KINGDOM OF BELGIUM

Federal Public Service Finance
General Administration of the Treasury

FEDERAL GOVERNMENT DEBT
Annual Report 2006

ANNUAL REPORT 2006

BELGIAN DEBT AGENCY

2006 ANNUAL REPORT

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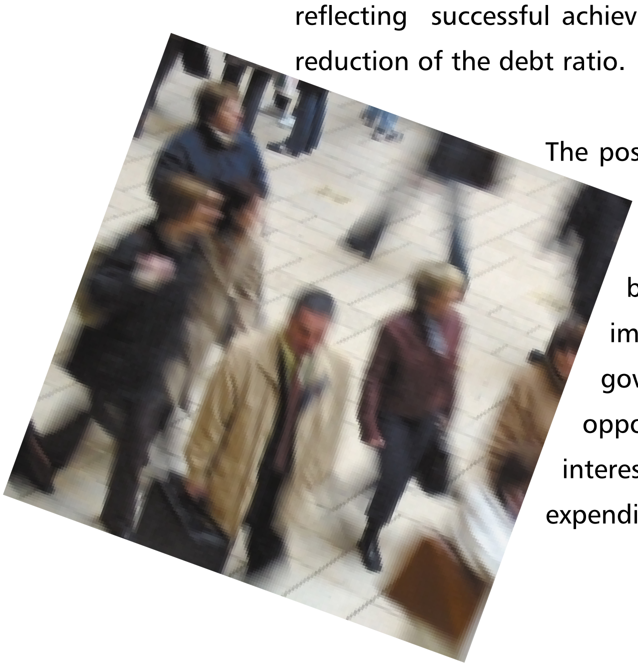
Contents

The 2006 Annual Debt Report is the 20th such report to be presented by the Treasury. Over these twenty years its ambition has been to inform citizens in a clear and open manner about the indebtedness of our country, and our shared liability. The form has changed; the content has become clearer, and less dense. Its format has been modernised but always with one aim in mind: to present the Federal State's debt management with increased clarity and openness.

While the form of the report has changed, our country's economic and financial environment has also undergone transformations that were unimaginable at the end of the 1980s. Today, Belgian government finance is sound. Balanced budgets and even in surplus have become a reality confirmed year by year. The budget path decided by the government, consisting in gradually building up surpluses from 2007 onwards, was recently confirmed once again.

Over the last few years, Belgium's economic performance has overtaken that of most countries in the euro zone. This was again the case in 2006, a year in which the Belgian economy showed a 3% GDP growth rate despite record oil-price increases.

In view of the favourable macro-economic circumstances, it is therefore not surprising that our country's indebtedness has continued the downward trend against GDP that began roughly ten years ago. Every year it is gradually moving closer to the European average, reflecting successful achievement of the government's other priority, i.e. the accelerated reduction of the debt ratio.



The positive impact of good financial management was strengthened by the results of modernising the instruments, markets and structures involved in public-debt management. With a small but highly motivated team, the Debt Agency has succeeded in improving the portfolio structure and structurally reducing the government-financing cost, by taking advantage of both the opportunities offered in the euro market and the reduction in interest rates. Whereas the ratio of the federal interest cost to federal expenditure was still 40% ten years ago, it is now just 27%.

by Didier Reynders, Vice-Prime Minister and Finance Minister

I wish to emphasise that this reduction in the interest cost was not accompanied by an increase in market risks represented by the refinancing and exchange-rate risks. The debt portfolio is robust and its interest-rate sensitivity has been reduced. Again in 2006 the proportion of the debt in unhedged currencies was reduced, and now represents just 1.5%. The markets are recognising this positive trend, as evidenced by the minimal differences in yield between Belgian benchmark bonds and neighbouring-country bond issues of like maturity.

Thanks to the reduction in its public debt and in its cost to the budget, Belgium is readying itself to tackle the challenge of its ageing population and the costs this will generated for future generations if we want to structurally preserve the quality of our welfare system. The recent assessment by the "Government financing requirements" section of the Higher Finance Council demonstrates, in a budget trajectory scenario it suggests for the next few years, the importance of reducing the interest costs in order to constitute substantial and increasing budget surpluses.

I am happy to have the opportunity of congratulating the federal debt managers for the work they have already accomplished, especially since the Debt Agency was created. They are renowned for their professionalism. I therefore encourage them to persevere along this path and to continue demonstrating the technical expertise they have shown not only in managing the debt instruments but also in a number of other recent issues such as the securitization of tax receivables. By involving them in the preparatory work and in the placing of financial instruments, their horizons have been broadened, bringing them into contact with new types of investor.

Although the reduction in the level of indebtedness may induce a feeling of permanence, unexpected market events require managers to remain vigilant. Similarly, the adaptation of debt-issuing practices and instruments to technological developments will continue to require them to work both reactively and proactively. I wish them every success.

Didier Reynders, Finance Minister

KEY INDICATORS OF GOVERNMENT DEBT

(EUR bn or % at 31st December)

	2006	2005
I. Amounts outstanding on the main federal government debt instruments		
1. Gross federal debt outstanding	278.60	277.93
- Treasury financing and investments	0.10	0.00
- Financing of other entities	0.66	1.10
- Portfolio securities	1.11	3.86
- Investment reserve	0.01	0.00
- Financing of Securities Regulation Fund	0.06	0.07
Net federal debt outstanding	276.66	272.90
2. Debt instruments		
A. Instruments in EUR:	277.14	276.19
- Linear bonds (OLOs)	214.22	214.24
- Conventional bonds	0.06	0.06
- State notes	6.84	7.16
- Treasury certificates	26.97	26.87
- Treasury Bonds - Silver Fund	14.66	13.50
- Belgian Treasury Bills in EUR	0.78	0.75
- Private loans, interbank loans, etc.	5.16	4.39
- Debt issued in foreign currency and swapped in EUR	0.45	0.45
- Debt of certain organisations for which the federal government helps service the debt	8.00	8.77
As % of the debt in EUR:		
- Linear bonds	77.30 %	77.57 %
- Conventional bonds	0.02 %	0.02 %
- State notes	2.47 %	2.59 %
- Treasury certificates	9.73 %	9.73 %
- Others	10.48 %	10.09 %
B. Instruments in foreign currency:	1.46	1.74
- Medium and long-term debt	0.98	1.13
- Belgian Treasury Bills in foreign currency	0.48	0.61
II. Changes in net outstanding federal government debt over the year		
1. Change (EUR bn)	3.74	7.45
- Net balance to be financed	4.05	2.27
- Debts taken over	0.00	0.11
- Exchange gain/loss	-0.13	-0.01
- Capitalisation of interest	0.60	0.57
- Debt of certain organisations	-0.78	4.51
2. Change (in %)	1.34 %	2.68 %

	2006	2005
III. Characteristics of the federal government debt		
1. Rating issued by the various rating agencies		
- Long-term rating (S&P/Moody's/Fitch)	AA+/Aa1/AA+	AA+/Aa1/AA
2. Breakdown by currency		
- Debt in EUR	99.48 %	99.37 %
- Debt in foreign currency	0.52 %	0.63 %
3. Breakdown by maturity		
- Medium and long-term (>1 year)	88.25 %	88.61 %
- Short-term	11.75 %	11.39 %
4. Breakdown by rate structure		
- Fixed rate	87.01 %	82.94 %
- Variable rate	12.99 %	17.06 %
5. Effective duration of the debt in EUR	4.52	4.44
Effective duration of the debt in foreign currency	4.52	4.44
6. Federal government interest cost	11.85	12.24
7. Weighted average interest rate	4.60 %	4.61 %
8. Ratio of federal interest cost to federal expenditure	27.18 %	25.93 %
IV. Transition from federal debt (Treasury) to general government debt		
1. Federal debt outstanding	278.60	277.93
2. Outstanding debt of other federal entities (1)	3.78	3.69
3. Debt of Communities, Regions and local authorities	29.22	29.48
4. Consolidation adjustment	32.62	32.97
5. Other corrections	4.98	5.25
6. Consolidated general government debt (1+2+3-4-5)	274.00	272.88
7. GDP	313.17	298.54
8. General government debt ratio (6/7)	87.49 %	91.40 %

(1) Debt represented by financial instruments included in the definition of debt for purposes of the Maastricht Treaty

CHANGES IN THE ECONOMY AND IN GOVERNMENT FINANCE IN 2006

1. Changes in interest rates: a less accommodating monetary policy

In 2006 the Belgian economy achieved a GDP growth rate of 3.0%, once more higher than the European average. This impressive performance was accomplished in a context of moderate inflation, where the harmonised consumer price index increase reached 2.3% in 2006 compared with 2.5% in 2005. These results should be set against the background of world growth and growth in the euro zone which amounted to +2.7%.

Interest rates are rising

Against this background, the interest rates of the main economies followed a general upward trend, although starting from exceptionally low levels.

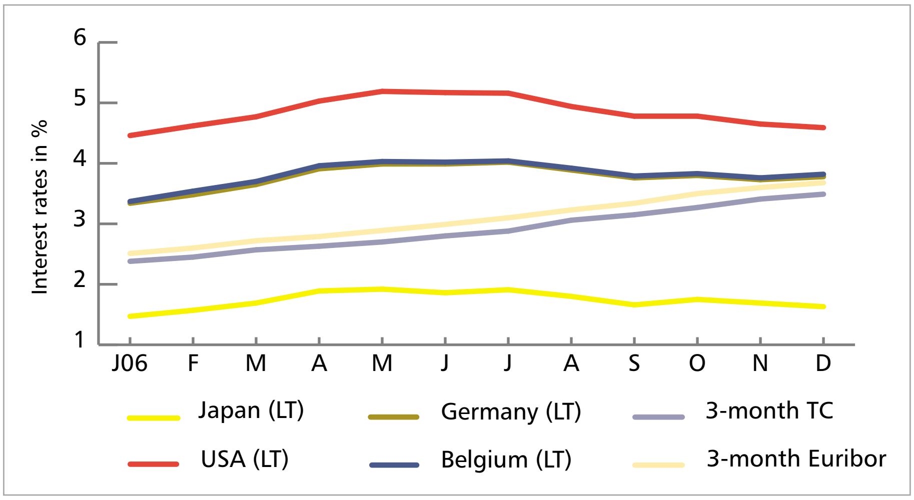
Nevertheless, in view of the – albeit modest – inflationary pressure, the monetary policies of the main economies became less accommodating in 2006.

Whether in the United States or in the euro zone for example, central banks on several occasions increased their interest rates. While the European Central Bank (ECB) had between June 2003 and November 2005 left at 2% its minimum bid rate applied to the main refinancing operations, this was raised to 2.25% in December 2005. Further key-rate increases occurred in March, June, August, October and December 2006, thereby bringing the main key rate to 3.50% by the end of 2006.

This series of increases have caused Belgian short-term interest rates to rise. Raising of the key rates was accompanied by a broadly commensurate rise in interest rates on maturities of one year or less. Graph 2 illustrates the effectiveness with which monetary policy worked through to interest rates. Rate movements on the money market even anticipated those of the key rate because of the tougher tone of ECB announcements. On average, the secondary-market rates for the 3-month Treasury certificates rose from 2.38% in January to 3.49% in December 2006.

1

3-month interest-rate averages and average yields of 10-year benchmark bonds in 2006



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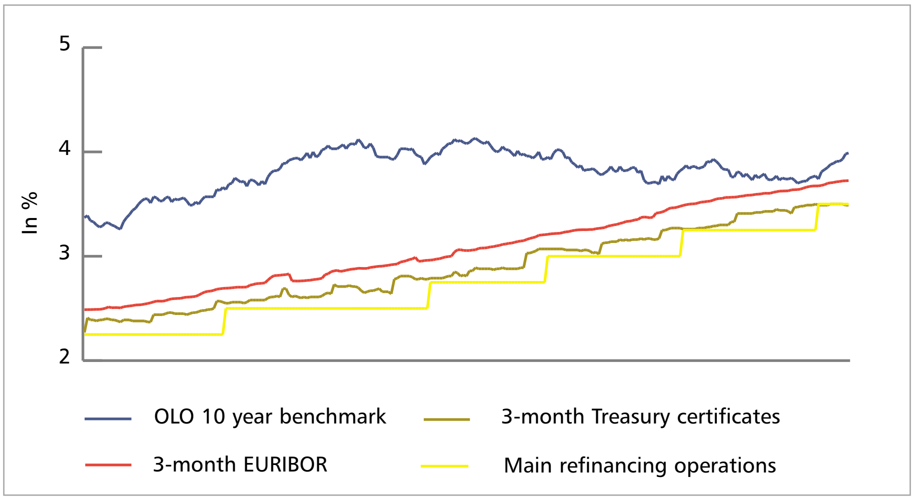
Interest-rate changes in 2006



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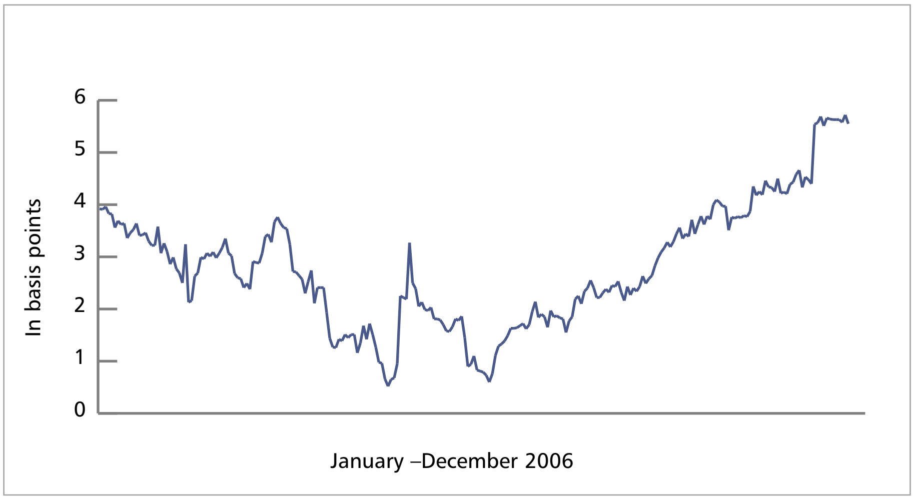
Daily rate spreads between the "Bunds" and the 10 year OLOs in 2006
("asset swap spreads")



Sound Belgian government finances

Monetary policy also worked through to long-term rates, but the change was less marked than for the short-term segment, with lesser rises for the longest maturities. These different changes resulted in a flattening of the rate curve. Moreover, long-term rates remained very low, thereby stimulating investment. In both the euro zone and the United States, the underlying reasons why long-term rates remained relatively low despite the generally bullish rates climate are mainly to be found in a reduction of the risk premiums demanded by investors for holding long-term instruments, due among others to the increased credibility of monetary policies. These developments are also partly due to demand for long-term bonds originating from insurance companies and pension funds and to investment in financial markets of the windfall earnings collected by oil-exporting countries.

