates in the electronic trading platform 'MTS Belgium', the liquidity has consolidated at a daily average turnover of almost 300 million EUR. The primary dealers are showing excellent compliance with their obligation to quote Treasury certificates on MTSB with a maximum bid-offer spread of 4 basis points. In practice a narrow bid-offer spread between 0.2 and 4 basis points is used.

The average amount per line that reached maturity in 2002 was 4.67 billion EUR. This amount was in line with the objective envisaged in the reorganisation of the issue calendar in 2001, i.e. the creation of lines with a higher outstanding amount in order to ensure sufficient liquidity on the secondary market.

In addition to these bigger lines, the repo facility on Treasury certificates has also contributed indirectly to the liquidity. The repo facility protects the primary dealer against the risk of non-delivery and thus allows him to quote consistent bid and offer prices. The Treasury received eight requests for a repo facility and granted all of them. The total amount for 2002 was only 51.4 million EUR for 5 different lines.

In order to create sufficient immediate liquidity the new 10-year reference loan, OLO 38, was issued, as in previous years, via a syndicate in which all the primary and recognised dealers participated.

Linear bonds

The syndication method made it possible to raise 5 billion EUR from the first issue onwards, which meant that the liquidity on the secondary market was practically guaranteed. In line with the Treasury's financing strategy, OLO 38 was subsequently offered at each auction of linear bonds. As a result the outstanding sum of OLO 38 had increased to 11.4 billion EUR by the end of 2002.

For the issue of the new 15-year OLO (OLO 40) in mid-2002, use was also made of the syndication method, so that as much as 5 billion EUR was raised at launch. By reopening this line during the September auction the outstanding amount was increased to 5.66 billion EUR by the end of 2002.

The high liquidity of the OLOs on the secondary market is apparent at MTS Belgium, where the daily average volume of OLO trades (without allowing for buybacks) increased once again, from 612.9 to 723.2 million EUR. As with the Treasury certificates, the repo facility once again proved its usefulness as a tool for supporting liquidity on the secondary market. Twelve applications for a repo facility were granted for a total sum of 156.8 million EUR.

(4) The buying back of debts

From 2002 onwards the old OLO lines were no longer eligible for buyback via exchanges, and so a programme of private buybacks was opted for; this was started in 2001. Technically this was achieved by reserving a 'window' for the buybacks on the MTS Belgium platform, where the Treasury can buy back private loans at prices that it decides either entirely for itself or by examining the offer prices quoted in this window by the primary dealers.

Buybacks on MTS Belgium

To finance these buybacks the Treasury can issue larger amounts in the auctions and so capitalise on the market demand for benchmarks with a high liquidity.

During 2002 the Treasury has organised 'reverse auctions' on two different occasions.

In March this technique was used on the traditional Philippe XVII loan (maturity date 21 November 2004), with the aim of lightening the heavy burden of maturity dates in 2004. This buyback was financed by issuing a 'Floating Rate Note'; this perfectly met the demand from investors for sovereign securities at variable interest rates. This issue also helped improve the liquidity on the FRN market.

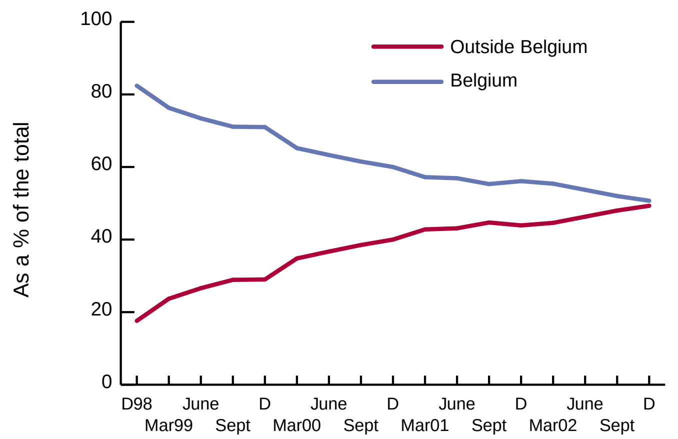
The second reverse auction took place in December on two long-term OLO lines, OLO 12 with an expiry date on 24 December 2012 and OLO 23 with an expiry date on 28 March 2015. The aim of this reverse auction was to give the market the opportunity to sell these OLOs to the Treasury in a transparent and competitive manner. This auction also fitted in well with the buyback programme that the Treasury had already planned in 2001 for OLOs that were more than 12 months from their expiry date. This buyback was financed within the framework of the financing programme.

(5) Internationalisation and diversification of the debt holding

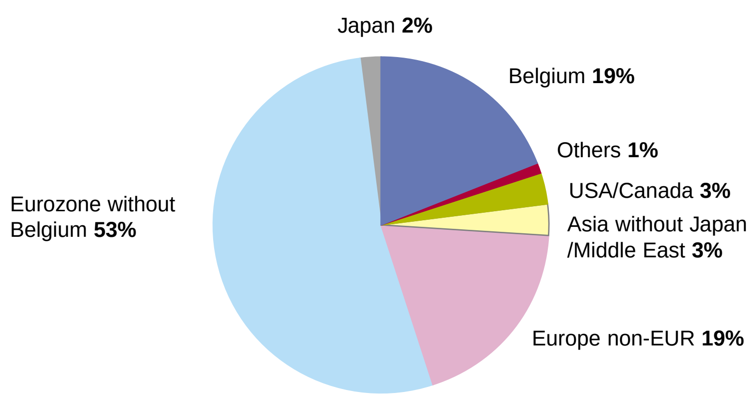
Proportion of OLOs held abroad increasing

The proportion of OLOs held outside Belgium rose again in 2002; at the end of December it was 49.3%, compared with 43.9% at the end of December 2001 (see graph 5).

Graph 5: Evolution of the holding of OLOs



Graph 6: Overview of placement of OLOs



These percentages are calculated on the basis of the total outstanding amount of the OLOs, i.e. including the amounts that were issued in Belgian francs before the introduction of the euro, the majority of which were held by Belgian investors. If we focus on the syndicated issues from 1 January 1999, i.e. from the introduction of the euro onwards, then we arrive at the following results (see graph 6).

Active marketing

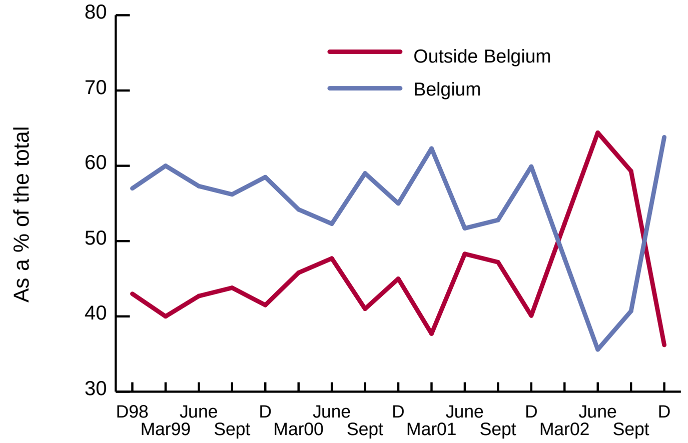
The wide diversification of the investor base is primarily due to the Treasury's active marketing policy among foreign investors. More specifically, eleven 'roadshows' were organised abroad in 2002: Scandinavia, Ireland, South-East Asia, Canada, Japan, the USA, Germany, Austria, France, Italy and the United Kingdom. A total of 128 institutional investors were visited, distributed over 19 different countries and represented by 232 people. Most of these visits were made on an individual basis.

In connection with the syndicated issue of OLO 40 (with an expiry date of 28 September 2017), a 'deal-related' roadshow was also organised.

Belgian investors were not ignored. Two roadshows specifically aimed at public institutions were organised. At the deal-related roadshow various other Belgian investors were also welcomed, both in groups and individually.

It is difficult to assess the direct impact of the marketing operations on the reduction in the Treasury's financing operations. Even so it is possible to form some idea of their importance from a closer examination of the offers submitted for the new 10-year reference loan (OLO 41), issued via syndication in January 2003. This reveals that for South-East Asia (not including Japan) all the investors who were visited subscribed to the submitted offers. For Germany, Scandinavia, Italy, Spain, the USA and France this percentage was respectively 47%, 84%, 62%, 69%, 67% and 78%.

Graph 7: Evolution of the holding of Treasury certificates



Wide fluctuations in holding of certificates

The proportion of Treasury certificates held abroad at the end of 2002 was 36.2%, compared with 40.1% at the end of 2001. Given the nature of these securities, the international holding is more diverse than is the case with OLOs.

These good results confirm that the Treasury's marketing policy is playing an important role in the internationalisation of the investor base and is therefore contributing to a reduction in the cost price of the financing incurred by the State.

b. Transparency

In principle, OLOs and Treasury certificates - which form the bulk of the Treasury's financing - are issued via competitive auctions that are the monopoly of the primary and recognised dealers in Belgian Treasury securities.

At the start of each calendar year, the Treasury publishes a global financing plan with projections for the volumes to be issued and the financing instruments that will be used. The auctions calendar is also published on the Treasury's website (http://treasury.fgov.be/interdette/).

The procedure for buybacks is also extremely transparent. The quoted prices can be consulted on MTSB by all the primary dealers and the bought-back amount is published on the Treasury's pages on Bloomberg, Reuters and Telerate.

(1) Treasury certificates

The reorganisation of the issue calendar for Treasury certificates, executed in 2001, was retained in 2002. The goal of this reorganisation, which was to create large lines while also matching the maturity dates of Treasury certificates to the dates of major fiscal receipts, was achieved.

(2) Linear bonds

A 15-year benchmark

As has been said, in 2002 the Treasury opted for the issue of a 15-year benchmark rather than a 5-year one. In order to meet investor demand and to comply with its transparency policy, the Treasury also announced, when introducing its 15-year OLO, that the existing OLO 26 would be upwardly adjusted to the 5-year benchmark; as a result this was also offered in the auctions and was quoted as a benchmark on MTS Belgium.

To encourage even greater transparency, the Treasury advises a fork of the amount to be auctioned several days before the issue takes place. Before each auction the primary dealers are also contacted to sound out their opinions and recommendations regarding market conditions and the forthcoming auction.

Finally, the Treasury also provides the markets with updated information via various channels. It issues regular publications such as the 'Belgian Prime News' or 'Review Outlook' as well as the present report and has its own website. The results of the issues are also announced on Bloomberg, Reuters, Telerate and the Treasury's website. The Treasury also distributes press releases, which will also be found on its website.

3.2. Risk Management and General Guidelines

Continuous monitoring of the various risks to which debt management is prone is performed by the Belgian Debt Agency, which reports regularly to the Strategic Committee of the Debt. The management of a number of risks, especially the exchange rate risk, the refinancing risk and the interest rate risk, makes full allowance for the standards that the Finance Minister lays down in the General Guidelines on the Debt.

In managing the credit risk, allowance is made for the internal guidelines that the Strategic Committee of the Debt lays down for such matters.

a. The exchange rate risk

Heavy fall in the exchange rate risk

The proportion of foreign currency-denominated debt in the total debt largely determines the exchange rate risk to which the Treasury is subject. This proportion has decreased perceptibly over the past few years and the exchange rate risk as such has been reduced.

At the end of 2001 the debt in foreign currencies was 2.65% of the total federal debt. The General Guidelines for 2002 assumed a further fall, and the type portfolio envisaged a reference proportion of foreign currency-denominated debt of 2%.

This fall did in fact largely occur, given that at the end of 2002 the proportion of the debt in foreign currencies was 2.08%. Most of this debt is in CHF (1.54%), followed by the debt in JPY (0.43%) and USD (0.11%). In fact, the improved exchange rate of the euro against the USD made it possible to almost completely eliminate the debt in this currency.

Table 5 : Distribution of the debt per currency at the end of 2002

EUR	97.92%
CHF	1.54%
USD	0.11%
JPY	0.43%
Total non-EUR	2.08%

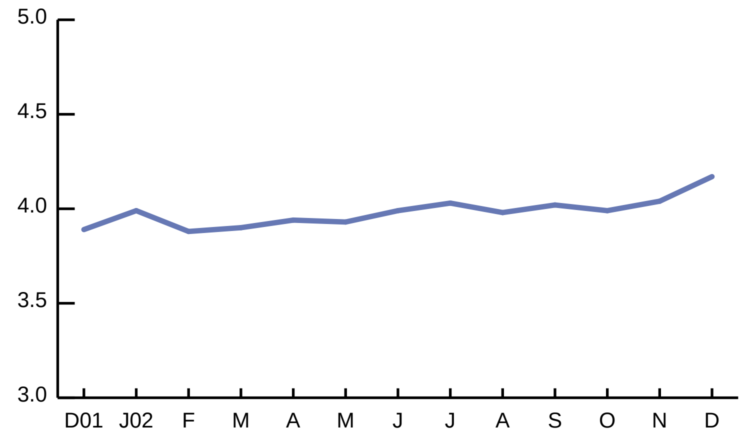
b. The interest rate risk and refinancing risk

The interest rate and refinancing risk are monitored in the light of the duration, weighted average maturity and refixing risk.

Duration of EUR-denominated debt is stable

The duration of the debt in EUR at the end of December 2002 was 4.17, which lay within the margin of 3.60 to 4.20. As is apparent from graph 8, for the first eleven months of 2002 the duration of the EUR-denominated debt remained stable. The duration rose in January due to the issue of a new syndicated 10-year OLO and then again fell in February following the rise in the interest rates curve. Through the auction of the OLOs in March the duration rose, but that was largely counteracted by the rise in the interest curve in that month. At the end of June the duration rose again as a result of the issue of a new syndicated 15-year OLO and the substantial fall in the interest curve. Finally, at the end of December the duration rose substantially, partly due to the substantial fall in the interest curve and partly due to the repayment of short-term debts.

Graph 8: Evolution of the duration of the EUR-denominated debt (December 2001 to December 2002)



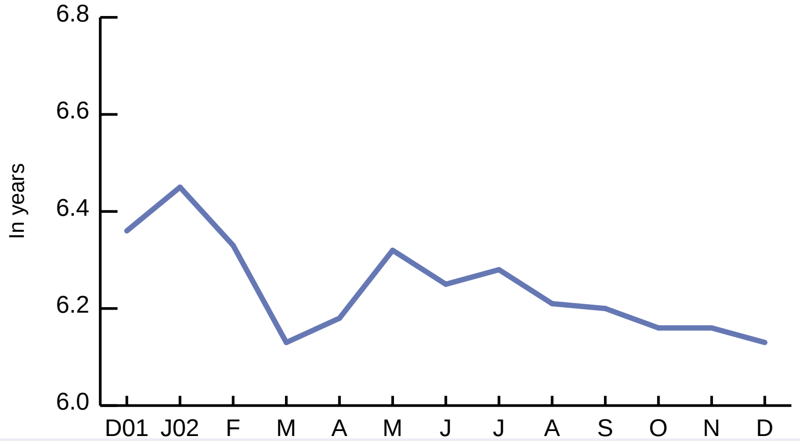
Weighted average maturity falls

The second indicator of the interest rate risk is the weighted average maturity of the debt. This fell from 6.36 years at the end of 2001 to 6.13 years at the end of 2002. Graph 9 shows that the weighted average maturity fell substantially in March 2002 and has fallen within the targeted limits only once since then. The fall in March was the result of a correction in the software relating to instruments with very long terms, such as the interest-free certificates without expiry date in favour of the IMF. The reference value, as well as the targeted upper and lower limits, was adjusted accordingly. That was why, at the half-yearly review, a decision was made to take 6.20 years as the new reference value, and to set new upper and lower limits of 6.30 and 6.10 years respectively.

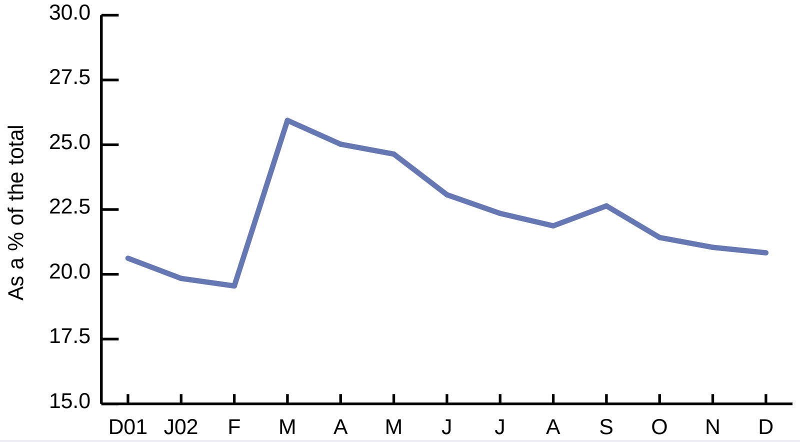
Refixing risk

A new indicator of the interest rate risk is the refixing risk, which shows the percentage of the debt for which the coupon will be refixed within 12 months. Graph 10 shows that the replacement risk increased slightly in the course of 2002: from 20.62% to 20.83%, which is still lower than the permitted maximum of 25%. The substantial increase in the refixing risk in March 2002 is attributable to the fact that the linear bond OLO 6 and the traditional Philippe XII loan both expire in March 2003.

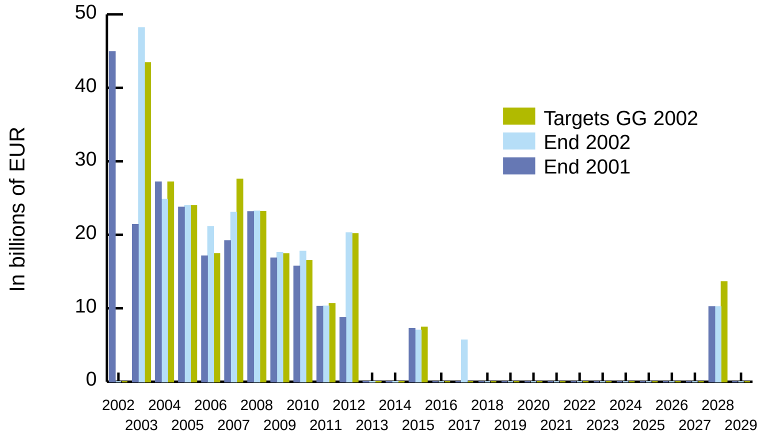
Graph 9: Evolution of the weighted average maturity of EUR-denominated debt (December 2001 to December 2002)



Graph 10: Evolution of the refixing risk of the EUR-denominated debt (December 2001 to December 2002)



Graph 11: Maturity schedule of the EUR-denominated debt



The refinancing risk is monitored partly by the weighted average maturity, using which it has already been shown that the risk remained within the targeted limits if due allowance is made for the change in methodology. The maturity schedule, however, offers a more precise picture of the future refinancing risk. Graph 11 shows the evolution of the maturity schedule of the EUR-denominated debt and compares the results with the targets for 2002. The most important target was a concentration of the 10-year primary issues, with - in addition, but to a lesser extent - issues at 5 years and 30 years. The increase envisaged for 2003 does of course relate only to short-term debt.

'Budget at risk'

In 2002 the 'Risk Management' unit of the Debt Agency developed a calculatory method that makes it possible to estimate the potential exceeding of the interest rates stated in the debt budget. This method, known as 'Budget at Risk', was initially intended for use with short-term instruments (3-, 6- and 12-month Treasury certificates). It involves assigning a value to the 'caps' (options on floating interest rates) whose strike prices are equal to the interest rates that are used in the budget to calculate the interest burden.