On average, the long-term bond rates initially increased from January to July, then fell slightly and finally stabilised higher at the end than at the start of the year. For instance the rate of the 10-year benchmark OLO rose on average from 3.37% in January to 4.04% in July and then fell to 3.82% at the end of the year.

Despite the rise in rates, the Federal government's interest rate cost once again diminished in absolute terms from 12.04 billion in 2005 to 11.71 billion EUR in 2006. The weighted average rate stabilised at 4.60% (4.61% in 2005). These pleasing results are due, among other factors, to efficient management of the government debt.

In addition, thanks to sound management of Belgian government finances as shown by both the balancing of revenue and expenditure and the falling debt ratio – estimated at 87.5% of GDP – and the good prospects for the coming years as conveyed in the stability programme, the credit rating agencies now take a more positive view of the Kingdom of Belgium as a sovereign borrower. The Moody’s rating agency has changed its long-term outlook for the Kingdom’s debt (Aa1) from stable to positive. The Fitch rating agency has increased its rating for Belgian long-term debt from AA to AA+.

Another indicator of the good results achieved by Belgian government finances is continuing very low interest rate differential between Belgian and German 10 year benchmark bonds, calculated in terms of asset swap spreads. At the end of 2006, it amounted to less than 6 basis points.

2. Evolution of public finances in 2006

2.1. Implementation of the 2006-2009 stability programme

In line with the government’s commitments, since 2000 the general government budget has either been balanced or shown a slight surplus.

For the 2006 budget, a balanced budget was once again forecast. This objective was also combined with the continuation of the reform programme aiming to energise economic activity and employment, to strengthen social policy and to take initiatives in various priority action areas (justice and law and order, mobility, development co-operation).

At the time of drafting the initial budget it was assumed growth would be 2.2% of GDP. This estimate was confirmed in the budgetary control of March 2006, with the renewed growth proving even greater than predicted. Accordingly the initial assumption was increased to 2.5% at the interim budget review in July 2006 and to 2.7% in the October economic budget, serving as the basis for drafting the 2007 budget. According to the most recent estimates by the National Bank of Belgium in February 2007, economic growth in 2006 reached 3% of GDP. Thanks to this sustained growth and close monitoring of expenditure trends, the public institutions budget closed with a surplus of 0.1% of GDP, to which a number of non-recurrent measures had contributed. The objective of a balanced budget has therefore been slightly exceeded.

1

Financing-balance objectives and achievements
(% of GDP) (1)

	2005 Achieved	2006 Target	2006 Estimates
General government			
° financing balance	0.1	0.0	0.1
° primary surplus	4.3	4.1	4.2
Entity I			
° financing balance	0.0	0.1	0.1
° primary surplus	3.9	3.8	3.9
Entity II			
° financing balance	0.1	-0.1	0.0
° primary surplus	0.5	0.3	0.3

(1) The figures shown below refer to the statistics issued by the Belgian National Accounting Institute. Differing statistics were generated by Eurostat, owing to a difference in the method for posting buyback of the SNCB (Belgian railways) debt by the "Fonds de l'infrastructure ferroviaire" (railway infrastructure fund).

A balanced budget

Trend in the sub-sectors

According to the data available in February 2007, the surplus for general government is the result of a limited surplus in Entity I (Federal authorities and Social Security) and a balance in Entity II (Communities, Regions and Local Authorities). The outturns meet the objectives set for Entity I and exceed them for Entity II.

In Entity I, the Federal Government showed a deficit of 0.1% of GDP, which is compensated by a 0.2% surplus generated by Social Security.

The balance in Entity II stems from a surplus of 0.2% of GDP generated by the Communities and Regions, and a 0.2% deficit registered by the Local Authorities.

The latter result reflects the expected negative impact of the election process. The rise in investment expenditure as the elections approach traditionally weakens the financing balance.

Revenue and expenditure

The proportion of fiscal and parafiscal tax revenue dropped by 0.5% and 0.2% of GDP respectively in 2006. This trend mainly affects Entity I. The reduction is mainly due to the continued policy to reduce the burden of social security charges on employment. Apart from the personal income tax reform, which has now reached cruising speed, the fixed occupational charges have been increased and further reductions made to (employer and employee) social insurance contributions.

Primary expenditures are also down compared with 2005, to 44.8% of GDP. This drop reflects in particular the moderate growth in health care expenditure. The improved economic environment also led to a decrease in unemployment benefit expenditure.

2 General government revenue and expenditure (% of GDP)

	2005 Achieved	2006 Estimate
Total revenue	49.9	48.9
General tax revenue	31.0	30.5
Special tax revenue	13.9	13.7
Primary expenditure	45.6	44.8
Total expenditure	49.9	48.9

In addition the primary expenditure trend reflects the effect of the accounting method for certain real estate transactions.

The combined result from primary expenditure and revenue is a slight reduction in the primary balance, which nevertheless remains slightly higher than the objective defined in the 2006-2009 stability programme.

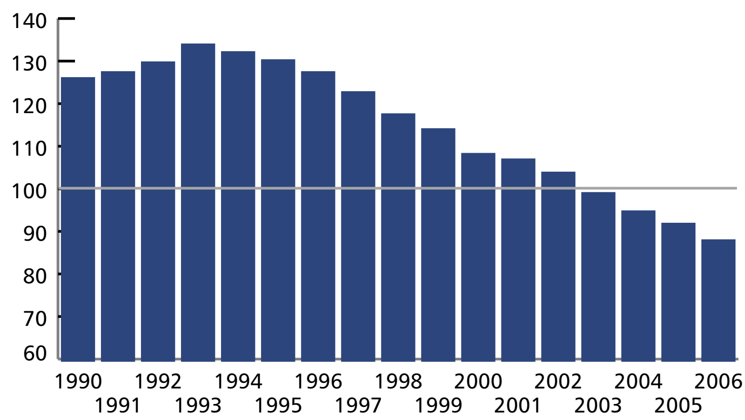
This easing of the primary balance is compensated by the reduction in the interest cost from 4.3% to 4.1% of GDP.

Continued reduction in the debt ratio

This result is solely attributable to the change in the debt ratio: with the rise in short-term interest rates, the implicit interest rate on the national debt has in fact risen slightly. This explains why the interest cost is falling more slowly than in previous years.

The general government debt ratio continued to fall. At the end of 2006 it had reached 87.5% of GDP, falling 4.1% compared with the previous year. This result exceeds the programme objectives, which projected a reduction of the order of 3.6% of GDP.

4 Debt ratio of the general government (% of GDP)



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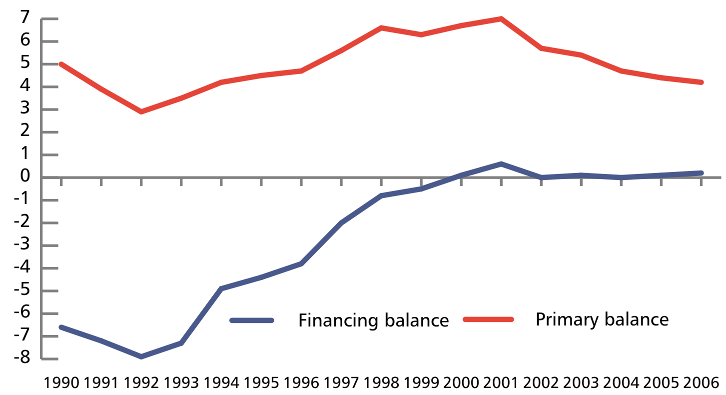
Primary balance and financing balance (% of GDP)



European comparison

Thanks to this trend, the difference between the Belgian government debt ratio and euro zone average narrowed once more, despite the fact that unlike the trend in previous years, this euro zone average debt ratio decreased in 2006. It shrank by 1.2% of GDP, to represent 69.5% of GDP.

In addition, Belgium remained one of the limited number of euro-zone countries to present a budget that was either balanced or showing a surplus in 2006, together with Finland, Spain, Ireland and the Netherlands.

2.2. The 2007-2010 stability programme

The 2007-2010 stability programme confirms the budgetary trajectory defined when the federal government was constituted after the elections held in May 2003. After achieving a balance, the main objectives are to gradually generate budgetary surpluses from 2007 onwards and to continue reducing the debt ratio. Ambitious social and economic reforms go hand in hand with these budgetary objectives, which in addition have been enshrined up to 2012 in the law guaranteeing a continuous reduction of government debt and creation of a Silver Fund, designed to finance the additional pensions expenditure.

In 2007 it is planned to generate a surplus equivalent to 0.3% of GDP. This surplus should be increased every year by a rate of 0.2% of GDP, reaching 0.9% of GDP in 2010. These surpluses will be used to provide structural financing for the Silver Fund.

In the event of economic growth greater than forecast, the programme undertakes as a priority to assign any available extra funds to improving the financing balance.

During the period 2007-2010, total fiscal and parafiscal tax pressure should stabilise at around 47% of GDP. Further selective or overall reductions of charges on labour income are to be introduced as from 2007. It is intended to compensate for these reductions in budgetary terms by transferring withholdings to factors other than labour and through control of primary expenditure. It is planned to reduce general government primary expenditure by 0.2% of GDP in 2007.

The reduction of the interest rate cost as a proportion of GDP should continue over the period 2007-2010, at a rate of approximately 0.2% per year. The rate of reduction is slower than previously, owing to the gradual levelling-out of the downtrend in the implicit interest rate on the debt.

According to the programme's economic and budgetary assumptions, the debt ratio will continue to fall gradually, from 83.9% of GDP in 2007 to 72.6% in 2010.

This reduction in the debt ratio and the gradual build-up of surpluses represent a fundamental component of the strategy developed to cope with the cost of the ageing population. By gradually reducing the budget surplus and using the assets accumulated in the Fund, by 2014 it will be possible to absorb the additional expenditure entailed in the ageing of the population, which the "Comité d'Etude sur le Vieillissement" (ageing commission), in its report published in May 2006, estimated at 3.8% of GDP over the period 2005-2030.

However the budgetary policy represents only one aspect of the strategy to absorb the impact of ageing. The continued lowering of charges on labour, designed to stimulate growth and employment, is also an integral part of this strategy.

3

Budget analysis of the government sub-sectors in the 2007-2010 stability programme (% of GDP) (1)

	2005	2006	2007	2008	2009	2010
	Achieved	Estimate		Target		
General government						
° Primary surplus	4.3	4.1	4.2	4.1	4.1	4.2
° Interest burden	4.2	4.1	3.9	3.6	3.4	3.3
° Financing balance	0.1	0.0	0.3	0.5	0.7	0.9
Entity I						
° Primary surplus	3.9	3.8	3.7	3.7	3.6	3.7
° Interest burden	3.9	3.7	3.5	3.3	3.1	3.0
° Financing balance	0.0	0.1	0.2	0.4	0.5	0.7
Entity II						
° Primary surplus	0.5	0.3	0.5	0.4	0.5	0.5
° Interest burden	0.4	0.3	0.3	0.3	0.3	0.3
° Financing balance	0.1	-0.1	0.1	0.1	0.2	0.2

(1) Rounding may cause the totals to differ slightly from the sum of the constituent items

THE FINANCING POLICY IN 2006

1. Financing requirements in 2006: lower than expected

Financing requirements

In December 2005, the Treasury estimated its financing requirements for 2006 at 27.69 billion EUR. However as the year went by it became apparent that the forecast amount of early redemptions of bonds maturing in 2007 and subsequent years (5 billion EUR) would not be reached. However the federal cash shortfall was proving higher than envisaged. In all, the financing requirements for 2006 were finally worked out at 26.27 billion EUR.

The financing resources

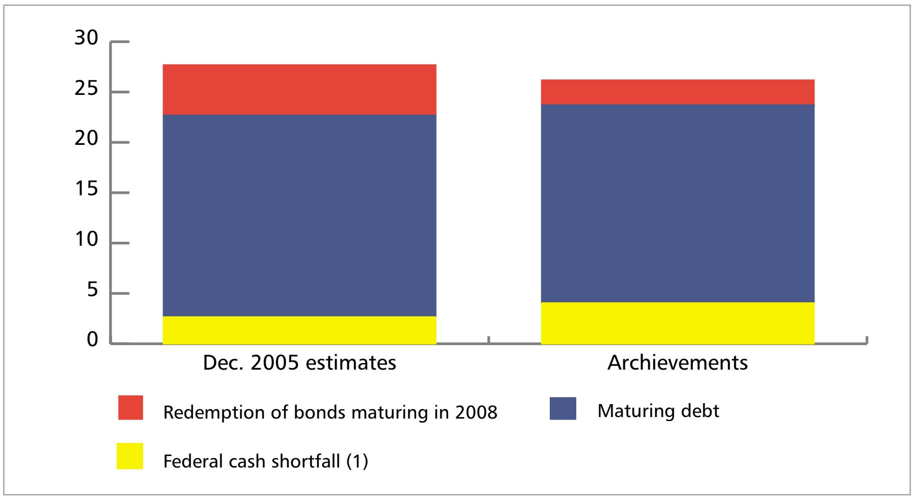
To meet its financing requirements, the Treasury mainly uses its two standard financial instruments: OLOs and Treasury certificates. The Treasury completed its financing arrangements by recourse to other instruments such as the State notes, which are intended for private investors, and the "Treasury bonds – Silver Fund", which enable the Fund to invest the funds it receives with the Treasury.