The caps are used merely as a valuation instrument and are not traded on the market. Every month a valuation is performed and a report submitted to the Strategic Committee.

This method of calculation makes it possible to measure the consequences of a derailment of the short-term interest for the budgeting of the debt. In 2003 the method will also be applied to long-term instruments.

c. The credit risk

The credit risk is determined by the loss that the Treasury can incur if one (or more) counterparties fails to comply with the contractual obligations to deliver to or pay the Treasury. The Strategic Committee of the Debt lays down the rules for calculating the credit risk and for assigning credit limits to counterparties.

To determine the credit risk the Debt Agency uses various methods of calculation[1] depending on the type of transaction (placements, derivatives). For derivatives the credit risk is calculated without 'netting'[2]. In 2002 the repo transactions were also included in the calculation of the credit risk. Repo transactions are closed in the short term and their credit risk lies in the price fluctuation of the security that forms the subject of the repo transaction.

The assigning of a credit limit to a counterparty is dependent on the type of counterparty, the rating[3] and the counterparty's equity capital. The 'Risk Management' unit of the Debt Agency adjusts the credit limits if one of these elements changes.

1 Cf. Annual Report on the Public Debt 2000, p 31.

2 The compensation of debts and receivables for one and the same counterparty.

3 This rating is the lowest used for long-term quoting at the rating agencies Moody's, Standard & Poor's and Fitch Ratings.

The Treasury only accepts counterparties with a high rating (minimum 'A'). On 31 December 2002 the placements accounted for 9.3% of the credit risk and derivatives for 90.7%. As table 6 shows, 79.4% of the credit risk for derivatives lay with counterparties with a rating of 'AA' or higher, compared with 92% in 2001. This trend can be explained by the fact that with some counterparties the rating fell from 'AA' to 'A' and no new transactions were closed with counterparties with an 'AAA' rating. None of the counterparties, however, fell below the 'A' limit. A more detailed overview per product will be found in table 7.

In addition the 'Risk Management' unit determines the maximum permitted terms of the trades on the basis of the rating of the counterparty and the type of trade. These limits must not be exceeded. Table 8 splits the 'credit exposure' per product on the basis of the term remaining as at 31 December 2002.

For the closing of trades in derivatives the Treasury also specifies as a precondition the signing of an ISDA[1] master contract.

Table 6: Credit exposure of derivatives per rating level as at 31 December 2002

Rating (*) counterparty	Number of trades	In %	Total exposure (in EUR)	In %
AAA	23	8.5%	206 141 142	4.8%
AA	179	66.1%	3 233 821 927	74.6%
A	69	25.1%	893 081 524	20.6%
Total	**271**	**100%**	**4 333 044 594**	**100%**

(*) rating of the counterparty or the parent company

Table 7: Credit exposure of derivatives per product and per rating level as at 31 December 2002

Rating (*) counterparty	Interest Rate Swaps (in EUR)	In %	Currency Swaps (in EUR)	In %	Others (in EUR)	In %
AAA	46 560 743	1.3%	159 580 399	26.0%	0	0.0%
AA	2 893 412 976	79.4%	275 926 909	44.9%	64 482 042	89.1%
A	705 866 706	19.4%	179 322 252	29.2%	7 892 566	10.9%
Total	**3 645 840 425**	**100%**	**614 829 561**	**100%**	**72 374 608**	**100%**

[1] International Swaps and Derivatives Association Inc.

The Debt Agency has an integrated database, and an IT system that performs a daily recalculation of the credit risk and the credit limits. Each week the 'Risk Management' unit submits a report to the Executive and Strategic Committees and each month also it sends them a detailed analysis of the credit risk.

Table 8: Split of the credit exposure per remaining term as at 31 December 2002

	Total	Interest Rate Swap	Currency swap	Others
< 1 year	8.6%	3.1%	30.6%	100.0%
1 to 5 years	14.4%	10.8%	37.3%	
6 to 10 years	39.4%	41.4%	32.1%	
> =10 years	37.6%	44.7%		
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*

*   *

PART III

TECHNICAL DATA

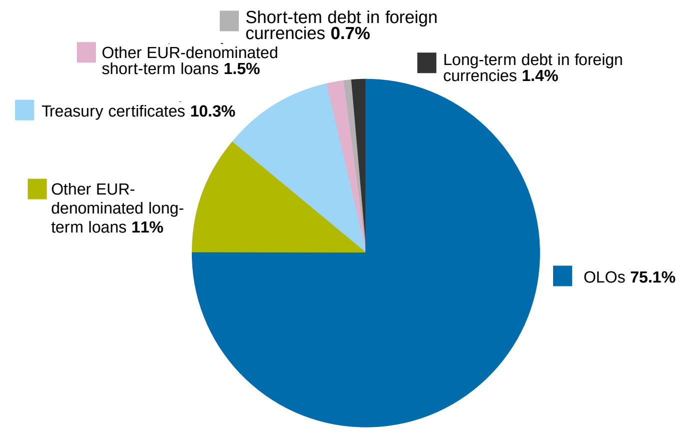
1. GOVERNMENT DEBT PRIMARY MARKET IN EUROS

Lion's share for OLOs

At the end of 2002 the public debt was 262.75 billion EUR. Compared with the end of 2001 this was an increase of 5.59 billion EUR or 2.2%. The proportion of the most important financing instrument, the linear bonds, also rose substantially: from 185.73 billion EUR (72.2%) at the end of 2001 to 197.35 billion (75.1%) at the end 2002.

The share of the Treasury certificates (10.5%) has remained relatively stable compared with 2001 (10.3%). Their outstanding amount at the end of the year rose slightly from 26.9 billion EUR in 2001 to 27 billion in 2002.

Graph 12: Composition of the public debt as at 31 December 2002



1.1. EUR-denominated long- and medium-term debt

In the total debt the long-term euro debt rose from 83.7% in 2001 to 86.1% in 2002. As in the last few years, the linear bonds rose again to take the lion's share. They continued to grow steadily at the expense of traditional loans. From 1996 onwards the latter were replaced by State Notes, but their volume accounts for only a fraction of those of the earlier traditional loans, because on the primary market it is really only private investors who can subscribe to them.

The increase in the outstanding amount of the private loans was attributable to the issue of Treasury bonds for the Silver Fund (see point c below).

Table 9: Overview of the long-term debt per instrument (amounts in EUR)

	Circulation at end 2002	Circulation at end 2001
Traditional loans	12 073 235 526	17 351 450 053
OLOs	197 355 477 609	185 727 419 471
Private loans	2 227 985 286	1 408 437 618
State notes	8 353 403 805	7 122 261 442
Special loans	72 288 897	80 536 637
International institutions	4 217 128 572	
Ex-Eurozone currencies long-term	760 871 000	2 323 929 597
LT foreign currencies swapped in EUR	1 112 559 190	1 216 074 040
Total long-term debt	**226 172 949 885**	**215 230 108 858**

a. Linear bonds (OLOs)

Syndications, auctions and exchanges

The volume issued on the primary OLO market rose from 25.96 billion EUR in 2001 to 26.10 billion EUR in 2002. This slight increase was primarily attributable to the exchanges, which have resulted in issues of 1.33 billion EUR instead of the envisaged 3.28 billion. Auctions, on the other hand, brought in more than expected: 12.77 billion EUR instead of 11.79 billion.

Table 10: Outstanding amount of OLOs at the end of December 2002 (amounts in EUR)

OLO n°	Coupon	Maturity date	Code	Circulation	% Strips
6	9.00	28/03/2003	251	9 320 905 954.94	10.80%
14	7.25	29/04/2004	265	10 747 275 873.83	
20	7.75	15/10/2004	275	5 462 547 199.43	
19	6.50	31/03/2005	273	10 178 433 069.42	
34	4.75	28/09/2005	294	11 901 400 000.00	7.16%
39	FRN	24/04/2006	299	2 000 000 000.00	
24	7.00	15/05/2006	283	8 465 045 674.21	
37	4.75	28/09/2006	297	9 595 400 000.00	0.47%
26	6.25	28/03/2007	286	13 476 828 228.86	3.52%
9	8.50	01/10/2007	257	8 413 164 463.71	17.16%
28	5.75	28/03/2008	288	13 479 196 740.11	1.26%
16	7.50	29/07/2008	268	8 682 058 029.24	
32	3.75	28/03/2009	292	16 430 000 000.00	1.57%
35	5.75	28/09/2010	295	15 844 200 000.00	1.68%
36	5.00	28/09/2011	296	10 258 500 000.00	0.30%
38	5.00	28/09/2012	298	11 416 900 000.00	1.52%
12	8.00	24/12/2012	262	8 824 896 081.16	
23	8.00	28/03/2015	282	6 999 587 157.66	1.84%
40	5.50	28/09/2017	300	5 660 000 000.00	2.83%
31	5.50	28/03/2028	291	10 199 139 136.01	9.74%
Total				**197 355 477 608.58**	**4.20%**

The amount of 26.10 billion EUR was issued by means of 3 syndicates, 4 auctions and 6 exchange transactions.

As stated, the Treasury publishes an indicative issue calendar each year with an overview of all the OLO issues via auctions or exchanges. After the reorganisation of the issue calendar in 2000 the number of auctions was maintained at 6. In practice however the issue calendar was amended to allow for the interpolation of 2 syndications. The auctions for January and May were replaced by the syndications of OLO 38 and OLO 40. Through these 5 billion EUR was raised each time.

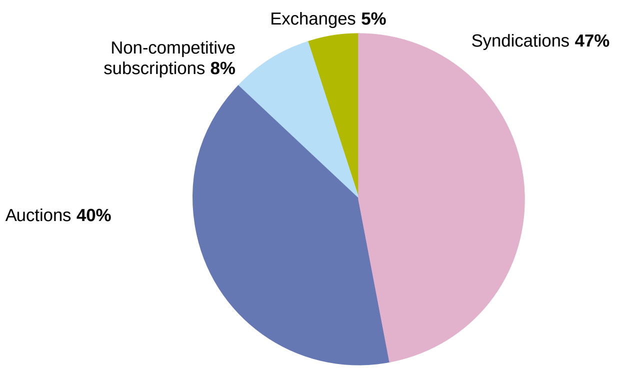
Halving of the number of exchanges

The number of exchanges fell from 12 to 6 because they were exclusively reserved for the traditional loans with an expiry date within 12 months, regarding which a decision had previously been made to offer them for exchange only six times a year. The linear bonds with expiry within 12 months are eligible for buybacks.

Table 11: Overview of the OLO issues in 2002 (in thousands of EUR)

Syndications	12 000 000
Auctions	10 562 000
Non-competitive subscriptions	2 205 100
Exchanges	1 333 900
Total	**26 101 000**

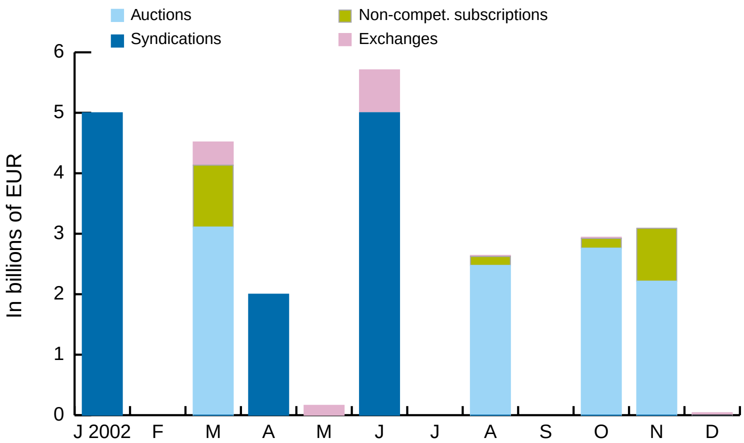
Graph 13: OLO issues in 2002 split by type



Syndication at 10 years with OLO 38

The issue of OLO 38, the new 10-year benchmark, took place as is customary in January. As in the previous issues of a new benchmark, a syndication was again opted for rather than an auction. The reasons for this are primarily the immediately available liquidity under favourable market conditions, a better control of the geographical spread and the type of investors, and a better control of the spreads by means of the 'book-building' process[1]. During the syndication that took place in 2001, the Treasury established that the yield of the new OLOs was two basis points lower than the usual level within the OLO curve.

Graph 14: Monthly OLO issues in 2002 split by type



Unlike an auction, where there is little direct participation by clients, a syndication ensures direct placement with ultimate investors, both in Belgium and outside it. Finally, a syndication is still an event in the Eurozone, and the Treasury has used its previous syndications to develop a strategy that the market certainly very much appreciates.

For this benchmark, with an expiry date of 28 September 2012, the Treasury chose Deutsche Bank, Fortis and JP Morgan as joint lead managers. As usual, the other primary dealers and recognised dealers took part as co-lead manager and member of the selling group respectively. The total amount of orders (9.6 billion EUR) was well in excess of the issued amount. The coupon of OLO 38 was established at 5% and the issue price at 99.775%.

Placement of OLO 38 a success

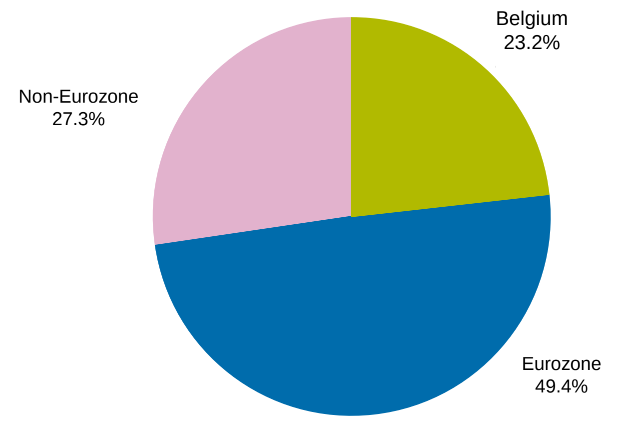
The loan was launched at 25 basis points above the German 10-year reference loan (Bund 5% - 4 January 2012), a clear improvement on 2001 when the new 10-year benchmark, namely OLO 36, was issued with a spread of 40 basis points. The success of the placement of OLO 38 was also apparent from the yield, which worked out 1 to 1.5 basis points lower than the interpolated OLO curve, and from the good performance on the secondary market during the weeks after the issue. The prices were well supported by the 'marketmaking' of the primary dealers and by the persistent demand from the investors.

[1] In a syndication, the joint lead managers, the co-lead managers and the selling group issue regular reports to the Treasury on the orders they have received, stating the volume and the spreads at which the investors wish to buy OLOs. This enables the Treasury to form an idea of the demand for and the pricing of the new OLOs.

The 'mixed pot syndication'[1] used in the allocation of orders in 2001 was also used for this issue. As in the previous syndications, the use of this system contributed to a more efficient, more transparent and more objective process of 'book-building' and allocation. The majority of the subscriptions were checked for quality, so that duplication of the subscriptions of investors via different primary dealers could be avoided. The whole process led to improvement in the quality of allocation and also allowed the Treasury to better orientate the placement both geographically and with regard to the type of investor.

76% of the bonds were placed outside Belgium: 50% in the other EU countries, almost 18% in the rest of Europe and almost 8% in Asia and America. There was strong interest from Germany, France and the Netherlands.

Graph 15: Overview of the geographical placement of OLO 38 via syndication



A large part of the loan was placed with final investors: 38% with portfolio managers and 13% with insurance companies. The banks, including investment portfolios and 'trading accounts', took up 34%, which contributed to the liquidity of this OLO line. A further 6% was placed with central banks.

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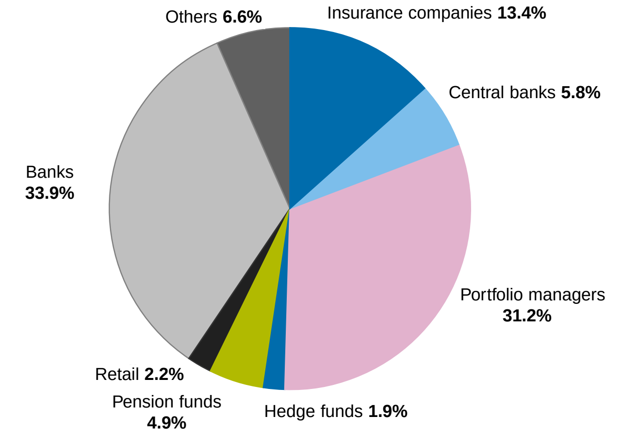
1 In the 'mixed pot syndication' structure the Treasury enjoys full transparency regarding the identity of the buyer, as in the ordinary pot system. There are, however, two differences from the ordinary pot system that mean that the check on the allocation is incomplete:

a) the presence of a 'blind retention', which is reserved for the co-lead managers and the selling group. The allocation of the OLOs is guaranteed to them for this part without the identity of the buyer having to be revealed to the joint lead managers. The co-lead managers and the selling group are respectively the primary dealers who have not obtained the mandate of joint lead manager and the recognised dealers. The 'blind retention' forms a consideration by the Treasury for their efforts in placing the OLOs and the Treasury certificates during the past year;

b) given the confidential character of the transaction the joint-lead managers need not reveal the identity of some of their clients (X-accounts), but this option is limited in terms of volume.

Graph 16: Distribution of OLO 38 by investor type



15-year syndication with OLO 40

The May auction was cancelled because of a new syndication. This time it involved a 15-year issue with ABN AMRO, Goldman Sachs, ING-BBL and Morgan Stanley as joint lead managers. The coupon for this OLO 40 with an expiry date of 28 September 2017 was fixed at 5.5%. The yield at the time of issue was 14 basis points above the OAT, the French state bond with approximately the same term. This 15-year OLO answered the needs both of investor demand and the Treasury's debt management strategy.

For several months there had been growing interest on the part of investors - especially the pension funds and the insurance companies - in assets with a term longer than 10 years. This was confirmed by the successful issues at the longer end of the curve of other sovereign borrowers, such as Greece, Italy and Spain.

This issue was also in line with the Treasury's debt management strategy. With this 15-year syndication the Treasury created a liquid benchmark on the yield curve of the linear bonds, which is helping to build up a liquid curve until 2017. This issue also reflected the Treasury's constant concern to build up an optimum profile of maturity dates. Before the launch of OLO 40 there was still no debt in the year 2017 and an issue with a shorter term would have proved a heavy burden on the present maturity calendar.

In imitation of the previous issues a syndication issue instead of an auction was chosen for the launch of this new 15-year OLO, to ensure sufficient liquidity and diversification right from the launch. The total volume of orders was almost three times as large as the intended issue amount of 3 billion EUR, so the Treasury decided to increase this to 5 billion.

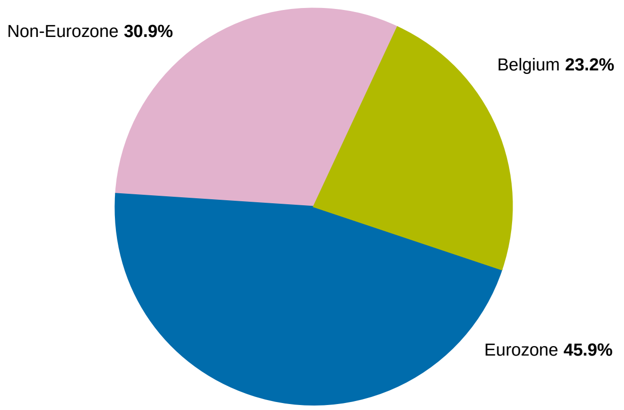
This OLO was placed with top-flight investors, including 44% with portfolio managers, 24% with pension funds and insurers and 23% with banks.