The planned issues of OLOs followed the pattern of financing requirements as explained above. Initially the Treasury had planned a total OLO issue of 22.89 billion EUR, roughly in line with the amounts issued in previous years. Since the financing requirements proved to be lower, in the outcome the OLO issues totalled 20.83 billion EUR.

Concerning the other instruments, the amounts issued corresponded to the initial forecasts. The financial deposits the Treasury sets aside from time to time for covering variations in financing requirements diminished structurally as planned.

6

Financing requirement estimates
(EUR bn)



(1) including transfers to the Silver Fund and appropriations to the “Fonds d’infrastructure ferroviaire” (railway infrastructure fund).

4

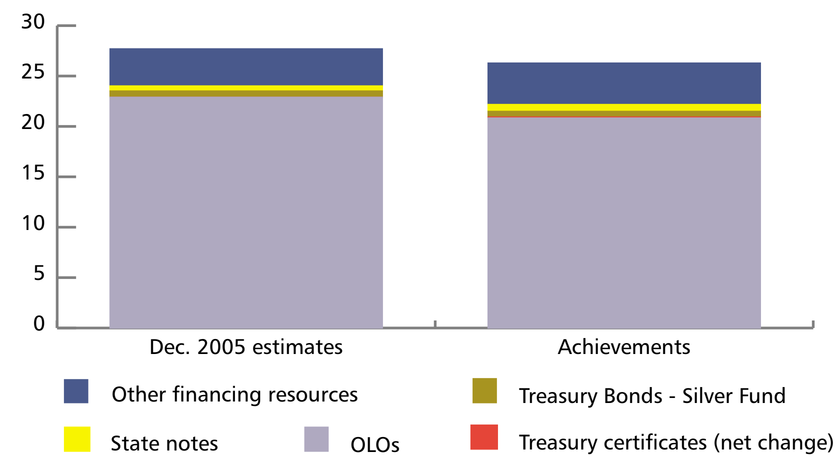
Treasury financing in 2006 (EUR bn)

	2006 budget (1)		Outturn on 31/12/2006	
I. Gross 2006 financing balance		**27.69**		**26.27**
1. 2006 financing requirements		**22.69**		**23.72**
Budget deficit (2):	2.66		4.05	
Including transfers to the Silver Fund	*0.62*		*0.56*	
and financing of the FIF (railway infrastructure fund) (repayments)	*0.18*		*0.18*	
Debt maturing in 2006	20.03		19.66	
- Medium and long-term debt in EUR	19.95		19.59	
- Medium and long-term foreign-currency debt	0.08		0.07	
2. Planned prefinancing (bonds maturing in 2007 or later)		**5.00**		**2.47**
Buy-backs (3)	5.00		2.47	
3. Other financing requirements (4)		**0.00**		**0.08**
II. 2006 Financing resources		**24.01**		**22.06**
1. Medium and long-term issues in EUR		**24.01**		**22.06**
OLOs	22.89		20.83	
Treasury Bonds - Silver Fund	0.62		0.56	
Instruments for private investors	0.50		0.68	
Miscellaneous (5)	0.00		0.00	
2. 2. Medium and long-term foreign-currency issues		**0.00**		**0.00**
III. Net change in foreign-currency short-term debt		**-0.36**		**-0.08**
IV. Change in Treasury Certificates outstanding (6)		**0.00**		**0.10**
V. Net change in other short-term debt and financial assets (7)		**4.04**		**4.19**

(1) December 2005 forecasts.
(2) The budgetary deficit is dependent on seasonal variations. For example, tax revenues are appreciably higher in the second half of the year than the first.
(3) On 1 January 2006, the medium- and long-term debt maturing in 2007 totalled 23.07 billion EUR.
(4) Including the "put" options exercised on State notes and net repayments of Treasury bonds representing Belgium's participation in various international bodies.
(5) Including net issues of Treasury bonds representing Belgium's participation in various international bodies.
(6) The outstanding amount in the stock of Treasury certificates on 01/01/2006 totalled 26.87 billion EUR.
(7) This heading comprises residual financing instruments used in addition to the Treasury certificates mentioned in the previous heading, including modifications of collateral margins. A positive figure represents an increase in the stock of residual financing and/or a reduction in financial assets.

Rounding may cause the totals to differ slightly from the sum of the constituent items.

7 Financing requirement scheduling (EUR bn)



2. An issuing policy based on two types of product

2.1. Liquid products issued on a transparent basis, to a predictable pattern

a. Linear bonds (OLOs)

Issues through syndications and auctions

In 2006 the Treasury issued a total of 20.83 billion EUR in OLOs. To launch its two benchmark bonds, it made customary use of the syndication technique. During the year under review the Treasury also organised four OLO auctions.

It returned to the tradition of issuing a 10-year maturity bond in January, and launched the syndication of a new benchmark bond, the OLO 47. Apart from investors' demand for this maturity, the Treasury wanted to occupy an additional point on the maturity curve, the year 2016 for which volume had previously been negligible. At that time the Treasury could have also issued a bond with a 15-year maturity, but other issuers were already present on this market segment.

In this way, with a 10-year bond the Treasury was able to stand out in a market that is traditionally very busy at the start of the year, and so benefit from a particularly favourable maturity slot at the time of issue.

A new 10-year benchmark bond

The final maturity date of OLO 47 is 28th September 2016. It was placed by a syndicate with the primary dealers ING, JP Morgan and Société Générale as joint lead managers. The other primary dealers and recognized dealers also participated in the placement as co-lead managers and members of the selling group. The total orders amounted to 9.2 billion EUR, as against a final issue amount of 5 billion EUR.

The coupon for this OLO was set at 3.25% and the issue price was 99.337%, corresponding to a cost of just 6.5 basis points above the German 10 year benchmark bond (Bund January 2016).

Syndication

Syndication is an issuing technique in which the Treasury makes use of a syndicate of banks to issue and place its securities. The syndicate is a temporary association of banks, whose common objective is the collective placement of the bonds. There are three levels within the syndicate:

1. Lead manager: This is the bank instructed by the issuer to lead the syndicate. The lead manager underwrites placement of most of the bonds and is responsible for overall coordination and organisation of the issue. In liaison with the issuer, it determines the structure, volume, spread and timing of the operation. Where several lead managers are in charge of the issue, they are called joint lead managers.

2. Co-lead manager: works one level below the lead manager. It underwrites a small proportion of the placement and therefore also receives a smaller commission.

3. Selling Group: the lowest level in the syndication structure. In the case of Belgium, the selling group is made up of the recognized dealers. They are invited to participate but must not underwrite their participation. This participation is in fact limited to placing a small volume of securities. They do not have any other tasks or responsibilities.

Mixed pot syndication

In the mixed-pot syndication structure, as in the normal pot syndication, the Treasury has the advantage of total transparency regarding the buyer’s identity. However, there are two differences between this and the normal pot syndication system which mean that the check on the allocation is not complete;

a) the presence of a blind retention reserved for the co-lead managers and the selling group. They are guaranteed this portion of the OLO allocation without having to divulge the identity of the buyer to the joint lead managers. The co-lead managers and the selling group are respectively primary dealers other than joint lead managers, and the recognised dealers. The blind retention provides consideration for their efforts in placing the OLOs and Treasury certificates during the previous year.

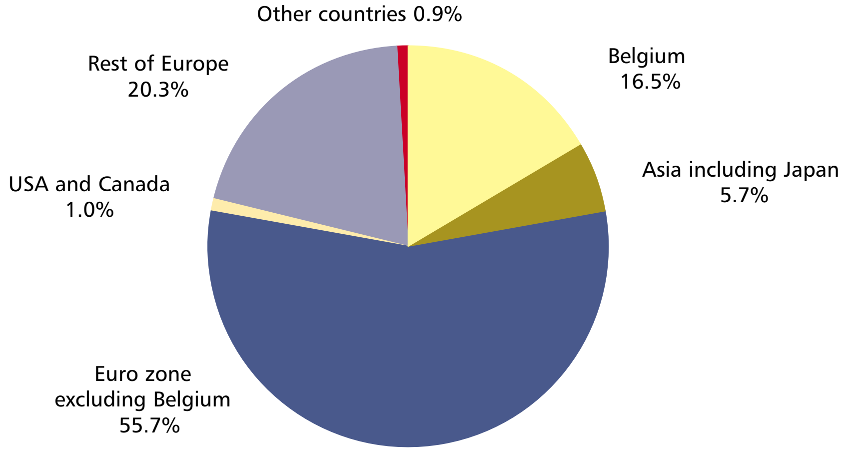
b) The presence of a "strategic reserve". A fraction of the debt issue is reserved for allocation to certain purchase orders presented by the co-leads and the selling group. In allocating the strategic reserve, the Debt Agency strives to allocate the orders placed by the co-leads and the selling group members according to the following criteria: 1. the order is placed by an investor who is not yet registered in the lead-managers ledger; 2. the order is of excellent quality and represents true diversification or is placed by an investor whose custom loyalty the Agency is particularly keen to secure.

OLO 47

Maturity date	September 2016
Spread above the Bund (January 2016)	+ 6.5 basis points
Asset swap spread above the Bund	+ 3 basis points
Benchmark premium	0.25 basis points

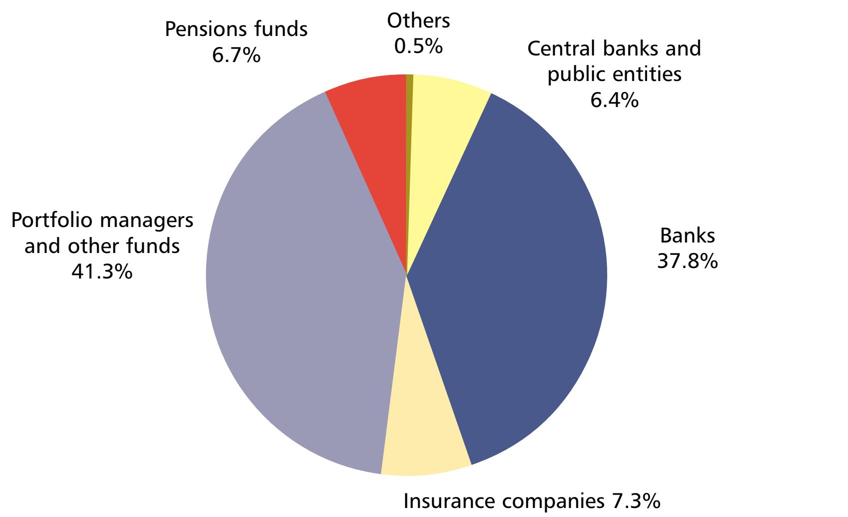
8

Geographical distribution of OLO 47 (28/09/2016)



9

Distribution of OLO 47 by investor type



OLO 47

Here again, the Treasury used the technique known as mixed-pot syndication for the allocation of orders. As in previous syndications, this system helped improve the efficiency, transparency and objectivity of both the book-building process and the allocation itself. The majority of the subscriptions were checked for quality, thereby avoiding duplication of subscriptions from investors working with several primary dealers. Overall, the process led to a higher standard of order allocation and enabled the Treasury to influence both the geographical distribution and the investor type in placing of its loans.

Placement was concentrated in the euro zone, with a major proportion in France (19.5%) and in Italy (9.6%). However it is worth noting the particular interest of Asian investors (5.7%) – especially the central banks – despite the fact that this issue was for a "long 10 year" maturity. In addition, this issue also attracted long-term investors such as insurance companies and pension funds. In all, allocations were made to orders from 200 different investors.

For the second syndication in 2006, the Treasury opted for a 15-year issue, since this market segment still represents a maturity sought-after by investors. The Treasury thus has "on the run" benchmark points on its issue curve at 10, 15 and 30 years.

The final maturity date of OLO 48 issued in May at a price of 97.315% is 28th March 2022 with a 4.0% coupon. This price corresponds to a cost 4 basis points above the French benchmark bond (OAT April 2021).

The Treasury selected the following four primary dealers as lead managers for this syndication: Calyon, Citigroup, Fortis and Goldman Sachs. The placement orders totalled 8.3 billion EUR from 130 investors. By limiting its allocation to 4 billion EUR, the Treasury wanted to give especial emphasis to balanced distribution of the OLO, so as to help it perform well on the secondary market.

Concerning geographical distribution, nearly 90% of the orders were placed outside Belgium, mainly in the euro zone (60%), particularly France (30%), and the United Kingdom (23%).

Pension funds and insurance companies took up almost 11% of this issue, while a considerable proportion (25%) went to fund manager portfolios.

For both of these syndications carried out in 2006, the Treasury appointed a duration manager: Société Générale for OLO 47 and Fortis for OLO 48. The role of a duration manager is to stabilise the market when the issue price of the bond is set by acting as a counterparty on behalf of all the syndicate members for the switch orders presented by the investors, i.e. the orders presented on the condition of simultaneous sale of another security at a specified minimum price.

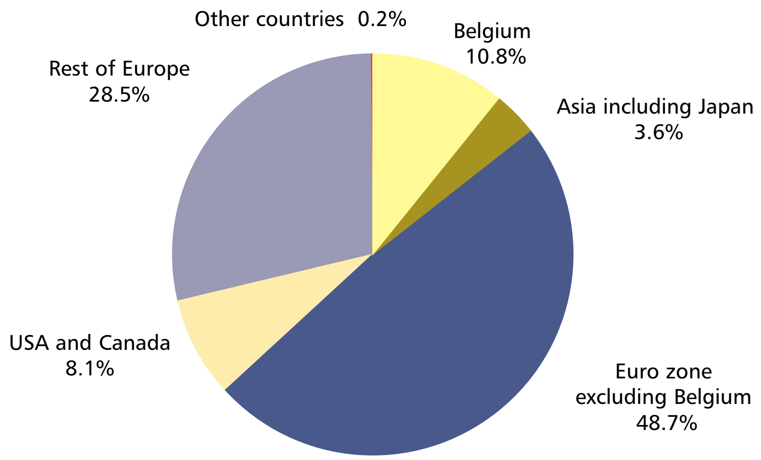
The two syndications have replaced the auctions planned for January and May, while the four other auctions took place on the dates indicated in the OLO issuance calendar.

OLO 48

Maturity date	March 2022
Spread above the OAT(April 2021)	+ 4 basis points
Spread above the OAT curve	+ 2.5 basis points
Benchmark premium	-1 basis point

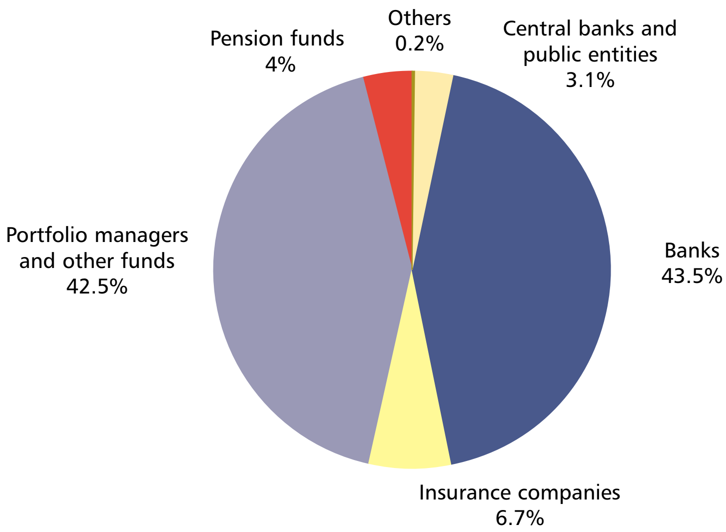
10

Geographical distribution of OLO 48 (28/03/2022)



11

Distribution of OLO 48 by investor type



OLO 48

This issuance calendar states neither which lines are to be auctioned nor the number of lines. These data are published in agreement with the primary dealers one week before the auction: the Treasury and the primary dealers meet beforehand to review in detail the market demand and circumstances in order to decide which lines should be auctioned.

Competitive auctions

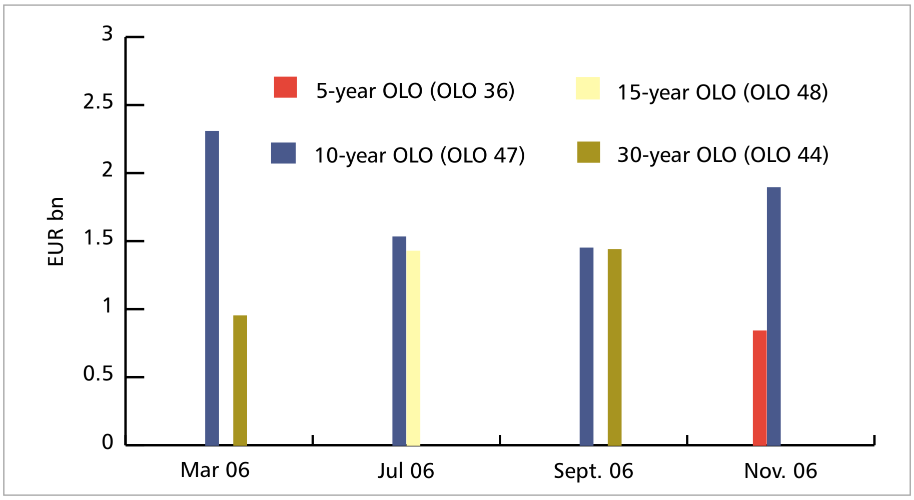
For the four remaining auctions, only two lines were up for auction. The new 10-year benchmark bond, the OLO 47, was offered at each auction. A decisive factor when choosing the second line was the demand for longer maturities. Thus, the 15-year OLO 48 bond, issued by auction in May, was once again put up for the next auction in July. Next, the 30-year OLO 44 bond was proposed at two auctions, in March and September. At this last auction, the demand for very long maturities was particularly strong, as demonstrated by the successful auctioning of the OLO 44, which reaped 1.4 billion EUR. At the November auction, on the other hand, the market preference was for shorter maturities. The demand for very long maturities had diminished because non-Treasury issuers other than the Belgian Treasury had also begun to issue longer-term bonds, so that the market for long-term borrowing was becoming saturated. Accordingly, at the November auction the Treasury opted for OLO 36 with a residual maturity of 5 years. This was a good choice because the Treasury had not had the opportunity to issue in this maturity segment in 2006. In addition the OLO 36 issued in 2001 has been given benchmark bond status in the five-year maturity segment; its coupon was not too far out of line with rates then prevailing.

The bid to cover ratio for all the auctions was an aggregate 1.94 for 2006. This is the ratio between the bids and the sale amounts at the auctions. It indicates the extent to which the bids covered the amount at auction, therefore indicating whether demand for the proposed lines was satisfactory or not. This ratio amounted to 1.80 and 2.15 in 2004 and 2005 respectively.

After the competitive bidding round, the primary dealers – but not the recognised dealers – are entitled to participate in non-competitive subscriptions in return for their active participation in the auctions. They can buy securities at the weighted average auction price, based on a percentage of their accepted bids. The non-competitive subscription entitlement for all the primary dealers taken together amounted to 3.39 billion EUR, 31.26% of which was exercised (compared with 27.30% in 2005). The exercise of this subscription right depends on market conditions at the time of the non-competitive round. In view of the increase in the OLO rates that occurred the day after the auctions in September and November, the primary dealers exercised their right to non-competitive subscriptions. This did not happen for the auctions in March and July 2006.

12

Breakdown of 5-, 10- and 30-year issues at the 2006 OLO auctions



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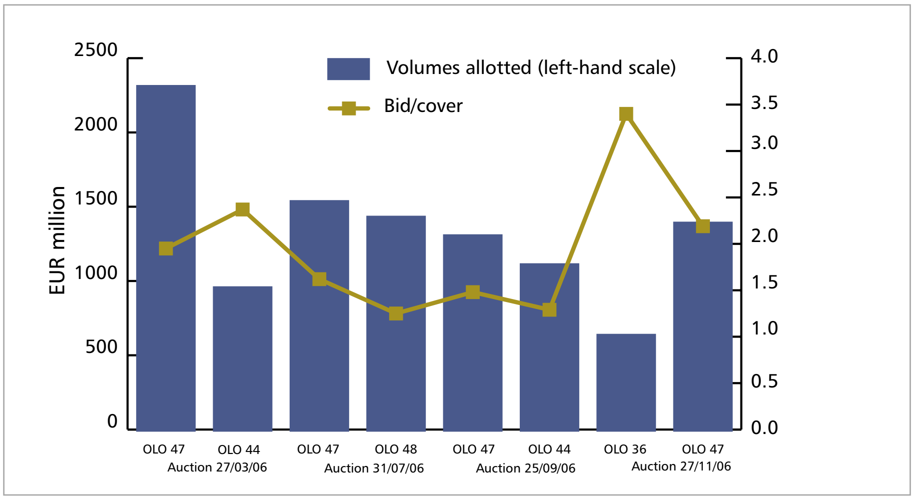
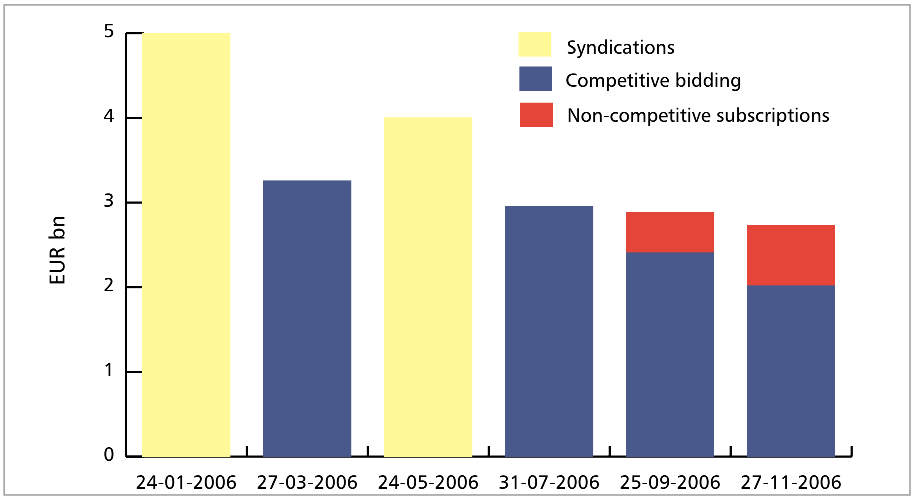
Bid to cover ratio at the 2006 OLO auctions



14

Breakdown of 2006 OLO issues by type on a monthly basis



Linear bonds

Buy-backs

Buy-back of linear bonds

Since July 2001, the Treasury has been using the MTS Belgium electronic trading platform to buy back its bonds; it offers liquidity, efficiency and pricing transparency. MTS Belgium comprises a screen (Belgian Buy-Backs - BBB), to which only the primary dealers and the Treasury have access. The Treasury can only post purchase prices (4 hours per day minimum), but it may also accept the sale prices posted by the primary dealers on this segment.

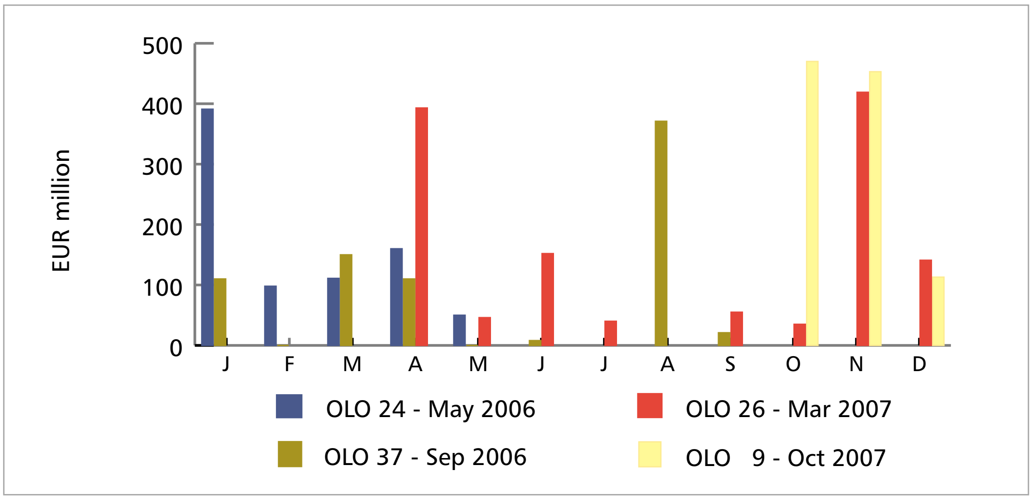
Whenever an OLO falls within less than 12 months of its final maturity, the Treasury offers it for buy-back, which enables investors to divest themselves of their securities early. For the Treasury, buy-backs provide prefinancing for future OLO maturities.

Buy-back of lines 24 and 37 had already begun in 2005 and continued in 2006 up until their final respective maturity dates on 15th May and 28th September.

The buy-back effect decreased the amount outstanding on OLO 24 by 810 million EUR to 7.14 billion EUR. For the OLO 37, the decrease was 770 million EUR to an amount outstanding of 7.8 billion EUR. These decreases represented 15.63% and 18.82% of the respective outstanding amounts.

During 2006 OLOs 26 and 9 maturing on 28th March and 1st October 2007 were added to the Treasury's buy-back programme. This decreased OLO 26 outstandings by 1.2 billion EUR so that only 12.2 billion EUR of this issue was in circulation at the 2006 year-end. For OLO 9, buy-backs totalled 1.0 billion EUR, bringing the year-end outstanding amount to 7.3 billion EUR. In percentage terms, this represents a decrease in the outstanding amounts of the relevant borrowings by 9.5% and 12.3% respectively.

15 Buy-backs effected by the Treasury in 2006 on a monthly basis

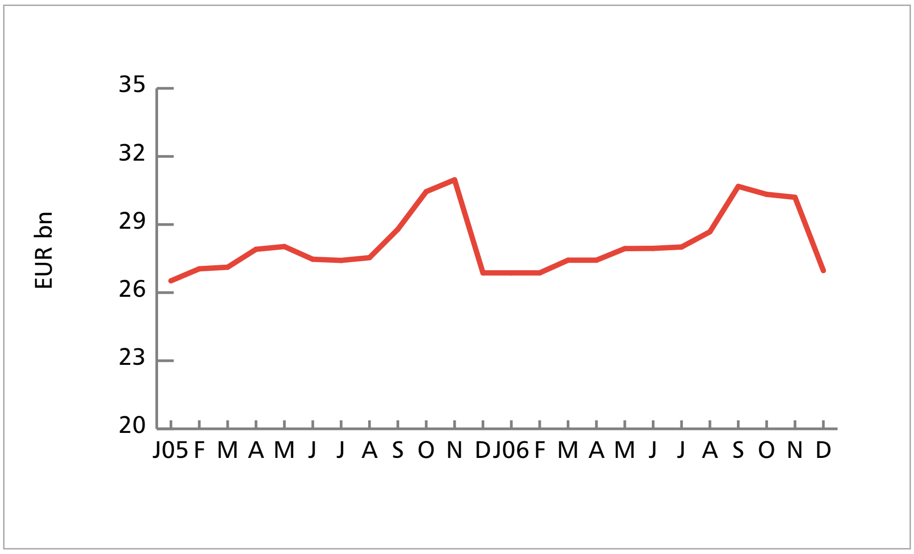


b. Treasury certificates

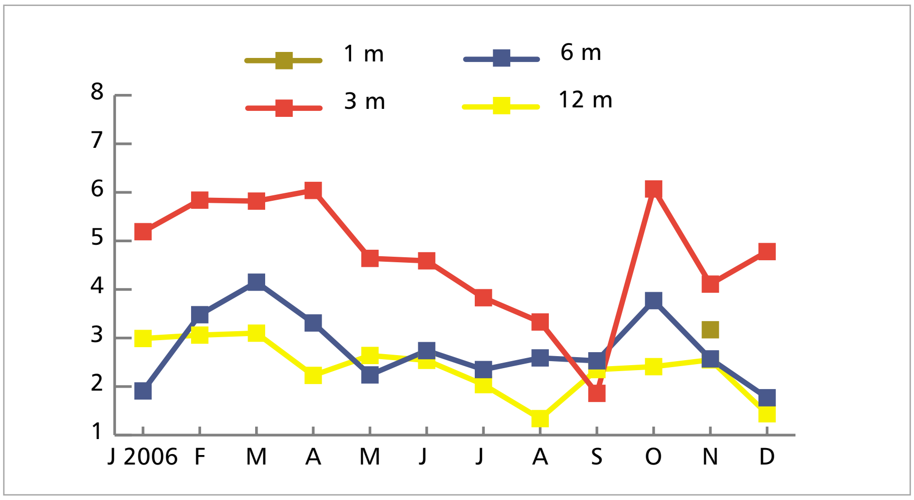
In 2006, the month-end outstanding amounts of certificates ranged between 26.87 and 30.68 billion EUR, the average being 28.28 billion EUR.