In the allocation, attention was also paid to the geographical spread: 77% of the amount was placed outside Belgium, including 46% in the Eurozone without Belgium, almost 21% in the other European countries, almost 5% in the USA, 3% in Asia and almost 3% in the rest of the world. In contrast to the previous syndications, this time no use was made of the 'mixed pot' system - the ordinary pot structure was used instead.

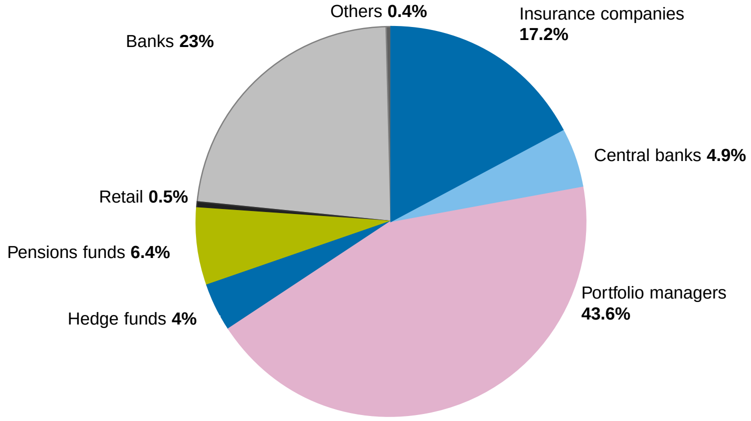
To support the book-building the Treasury engaged in an active marketing campaign in collaboration with the joint lead managers. This campaign began with a roadshow in Brussels, followed by presentations to investors in Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands and the United Kingdom.

An innovative feature of this syndication was the appointment of a 'duration manager'. This post was assigned to one of the four joint-lead managers. The task of the 'duration manager' was to keep volatility within bounds at the moment of pricing.

Graph 17: Overview of the geographical placement of OLO 40 via syndication



Graph 18: Distribution of OLO 40 per investor type



Syndication of an OLO FRN (OLO 39)

In April, in addition to the issue of two new benchmarks, the Treasury also issued via syndication an OLO 'Floating Rate Note for a sum of 2 billion EUR. This issue financed the reverse auction on 18 March 2002 of the traditional Philippe XVII loan (7% with expiry on 21 November 2004). This reverse auction was extremely successful, as the Treasury succeeded in buying back the sum of 2.3 billion EUR.

The issue of this 'Floating Rate Note' had not been envisaged in the financing plan for 2002, but given the size of the buyback the Treasury decided to finance this separately and not increase the issue programme that had already been announced. A previously unannounced increase in the OLO offer could have had a temporary negative influence on the price of our benchmarks, as investors attach great importance to the predictability of offers.

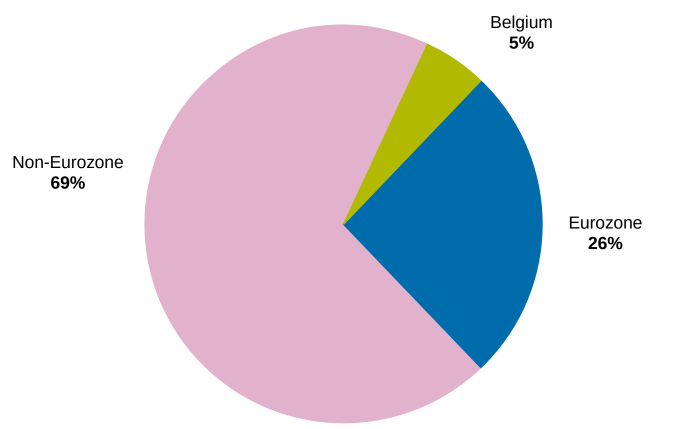
The supply of EUR-denominated FRNs issued by sovereign governments was very limited at that time and there was therefore significantly high demand for floating securities with a high credit-worthiness. In addition, the OLO-FRN (OLO 33) expired on 22 April. It was therefore highly probable that a number of investors who had subscribed to OLO 33 would be interested in a new OLO-FRN.

The standard term for an FRN is 3 or 5 years, but given the onerous repayment schedule in 2005 and 2007 it was decided to have a term of 4 years (maturity date in 2006).

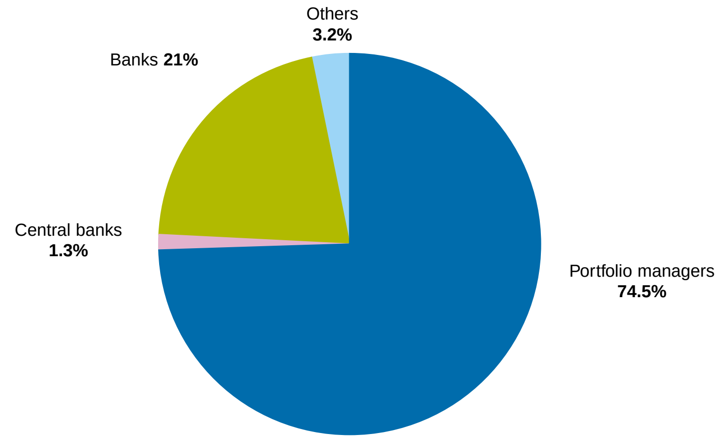
OLO 39 was launched via two joint lead managers: Barclays Capital and Salomon Smith Barney. The allocation of the orders followed the ordinary pot system. The coupon was fixed at Euribor 3 months minus 10 basis points.

Over 94% of the 'Notes' were placed outside Belgium: 26% in the Eurozone outside Belgium, 65% in other European countries (the largest part in the UK), 3% in America and 0.4% in Asia. Classed by type of investor, over 74% went to portfolio managers, 21% to banks and 1.3% to central banks.

Graph 19: Overview of the geographical placement of OLO 39 via syndication



Graph 20: Distribution of OLO 39 by type of investor

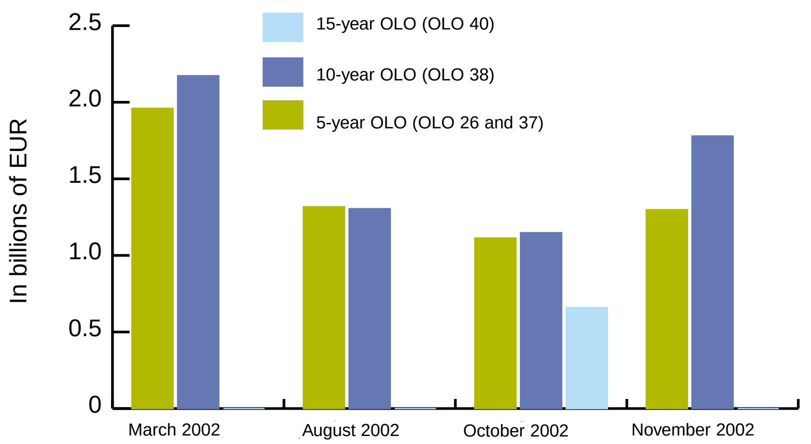


Competitive auctions

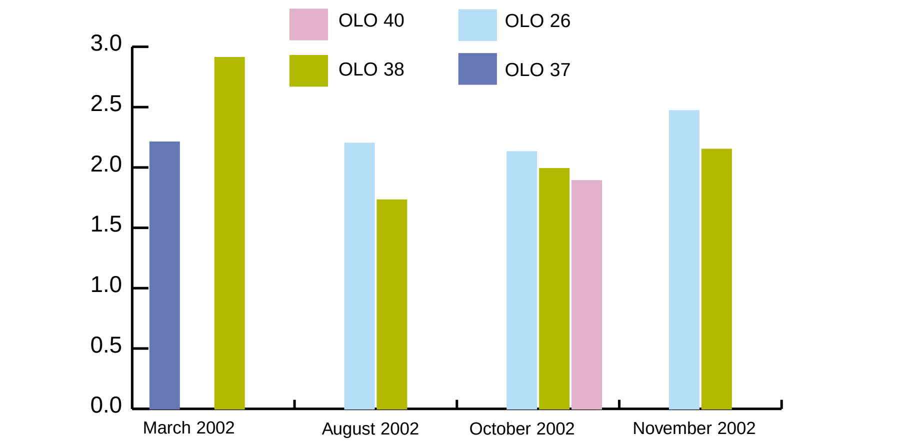
In each of the four OLO auctions a benchmark OLO line was offered at 5 years (OLO 37 or OLO 26) and 10 years (OLO 38). This time the primary dealers were also consulted about the choice of lines in the auctions. After the syndication in May, OLO 40 was offered at an auction at the end of October.

The average 'bid to cover' ratio of the four auctions was 2.19. This figure is lower than in previous years (2.45 in 2000 and 2.89 in 2001), probably because the average amount issued during the competitive part of the auctions in 2002 was higher than in the previous year, namely 2.64 billion EUR versus 2.29 billion. This increase was attributable to the change in the strategy, whereby the emphasis was placed on buybacks instead of exchanges. As a result the amounts taken up in the auctions had to be increased.

Graph 21: Split of the auctions by issue term (5, 10 or 15 years) in 2002



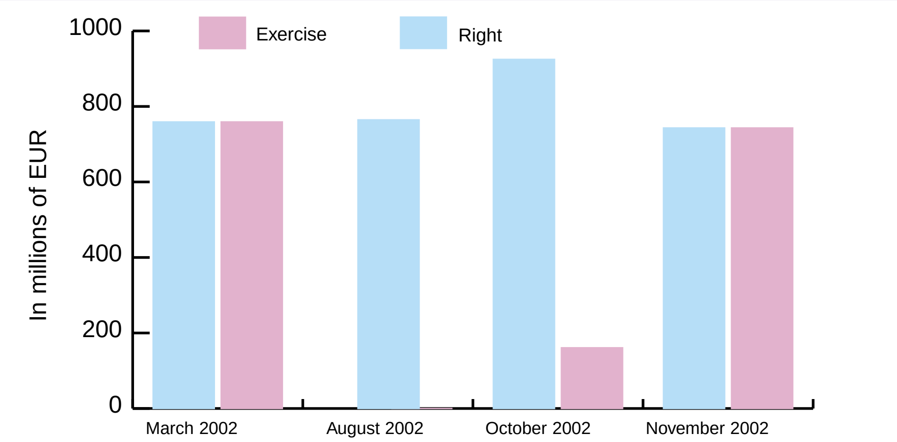
Graph 22: "Bid to cover" ratio in OLO auctions in 2002



Non-competitive subscriptions

As a consideration for their active participation in the primary and secondary markets, the primary dealers have the right to take part in non-competitive subscriptions. They can then buy securities according to a ratio determined by their accepted offers at the weighted average auction price. The right to non-competitive subscriptions for all primary dealers taken together amounted to 3.19 billion EUR. Of this 52.11% was effectively exercised, compared with 66.13% in 2001. The exercise is entirely dependent on the market conditions at the moment of these non-competitive subscriptions. The pronounced fall in interest rates during the auctions in March and November led to the full exercise of their rights by the primary dealers.

Graph 23: Right and exercise of right to make non-competitive bids for OLOs in 2002



Exchanges

In the context of the refinancing of the traditional loans that reach expiry within 12 months, the Treasury organises exchanges at a pre-determined price.

In 2001 the Treasury had already decided not to offer any more reference loans ('benchmarks') in exchange for old OLO lines and traditional loans that reached expiry within 12 months, with the sole exception of OLO 31 (expiry: 2028).

Through this tactic they sought to create a scarcity effect in these loans and so support the price.

This strategy was continued in 2002 in 6 exchanges that were performed on 2 traditional loans.

European draft directive on savings taxation

This first exchange in 2002 did not, however, appear in the calendar that was announced before the year began. This exchange was specially organised with the aim of reopening most OLO lines in exchange for the traditional Philippe XV loan with an expiry date of 14 March 2002. Through this reopening the Treasury made it clear that the OLO lines concerned fell within the sphere of application of the European draft directive on savings taxation. The bond loans issued before 1 March 2001 are not, in principle, subject to this directive. The new tranches issued between 1 March 2001 and 1 March 2002 of loans issued before 1 March 2001 are not subject to the directive either because of a 'grandfathering clause'. A tranche that is issued after 1 March 2002 on an existing loan does, however, fall within the scope of the directive, so that the fungibility between the new tranche and the existing loan is not continuous. However, the draft directive also provides for the possibility of the government bringing the existing loans issued before 1 March 2001, the new tranches of which will be issued on or after 1 March 2002, fully within the scope of application of the directive by reopening these lines. Various Member States of the European Union, including Belgium, have agreed to make use of this possibility by issuing a new tranche on the relevant lines after 1 March 2002. This will fully safeguard the fungibility. The new OLO lines that were issued after 1 March 2001 automatically fall within the scope of application of the directive and must therefore not be offered in exchange.

For the traditional Philippe XII loan - 6.5% with expiry on 15 March 2003 - 6 exchanges were planned, 5 in 2002 and one in 2003. As usual the Treasury offered in exchange 8 OLO lines with maturity dates ranging from 2005 to 2028. These were selected on the basis of suggestions received from the primary dealers.

The exchanges of the two traditional loans that reached their maturity dates within the year have led to the issue of 1.33 billion EUR in new OLOs (5.11% of the total issued amount), compared with 7.42 billion (28.56% of the total) in 2001. This fall is obvious, given the decision by the Treasury to reserve for buybacks the OLO lines with a maturity date within 12 months.

The average amount in exchanges was 222 million EUR, compared with 603 million in 2001. An exceptional case was noted in the month of June when almost 710 million was exchanged. None of the last three exchanges reached the level of 50 million EUR due to unfavourable market developments at the time of the exchange transactions.

Globally considered, the primary dealers were chiefly interested in OLO lines with expiry dates in 2005 (17.12%), 2010 (27.29%) and 2015 (18.86%).

Graph 24: Impact of the exchanges on the outstanding amount of the traditional Philippe XII loan

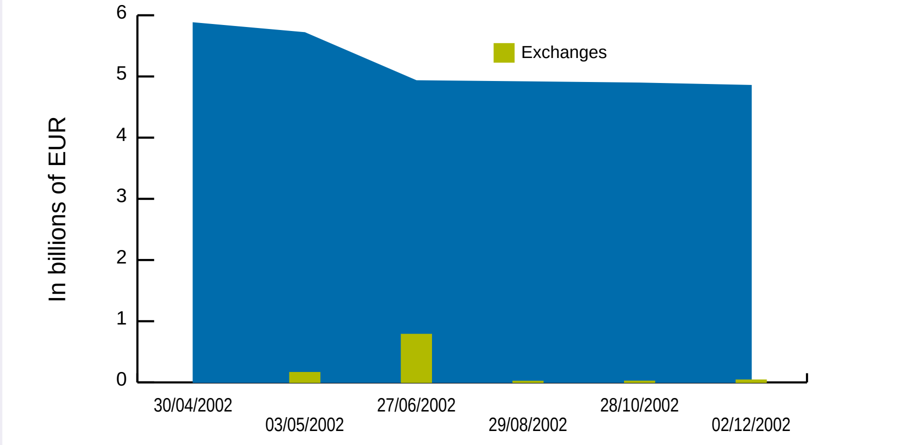


Table 12: Reduction of the loans with maturity dates in 2002 and 2003 (in millions of EUR)

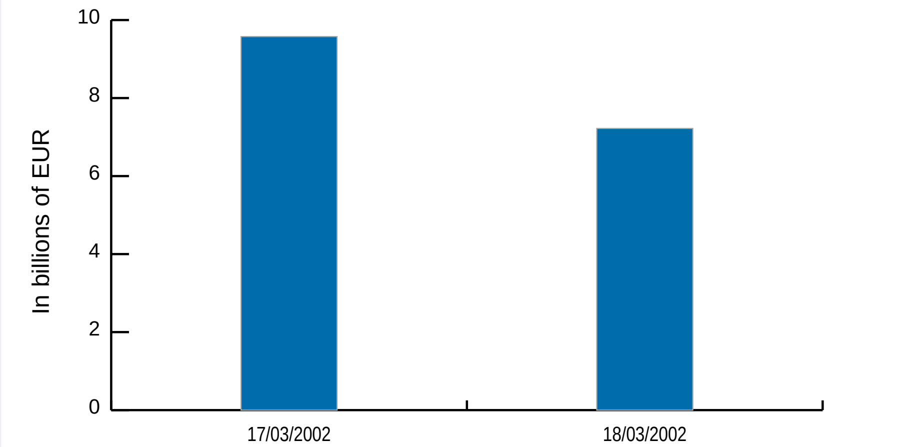
Loans with maturity in 2002	Circulation 31-12-01	Exchanged amount	Bought-back amount	% exchange	% buyback	Circulation at expiry
OLO 10 BE259 25/06/02	8 687. 9		2 024	0.00%	23.30%	6 663.9
OLO 33 BE293 - FRN 22/04/02	2 000			0.00%	0.00%	2 000
PH 15 BE280 - 14/03/02	1 898. 2	376.9		19.85%	0.00%	1 521.3
Loans with maturity date in 2003						
OLO 6 BE251 - 28/03/03	12 625.8		3 305	0.00%	26.18%	
PH 12/PH 13 BE271-14/03/03	5 877.2	1 024.2		17.43%	0.00%	
Loans with maturity date in 2004						
PH 17 BE284 - 21/11/04	9 576.0		2 355.1	0.00%	24.59%	

Buybacks via reverse auctions

During 2002 two reverse auctions were organised. The first was held on 18 March and related to the traditional Philippe XVII loan - 7% with expiry on 21 November 2004. In this reverse auction 2.35 billion EUR was bought back, which meant that the outstanding amount on this loan fell to 7.22 billion.

The Treasury organised a second reverse auction on 2 December in which the OLOs 12 (maturity date 24 December 2012) and 23 (maturity date 28 March 2015) were bought back for 780 and 480 million EUR respectively. The outstanding amount on OLO 12 remained unchanged however, because the Treasury decided to keep the 780 million EUR bought back in portfolio for repo purposes.

Graph 25: Impact of the reverse auction on the outstanding amount of the traditional Philippe XVII loan

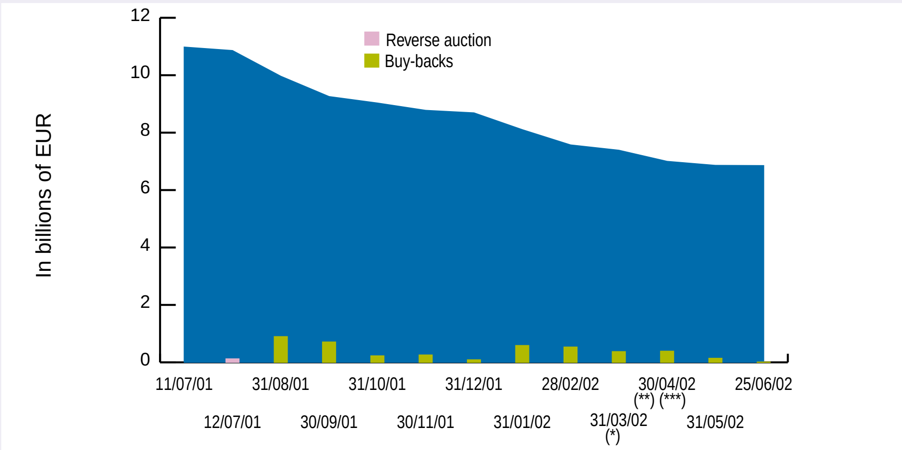


Since July 2001 the Treasury has been using the MTS Belgium platform for its buybacks. This platform offers liquidity, efficiency and transparent pricing. The buyback is performed via a separate segment (Belgian Buybacks / BBB), to which the primary dealers and the Treasury have sole access. The Treasury can only post purchase prices (for a minimum of 4 hours a day), but it can intervene in the primary dealers' sales quoted on this segment. The Treasury can also buy back by telephone, but no use has yet been made of this channel.

Buybacks

In 2002 the buybacks on OLO 10 amounted to 2.02 billion EUR compared with 2.17 billion in 2001. The amount at maturity date was thus reduced to 6.85 billion EUR. A total of 312.5 million EUR was kept in portfolio in the months of March and April for repo purposes, but was ultimately repaid on 30 April.

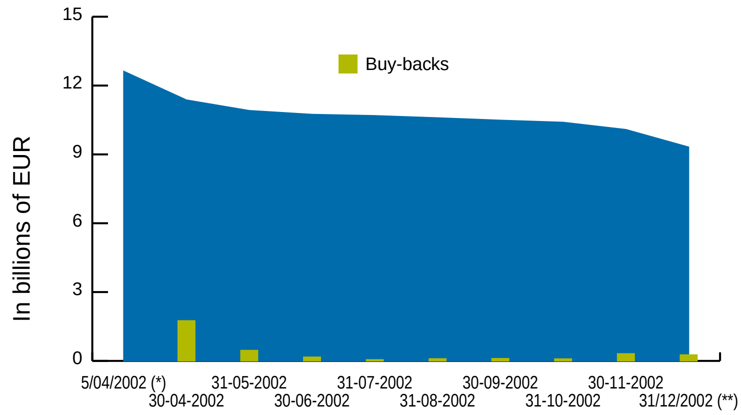
Graph 26: Impact of the reverse auction and the buybacks in the outstanding amount of OLO 10



(*) 187 500 euros were bought back and then kept in portfolio
(**) 125 000 euros were bought back and then kept in portfolio
(***) 312 500 euros were kept in portfolio and then repaid on 16/04/2002

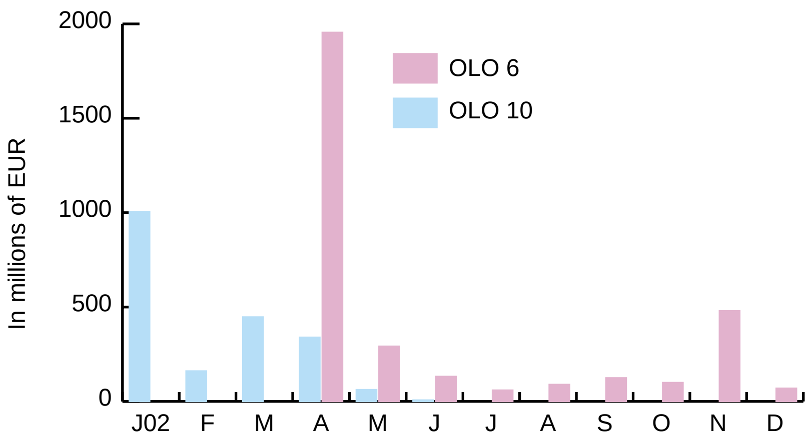
OLO 10 was replaced in portfolio by OLO 6 with an expiry date of 28 March 2003, the buybacks for which began in April. This was in line with the Treasury strategy to start with the buybacks on OLO lines that reach their expiry date within twelve months. The outstanding amount of OLO 6 evolved from 12.6 billion EUR to 9.3 billion EUR, a reduction of 3.3 billion or 26.18% of the total.

Graph 27: Impact of the buybacks on the outstanding amount of OLO 6



(*) 500 000 000 euros were bought back and then kept in portfolio
(**) repayment of 500,000,000 euros on 19/12/2002

Graph 28: OLO buy-back programme via MTS Belgium (from January to December 2002)



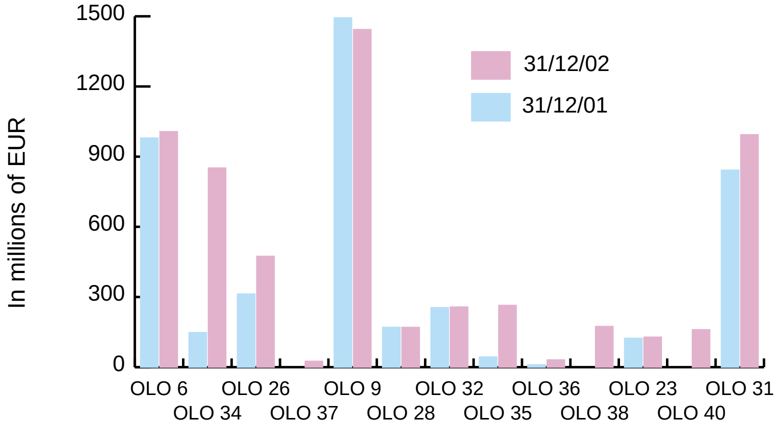
In April 500 million EUR was kept in portfolio for use in repo transactions. This amount was paid off in December and replaced by OLO 12, 780 million EUR of which was bought back via a reverse auction.

Strips

The two new benchmark lines (OLO 38 and 40) were opened for splitting immediately after issue. The first applications for splitting were received several months later. By the end of the year the outstanding split amount was respectively 184 and 165.25 million EUR for OLOs 38 and 40. OLO 37, which was issued in 2001 and for which no applications for splitting were received in that year, posted a modest circulation of 25.2 million euros in strips at the end of 2002.

Compared with 2001 the global circulation of the strips rose by 1.6 billion EUR to 6 billion or 4.20% of the total outstanding amount in the 13 splittable lines. Of these 13 lines, six have their interest due date in the month of March, six in the month of September and one in October. Although 4.20% seems a low figure, the Belgian OLO strip market is the third largest in the Eurozone, after France and Spain.

Graph 29: Outstanding amount of the split OLOs in 2002



In 2002 the strip activities were concentrated on OLO 34 (September 2005), OLO 35 (September 2010) and OLO 38 (September 2012). As is apparent from graph 29, the strips on OLO 9 (October 2007) are still achieving the highest circulation.

b. State Notes

A 'retail' product

In addition to linear bonds, the Belgian State also issues State Notes. These are fixed interest long-term loans with an annual coupon. The first issue was in 1996. State Notes are placed via a panel of 'placing institutions' (see list in appendix) appointed by the Finance Minister after a selection procedure. Since mid-1999 the State Notes have been issued in EUR only.

State Notes are a retail product intended for Belgian natural persons and other investors such as:

- foundations;
- certain public institutions;
- non-profit bodies;
- churches or institutions that are classed in the national register of legal persons under the heading 'religious bodies';
- similar institutions abroad.

As is the case every year, in 2002 there were four issues (see table 13, which contains an overview of the issue terms and the amounts achieved). In March, June and December 2002 the State Notes were issued for 100% of their nominal value. In the issue on 4 September, however, the issue price was 99.50%. This was the result of an interest rate increase on the bond market between the moment that the coupon was established and the launching of the Note. As a result the actuarial yield of State Note 5/7 rose from 3.85% to 3.96% and that of the 8-year State Note from 4.20% to 4.28%.

Table 13: The issue of the State Notes in 2002

Name	Code	Coupon	Gross actuarial yield	Amount in EUR
March 2002 State Note at 5 years renewable up to 7 years 4 March 2002-2007-2009	946/73	4.40 %	4.40 %	299 000 000
State Note at 8 years 4 March 2002-2010	947/74	4.70 %	4.70 %	161 500 000
June 2002 State Note at 5 years renewable up to 7 years 4 June 2002-2007-2009	948/75	4.60 %	4.60 %	216 000 000
State Note at 8 years 4 June 2002-2010	949/76	4.95 %	4.95 %	180 000 000
Sept. 2002 State Note at 5 years renewable up to 7 years 4 Sept. 2002-2007-2009	950/77	3.85 %	3.96 %	112 000 000
State Note at 8 years 4 September 2002-2010	951/78	4.20 %	4.28 %	117 500 000
Dec. 2002 State Note at 5 years renewable up to 7 years 4 Dec. 2002-2007-2009	944/71	3.65 %	3.65 %	99 000 000
State Note at 8 years 4 December 2002-2010	953/80	4.05 %	4.05 %	133 000 000
Total:				**1 298 000 000**

Direct subscription possible in the Ledgers of the Federal Debt

A new feature is that it is now possible to subscribe to State Notes 'by name' direct in the Ledgers of the Federal Debt. This facility was offered for the first time for the 4 June 2002 issue. Before this, subscriptions by name were only possible if a financial institution was used as an intermediary. For the sake of clarity: 'subscriptions by name' are entries in a special register - a 'ledger' - which is maintained for each loan and in which the identity of the creditor and the subscribed amount are recorded. The subscription by name in the ledger constitutes the actual evidence of subscription for the subscribed creditors.

The Department of the Ledgers of the Federal Debt also takes care of financial loan servicing, such as the payment of interest and the repayment of the capital at an interim maturity date or expiry.

Subscription by name is not only possible for State Note subscriptions: it can also be used when buying on the secondary market[1].

[1] Subscriptions by name are not only possible for State Notes, but also for linear bonds, traditional loans (bought on the secondary market) and Treasury certificates.

The Department of the Ledgers of the Federal Debt is open to everyone, whether a private or an institutional investor, Belgian resident or non-resident savers, or investors that are or are not exempt from the withholding tax.

c. Treasury bonds - Silver Fund

To meet the specific needs of the Silver Fund the Treasury can issue 'Treasury Bonds - Silver Fund'. These non-negotiable securities offer the Silver Fund the requisite flexibility in the execution of its investments and ensure complete transparency with regard to the markets. They take the form of a subscription by name in a ledger of the national debt.

During 2002 the Silver Fund invested a total of 1.06 billion EUR in 'Treasury Bonds - Silver Fund'.

To recap: the Silver Fund was founded in 2001 to help shoulder the budgetary load resulting from the 'greying' of the population. The Fund has the aim of setting aside reserves to finance - in the period 2010-2030 - the additional expenditure of the various statutory pension systems. The income of the Silver Fund consists of budgetary surpluses, social security surpluses, non-fiscal receipts and revenues from investments.

1.2. EUR-denominated short-term debt

At the end of December 2002 the short-term debt was 33 billion EUR. The Treasury certificates accounted for 82% of this and thus remained the Treasury's most important financing instrument by far for bridging the temporary imbalance between income and expenditure of the State.

a. Treasury certificates

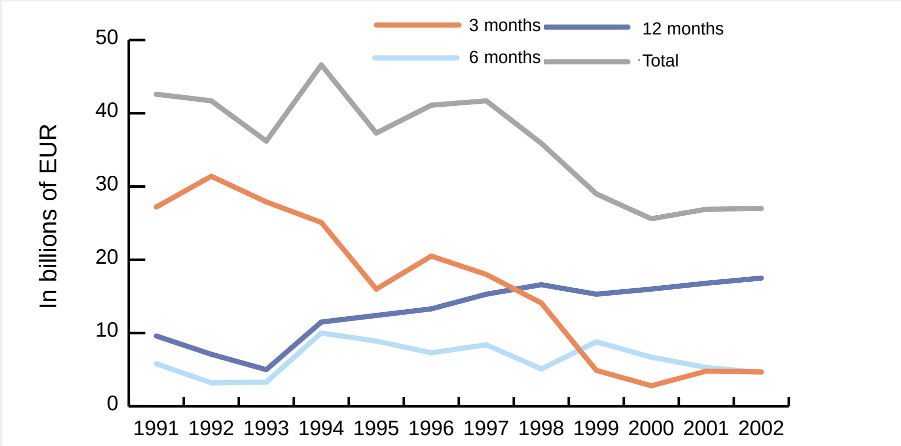
The outstanding amount of the Treasury certificates fluctuated between 27 and 31 billion EUR, with an average of 29.3 billion EUR. In the publication of the issue calendar for 2002, allowance was made for the traditionally positive cash position of the Treasury at the end of the year and, as a result, no auction was planned at the end of December.

In the auctions two lines were systematically offered: either a line at 3 or 6 months or a line at 3 and 12 months. Each new 12-month line was then filled out during the year with issues at 6 or 3 months for the sake of the fungibility.

Competitive auctions

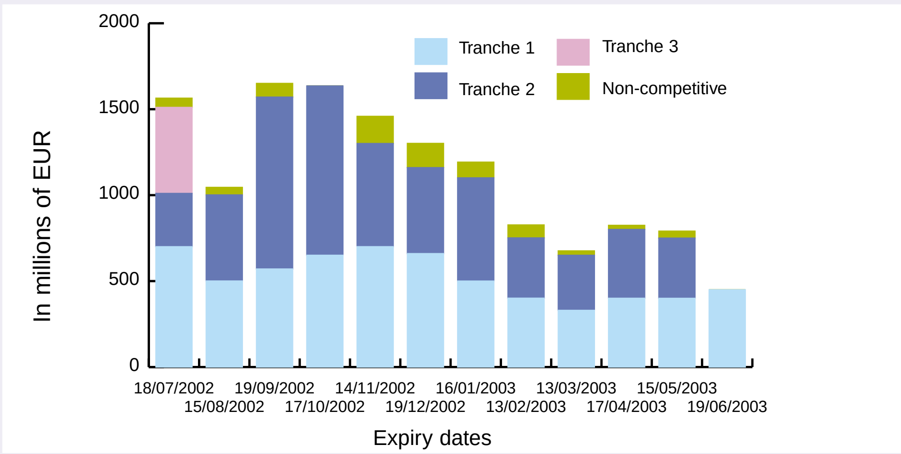
Investors continued to show interest in the Treasury certificates, as was apparent from the 'bid to cover' ratio, i.e. the ratio between the amounts offered and allocated in the auction. On the average the 'bid to cover' ratio was 9.76 for the 3-month issue, 6.06 for the 6-month one and 3.89 for the 12-month issue. The average amounts that were offered by the investors were respectively 4.3 billion, 2.9 billion and 2.2 billion EUR for the 3-, 6- and 12-month issues.

Graph 30: Evolution of the outstanding amount of the Treasury certificates from the end of 1991 to the end of 2002



The lower 'bid to cover' ratio for the 12 months can be explained by the Treasury's concern to guarantee sufficient liquidity right from the outset. Conversely, in the 3-month segment a higher 'bid to cover' ratio was quoted because the Treasury preferred to create a new 12-month line rather than flesh out an existing 3-month line, and because the investors offered considerable sums for this short-term benchmark. Compared with the year before, the 'bid to cover' ratios rose in 2002, which suggests an increase in the volume of the offers. At each auction there was accordingly sufficient demand for certificates, so that the Treasury could make due allowance for different variables such as the price, term and liquidity of the lines.

Graph 31: Overview of the issues of 6-month Treasury certificates

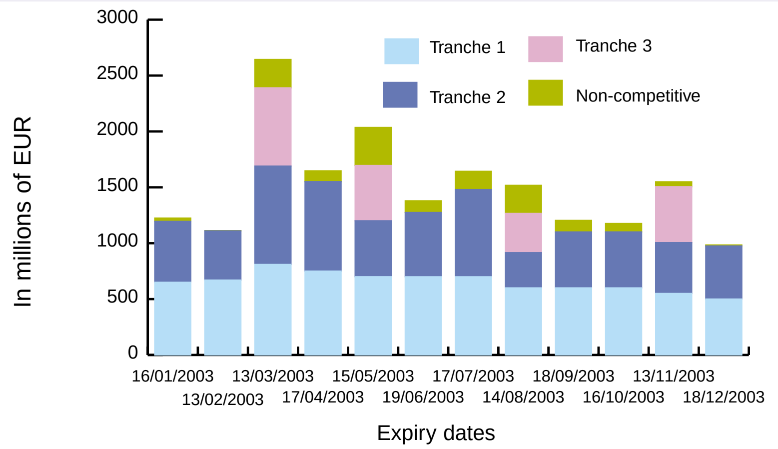


Liquidity of the lines at launch

After the first auction the volume of a new line at 12 months fluctuated between 500 and 810 million EUR. On the average the issues at 3, 6 and 12 months were respectively 476.2 million EUR, 528.4 million and 594.5 million. The efficient functioning of the Treasury certificate market and the interest of the investors was also apparent from the fact that the difference between the limit interest rate and the lowest offered interest rate in the auctions was on the average less than 2 basis points, except when the Treasury increased its 12-month issues.

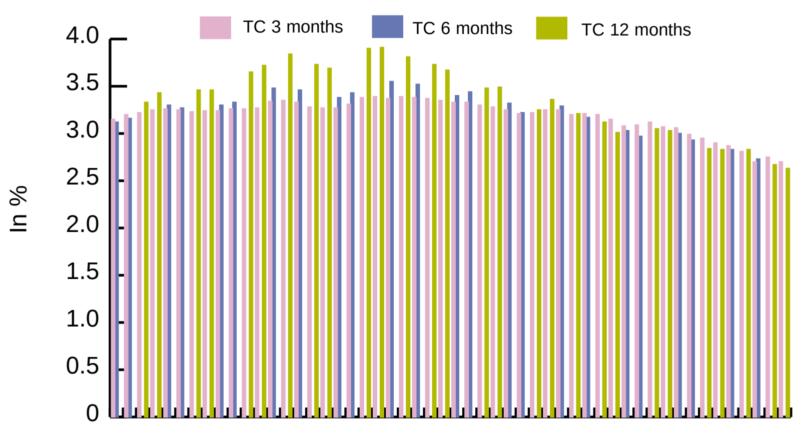
In spite of this minimal difference, some 50% of the participants in an auction saw their offer accepted. On the average the offers of 6 participants were accepted for the 3-month lines and of 8 participants for the 6- and 12-month lines.

Graph 32: Overview of the issues of 12-month Treasury certificates



Graph 34 shows the evolution of the spread between the weighted average interest rate of the Treasury certificates and the Euribor in the 3-, 6- and 12-month issues.

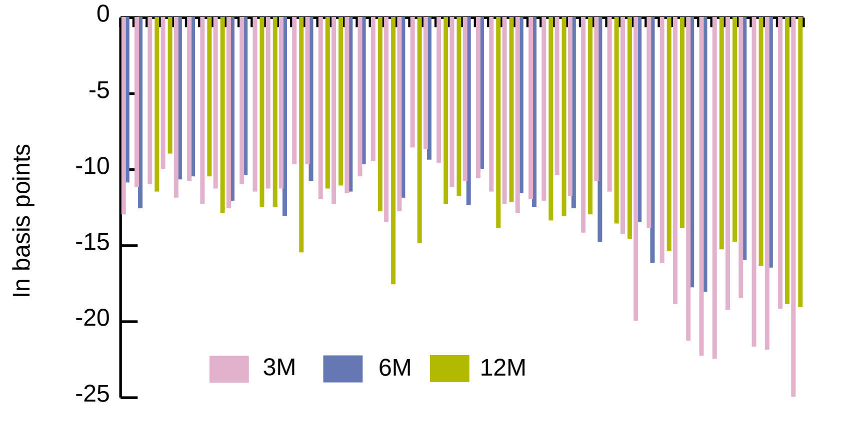
Graph 33: Weighted average interest rate of the Treasury certificates at 3, 6 and 12 months in 2002



Short-term interest rate spreads

The spreads compared with the Euribor for the three terms did not show any noteworthy peaks with the exception of, in particular, the spreads in the 3- and 6-month auctions at the end of the year. The clear increase in this spreads was due to a combination of two factors: interest on the part of the investors in sovereign securities and the reduced offer occasioned by the large cash surpluses at the Treasury. On the average a spread in favour of the Treasury was quoted of -13.45, -12.63 and -13.61 basis points for respectively 3, 6 and 12 months.