Throughout the year under review, the Treasury certificate issuance calendar remained unchanged from the new calendar introduced in 2005. However from August onwards, for reasons of cash management, the Treasury decided to simultaneously issue 1- and 3-month Cash Management T-Bills with the conventional maturity dates, although in no case beyond the mid-December maturity. These Cash Management T-Bills are additional issues of Treasury certificates that are carried out without modifying the calendar structure. The aim is cash management smoothing. The use of this financial instrument is dictated by the need to choose the least costly short-term financing solution, with particular regard to inter-bank market conditions. Hence, the Treasury was able to provide optimum coverage of its financing requirements arising, among others, from the maturing OLO 37 (4.75% - 28th September 2006) and payment of the coupons.

16 End of month outstanding amount of Treasury certificates in 2006



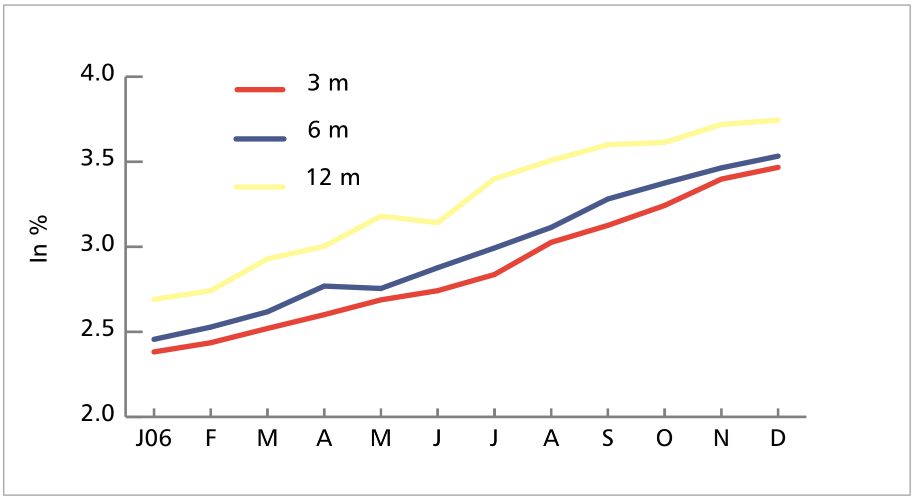
17 Average bid to cover ratio for auctions of Treasury certificates in 2006



Treasury Certificates

18

Weighted average interest rates of 3, 6 and 12 month Treasury certificates in 2006



Investors sustained their interest in Treasury certificate auctions, evidenced by the bid to cover ratio, which is, as explained above, the volume of bids received divided by the volume accepted at the auctions.

On average, the bid-to-cover ratio was 4.67 for the 3-month, 2.78 for the 6-month and 2.39 for the 12-month segment. Average amounts offered by investors totalled 2.02 billion EUR for the 3-month, 3.21 billion EUR for the 6-month and 3.85 billion EUR for the 12-month segment. These ratios remained perfectly comfortable, albeit below those observed in 2005.

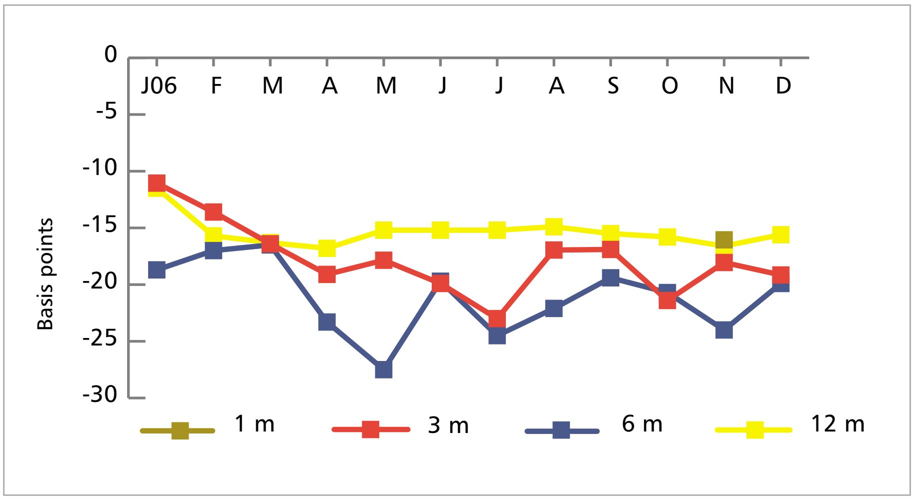
For the new 12-month lines, the volume after the first auction varied between 1.51 and 1.80 billion EUR, enabling the Treasury to provide sufficient critical mass when the line is opened to prevent a squeeze.

Both the efficient operation of the market in Treasury certificates and investor interest were also apparent from the spread of less than 2 basis points on average between the maximum rate and the lowest rate bid at the auctions. Despite this minimal dispersion, an average of roughly 50% of bidders saw their offers accepted during the 3-month auctions. For the 6 and 12-month segments, the proportion was in the order of 80%.

Graph 19 illustrates the spread between the weighted average rate of Treasury certificates and the EURIBOR for issues of 3-, 6- and 12-month lines. The average of the spreads against the EURIBOR in 2006 were -17.78, -21.11 and -15.36 basis points for the 3-, 6- and 12-month segments respectively, all to the advantage of the Treasury.

In 2006, in volume terms the primary dealers only availed themselves of 5% of their entitlement to obtain Treasury certificates at the weighted average auction rate, by non-competitive subscriptions. They subscribed to the non-competitive round in 5 of the 24 auctions held throughout the year. It should be recalled that investors' use of their entitlement to non-competitive bids depends on market conditions.

19 Issue spreads between the weighted average rate of Treasury certificates and EURIBOR at 3, 6 and 12 months in 2006



c. State notes

For the eleventh consecutive year, the Belgian government issued State notes.

State notes are fixed-interest long-term loans with annual coupons in EUR. They are placed through a panel of Placing Institutions approved by the Department of Finance after a selection procedure (see list in the Appendix).

On the primary market, this product is chiefly aimed at private investors, and certain other investor categories (1).

In 2006, the issue programme was adapted in line with the provisions in the Act of 14th December 2005 abolishing bearer bonds. Under the Act, as from 1st January 2008, an issuer may issue securities only in registered or electronically-registered ("dematerialised") form, and secondly the holders of bearer securities must request their conversion into registered or dematerialised securities by 31st December 2012 for securities issued since publication of the Act, and by 31st December 2013 for securities issued prior to publication of the Act.

State notes

Consequently, unlike in previous years, in the first three issues of the year the Treasury only issued a single, 5-year State note in material form.

The 5-year State note, finally maturing before 31st December 2012, falls outside the scope of Article 8 of the Dematerialisation Act requiring holders of bearer securities issued subsequent to publication of the Act to request conversion of their bearer securities into registered or dematerialised securities by 31st December 2012.

(1) It is also intended for the following investors:
- charities;
- non-profit associations;
- church maintenance boards or institutions classified as temporal religious bodies in the national register of legal persons;
- similar bodies to the foregoing, established in the European Economic Area, with the same subscription rights under Community law.

5	State note issues in 2006	
Issue of 4th March 2006		
State note	Coupon	Total subscribed
5 year	3.00%	146 300 000
Issue of 4th June 2006		
State note	Coupon	Total subscribed
5 year	3.55%	186 500 000
Issue of 4th September 2006		
State note	Coupon	Total subscribed
5 year	3.60%	183 500 000
Issue of 4th December 2006		
State note	Coupon	Total subscribed
5 year	3.45%	130 000 000
8 year	3.70%	33 500 000
		163 500 000
Total 2006		**679 800 000**

An 8-year exclusively dematerialised State note

For the fourth issue in December 2006, the Treasury also made its first issue of an 8-year State note exclusively in dematerialised form, alongside its traditional 5-year bond.

The aim of issuing this State note was to progressively prepare the general public and make it aware of the major reform constituted by the elimination of bearer securities. It should be noted that for dematerialised State notes, the option remains available for registration by name. As a reminder, in 2002 it became possible to subscribe to State notes in named-registration form directly and without charge at the Treasury's Ledgers Department. The named-registration form is also available for purchases on the secondary market.

State notes are quoted on the Euronext Brussels annuities market (fixing segment) guaranteeing them permanent liquidity. Daily regulation is performed by the Belgian Securities Regulation Fund.

It should be emphasised that State notes will henceforth be quoted on the Euronext continuous market by two market makers: Binck Securities B.V. and Van der Moolen Obligaties B.V. To facilitate settlement and tax payment of State notes, it was decided to introduce them progressively into the Belgian

National Bank of Belgium X/N settlement system. This system enables an investor exempted from the withholding tax on securities income to receive the gross interest amount directly, and conversely, for a non-exempted investor to receive the interest net of the tax withheld on income from securities.

d. Strips

As in previous years the Treasury continued its policy of creating conditions favourable for development of the strips market. The coupon dates of the two new OLO lines issued in 2006 were 28th March and 28th September and they were immediately strippable. The coupon date on the new 15-year line (OLO 48) was set in March to favour OLO lines located on the curve's long segment all of them with a coupon date in March.

The number of strippable lines increased in 2006, from 17 at the start of that year to 18, and the net increase in the underlying strippable outstanding amount was from 187 billion EUR at the start of 2006 to 197 billion EUR.

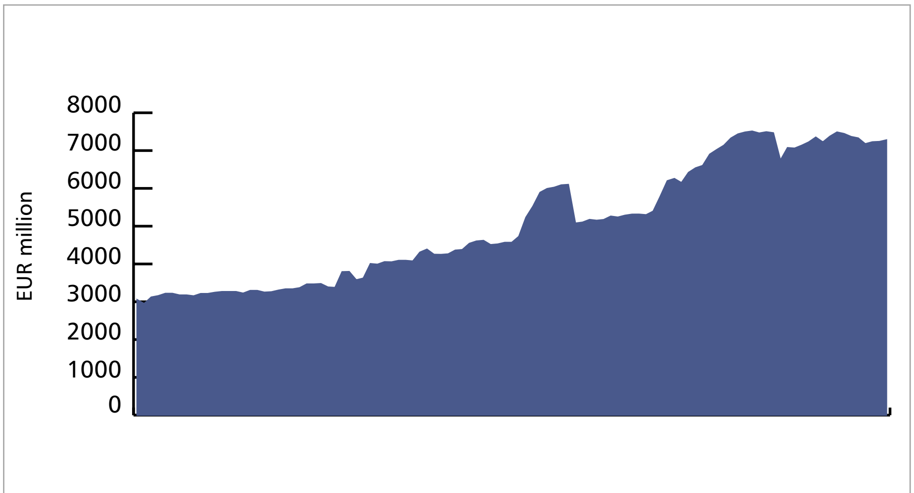
The moderate growth in the strips market is above all due to the flattening of the OLO rate curve. As the yield curve steepens, so the differential between the strips yield and the underlying OLOs yield widens. The same process was observed in other euro zone strips markets.

As in 2005, trends in the secondary strips market were erratic. It should be noted there is a certain correlation between the stripped volumes and volumes handled on the secondary market.

Strips

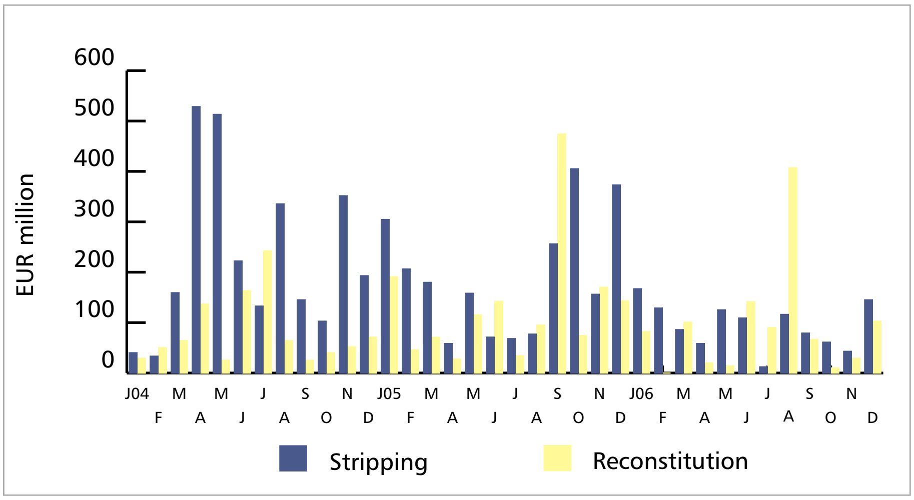
20

Change in the net stripped amount of OLOs since January 2000



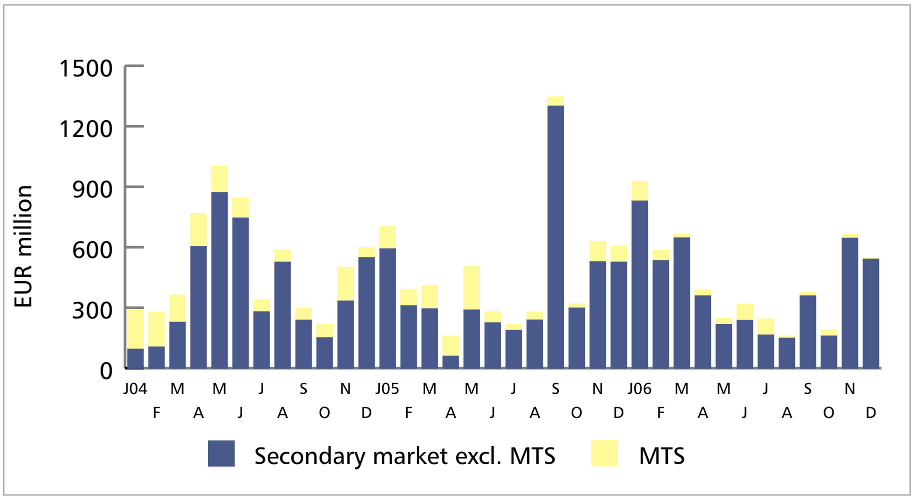
21

OLO stripping and reconstitution activity
from January 2004 to December 2006



22

Strip trading volumes on the secondary market
from January 2004 to December 2006



2.2. Tailor-made products

a. Belgian Treasury Bills (BTB) denominated in EUR and foreign currency

BTB in EUR

The Treasury made use of the BTB programme in 2006, pursuing the same objectives as in previous years.