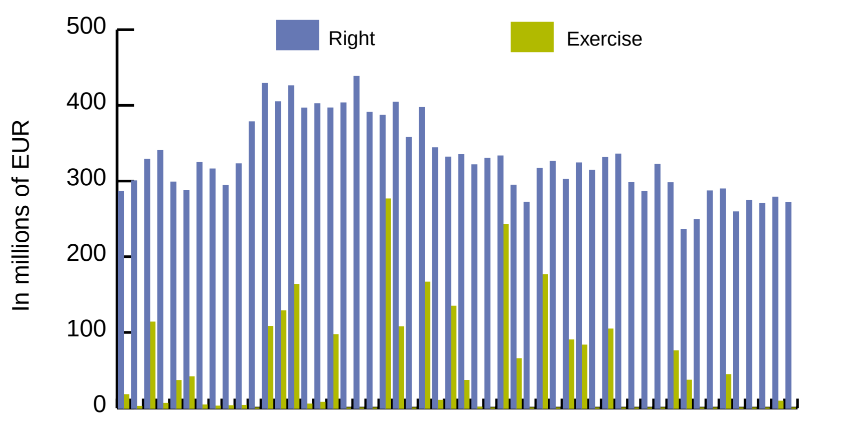
Graph 34: Spread between the weighted average interest rate of the Treasury certificates and the Euribor at 3, 6 and 12 months in 2002



Non-competitive subscriptions

In 2002 the take-up by primary dealers of their right to acquire Treasury certificates via non-competitive subscriptions at the weighted average interest rate of the auction was only 14%. This suggests that participation in the non-competitive round is inspired by a certain opportunism. The interest shown by the investors in non-competitive subscriptions is heavily dependent on the market terms. Sometimes the subscriptions are very substantial (50-80% of the subscription right) and sometimes virtually non-existent.

Graph 35: Right and exercise of the right to non-competitive subscriptions in 2002



b. Belgian Treasury Bills and the Interbank market in EUR

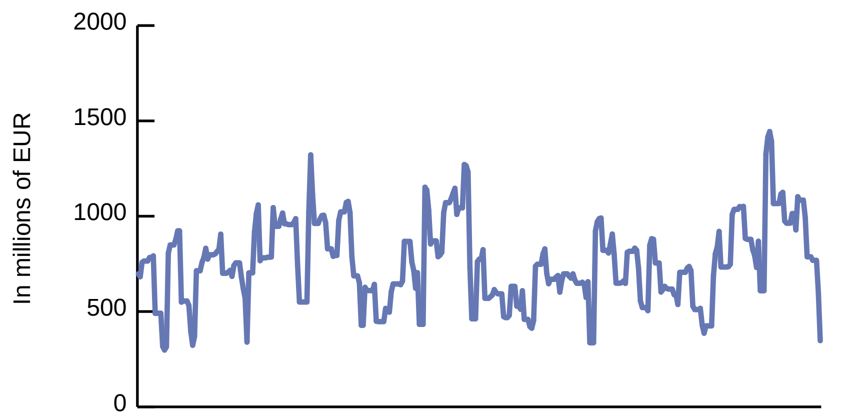
Belgian Treasury Bills (BTBs) in euros, like their counterpart in foreign currency, are issued 'on tap' and by the same dealer group (see appendix). Notwithstanding the programme's multicurrency character there are major differences in issue strategy between the two.

EUR-denominated BTBs

The BTB programme is the most important financing instrument for the management of the short-term debt in foreign currency. The BTB programme in EUR on the other hand serves almost exclusively to create a bridge between the Treasury's Interbank activities (usually with a term < 1 week) and the Treasury certificates (issued with a minimum term of 3 months). The weighted average term of the BTBs in EUR was therefore 15 days.

The programme is ideal for managing the liquidity surpluses of Belgian public institutions. It is in line with the consolidation of the financial assets of the government for the calculation of the public debt in accordance with the Maastricht standards.

Graph 36: Evolution of the outstanding amount of the BTBs in EUR in 2002



In 2002 the nominal outstanding amount fluctuated within a fork from 400 million to 1.4 billion EUR, which is rather modest when compared with the average nominal outstanding amount of the Treasury certificates (some 30 billion EUR). In total 1,187 issues were made, with an average of 15 million EUR. The fluctuations in the outstanding amounts are primarily ascribable to the presence or absence of major investors on this market.

The Treasury can itself act as BTB dealer and in this capacity it closed five transactions in 2002.

The Interbank market

The transactions on the Interbank market are actually the fine-tuning instrument for settling the daily cash position. In 2002 the Treasury borrowed an average of 91 million EUR on the Interbank market and itself placed there an average of 231 million EUR. The monthly average was 143 transactions. At the end of the year the outstanding amount of the Interbank loans rose, primarily as a result of loans that were concluded with public institutions in the context of the consolidation of the financial assets of the government for the calculation of the debt ratio in accordance with the Maastricht criteria.

Since the introduction of the single currency the Treasury has regularly performed liquidity deals (borrowings or placements) with other states from the Eurozone in the light of their cash position. In 2002, 78 such deals were concluded for a sum of 36.6 billion EUR (compared with 11 billion EUR in 2001) and with terms ranging from 1 day to 2 weeks.

The increased volume is ascribable to the larger number of counterparties: 2 in 2001 compared with 5 in 2002.

2. THE EUR-DENOMINATED GOVERNMENT DEBT SECONDARY MARKET

One of the most important objectives of the Treasury is to achieve a properly functioning secondary market in its financial products, because this has an immediately favourable influence on the issue price of newly issued securities.

Important role for the electronic platforms

An important contribution to an efficient secondary market is made by the electronic platforms, especially the MTS platforms (MTS Belgium, Belgian Buybacks and EuroMTS). The success of these platforms has been so tremendous that the secondary market can be subdivided into the secondary market on the MTS platforms and the secondary market outside these platforms. On the MTS platforms, transactions are concluded among the participants in MTS, the marketmakers and the markettakers on the one hand, and within the framework of the position-keeping of the trading accounts of these participants on the other. On the national MTS platform, MTS Belgium, the bulk of the marketmakers (16 out of 22) consists of primary dealers.

On the secondary market outside the MTS platforms, the marketmakers and markettakers can buy and sell in complete anonymity, because this market is less transparent. What is more, on this market the securities of financial institutions are distributed to investors (where appropriate via brokers) to the investors and vice versa.

On the basis of the products traded, the secondary market can be divided into two parts: the first comprises the outright transactions (separate buy and sell transactions), the second the sell- and buybacks and the repo transactions.

In this letter category, the contribution of the Treasury has become more important through its participation in the repo market on MTS Belgium. Through this involvement the Treasury hopes to increase the transparency of repos. Until it started participating the Treasury's activities on the repo market remained limited to the closing of repo transactions via brokers.

An active participation means that the Treasury can conclude both repos and reverse repos. In the past the Treasury could not conclude repos because it did not have any bonds in portfolio. For that reason, in 2002, thanks to the buybacks via MTS Belgium and the reverse auctions a portfolio of Belgian government securities was compiled.

2.1. The linear bond secondary market

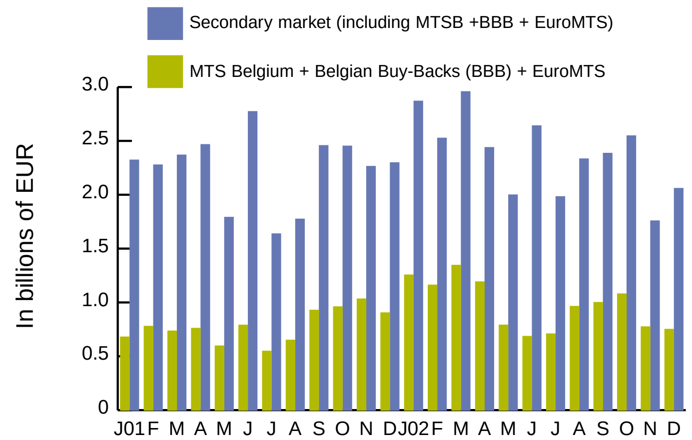
The increase in the traded volume of buy and sell transactions (outright transactions) in OLOs on the secondary market continued in 2002, albeit to a lesser extent. This is apparent from the turnover figures published by the National Bank of Belgium.

The figures for November and December are provisional, as the adjustment for 'sell/buybacks'[1] for these months is only an estimate.

The average daily volume rose slightly, by 0.1 billion EUR to 2.3 billion EUR. In March a peak was reached with an average daily volume of almost 3 billion EUR in outright transactions in OLOs. As regards volume, January scored highest with a total of 63.1 billion EUR, followed by March with 59.1 billion. The syndication of OLO 38 in January was not of course entirely unconnected with this.

The sustained growth in the secondary market was primarily occasioned by the presence of the MTS platforms. On these platforms the average daily volume increased by almost 200 million EUR, namely from 779 million in 2001 to 974 million in 2002.

Graph 37: Traded volumes on the secondary OLO market in 2002 (daily averages)



Turnover of OLOs has risen thanks to electronic platforms

In five of the twelve months the average daily volume on these platforms exceeded the 1 billion EUR threshold, with a record being achieved in March when 1.3 billion EUR was recorded. The importance of the MTS platforms on the secondary market continues to grow and has climbed from 35% in 2001 to 41% in 2002.

The average share of the primary dealers in the traded volume on the secondary OLO market was 56.51% in 2002 compared with 54.07% in 2001. From this figures it is apparent that in 2002 the non-primary dealers and other investors were once again especially active on the secondary market.

2.2. The Treasury certificate secondary market

Like that of the OLOs, the secondary market in Treasury certificates can be divided into two parts: the outright transactions on the one hand and the sell- and buybacks and repo trades on the other.

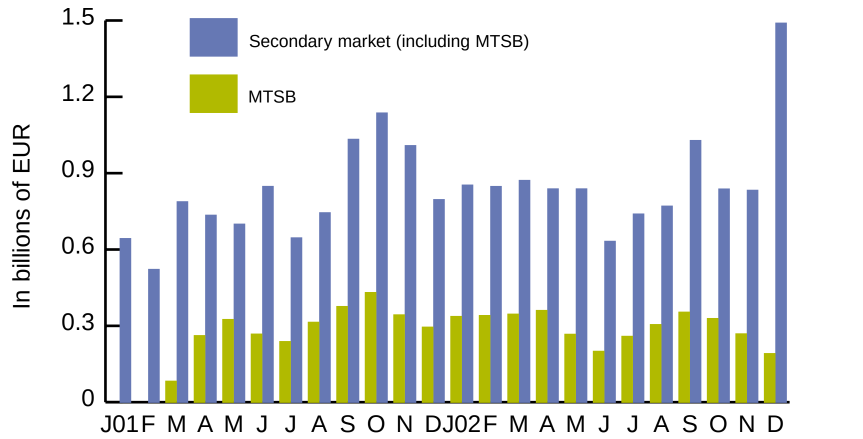
The quoting of the Treasury certificates on MTS Belgium that began in 2001 also had a positive influence on the secondary market in these securities in 2002.

[1] Sell/buybacks: These 'sell/buybacks' must be deducted from the figures on outright transactions because they belong to the repos category.

Secondary market in Treasury certificates receives stimulus from MTS Belgium

The average daily turnover on the secondary market (including MTS Belgium) grew from 799 million EUR in 2001 to 881 million in 2002. It peaked twice above 1 billion EUR during September and December, hitting 1.02 and 1.4 billion EUR respectively. The latter figure set a new four-year record.

Graph 38: Traded volumes on the secondary market in Treasury certificates in 2002 (daily averages)



On MTS Belgium the daily averages varied between 190.5 and 360 million EUR, with an average daily turnover of 295 million. The market share of MTS Belgium increased by 32.5% in 2001 to 34% in 2002.

In 2002 the primary dealers were responsible for 69.75% of the secondary market in Treasury certificates compared with 68% in 2001. These figures show that even the non-primary dealers and other investors are active on the secondary market, albeit to a lesser extent than is the case of OLOs.

2.3. The State Note secondary market

The State Notes are quoted on the fixing market of Euronext Brussels, which guarantees a permanent liquidity. They can therefore be bought or sold at any time.

At every issue the Belgian Securities Regulation Fund subscribes to State Notes. In this way it builds up a portfolio in order to act as a counterparty on the secondary market, both for the purchase and sale of these Notes.

The proportion of the State Notes on this market has risen consistently: 15% in 1997, 22% in 1998, 31% in 1999, 40% in 2000, 46% in 2001 and 55% in 2002.

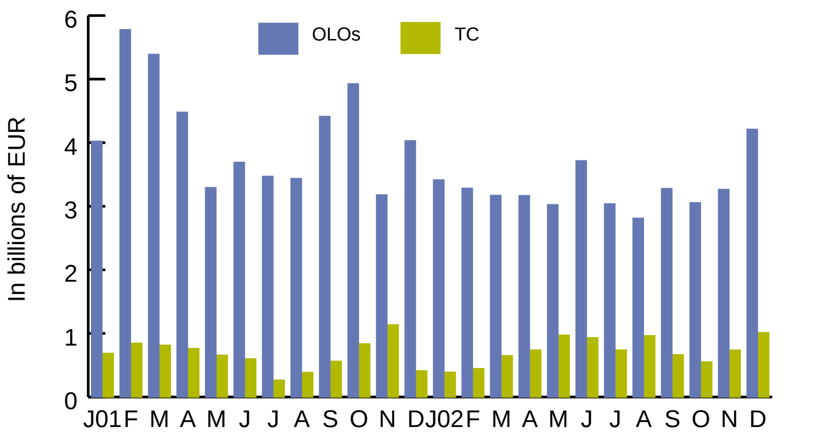
2.4. The Belgian repo market

The Treasury attaches great importance to an effectively functioning secondary market, and the repo market is one of the most important bulwarks of that market. If a market party does not have enough of a certain government security he can provide temporary cover by concluding a repo deal. The opportunity to temporarily dispose of or take up securities at cash market prices can also have a favourable effect on the pricing of the primary issues. By means of a repo an investor can also invest in government securities for a term that differs from the normal one, without running a price risk in doing so.

The repo market in Belgian government securities is one of the best performing in the Eurozone.

The graph below provides an overview of the volumes of repo trades with OLOs and Treasury certificates. These figures show the volumes that have been settled in the Clearing of the National Bank of Belgium.

Graph 39: Overview of the traded volume (daily averages) on the repo market of OLOs and Treasury certificates



The trend already established in 2001 - a reduced activity in repos on OLOs and an increasing activity in repos on Treasury certificates - continued in 2002.

Repos on OLOs are declining but repos on certificates are increasing

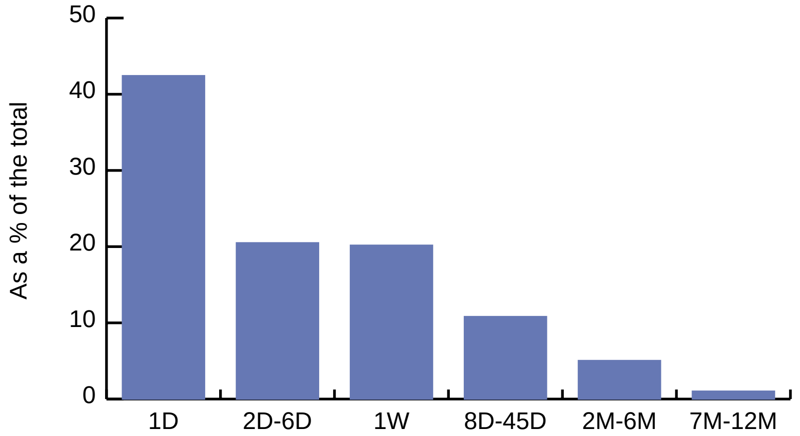
The average daily turnover of the repos on OLOs fell from 4.2 to 3.3 billion EUR and the monthly average from 88 to 69.5 billion EUR. On the other hand there is the increase in the daily average of the repos on Treasury certificates from 663 to 733 million EUR and of the monthly average from 14 to 15.5 billion EUR.

Three factors play a part in the fall of the repos on OLOs after the past few years. First, the Belgian banks are holding their Belgian government securities in portfolio to use them as collateral for the intraday credit in the Clearing of the National Bank and for the repo transactions of the European Central Bank. Second, a number of counterparties are taking part in a central counterparty system such as 'LCH repoclear'. Market parties who take part in a centralised system of this kind only notify the net balances of their global trades to the settlements system of the National Bank of Belgium. Third, the volumes settled in Euroclear and Clearstream are not included in the National Bank's clearing statistics. In addition, no distinction can be made in the systems of Euroclear and Clearstream between the buys and sells and the repos. Due to the globalisation of the market parties and the compensation ('netting') used by the settlement systems it is becoming more and more difficult for the Belgian Treasury and the other Member States of the EU to obtain a clear overview of this secondary market.

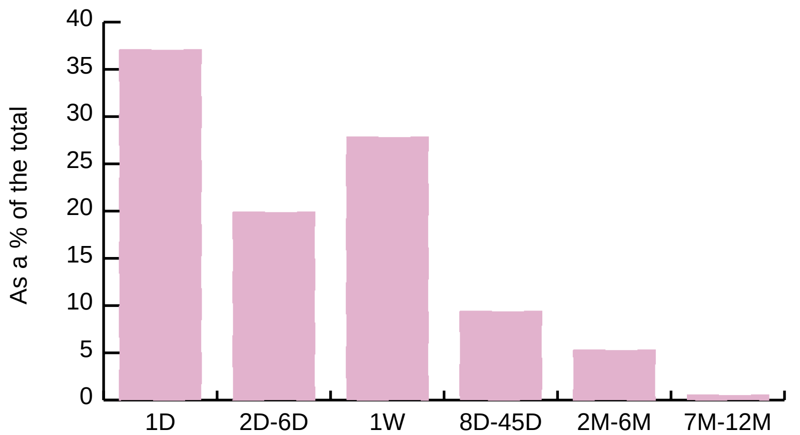
Short repo terms

As in previous years the terms of the repos on linear bonds, Treasury certificates, traditional loans and strips were concentrated on the very short term both as regards number and volume. Cumulatively more than 83% of the repos were concluded with a maximum term of one week. This was because the repo market on Belgian government securities is still cash-driven. The market parties are therefore making ample use of the repos on Belgian government securities to meet their liquidity needs. In this way they can use pledging to obtain a better financing than they can via the Interbank market where no sureties are required. In addition the credit lines at the counterparties need to be drawn down less heavily thanks to the pledging of the public debt instruments.

Graph 40: Traded repo volume per term in 2002

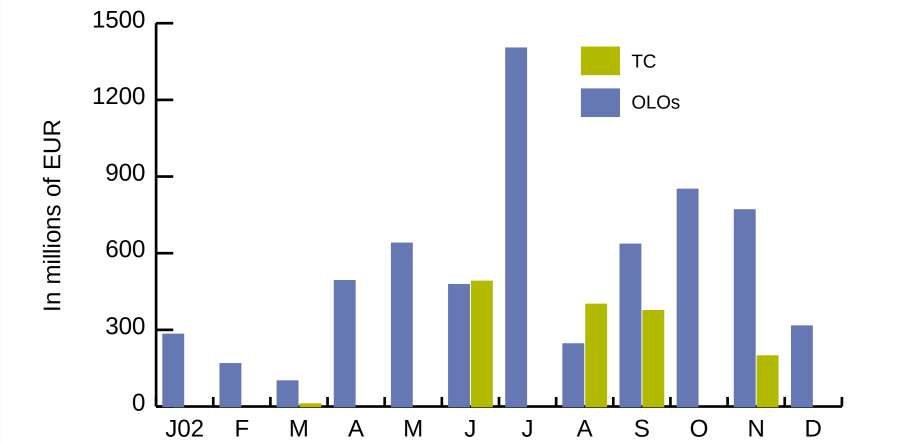


Graph 41: Number of repos per term in 2002



Repo transactions are also concluded via an electronic platform, especially via Brokertec and to a lesser extent also via EuroMTS.

Graph 42: Amounts traded on the repo market via EuroMTS in 2002



3. REPAYMENT OF THE EUR-DENOMINATED DIRECT DEBT

Table 14 shows an overview of the buybacks and repayments made by the Sinking Fund.

a. Buybacks and exchanges

In 2002 a nominal 9,565.8 million EUR was repaid by buybacks or exchanges, which is a slight fall in comparison with 2001.

The buybacks on the stock exchange via the Belgian Securities Regulation Fund almost disappeared, but this was compensated by buybacks via the Debt Agency. The nominal amount repaid through buyback via the Agency was 8,164.10 million EUR.

2,355.10 million EUR were bought back in the Philippe loan code 284 (1995/1998/2001/2004 with variable interest); 2,805 million EUR in OLO 251 (9% 28 March 1992/2003); and 1,711.50 million EUR in OLO 259 (8.75% 25 June 1992/2002).

During 2002 the Debt Agency performed buybacks in OLOs 259, 251, 282 and 262. The securities bought back in respect of the first three OLOs were - after being kept in portfolio for a short time - also repaid, which meant that the repaid nominal amount increased by:

- 312.5 million EUR in OLO 259 - 8.75% 25 June 1992/2002;
- 500 million EUR in OLO 251 - 9% 28 March 1992/2003;
- 480 million EUR in OLO 282 - 8% 28 March 1995/2015.

The total nominal amount of linear bonds repaid rose by 154% in comparison with 2001.

The traditional Philippe loans code 280 (8% 1995/2002) and 271 (1994/1997/2000/2003 with revisable interest rate) were offered in exchange during 2002 for a total nominal amount of 1,401.10 million EUR, a fall of 44% compared with 2001.

In 2002 there were no exchanges of linear bonds.

These transactions were booked for an expenditure of 8,951.56 million EUR and locked up for 1,069.74 million EUR (transfer of OLOs 251 and 282 of December and exchange of the traditional Philippe loan code 271 of December).

Table 14: Overview of the activities of the Sinking Fund

2002	NOMINAL BEF	NOMINAL EUR	POSTED BEF	POSTED EUR	
Buybacks	**BEF**	**EUR**	**BEF**	**EUR**	
Belgian Sec. Reg. Fund buyback	25 000 000	619 733.81	26 435 233	655 312.31	
PH 284 buyback (Agency)	95 004 498 490	2 355 100 000.00	102 847 989 030	2 549 535 051.64	
OLO 259 buyback	69 041 738 850	1 711 500 000.00	74 278 152 233	1 841 307 297.05	
OLO 259 transfer	12 606 218 750	312 500 000.00	13 593 078 467	336 963 613.36	
OLO 251 buyback	113 153 419 500	2 805 000 000.00	120 074 654 231	2 976 572 927.33	
OLO 251 transfer	20 169 950 000	500 000 000.00	0	0.00	(*)
OLO 282 transfer	19 363 152 000	480 000 000.00	0	0.00	(*)
Traditional loan exchange (280.271)	56 520 215 729	1 401 099 549.90	50 284 672 035	1 246 524 459.28	(*)
OLO exchanges	0	0.00	0	0.00	
Total	**385 884 193 319**	**9 565 819 283.71**	**361 104 981 229**	**8 951 558 660.97**	
Sec. repaid by buyback/exchange/transfer.					
Repayments					
Drawdowns	438 289 550	10 864 914.13	486 463 800	12 059 122.61	
Early repayments	27 673 248 394	686 001 908.64	27 679 657 318	686 160 781.69	
Repayment at expiry date	398 086 600 305	9 868 309 051.46	398 086 600 306	9 868 309 051.50	
(Early repayment + repayment at expiry date)					
Total repayments	**426 198 138 249**	**10 565 175 874.23**	**426 252 721 424**	**10 566 528 955.80**	
Sec. repayments dep. with State Treasurer					
Securities repaid by drawdowns/repayments					
(*) expenditure recorded = transfer of OLO 251 and 282 and exchange of December 2002				1 069 739 908.21	

2001	NOMINAL BEF	NOMINAL EUR	POSTED BEF	POSTED EUR
Buybacks	**BEF**	**EUR**	**BEF**	**EUR**
Belgian Sec. Reg. Fund buyback	3 237 840 000	80 263 957.03	3 564 203 650	88 354 300.58
PH 284 buyback (Agency)	0	0.00	0	0.00
OLO 259 buyback	92 414 676 910	2 290 900 000.00	97 573 871 746	2 418 793 099.29
OLO 259 transfer	0	0.00	0	0.00
OLO 251 buyback	0	0.00	0	0.00
OLO 251 transfer	0	0.00	0	0.00
OLO 282 transfer	0	0.00	0	0.00
Traditional loan exchange (280.271)	100 274 031 027	2 485 728 299.45	100 274 031 027	2 485 728 299.45
OLO exchanges	191 587 198 755	4 749 322 600.08	226 433 443 764	5 613 138 450.12
Total	387 513 746 692	9 606 214 856.56	427 845 550 187	10 606 014 149.44
Sec. repaid by buyback/exchange/transfer.				
Repayments				
Drawdowns	346 706 400	8 594 627.16	389 074 338	9 644 900.90
Early repayments	3 188 726 101	79 046 455.27	3 189 824 881	79 073 693.32
Repayment at expiry date	437 990 001 863	10 857 488 537.73	444 337 965 831	11 014 850 454.04
(Early repayment + repayment at expiry date)				
Total repayments	441 525 434 364	10 945 129 620.16	447 916 865 050	11 103 569 048.26
Sec. repayments dep. with State Treasurer				
Securities repaid by drawdowns/repayments				

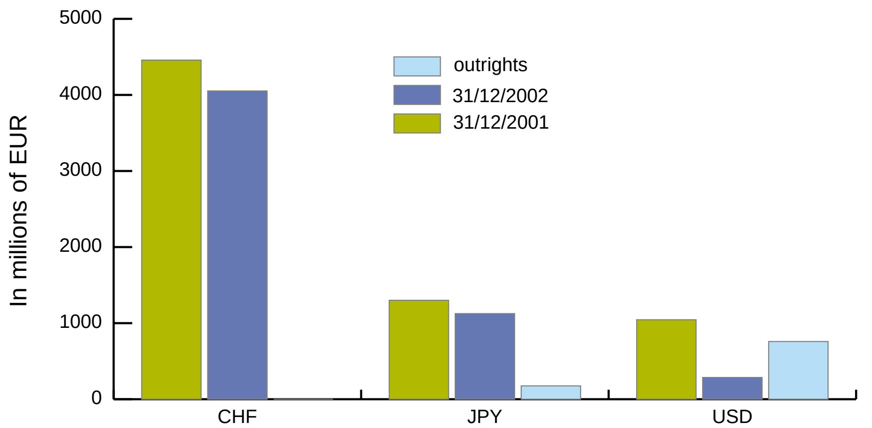
b. Repayments

Activities associated with repayments decreased by 3% in 2002. In 2002 3 loans reached expiry: the traditional Philippe loan code 280 (8% 1995/2002 14 March 2002), OLO 293 (FRN 22 April 2002) and OLO 259 (8.75% 25 June 2002).

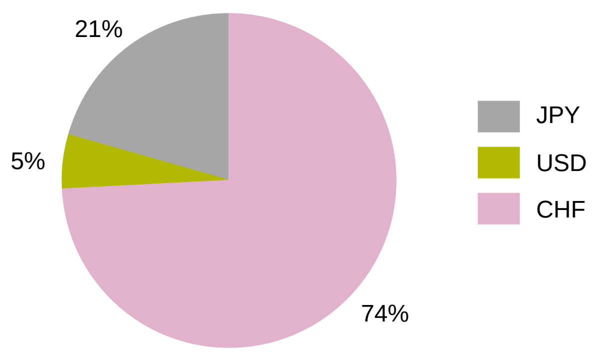
4. THE DEBT IN FOREIGN CURRENCIES

On 31 December 2002 the total debt in foreign currency converted was 5,464 million EUR. As in previous years, the proportion of the debt in foreign currency compared with the total debt continued to fall: from 2.75% at the end of 2001 to 2.08% at the end of 2002. Although the short-term debt in USD and JPY was fully refinanced in EUR, the fall in the foreign currency debt in 2002 was less pronounced than in 2001 because hardly any CHF short-term debt was converted into EUR. Due to the persistent strength of the CHF the favourable market conditions that the Treasury were looking out for with a view to reducing the foreign currency debt failed to materialise.

Graph 43: Reduction of the debt in foreign currency in 2002



Graph 44: Composition of the debt in foreign currency as at 31 December 2002



The graphs 43 and 44 show respectively the reduction per currency and the composition of the outstanding debt in foreign currency (converted to EUR on the basis of the exchange rates as at 31 December 2002).

From graph 44 it appears that at the end of 2002 almost three-quarters of the debt in foreign currency was outstanding in CHF.

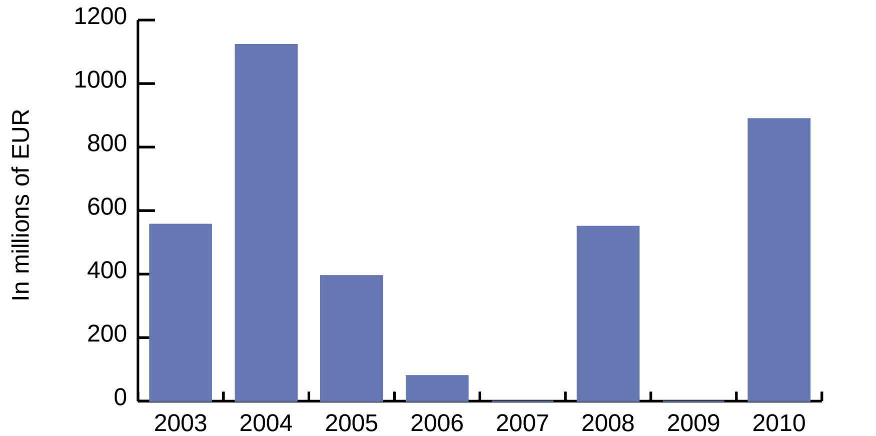
4.1. Long- and medium-term debt in foreign currency

No long-term issues in foreign currency

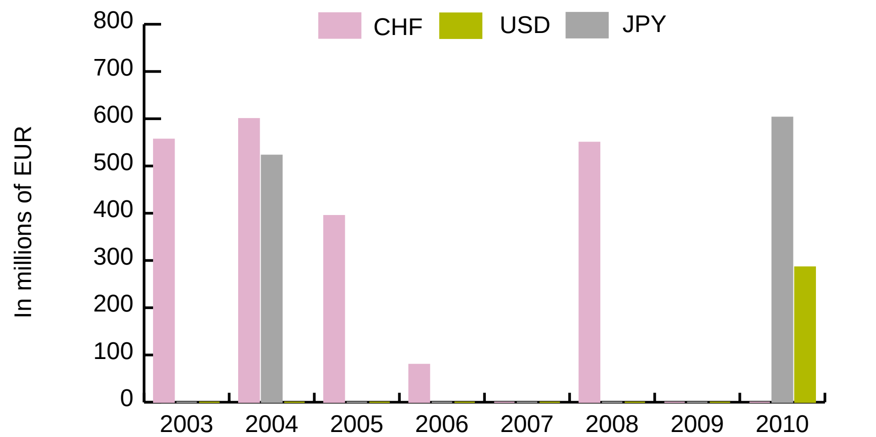
At the end of December 2002 the long-term segment of the debt in foreign currency converted was 3,592.5 million EUR. As in previous years, no new loans were issued in 2002 with a term longer than 1 year. Long-term loans issued in USD and JPY that reached maturity in 2002 were renewed by issuing loans in EUR. The long-term loans in CHF that reached maturity were renewed by issuing short-term loans in CHF.

The graphs below show the maturity calendar for the foreign currency-denominated debt respectively for all currencies together and per currency at the end of December 2002. This maturity calendar can change in the light of the management actions of the Treasury and therefore is of purely indicative value.

Graph 45: Maturity calendar of foreign currency-denominated long-term debt as at 31 December 2002



Graph 46: Maturity calendar of the foreign currency-denominated long-term debt as at 31 December 2002 split per currency



4.2. Short-term debt in foreign currency

The short-term debt in foreign currencies at the end of 2002 converted was 1,871.7 million or 0.71% of the total debt.

The path traced by the outstanding amount was once again a capricious one. The fluctuations were ascribable partly to the short-term refinancing of expired long-term loans in CHF and partly to the conversion into EUR of JPY and USD debt.

During the end-of-year period a part of the debt in CHF (the equivalent of 772 million EUR) was swapped to EUR. This was in line with the strategy of making efficient use of the EUR surpluses at the end of the year. At the start of 2003 the corresponding amount was reabsorbed into the short-term CHF debt.

For the financing of the foreign currency-denominated short-term debt the Treasury made use of the BTB programme and the Interbank market.

a. Belgian Treasury Bills (BTBs)

The refinancing of the short-term foreign currency-denominated debt proceeded along traditional lines, primarily via the issue of BTBs.

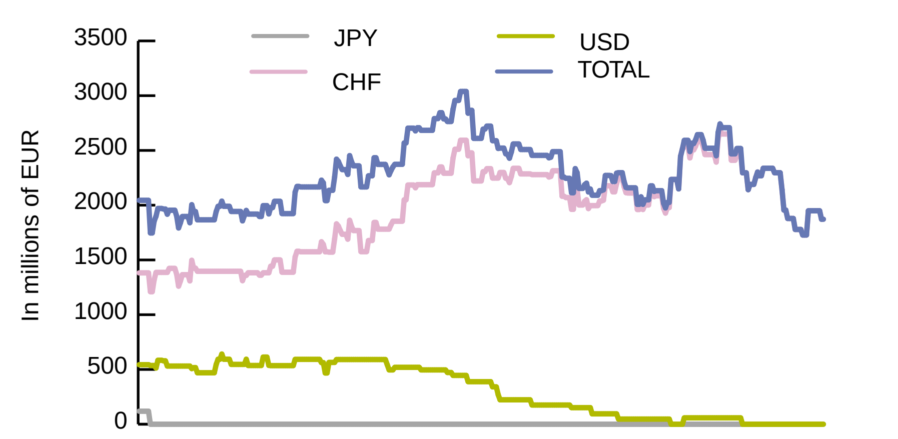
BTBs: the most important instrument for foreign currency-denominated short-term debt

The outstanding amounts of BTBs issued in foreign currencies fluctuated within a fork of 1,700 to 3,100 million EUR. Such a volume guarantees an efficient functioning of the programme, given that for this purpose an equivalent of 2 billion USD is regarded as a lower limit.

The weighted average term of the BTBs in foreign currency was 3 months. As always the Treasury showed great flexibility in its choice of terms. One of the most important characteristics of a CP programme is that it is tailored to the investor.

As in the second half of 2001, in the first 10 months of 2002 issues had a spread of 6 to 8 basis points below LIBOR, whereas LIBOR - 12 is regarded as the reference value.

Graph 47: Outstanding amounts of the BTBs in foreign currency in 2002



This spread reflected the unfavourable evolution on the ECP market for sovereign issuers. At the end of September there was an improvement however, and from November onwards the Treasurer once again reached the reference value of LIBOR - 12.

Due to the unfavourable evolution on the ECP market, in 2002 some degree of flexibility was introduced when choosing the amount to be issued. If the Treasury was able to obtain favourable issue terms, i.e. a larger spread compared with LIBOR than that normally applicable, issues were sometimes larger than the usual equivalent of 50 million USD.

Finally it must be stated that in 2002 the Treasury only once made use of the opportunity to itself act as dealer.

b. The Interbank market

Minority use of the interbank market

As is customary the Treasury tried to limit its appeals to the expensive Interbank market. In 2002 a total of 200 transactions were concluded with a term of 2 days to 1 week. The Interbank market served to finance small open balances after the issue of BTBs or to invest the proceeds of BTB issues in the light of treasury requirements.

On a number of occasions an appeal was also made to Interbank borrowings when the Treasury was unable to obtain favourable terms elsewhere.

5. THE DEBUDGETISED AND GUARANTEED DEBT

5.1. The debudgetised debt

The private state loans concluded within the framework of the Central Office for Mortgage Credit (CBHK/OCCH) and the National Institute for Agricultural Credit (NILK/INCA) have all reached expiry. Even so, the outstanding debudgetised debt in 2002 rose slightly. This increase was primarily due to the Federal Investment Company, which was assigned the task by Royal Decree of 21 January 2002 of co-financing the social plan for SABENA at the State's expense. To this end a loan of 40 million EUR was taken out at the beginning of the year, followed by an additional loan of 20 million EUR in December, both with a term of 1 year.

Table 15: Evolution of the debudgetised debt (in billions of EUR)

1997	1998	1999	2000	2001	2002
1.72	1.65	1.53	1.20	0.88	0.89

Various drawdowns were also made by the Construction Board, which increased its outstanding debt to 277.74 million EUR (an increase of 7%).

5.2. The guaranteed debt

Sabena

In the aftermath of the bankruptcy of SABENA in November 2001, the State had to make an early repayment of the still outstanding amount of a loan with a state guarantee of 4.7 billion BEF (1990-2007) on 25 March 2002. A total of 41.96 million EUR was deposited: 41.12 million EUR in capital and 0.84 million EUR in interest.

HST-Financière TGV

Under article 9 of the Law of 17 March 1997 on the financing of the High-Speed Train project, HST-Financière TGV concluded a loan of 35 million USD with a swap to EUR. The total outstanding debt under state guarantee of HST-Fin fell to below the level of 1.86 billion EUR - the level below which the state guarantee is furnished free of charge. Because however the premium of 0.25% is calculated on the part of the loans that pro rata exceeds 1.86 billion EUR, HST-Fin still has to pay a premium of 2,029.15 EUR for 2002, a fall of 98% in comparison with 2001. The outstanding debt in commercial paper of HST-Fin fell from 262.73 million EUR to 173.53 million EUR. As for risk management a number of swaps were also restructured.