In practice, BTBs in EUR are used by Belgian public institutions solely to manage their very short-term liquidity surpluses.

BTBs are an efficient instrument allowing such institutions to meet their financial public-sector asset consolidation obligations for calculation of the debt ratio according to the Maastricht criteria.

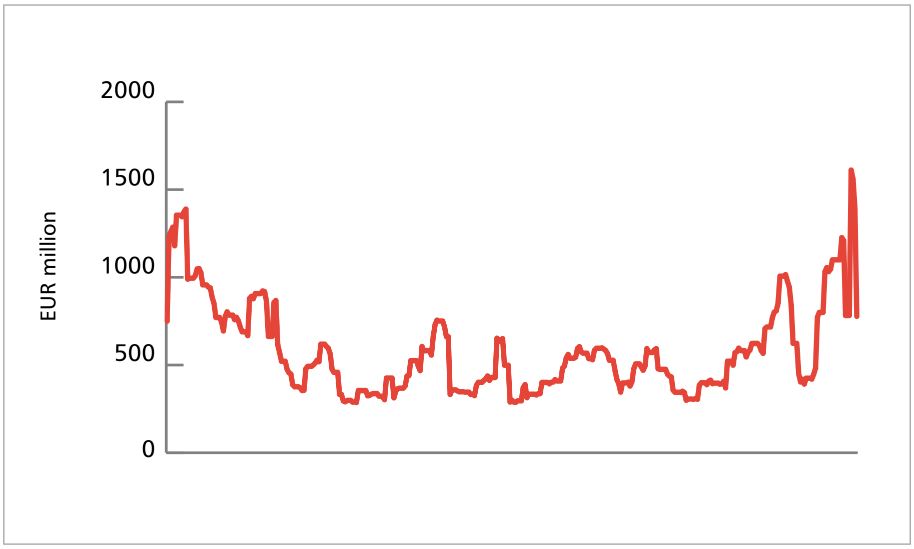
The amounts in circulation varied owing to the presence or absence of major public institutions on the commercial paper market, and also according to the cash surpluses of public institutions at the end of the year.

Foreign-currency BTBs

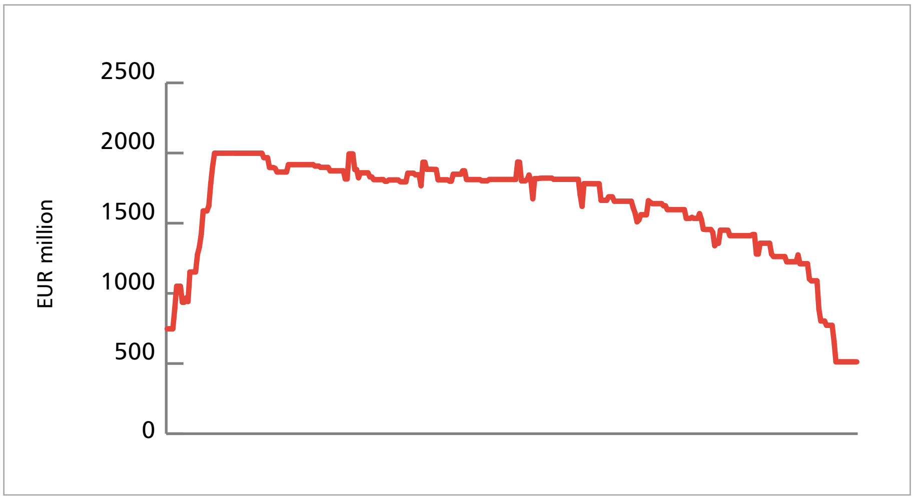
The Treasury made the customary use of its foreign-currency BTB programme to finance its short-term foreign currency debt. When permitted by market conditions, the Treasury reduced its foreign currency debt.

Towards the year-end, it swapped part of the CHF debt to EUR (for the equivalent of 646 million EUR) to make more efficient use of the EUR cash surpluses. At the beginning of 2007, the corresponding amount was converted back into CHF.

23 Changes in the amount of EUR BTB issues outstanding in 2006



24 Changes in the amount of foreign-currency BTB issues outstanding in 2006



Silver Fund

b. Treasury Bonds - Silver Fund

During 2006, a total amount of 555.6 million EUR of non-tax income was allocated to the Silver Fund. This mainly consisted of the Belgacom dividend (317.1 million EUR), the Government's share in the earnings of the Belgian National Bank of Belgium (211.9 million EUR) and the balance on the sale of Credibe (26.5 million EUR). The Fund invested these resources in a "Treasury Bond - Silver Fund", with final maturity in 2021. In addition, the 176 million EUR 2006 budget balance determined by the BNB in February 2007 will be paid into the Silver Fund in 2007.

The "Treasury Bonds – Silver Fund" are zero-coupon bonds. The interest, determined at the time of issue on the basis of the OLO rate curve, is capitalised up until the final maturity date. The securities are included in the Government debt at a value taking the accrued interest into account. At 31st December 2006, the Silver Fund reserves invested in "Treasury Bonds – Silver Fund" had final maturities extending from 2010 to 2021. They totalled 14.66 billion EUR.

3. Strict control of risks and stabilisation of interest costs

The General Debt Directives determined each year by the Finance Minister on the basis of proposals from the Strategic Debt Committee constitute the guiding thread in managing the risk underwritten by the Debt Agency. The Agency therefore monitors very closely the exchange risk, the refinancing risk, the rate refixing risk and the credit risk.

The exchange risk

The introduction of the euro considerably diminished exchange risk for the debt portfolio, since a whole series of loans that previously were included in the foreign currency debt became part of the domestic currency debt. After introduction of the euro, the Treasury no longer saw any benefit in keeping part of its portfolio in foreign currency. In subsequent years, therefore, it refinanced its unhedged foreign currency debt with euro borrowing, or converted it into EUR using derivatives.

At the end of 2006, the proportion of the debt in unhedged foreign currency only represented 0.52% of the debt total. The largest share of this debt consisted of short-term CHF debts (0.35%), while the remainder was represented by a position in JPY (0.17%).

The option also remains of issuing short-term debt in foreign currency within the BTB programme, provided the positions are hedged by derivatives.

The refinancing risk and the rate refixing risk

The Treasury defines the refinancing risk as the possibility of interest charges being higher than forecast owing to over-large financing requirements within a limited period of time. The Treasury takes the view that the price it must pay for its financing will increase where it wishes to draw more finance, since the market will demand higher remuneration for more sizeable financing requirements. This phenomenon is further accentuated if market liquidity is tight.

For this risk, the amount that can be refinanced within 12 months is limited to 22.5% of the portfolio and 60.0% over a 60-month period. The Treasury ascertains on a monthly basis whether the portfolio fulfils its criteria. The percentages are calculated on the basis of a six-month rolling average to smooth out excessive fluctuations.

In 2006, the 12-month refinancing risk increased from 17.9% to 19.6% and then dropped to 19.2% of the portfolio at the end of the year. The 60-month refinancing risk remained at around 56.0% during the first few months of 2006, then retreated noticeably to 53.0% in August before finally rising again to 53.7% towards the end of the year. Both these risks are therefore well below the maximum authorised limits. This was particularly true for the 60 month refinancing risk which reached record low levels owing to the fact that during 2006, the Treasury virtually only issued OLOs with 10 year or longer maturities.

Refinancing also involves a rate risk, since the cost of refinancing depends on the unknown future market circumstances. However the rate risk is not determined solely by refinancing since derivatives such as Interest Rate Swaps and Forward Rate Agreements can increase or decrease it. Accordingly, the Treasury uses the "rate refixing risk" concept to measure the rate risk. This indicates the share of the portfolio that is subject to refixing of interest rates during a specific period.

Over 12 months the rate refixing risk must be limited to 25.0% and over 60 months to 65.0% of the portfolio. Here again, these percentages are calculated on the basis of a 6-month rolling average.

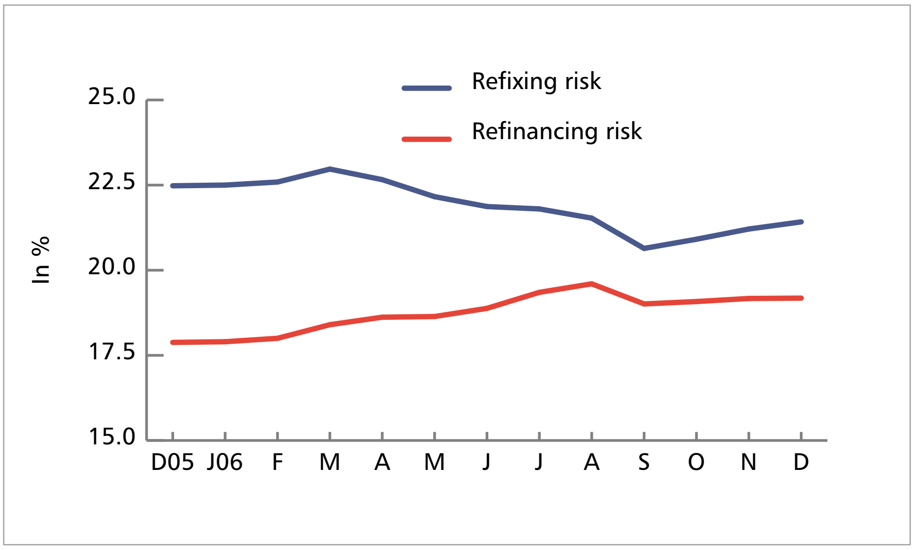
In 2006 this risk gravitated around 22.5% at the start of the year. It then increased slightly, dropping back to 20.6% in September and finally rising again to 21.4% in December. The 60-month rate refixing risk dropped virtually steadily throughout the year from 62.3% to 57.7% of the portfolio. The portfolio was therefore less affected by the short or medium term rate risk. This was also due to the fact that the Treasury issued virtually exclusively OLOs with 10 year or longer maturities. This rate risk was also further decreased by the use of derivatives. The Treasury's objective was to benefit from medium and long-term rates which it felt were advantageous.

Credit risk

The Treasury's credit-risk management principles did not change in 2006. To be accepted as a counterparty, the financial institution must have a minimum "A" rating, but in practice the majority have an "AA" rating. For each counterparty the Treasury calculates a credit limit based on capital adequacy and the rating.

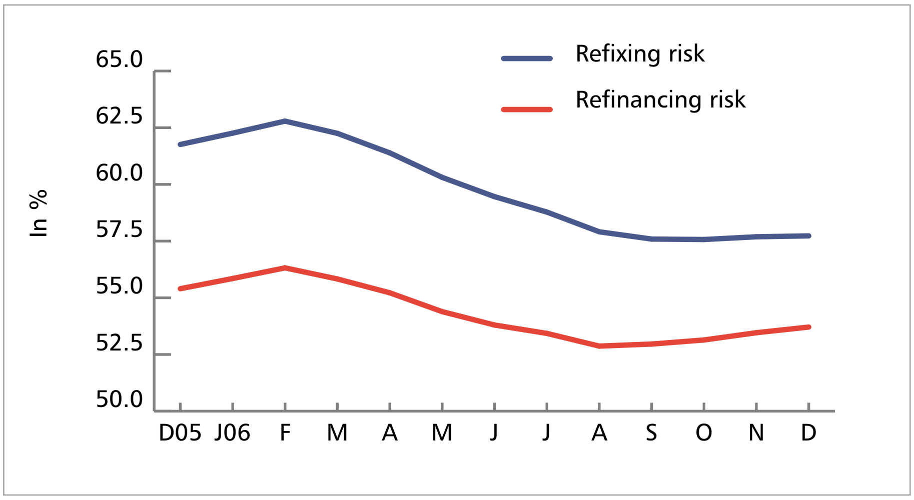
25

12 month refixing and refinancing risk
for the debt in EUR in 2006



26

60 month refixing and refinancing risk
for the debt in EUR in 2006



However it should be added that the Treasury has considerably reduced credit risk by entering into a "Credit Support Annex" with a few primary dealers. Item 2 in part III describes these contract terms in detail.

6

Derivatives credit-risk exposure by rating level
at end December 2006

Rating (*)	Number of transactions	%	Total exposure in EUR	%
AAA	1	0.7	13 063 064	0.5
AA	121	86.4	2 410 912 927	89.9
A	18	12.9	258 900 203	9.7
Total	140	100.0	2 682 876 194	100.0

(*) Counterparty or parent company rating.

7

Derivatives credit exposure by rating level and by product
at end December 2006

Rating (*)	Interest Rate Swaps in EUR	%	Currency Swaps in EUR	%	Forward rate agreement in EUR	%	Other derivatives in EUR	%
AAA	13 063 064	0.5	0	0	0	0	0	0
AA	2 357 340 896	89.7	-27 003 723	70.6	34 121 773	100	46 453 980	77.5
A	256 695 608	9.8	-11 269 005	29.4	0	0	13 473 600	22.5
Total	2 627 099 567	100	-38 272 727	100	34 121 773	100	59 927 580	100

(*) Counterparty or parent company rating.