ALESH/FADELS

The Sinking Fund for Social Housing Loans (ALESH/FADELS) concluded refinancing loans for a total amount of 650 million EUR. The total outstanding debt fell by a quarter of a billion EUR to 4.33 billion EUR. This debt will be included in the total government debt according to the Maastricht norms.

Table 16: Outstanding amount of the guaranteed debt (in billions of EUR)

	1997	1998	1999	2000	2001	2002
In EUR	18.30	17.19	17.54	16.55	12.79	11.30
In foreign cur.	4.57	4.35	1.07	0.45	0.47	0.39
Total	22.87	21.54	18.61	17.00	13.26	11.69

*

*   *

PART IV

ORGANISATIONAL DEVELOPMENTS

Organisationally, 2002 was dominated by the following aspects.

1. Induced trends

In 2002 there were some important developments in business organisation both nationally and internationally that related directly or indirectly to the management of financial and operational risks. We are referring to the discussions of the Basle II standards for operational management in financial institutions, the introduction of the 'Sarbanes-Oxley Act' on reliable company reporting and the entry into force of the Belgian legislation on competent management. The Treasury Administration has closely monitored these developments.

They coincided neatly with two other trends: the rationalisation programme within the Federal Government in the context of the Copernicus Plan, which also applies to the Treasury Administration, and the striving for the physical security and guaranteed continuity of essential services in Belgium.

2. Internal organisational changes

The following fundamental orientations were taken on board:

- strengthening of financial risk management by introducing new instruments to increase the objectivity of the management audit;

- integration of IT applications relating to debt management around a central database running from the Agency to the peripheral departments of the Treasury. A form of integration and/or electronic data exchange with the National Bank of Belgium is also under study;

- encouragement of electronic reporting of transactions by the primary dealers and the recognised dealers to the market authority (the Belgian Securities Regulation Fund) with a view to improved transparency and better management of the markets;

- preparation for the reorganisation of the Finance Ministry to form the Federal Public Service Finance and the appointment of a chairman as head of the executive departments.

3. Security and continuity planning

The securing of crucial financial activities was a primary concern in 2002 and in a certain sense formed a continuation of the IT problems relating to Y2K.

The Debt Agency has worked out a continuity plan for the crucial executive activities of debt management in the case of any incident arising relating to, inter alia, the installations, equipment, operation and power supply.

An emergency site has been set up outside the walls of the Treasury Administration with the logistical cooperation of the country's financial authorities. This site allows for a rapid recovery of all data required for a smooth resumption of the debt and treasury management of the Federal Government.

The emergency site is continuously updated and improved and undergoes periodic technical and operational tests.

4. Operational management

The executive services of the debt management department come under the continuous supervision of the management of the Treasury Administration. The latter has organised a specialist internal audit for the prudential supervision and consultancy services.

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GLOSSARY

The definitions listed in this glossary are intended to provide the reader with a better understanding of the terms used in this Annual Report on the Public Debt or other terms which are found in previous reports or in literature on managing Belgian public debt. They do not have any scientific purpose.

Auction

Competitive procedure used by the Treasury to issue linear bonds and Treasury certificates. These auctions are exclusively reserved for primary dealers and recognised dealers in Treasury securities.

Belgian Treasury Bills

Treasury bill programme issued in euros or in an OECD member state currency and invested by dealers specially appointed for this purpose by the Treasury.

Buy-backs

Redemption of loans (essentially linear obligations) effected by the Treasury by means of the MTS Belgium electronic platform. These operations are carried out at a fixed price on a separate segment of the platform (”Belgian Buy-backs - BBB) to which only the Treasury and primary dealers have access, where the Treasury posts buying prices. It can accept sale prices attached to the segment by primary dealers.

Clearing system

Name of the securities clearing and fiscal liquidation system organised by the National Bank of Belgium. It should be noted that this system does not provide real securities clearing due to the lack of a central counterparty.

Debudgetised debt

All borrowings contracted by the State which are not included in the official listing of the public debt. These sums are borrowed by independent public bodies or local authorities instead of the central authority to meet expenditure associated with the latter’s budget.

EuroMTS

Private-sector company operating an electronic trading platform which processes various securities representing the debt of sovereign States in the euro zone and other major private issuers.

Exchange offers

Offers where an old debt instrument (OLO or traditional debt instrument) can be exchanged for other OLO securities with various residual maturities.

Floating debt

Short-term debt. Only the interest payable on this debt is registered as credit in the public debt budget, while the yield from short-term issues and their reimbursement are booked in a treasury account.

Funded debt

Long-term debt (over 1 year) where the product from the issue is transferred to the Budget for Ways and Means. This debt can lead to contractual amortisation via annual allocations registered in the public debt budget.

FX-Swap

An Fx-Swap is a spot currency purchase or sale, coupled with a simultaneous reverse forward operation. It therefore amounts to a transaction which combines a spot operation with a forward operation concluded at the same time with the same counterparty and for the same principal sum.

Law containing the Budget for Ways and Means

Law which authorises the Executive to recover taxes, to collect non-fiscal receipts and to finance by borrowing the section of the Treasury financing requirement which is not covered by taxation and non-fiscal receipts for the budget year.

Linear bonds (OLO)

Medium and long-term dematerialised securities issued by the Treasury in successive tranches to form a single line with fungible securities.

Local authority debt

Debt incurred by Regions and Communities, provinces, municipalities, intermunicipal authorities and various institutions such as C.P.A.S., church councils, etc.

MTS Belgium

Private-sector company which manages an electronic trading platform which lists linear bonds and Treasury certificates. Primary Dealers are expected to be members of this company.

Net financing requirement (NFR)

Balance of receipts and expenditure of the combined public services (i.e. the federal authorities, Regions and Communities, the social security service and local authorities) established using the SEC national accounts methodology. This balance notably includes debudgetised debt but excludes loan allocations and financial holdings. It differs from public authority financial deficits (the Treasury's Net Financing Borrowing comprises one component of these), mainly due to time differences between the dates for recording operations under the two systems and imperfect data collection.

NFB (Net Financing Borrowing)

Sum of the balance of current and capital operations as well as treasury operations (apart from debt amortisation). In theory, the Net Financing Borrowing corresponds to the growth in public debt. In practice, a certain number of technical factors explain the difference between the Net Financing Borrowing and the nominal variation in the public debt.

Primary Dealers

Financial intermediaries linked to the Treasury by a schedule of conditions in order to activate the primary market in linear bonds and Treasury certificates, to facilitate OLO stripping, to ensure the liquidity of these securities in the secondary market and to promote Belgian debt.

Primary markets

Markets where new debt securities are issued using different techniques selected by the issuer and determined in the debt instrument issuance contracts.

Public debt

In the strict sense of the term, public debt merely comprises Belgian State debt (i.e. federal authority debt) while excluding guaranteed debt, debudgetised debt as well as debt owed by other public authorities (Communities and Regions, etc.).

Public debt ledgers

Registers listing registered securities for State bonds and the transfers of ownership of these securities. Copies of the ledgers are kept in the Audit Office.

Recognised Dealers

Financial intermediaries linked to the Treasury by a schedule of conditions. They are distinguished from the Primary Dealers by the fact that they have fewer rights and obligations given that their primary task is to promote Belgian debt abroad.

Reverse auction

In general this type of redemption is effected by the Treasury in order to warn the market of its intention to buy back (on a fixed line). Prices are determined by the market up to a certain limit determined by the Treasury.

Secondary markets

Markets where there is trading in financial instruments in circulation. There are two regulated markets for the Federal authority's debt securities:
1. the stock exchange funds market ("Euronext Brussels") where notably OLOs and traditional debt instruments issued by the State or certain local authorities are listed;
2. the secondary off-exchange market in linear bonds, split securities and Treasury certificates regulated by the Royal Decree dated 22 December 1995 (Belgian Official Journal 3 January 1996).
Finally, trading in these securities can also be carried on outside any regulated market subject to receiving explicit authorisation from the investor.

Securities Regulation Fund

An independent public body with the following powers. It:

- regulates the secondary market in public funds, primarily on behalf of private individuals;
- acts as the market authority in the regulated unlisted secondary market in OLOs, Treasury certificates and split securities;
- supervises and controls establishments which hold dematerialised public debt securities on behalf of third parties;
- assists in managing the public debt.

State-guaranteed debt

All debt instruments issued by public sector organisations or institutions to cover their own financing needs and which are guaranteed by the Federal State. The State only bears the financial expenses when the issuer defaults on payment.

Treasury certificates

Short-term securities in euros issued by the Treasury via competitive auctions. They exist in three standard issue maturities: 3, 6 and 12 months.

OLO auctions in 2002 (in millions of EUR)

Auction date	Value date	Range Min	Range Max	Maturity date	ISIN BE0000	Outst. before auction	Amount offered	Amount accepted (Comp)	Exerc. Non comp	Total accept.	Bid to cover	Weigh aver. price	Weigh aver. yield	Bid Max/Min	Stop price	Re-warded bidders	% at stop price
17/01/02	24/01/02			28/09/12	298076 OLO 38	0.0		5 000.0		5 000.0		99.775					
				SYNDICATION				**5 000.0**		**5 000.0**							
25/03/02	28/03/02	2 700	3 200	28/09/06	297060 OLO 37	7 612.4	3 541.0	1 600.2	360.0	1 960.2	2.21	99.007	4.994	98.85/99.04	98.98	13	35.3850
				28/09/12	298076 OLO 38	5 000.0	4 390.0	1 510.0	663.1	2 173.1	2.91	96.232	5.483	96.10/96.29	96.21	10	100.0000
				AUCTION			**7 931.0**	**3 110.2**	**1 023.1**	**4 133.3**							
16/04/02	22/04/02			24/04/06	299082 OLO 39	0.0		2 000.0		2 000.0		99.924					
				SYNDICATION				**2 000.0**		**2 000.0**							
29/05/02	05/06/02			28/09/17	300096 OLO 40	0.0		5 000.0		5 000.0		99.434					
				SYNDICATION				**5 000.0**		**5 000.0**							
29/07/02	01/08/02	2 200	2 700	28/03/07	286923 OLO 26	9 746.8	2 682.0	1 221.0	97.0	1 318.0	2.20	107.810	4.353	107.70/107.83	107.80	12	100.0000
				28/09/12	298076 OLO 38	7 173.1	2 165.0	1 255.0	50.0	1 305.0	1.73	100.240	4.969	100.08/100.29	100.21	10	100.0000
				AUCTION			**4 847.0**	**2 476.0**	**147.0**	**2 623.0**							
30/09/02	03/10/02	2 300	2 800	28/03/07	286923 OLO 26	11 064.8	2 135.0	1 000.6	112.8	1 113.4	2.13	110.233	3.722	110.10/110.25	110.22	13	38.0430
				28/09/12	298076 OLO 38	8 478.1	2 187.0	1 100.2	48.1	1 148.3	1.99	103.949	4.500	103.80/103.97	103.93	9	79.7370
				28/09/17	300096 OLO 40	5 000.0	1 245.0	660.0	0.0	660.0	1.89	107.068	4.826	106.90/107.13	107.02	10	100.0000
				AUCTION			**5 567.0**	**2 760.8**	**160.9**	**2 921.7**							
25/11/02	28/11/02	2 000	2 500	28/03/07	286923 OLO 26	12 178.2	2 200.0	890.0	399.6	1 289.6	2.47	109.522	3.816	109.35/109.57	109.50	8	100.0000
				28/09/12	298076 OLO 38	9 626.4	2 855.0	1 325.0	453.5	1 778.5	2.15	102.526	4.672	102.35/102.58	102.51	10	100.0000
				AUCTION			**5 055.0**	**2 215.0**	**853.1**	**3 068.1**							

Results of exchange offers IN 2002 (in thousands of EUR)

Value date	Exchanged Govern. Bonds: Code	Exchanged Govern. Bonds: Amount exchanged	OLOs issued through exchange offers: 9.00% 28/03/03 code 251 - OLO 6	7.25% 29/04/04 code 265 - OLO 14	7.75% 15/10/04 code 275 - OLO 20	6.50 % 31/03/05 code 273 - OLO 19	4.75% 28/09/05 code 294 - OLO 34	7.00 % 15/05/06 code 283 - OLO 24	4.75% 28/09/06 code 297 - OLO 37	6.25 % 28/03/07 code 286 - OLO 26	8.50 % 01/10/07 code 257 - OLO 9	5.75 % 28/03/08 code 288 - OLO 28	7.50 % 29/07/08 code 268 - OLO 16	3.75 % 28/03/09 code 292 - OLO 32	5.75 % 28/09/10 code 295 - OLO 35	5.00% 28/09/11 code 296 - OLO 36	8.00 % 24/12/12 code 262 - OLO 12	8 .00 % 28/03/15 code 282 - OLO 23	5.50 % 28/03/28 code 291 - OLO 31	Total amount issued
11/03/2002	TL 280	376 893.30	100	100	15 100	100	146 100	100		100	106 900	40 100	20 100	2 100	37 100	15 100	100	100	100	383 400
03/05/2002	TL 271	161 755.50					2 000	60 000		15 000		15 000		30 000	30 000	10 000		0		162 000
27/06/2002	TL 271	785 347.75					20 000	0	11 700		0		5 000		296 500		125 000	251 500		709 700
29/08/2002	TL 271	18 107.80					200		11 100			0		0	200	7 100	0	0		18 600
31/10/2002	TL 271	19 815.20					20 000		0			0		0	200	0		0	0	20 200
05/12/2002	TL 271	39 180.00					40 000	0	0		0	0		0		0			0	40 000
TOTAL		**1 401 099.55**	**100**	**100**	**15 100**	**100**	**228 300**	**60 100**	**22 800**	**15 100**	**106 900**	**55 100**	**25 100**	**32 100**	**364 000**	**32 200**	**125 100**	**251 600**	**100**	**1 333 900**

TL= Traditional loan
OLO= Linear bond

MONTHLY DISTRIBUTION OF FLOATING DEBT COMPONENTS (IN MILLIONS OF EUR)

Month	MT (1)	CCP (2)	INT. ORG. (3)	Interbank + miscellaneous (4)	Treasury certificates (5) 3 months	6 months	12 months	Total	Treasury bills in EUR	Treasury management operations (6)	Total floating debt (7)
J2001	5.6	871.0	4828.9	401.8	3615.9	6442.7	15318.1	25376.7	157.6	2805.1	28836.5
F	5.6	462.2	4948.4	617.8	4715.8	6002.8	16101.9	26820.5	368.7	1481.9	31741.3
M	5.6	739.3	4948.3	2084.7	7004.7	6416.9	15570.8	28992.4	255.6	500.3	36525.6
A	5.6	1069.2	4994.0	804.9	7015.3	6025.3	16133.6	29174.2	219.3	2354.4	33912.8
M	5.6	1501.0	4899.8	493.3	6949.8	7155.1	16090.2	30195.1	143.9	2883.4	34355.3
J	5.6	506.2	4900.3	661.1	5216.9	8514.9	15612.5	29344.3	245.3	2635.6	33027.2
J	5.6	500.8	4682.5	578.9	5025.3	7358.8	16349.4	28733.5	553.1	4065.5	30988.9
A	5.6	761.4	4751.1	373.1	5802.7	7405.8	16159.8	29368.3	716.4	6305.5	29670.4
S	5.6	583.6	4330.0	634.9	6735.6	6374.8	16060.6	29171.0	347.5	5875.9	29196.7
O	5.6	636.2	4427.7	597.9	6494.4	5959.2	15998.3	28451.9	590	4529.6	30179.7
N	3.7	442.3	4472.0	515.8	6805.2	6200.4	16092.1	29097.7	994.5	4199.6	31326.4
D	3.7	675.4	4472.0	2058.7	4827.6	5316.7	16802.3	26946.6	698.1	3332	31522.5
J2002		1097.6		1007.7	5485.4	5930.5	15773.6	27189.5	369.1	6278.3	23385.6
F		497.2		1078.4	5726	6164.7	15638.3	27529.0	339.6	3891.4	25552.8
M		663.6		4028.6	6732.7	6745.6	15002.2	28480.5	550	3443.8	30278.9
A		1235.4		1535.9	6802.4	6269.4	16206.2	29278.0	427.8	2718.5	29758.6
M		636.2		2285.5	7452.9	7708.6	16376.2	31537.7	432.9	2630	32262.3
J		743.5		3689.6	6861.6	7983.3	16610.5	31455.4	462	3181.6	33168.9
J		641.2		2575.3	5905.9	7489.6	16938	30333.5	452.6	2533.6	31469.0
A		735.3		1064.8	6060.3	7929.9	16780.5	30770.7	336.4	3733.3	29173.9
S		254.2		4018.3	6408	6657.8	17315.2	30381.0	504.6	2619.9	32538.2
O		193.7		1030.2	6378.3	6177.7	17272.6	29828.6	424.6	3690.8	27786.3
N		179.7		1029.7	5931	5523.6	16786.9	28241.5	609.3	4621	25439.2
D		237.2		3527.1	4791.5	4688.3	17523.6	27003.4	347.1	7368.3	23746.5

(1) Medium term certificates issued by the Treasury
(2) Private citizens' assets held by CCPs
(3) Treasury bills held in the portfolios of international organisations (issued without interest)
(4) Borrowings and investments made on the interbank market
(5) Certificates issued by auction following the reform dated 29.01.91. The sum shown represents a NET exposure booked by the Treasury, i.e. having deducted discounted interest and the payments in the expired month
(6) Operations undertaken to balance the day cash account. Treasury surplus arising from tax receipts or Treasury certificate issues.
(7) Total for floating debt with (6) deducted

N.B. As a result of rounding, the totals may differ slightly from the figures listed in the monthly Public Debt statements.

Auction date	Value date	Range Min	Range Max	Amount maturing	Maturity date	ISIN BE0312	Month	Outst. before auction	Amount offered	Amount accepted (comp)	Exerc. non comp	Total accepted	Bid to cover	Weigh. aver. yield	Spread Euribor	Bid Min/Max	Limit rate	Re-warded bidders	% at limit
2/01/02	4/01/02	1 300	1 500		14/03/02	557235	3	4 650.2	3 096.0	600.1	0.0	600.1	5.16	3.15	-12.90	3.14/3.19	3.15	7	41.9150
					18/07/02	561278	6	1 313.6	2 500.0	700.2	17.5	717.7	3.57	3.12	-10.80	3.10/3.16	3.12	5	64.9350
8/01/02	10/01/02	900	1 100		18/04/02	558241	3	2 390.6	3 800.0	650.3	2.0	652.3	5.84	3.20	-11.10	3.19/3.23	3.20	12	31.6980
					18/07/02	561278	6	2 031.3	3 325.0	310.0	0.0	310.0	10.73	3.16	-12.50	3.16/3.22	3.17	4	100.0000
15/01/02	17/01/02	900	1 100	5 162.3	18/04/02	558241	3	3 042.9	4 505.0	350.2	83.8	434.0	12.86	3.22	-10.90	3.21/3.26	3.22	5	23.5290
					16/01/03	567333	12	0.0	2 750.0	650.3	29.6	679.9	4.23	3.33	-11.40	3.32/3.37	3.34	10	44.3610
22/01/02	24/01/02	900	1 100		18/04/02	558241	3	3 476.9	4 500.0	450.2	6.0	456.2	10.00	3.25	-9.90	3.24/3.31	3.25	4	35.8970
					16/01/03	567333	12	679.9	1 620.0	545.0	0.0	545.0	2.97	3.43	-8.90	3.41/3.47	3.43	6	100.0000
29/01/02	31/01/02	900	1 100		18/04/02	558241	3	3 933.1	3 950.0	425.0	0.0	425.0	9.29	3.26	-11.80	3.25/3.32	3.26	4	100.0000
					18/07/02	561278	6	2 341.3	2 275.0	500.5	36.2	536.7	4.55	3.30	-10.60	3.28/3.35	3.30	9	78.1250
5/02/02	7/02/02	900	1 100		16/05/02	559256	3	2 350.2	3 190.0	500.2	176.6	676.8	6.38	3.25	-10.70	3.25/3.29	3.25	6	55.5560
					15/08/02	562284	6	1 254.4	2 885.0	500.7	41.1	541.8	5.76	3.27	-10.40	3.27/3.31	3.28	12	17.3080
12/02/02	14/02/02	900	1 100	3 914.3	16/05/02	559256	3	3 027.0	3 890.0	250.0	3.9	253.9	15.56	3.23	-12.20	3.22/3.29	3.24	1	100.0000
					13/02/03	568349	12	0.0	2 215.0	670.0	0.0	670.0	3.31	3.46	-10.40	3.45/3.52	3.47	5	100.0000
19/02/02	21/02/02	900	1 100		16/05/02	559256	3	3 280.9	3 571.0	550.4	1.0	551.4	6.49	3.24	-11.20	3.23/3.27	3.24	6	49.4510
					13/02/03	568349	12	670.0	1 535.0	440.6	1.4	442.0	3.48	3.46	-12.80	3.46/3.49	3.47	12	37.0690
26/02/02	28/02/02	900	1 100		16/05/02	559256	3	3 832.3	4 300.0	600.0	0.0	600.0	7.17	3.24	-12.50	3.24/3.30	3.25	9	20.0000
					15/08/02	562284	6	1 796.2	4 525.0	500.7	2.9	503.6	9.04	3.30	-12.00	3.30/3.35	3.31	9	18.6050
5/03/02	7/03/02	900	1 100		13/06/02	560262	3	2 122.2	3 525.0	531.0	0.0	531.0	6.64	3.26	-10.90	3.25/3.29	3.26	13	33.6100
					19/09/02	563290	6	1 090.0	2 835.0	570.6	3.3	573.9	4.97	3.33	-10.30	3.32/3.36	3.33	10	37.7270
12/03/02	14/03/02	1 300	1 500	5 250.3	13/06/02	560262	3	2 653.2	3 995.0	690.3	0.0	690.3	5.79	3.26	-11.40	3.25/3.29	3.26	12	46.7860
					13/03/03	569354	12	0.0	1 705.0	810.0	0.0	810.0	2.10	3.65	-12.40	3.64/3.68	3.65	8	100.0000
19/03/02	21/03/02	1 500	1 800		13/06/02	560262	3	3 343.5	3 980.0	870.6	2.2	872.8	4.57	3.27	-11.20	3.26/3.33	3.28	11	31.8520
					13/03/03	569354	12	810.0	2 315.0	880.1	105.5	985.6	2.63	3.72	-12.40	3.71/3.76	3.74	14	27.0000
26/03/02	28/03/02	1 500	1 800		13/06/02	560262	3	4 216.3	3 750.0	590.4	51.9	642.3	6.35	3.34	-11.20	3.34/3.38	3.35	11	16.5710
					19/09/02	563290	6	1 663.9	2 095.0	1 000.0	76.3	1 076.3	2.10	3.48	-13.00	3.48/3.51	3.49	11	40.0000
2/04/02	4/04/02	1 000	1 200		18/07/02	561278	3	2 878.0	3 225.0	430.6	0.0	430.6	7.49	3.35	-9.60	3.35/3.39	3.36	9	19.6080
					13/03/03	569354	12	1 795.6	2 245.0	700.4	0.0	700.4	3.21	3.84	-15.40	3.82/3.87	3.84	8	47.0590
9/04/02	11/04/02	1 000	1 200		18/07/02	561278	3	3 324.0	5 220.0	450.7	5.1	455.8	11.58	3.33	-9.60	3.32/3.35	3.33	15	10.8430
					17/10/02	564306	6	1 223.0	2 610.0	650.5	0.0	650.5	4.01	3.46	-10.70	3.45/3.49	3.47	12	13.3330
16/04/02	18/04/02	1 300	1 500	4 358.1	18/07/02	561278	3	3 779.8	6 770.0	580.0	52.3	632.3	11.67	3.28	-11.90	3.28/3.35	3.29	1	56.0000
					17/04/03	570360	12	0.0	2 535.0	750.3	5.1	755.4	3.38	3.73	-11.20	3.72/3.78	3.74	10	49.3830
23/04/02	25/04/02	1 300	1 500		18/07/02	561278	3	4 412.1	5 995.0	500.0	5.0	505.0	11.99	3.27	-12.20	3.26/3.32	3.27	3	70.0000
					17/04/03	570360	12	755.4	2 865.0	800.7	91.8	892.5	3.58	3.69	-11.00	3.66/3.72	3.69	10	46.4570
30/04/02	3/05/02	1 300	1 500		18/07/02	561278	3	4 917.1	4 499.1	519.1	0.0	519.1	8.67	3.27	-11.50	3.27/3.32	3.27	6	100.0000
					17/10/02	564306	6	1 873.5	2 285.0	985.0	0.0	985.0	2.32	3.38	-11.40	3.35/3.41	3.38	9	100.0000

Annex 4 - Results of Treasury certificate auctions (EUR million)

Auction date	Value date	Range Min	Range Max	Amount maturing	Maturity date	ISIN BE0312	Month	Outst. before auction	Amount offered	Amount accepted (comp)	Exerc. non comp	Total accepted	Bid to cover	Weigh. aver. yield	Spread Euribor	Bid Min/Max	Limit rate	Re-warded bidders	% at limit
7/05/02	9/05/02	1 300	1 500		15/08/02	562284	3	2 299.8	5 980.0	600.4	0.0	600.4	9.96	3.31	-10.40	3.30/3.35	3.31	8	28.4620
					14/11/02	565311	6	1 551.4	3 120.0	700.3	25.5	725.8	4.46	3.43	-9.60	3.41/3.47	3.43	6	92.4530
14/05/02	16/05/02	1 100	1 300	4 432.3	15/08/02	562284	3	2 900.2	4 290.0	400.2	0.0	400.2	10.72	3.38	-9.40	3.38/3.42	3.38	3	34.7830
					15/05/03	571376	12	0.0	2 055.0	700.6	0.0	700.6	2.93	3.90	-12.70	3.87/3.94	3.91	11	44.6150
21/05/02	23/05/02	1 100	1 300		15/08/02	562284	3	3 300.4	4 918.0	600.0	117.8	717.8	8.20	3.39	-13.40	3.39/3.44	3.39	2	100.0000
					15/05/03	571376	12	700.6	2 655.0	500.4	340.3	840.7	5.31	3.91	-17.50	3.89/3.96	3.93	8	4.6150
28/05/02	30/05/02	1 100	1 300		15/08/02	562284	3	4 018.2	4 290.5	500.3	0.0	500.3	8.58	3.37	-12.70	3.35/3.41	3.37	6	56.0650
					14/11/02	565311	6	2 277.2	3 650.0	600.2	132.6	732.8	6.08	3.55	-11.80	3.54/3.60	3.55	10	34.1880
4/06/02	6/06/02	1 100	1 300		19/09/02	563290	3	2 740.2	4 700.0	620.3	0.0	620.3	7.58	3.39	-8.50	3.38/3.44	3.39	6	23.8710
					15/05/03	571376	12	1 541.3	1 845.0	494.3	0.0	494.3	3.73	3.81	-14.80	3.81/3.86	3.82	8	37.5380
11/06/02	13/06/02	1 100	1 300	4 858.6	19/09/02	563290	3	3 360.5	4 535.0	440.5	87.0	527.5	10.30	3.38	-8.60	3.37/3.42	3.38	7	61.4170
					19/12/02	566327	6	732.6	3 060.0	660.0	104.7	764.7	4.64	3.52	-9.30	3.50/3.56	3.52	7	100.0000
18/06/02	20/06/02	1 100	1 300		19/09/02	563290	3	3 888.0	4 280.0	455.0	0.0	455.0	9.41	3.37	-9.50	3.37/3.40	3.37	2	100.0000
					19/06/03	572382	12	0.0	2 200.0	700.0	10.0	710.0	3.14	3.73	-12.20	3.72/3.77	3.73	4	100.0000
25/06/02	27/06/02	900	1 100		19/09/02	563290	3	4 343.0	6 200.0	500.1	39.7	539.8	12.40	3.35	-11.10	3.35/3.39	3.35	5	62.5000
					19/06/03	572382	12	710.0	2 725.0	575.0	94.7	669.7	4.74	3.67	-11.70	3.66/3.71	3.68	5	100.0000
2/07/02	4/07/02	900	1 100		17/10/02	564306	3	2 858.5	3 675.0	400.2	0.0	400.2	9.18	3.33	-10.70	3.32/3.37	3.33	8	23.4380
					19/12/02	566327	6	1 497.3	2 175.0	500.2	36.3	536.5	4.35	3.40	-12.30	3.39/3.44	3.40	7	46.6670
9/07/02	11/07/02	900	1 100		17/10/02	564306	3	3 258.7	3 825.0	490.6	0.0	490.6	7.80	3.33	-10.50	3.33/3.38	3.34	10	23.4150
					16/01/03	567333	6	1 224.9	2 825.0	500.3	26.5	526.8	5.65	3.44	-9.90	3.43/3.48	3.45	15	18.7770
16/07/02	18/07/02	900	1 100	5 436.2	17/10/02	564306	3	3 749.3	3 904.0	400.3	0.0	400.3	9.75	3.30	-11.40	3.30/3.34	3.30	6	30.7690
					17/07/03	573398	12	0.0	1 725.0	700.0	0.0	700.0	2.46	3.48	-13.80	3.47/3.52	3.48	6	83.2000
23/07/02	25/07/02	900	1 100		17/10/02	564306	3	4 149.6	5 585.0	225.0	79.2	304.2	24.82	3.28	-12.20	3.28/3.33	3.28	3	100.0000
					17/07/03	573398	12	700.0	3 060.0	780.0	163.2	943.2	3.92	3.49	-12.10	3.49/3.52	3.49	9	100.0000
30/07/02	1/08/02	900	1 100		17/10/02	564306	3	4 453.8	4 803.7	400.4	0.0	400.4	12.00	3.25	-12.80	3.25/3.30	3.25	7	62.1410
					16/01/03	567333	6	1 751.7	2 975.0	600.4	65.0	665.4	4.96	3.32	-11.50	3.31/3.36	3.32	13	38.0950
6/08/02	8/08/02	900	1 100		14/11/02	565311	3	3 010.0	2 740.0	500.2	0.0	500.2	5.48	3.21	-11.90	3.21/3.27	3.21	3	71.4290
					13/02/03	568349	6	1 112.0	2 395.0	400.7	0.0	400.7	5.98	3.22	-12.40	3.21/3.27	3.23	13	24.3090
13/08/02	15/08/02	900	1 100	4 518.5	14/11/02	565311	3	3 510.2	3 910.0	350.3	7.7	358.0	11.16	3.22	-12.00	3.22/3.27	3.23	8	20.7320
					14/08/03	574404	12	0.0	2 490.0	600.4	168.3	768.7	4.15	3.25	-13.30	3.24/3.29	3.26	14	14.2860
20/08/02	22/08/02	800	1 000		14/11/02	565311	3	3 868.2	4 400.0	500.2	0.0	500.2	8.80	3.25	-10.30	3.25/3.29	3.25	4	76.9230
					14/08/03	574404	12	768.7	1 790.0	315.4	0.0	315.4	5.68	3.36	-13.00	3.36/3.40	3.37	8	34.4440

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Annex 4 - Results of Treasury certificate auctions (EUR million)

Auction date	Value date	Range Min	Range Max	Amount maturing	Maturity date	ISIN BE0312	Month	Outst. before auction	Amount offered	Amount accepted (comp)	Exerc. non comp	Total accepted	Bid to cover	Weigh. aver. yield	Spread Euribor	Bid Min/Max	Limit rate	Re-warded bidders	% at limit
27/08/02	29/08/02	800	1 000		14/11/02	565311	3	4 368.4	6 460.8	600.1	14.3	614.4	10.77	3.25	-11.70	3.24/3.28	3.25	8	77.1910
					13/02/03	568349	6	1 512.7	2 490.0	350.6	75.5	426.1	7.10	3.29	-12.50	3.28/3.31	3.29	9	35.8210
3/09/02	5/09/02	800	1 000		19/12/02	566327	3	2 033.8	4 750.0	600.3	0.0	600.3	7.91	3.20	-14.10	3.20/3.24	3.21	7	26.6670
					14/08/03	574404	12	1 084.1	2 200.0	350.6	83.0	433.6	6.27	3.21	-12.90	3.20/3.24	3.21	10	30.1200
10/09/02	12/09/02	800	1 000		19/12/02	566327	3	2 634.1	5 275.0	590.4	0.0	590.4	8.93	3.21	-10.70	3.21/3.25	3.22	10	20.3510
					13/03/03	569354	6	2 643.8	2 900.0	330.0	25.5	355.5	8.79	3.17	-14.70	3.17/3.22	3.17	2	100.0000
17/09/02	19/09/02	1 000	1 200	4 882.8	19/12/02	566327	3	3 224.5	4 550.0	600.3	1.0	601.3	7.58	3.20	-11.40	3.20/3.25	3.21	7	9.5240
					18/09/03	575419	12	0.0	2 595.0	600.5	103.2	703.7	4.32	3.12	-13.50	3.11/3.16	3.13	10	25.2630
24/09/02	26/09/02	1 000	1 200		19/12/02	566327	3	3 825.8	4 250.0	700.0	0.0	700.0	6.07	3.15	-14.20	3.15/3.19	3.16	11	20.0000
					18/09/03	575419	12	703.7	2 045.0	500.4	0.0	500.4	4.09	3.01	-14.50	3.00/3.05	3.01	7	50.7250
1/10/02	3/10/02	800	1 000		16/01/03	567333	3	2 417.1	2 310.0	500.4	0.0	500.4	4.62	3.08	-19.90	3.08/3.13	3.09	5	42.1050
					13/03/03	569354	6	2 999.3	2 880.0	320.3	0.0	320.3	8.99	3.03	-13.40	3.02/3.09	3.03	7	23.1580
8/10/02	10/10/02	800	1 000		16/01/03	567333	3	2 917.5	4 395.0	400.8	0.0	400.8	10.97	3.09	-13.80	3.09/3.12	3.09	13	25.7230
					17/04/03	570360	6	1 647.9	3 340.0	400.3	0.0	400.3	8.34	2.97	-16.10	2.96/3.02	2.97	6	42.9450
15/10/02	17/10/02	800	1 000	4 854.2	16/01/03	567333	3	3 318.3	5 800.0	300.1	0.0	300.1	19.33	3.12	-16.10	3.12/3.17	3.13	6	6.8970
					16/10/03	576425	12	0.0	1 825.0	600.4	0.0	600.4	3.04	3.05	-15.30	3.04/3.09	3.06	8	48.9130
22/10/02	24/10/02	800	1 000		16/01/03	567333	3	3 618.4	5 195.0	300.4	0.0	300.4	17.29	3.07	-18.80	3.06/3.12	3.07	7	21.0530
					16/10/03	576425	12	600.4	2 750.0	500.7	75.4	576.1	5.49	3.03	-13.80	3.02/3.06	3.03	11	33.0430
29/10/02	31/10/02	800	1 000		16/01/03	567333	3	3 918.8	4 975.0	450.4	12.6	463.0	11.05	3.06	-21.20	3.05/3.11	3.07	8	8.9290
					17/04/03	570360	6	2 048.2	3 155.0	400.3	24.0	424.3	7.88	3.00	-17.70	3.00/3.03	3.00	6	56.7380
5/11/02	7/11/02	800	1 000		13/02/03	568349	3	1 938.8	3 440.0	420.2	0.0	420.2	8.19	2.99	-22.20	2.98/3.03	2.99	5	42.3530
					15/05/03	571376	6	2 035.6	3 160.0	400.0	15.3	415.3	7.90	2.93	-18.00	2.93/2.98	2.93	1	80.0000
12/11/02	14/11/02	800	1 000	4 982.8	13/02/03	568349	3	2 359.0	3 740.0	250.1	0.0	250.1	14.95	2.95	-22.40	2.95/3.00	2.95	2	45.4550
					13/11/03	577431	12	0.0	2 025.0	550.5	0.0	550.5	3.68	2.84	-15.20	2.84/2.88	2.85	9	17.1230
19/11/02	21/11/02	800	1 000		13/02/03	568349	3	2 609.1	3 872.9	400.3	0.0	400.3	9.67	2.90	-19.20	2.90/2.96	2.90	5	47.4550
					13/11/03	577431	12	550.5	1 780.0	455.0	44.0	499.0	3.91	2.83	-14.70	2.83/2.87	2.83	3	100.0000
26/11/02	28/11/02	800	1 000		13/02/03	568349	3	3 009.4	3 212.0	450.3	0.0	450.3	7.13	2.87	-18.40	2.86/2.94	2.87	5	42.8570
					15/05/03	571376	6	2 450.9	2 700.0	350.2	25.4	375.6	7.71	2.83	-15.90	2.83/2.88	2.83	3	56.4520
3/12/02	5/12/02	800	1 000		13/03/03	569354	3	3 319.6	4 100.0	300.1	0.0	300.1	13.66	2.81	-21.60	2.81/2.88	2.81	3	46.1540
					13/11/03	577431	12	1 049.5	1 845.0	500.3	0.0	500.3	3.69	2.83	-16.30	2.82/2.87	2.84	5	42.1050
10/12/02	12/12/02	800	1 000		13/03/03	569354	3	3 619.7	3 650.0	350.0	0.0	350.0	10.43	2.70	-21.80	2.70/2.81	2.70	1	70.0000
					19/06/03	572382	6	1 379.7	2 470.0	450.0	0.0	450.0	5.49	2.73	-16.40	2.73/2.78	2.74	4	25.0000
17/12/02	19/12/02	800	1 000	4 525.8	13/03/03	569354	3	3 969.7	3 280.0	300.1	65.5	365.6	10.93	2.75	-19.10	2.75/2.81	2.75	5	35.2940
					18/12/03	578447	12	0.0	2 385.0	500.3	8.9	509.2	4.77	2.67	-18.80	2.65/2.71	2.68	6	17.9310
23/12/02	27/12/02	800	1 000		13/03/03	569354	3	4 335.3	2 800.0	325.0	0.0	325.0	8.62	2.70	-24.90	2.70/2.79	2.71	1	15.0000
					18/12/03	578447	12	509.2	2 250.0	475.2	0.0	475.2	4.73	2.63	-19.00	2.61/2.69	2.65	4	60.6060

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Treasury Administration
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Auditor-adviser
E. ANNÉ

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Additional information can be obtained
from the Debt Study Department at the address shown above.
(Mr. Didier DELETRAIN Tel.: 02 - 233 73 96 - Fax: 02 - 233 71 14)