8

Breakdown of derivatives credit exposure by residual maturity at end December 2006

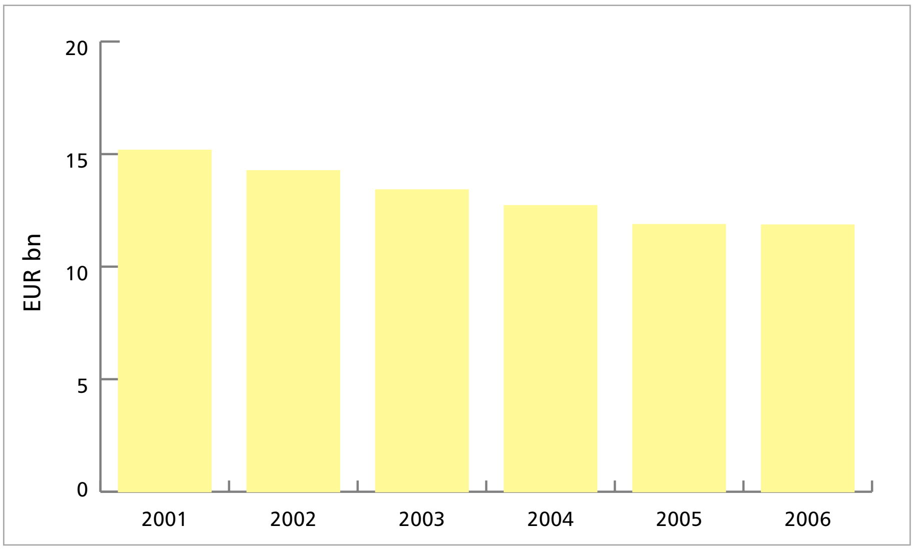
	Total	Interest Rate Swaps	Currency Swaps	Forward rate agreement	Other derivatives
< 1 year	-0.8%	-3.6%	0%	100%	64.1%
1 to 5 years	32.2%	33.5%	100%	0%	35.9%
6 to 10 years	5.8%	6%	0%	0%	0%
>=10 years	62.8%	64.2%	0%	0%	0%
Total	100%	100%	100%	100%	100%

Stabilisation of interest costs in 2006

Thanks to strict risk control, the Treasury succeeded in preventing the rise in interest rates from leading to an increase in the debt's interest cost. In terms of interest accrued – as recommended in the excessive deficit procedure appended to the Maastricht Treaty – the Federal Government's interest cost totalled 11.85 billion EUR in 2006, down slightly from 2005 (11.87 billion EUR). The underlying decrease in interest costs came to an end in absolute terms in 2006, but relative to GDP those costs continued to fall.

27

Federal debt interest cost (accrued interest)



MAIN STRATEGIC ITEMS IN 2006

1. Harmonised reporting by primary and recognised dealers

Since January 2006, all the Treasury's primary dealers must use the harmonised European format to declare their selling and buying transactions in OLOs and Treasury certificates. This declaration is made monthly and among others comprises for each product the total purchases/sales broken down for each of the 22 identified geographical areas (countries or regions), and also for each of the 14 types of counterparty. In addition the dealers declare their turnover on the different electronic trading platforms.

During 2006, the recognised dealers also adopted this reporting format.

Since the primary and recognised dealers take part in a large proportion of secondary market transactions, this gives the Treasury an overview of the distribution of its instruments among the international investment community.

Reporting also has the considerable advantage of making it possible to assess the performance of individual dealers.

It should be borne in mind that at the end of 2005 the Debt Agency developed a software making it possible to store and analyse date derived from these activity reports. The Agency made this software available to other European countries that were receiving reporting from their dealers in the harmonised format. These countries all expressed an interest in this offer.

In 2006 the primary and recognised dealers declared quarterly a total revenue of 40 to 50 billion EUR with counterparties who are not known as market makers but are identified in the harmonised reporting format as "clients". A large proportion of these transactions was carried out with euro zone counterparties, of which Belgian counterparties only represented a small share. There were also a number of transactions with counterparties outside the euro zone.

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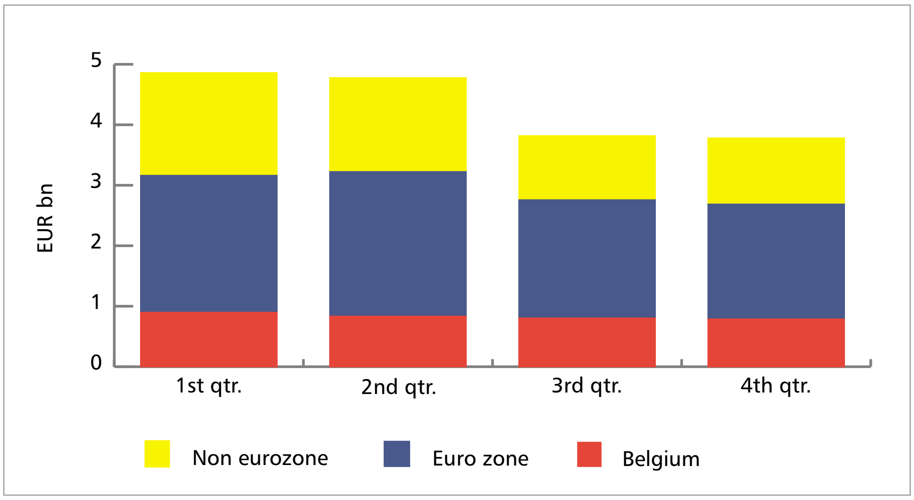
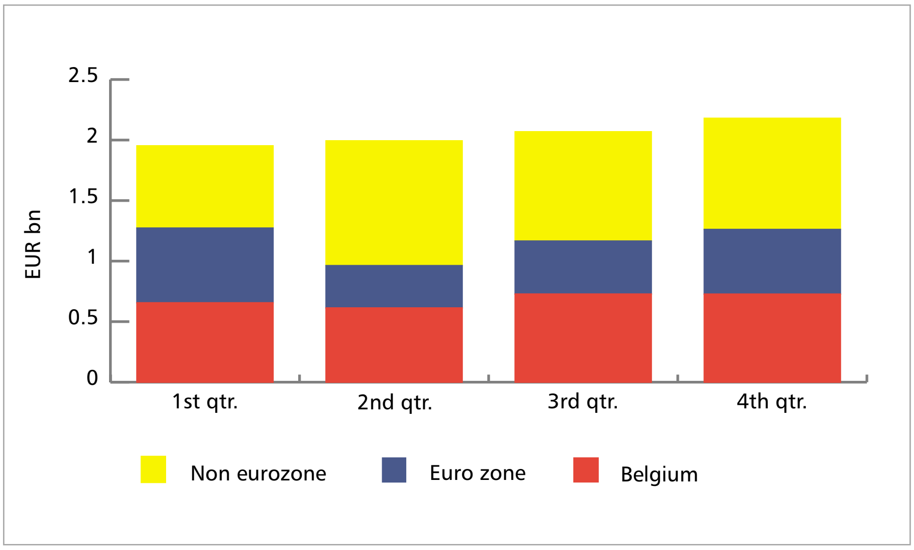
Value breakdown of OLOs traded with "client" counterparties



29

Value breakdown of Treasury certificates traded with "client" counterparties



The proportion of Belgian counterparties was greater for Treasury certificates. Moreover, within the euro zone most of the transactions were with Belgian counterparties. The large number of transactions with counterparties outside the euro zone was also worthy of note.

2. Drawing up of collateral agreements

Among its financial instruments, the Treasury has been using derivatives since the beginning of the 1990s. They have many functions: they can be used in controlling the debt's rate risk, and also for converting financing from one currency into another.

The numerous advantages of derivatives cause operators to forget their disadvantages, the most frequent of which is the credit risk. This is in fact the risk the Treasury runs of one of its counterparties not being able to fulfil its payment obligations.

Until now, the Treasury dealt with credit risk solely by entering into ISDA master agreements or by making use of credit lines. Apart from a whole series of other clauses, these ISDA master agreements include a type of netting agreement, which provides for offsetting with each other of the different receivables that the derivatives counterparties owe each other. In this way the credit risk is limited to the net receivable owed by a specific counterparty as a result of transactions involving derivatives. Credit lines can be used to cap the total market value of all the products – derivatives, investments, repos – traded with a bank. Credit lines are calculated on the basis of the counterparty's rating and capital adequacy.

Recently the Treasury has also been managing its derivatives credit risk by entering into collateral agreements. These agreements are frequently used on financial markets, and in fact consist of an annex to ISDA master agreements. In practical terms, the Treasury has opted for a Credit Support Annex (CSA) in English law.

Collateral agreements

Under these collateral agreements, the counterparties exchange pledges for the (net) amount of the credit risk as calculated on the basis of the master agreement. The pledge usually consists of cash deposits or securities.

Illustration of how a CSA works

Counterparties A and B have concluded a series of transactions in derivatives. At a particular time, the net market value of all the transactions between the two parties is valued at 8 million EUR from counterparty A's viewpoint. In concrete terms this means counterparty A has a credit risk with party B of 8 million EUR.

On the basis of the collateral agreement, counterparty B will therefore be required to deliver to counterparty A a pledge for 8 million EUR.

At the end of 2006, the Treasury had entered into CSA contracts with six of its primary dealers. It is continuing to hold discussions with all the other primary dealers with a view to signing a CSA with them during 2007.

The figures clearly show how the Treasury has succeeded in reducing its derivatives credit risk by means of these collateral agreements. At the end of 2006, the total market value of (and therefore credit risk on) these derivatives amounted to 974 million EUR. Thanks to the collateral agreements the Treasury was able to demand pledges totalling 607 million EUR from its counterparties, thereby reducing its credit risk to 367 million EUR.

Essentially, a CSA is a standard contract that can be adapted to counterparties' needs by means of specific clauses. The Treasury has therefore negotiated the following types of clause:

- as is usually the case with CSAs entered into by Governments, they are unilateral agreements in favour of the Treasury, which means that it can receive pledges but must never give them;

- the type of pledge the Treasury accepts is limited to liquid assets (EUR) for which it remunerates the counterparties at the market rate;

- the counterparty must only give the pledge when the market value of the outstanding amount of the derivatives exceeds a certain threshold. The threshold varies according to the counterparty's rating: the higher the rating, the higher the threshold. When a counterparty cannot fulfil its obligations to pay, the Treasury will only be able to recover the amount in excess of this threshold. This threshold means the Treasury continues to run a certain credit risk, but it is limited to a specified amount;

- although the market standard is to evaluate the credit risk and to receive or give pledges every day, owing to the excellent quality of its counterparties the Treasury only evaluates the risk and receives any pledges once a week.

3. Road shows : a dialogue with investors

In 2006 the Debt Agency once again organised a very wide-ranging road show programme. In its direct contacts with investors the Agency highlighted the improvement in Belgian government finance. It also set out the debt management strategy adopted and the planned financing programme. The road shows also provide an opportunity for obtaining market-trend information. In addition the Treasury is informed about investors' opinions concerning the financing strategy. Investors regularly indicate the type of OLO or Treasury certificates that particularly interest them.

For some time now the Agency has been organising road shows beyond Belgium and the surrounding countries. The interest aroused by the Treasury's financial instruments is international. In 2006, as in previous years, roughly 50% of the OLOs were taken up by foreign investors, and international ownership of Treasury certificates continued to increase.

In 2006 the Agency toured the major financial centres in Western Europe (London, Paris, Frankfurt, Madrid and Milan), not forgetting the important Scandinavian market. Further afield, particular attention was focused on Asia. The Agency visited Japan as well as a series of countries in north-east and south-east Asia. In the latter regions the contacts were mainly with central banks and public institutions holding considerable foreign currency reserves, although we noted increasing interest from private investors. Finally we should mention the Middle East as well as North Africa, which are part of the target group.

The Treasury's primary and recognised dealers play an important role in drawing up the road show programme and in organising these shows. The Treasury also assesses their efforts in the evaluation of its dealers that it carries out every year.

4. Quoting of securities on the continuous market

Prior to 4th April 2005, OLOs, which above all are traded in the off-exchange market, were negotiated on the Euronext fixing market, in the same way as State notes and conventional bonds. The Belgian Securities Regulation Fund guarantees this market's liquidity. However, since 4th April 2005, OLOs have been quoted on the Euronext continuous market, instead of the fixing market. Liquidity is underwritten on this market by two liquidity providers (market makers): Binck Securities B.V. and Van der Moolen Obligaties B.V.

Both institutions have accepted the proposal from the Belgian Securities Regulation Fund and the Treasury to broaden this market to include State notes. Since State notes also exist as bearer securities, both institutions insisted they should also be included in the National Bank of Belgium's X/N clearing. This solution avoids problems in delivering and settling for these bonds.

Accordingly, the State notes are gradually integrated into X/N clearing as and when the coupon matures, starting with the 4th December 2006 coupon date. Since 4th March 2007, State notes thus registered in the X/N system have been transferred to the continuous market where they are quoted by the liquidity providers. After the maturity dates in June and September, all the State notes will be quoted on the continuous market.

Since the State notes market is predominantly a selling market, the liquidity providers are only under an obligation to quote purchase prices, not selling prices. However they can intervene on the selling segment on a voluntary basis.

In the event that a delivery problem occurs during these purchases, there are two possible solutions. The first arises from the fact that both institutions have access to the automatic system of borrowing from the NBB settlement system. The second solution consists in borrowing the missing stock from the Belgian Securities Regulation Fund in return for liquidity, via a repo transaction.

In addition, the Treasury has stated its readiness to buy State notes if the liquidity providers wish.

5. Second securitization of tax receivables

In 2006 the Belgian Government organised a second securitization operation through which tax arrears were sold to a debt receivables investment company, which was given the name B-TRA 2006-1 ("Belgium- Tax Recovery Administration").

Unlike the first operation B-TRA 2005-1, this time most of the receivables concerned indirect taxes, i.e. VAT receivables. The portfolio also included receivables on income tax deducted at source and tax withheld on income from securities.

On 31st October, the debt receivables investment company B-TRA 2006-1 paid the Belgian Government 715 million EUR to take over the debt receivables portfolio. B-TRA 2006-1 financed this amount by issuing securities in three different categories on which it paid a higher interest rate, depending on the certainty of repayment.

Securitization

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Securities issued by B-TRA 2006-1

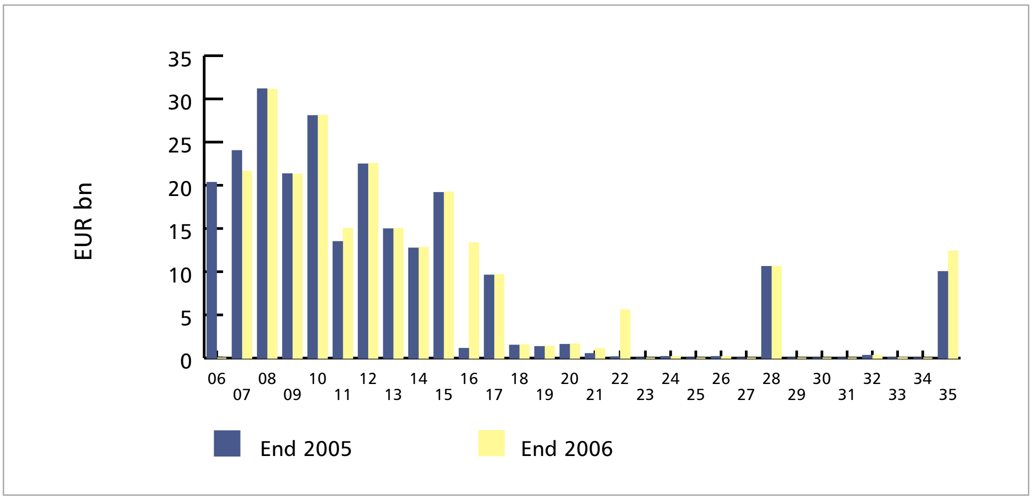
Category	Amount (Moody’s / Fitch)	Rating	Interest rate
A	EUR 500 500 000	Aaa/AAA	3-month EURIBOR + 7 bp
B	EUR 143 000 000	Aa1/AA	3-month EURIBOR + 19 bp
C	EUR 1 500 000	Aa3/A	3-month EURIBOR + 30 bp

In addition, the Belgian government will regularly receive remuneration for the collection of tax receivables for which it remains responsible. Finally, after repayment of the securities, the Government is still entitled to receive payment of a second part of the purchase price, within a maximum of 105 million EUR.

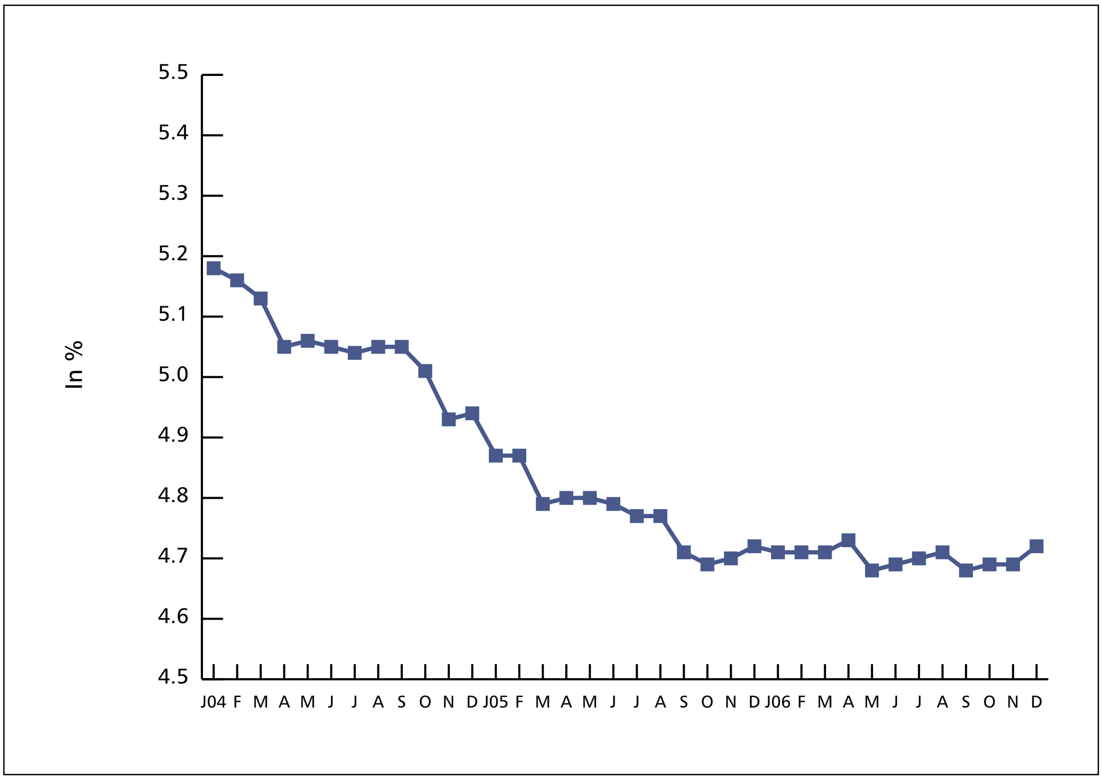
The Treasury has made several contributions to this project. It organised the procedures for selecting legal and financial advisors, rating agencies and auditors. It also chose the counterparty for the derivatives enabling B- TRA 2006-1 to hedge against a rise in interest rates. The Debt Agency was also present at the road shows preceding placement of the securities. The conditions for placing the securities were particularly tight. Investors' confidence was particularly high since B-TRA 2005-1 is reimbursing its securities earlier than planned.

APPENDICES

Maturity schedule of the Federal Government Debt in EUR



Weighted average actuarial rate of the Treasury's debt in EUR



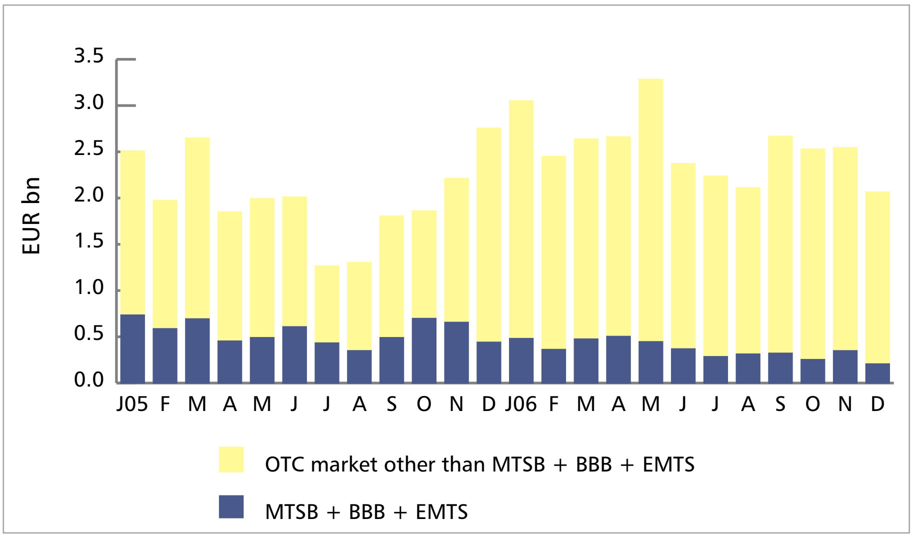
Amounts of each OLO in circulation (in EUR) at end December 2006

Maturity	Coupon in %	Code	OLO n°	Outstanding amount	% Strips
28/03/2007	6.25	286 923	26	12 210 828 228.86	6.53%
01/10/2007	8.50	257 635	9	7 377 664 463.71	15.66%
28/03/2008	5.75	288 945	28	12 386 696 740.11	0.99%
29/07/2008	7.50	268 749	16	7 965 558 029.24	
28/09/2008	3	302 118	42	8 499 600 000.00	0.31%
28/03/2009	3.75	292 012	32	18 762 419 400.00	0.28%
28/03/2010	3	305 145	45	8 848 000 000.00	0.27%
28/09/2010	5.75	295 049	35	15 844 200 000.00	1.40%
28/09/2011	5	296 054	36	11 385 400 000.00	1.00%
28/09/2012	5	298 076	38	11 416 900 000.00	1.57%
24/12/2012	8	262 684	12	8 546 896 081.16	
28/09/2013	4.25	301 102	41	12 975 200 000.00	2.22%
28/09/2014	4.25	303 124	43	11 559 915 000.00	1.71%
28/03/2015	8	282 880	23	6 220 187 157.66	4.60%
28/09/2015	3.75	306 150	46	11 294 000 000.00	0.77%
28/09/2016	3.25	307 166	47	12 175 000 000.00	0.43%
28/09/2017	5.5	300 096	40	8 437 637 800.00	5.98%
28/03/2022	4	308 172	48	5 425 000 000.00	2.64%
28/03/2028	5.5	291 972	31	10 575 939 136.01	18.60%
28/03/2035	5	304 130	44	12 317 692 800.00	8.53%
TOTAL				**214 224 734 836.75**	
OUTSTANDING AMOUNTS OF STRIPPABLE LINES				**197 712 280 726.35**	**3.68 %**

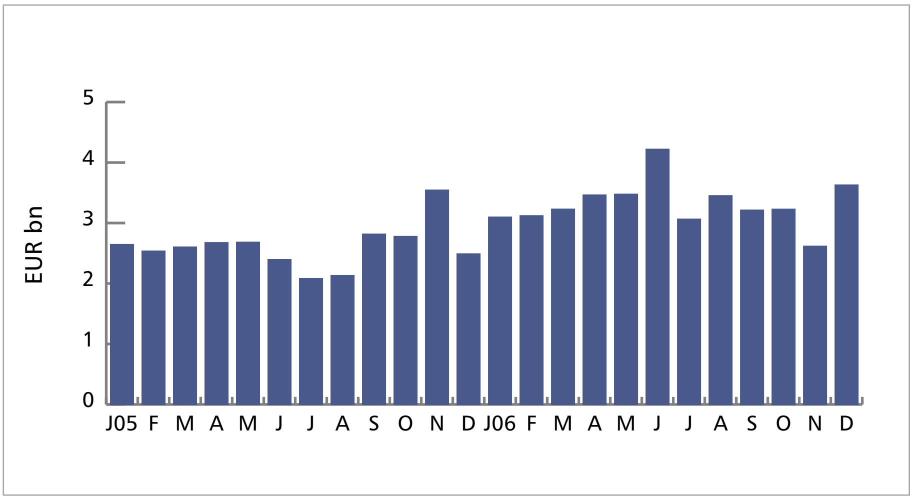
Results of OLO auctions and syndications in 2006 (EUR million)

Issue type	Issue date	Value date	Final maturity date	ISIN BE0000	Outstanding amount before issue	Amount bid	Bids accepted (Comp)	Exercised Non-comp.	Total accepted	Bid to cover	Weighted average price	Weighted average rate	Bid min/max	Stop price	Suc-cessful bidders	% taken at limit rate
	17-01-2006	24-01-2006	28-09-2016	307166			5 000.0		5 000.0		99.937					
SYNDICATION							5 000.0		5 000.0							
	27-03-2006	30-03-2006	28-09-2016	307166	5 000.0	4 486.0	2 305.0	0.0	2 305.0	1.95	96.362	3.674	96.20/96.43	96.33	15	39.5833
			28-03-2035	304130	9 930.7	2 255.0	950.0	0.0	950.0	2.37	118.555	3.918	118.00/118.62	118.53	11	100.0000
AUCTION						6 741.0	3 255.0	0.0	3 255.0							
	17-05-2006	24-05-2006	28-03-2022	308172			4 000.0		4 000.0		97.315					
SYNDICATION							4 000.0		4 000.0							
	31-07-2006	03-08-2006	28-09-2016	307166	7 305.0	2 480.0	1 530.0	0.0	1 530.0	1.62	94.308	3.941	94.15/94.36	94.29	15	100.0000
			28-03-2022	308172	4 000.0	1 785.0	1 425.0	0.0	1 425.0	1.25	98.467	4.135	98.20/98.54	98.35	14	100.0000
AUCTION						4 265.0	2 955.0	0.0	2 955.0							
	25-09-2006	28-09-2006	28-09-2016	307166	8 835.0	1 925.0	1 300.0	148.0	1 448.0	1.48	96.410	3.686	96.28/96.46	96.38	14	100.0000
			28-03-2035	304130	10 880.7	1 430.0	1 105.0	332.0	1 437.0	1.29	117.977	3.938	117.75/118.12	117.88	15	100.0000
AUCTION						3 355.0	2 405.0	480.0	2 885.0							
	27-11-2006	30-11-2006	28-09-2011	296054	10 546.4	2 140.0	630.0	209.0	839.0	3.40	105.952	3.631	105.82/105.97	105.93	10	100.0000
			28-09-2016	307166	10 283.0	3 035.0	1 385.0	507.0	1 892.0	2.19	96.119	3.728	95.97/96.16	96.08	13	100.0000
AUCTION						5 175.0	2 015.0	716.0	2 731.0							
AUCTION						10 350.0	4 030.0	1 432.0	5 462.0							

Average daily OLO trading volumes on the secondary market



Daily average trading volumes on the repo market for OLOs



Monthly breakdown of short-term debt components
(EUR million)

Month	Postal giro account (1)	Interbank + misc. (2)	Treasury certificates (3) 3 months	6 months	12 months	Total	Treasury Bonds in euro	Cash management transactions (4)	Total floating debt (5)
J2005	824.3	2267.8	1996.2	4231.5	20289.6	26517.3	725.2	5848.4	24486.2
F	665.1	2166.3	2231.2	4747.0	20070.7	27048.9	466.7	3683.1	26663.9
M	776.5	6395.3	2589.3	5080.5	19453.2	27123.0	314.4	2093.7	32515.5
A	651.0	2136.9	2547.6	5847.5	19519.6	27914.7	298.3	2892.9	28108.0
M	901.9	1860.3	2516.3	6228.3	19282.4	28027.0	339.3	1957.8	29170.7
J	690.4	1480.0	2479.6	6179.7	18806.5	27465.8	697.3	4288.3	26045.2
J	614.6	1619.7	2525.4	6046.2	18847.6	27419.2	439.4	9722.8	20370.1
A	571.3	1347.4	2562.3	6046.0	18930.9	27539.2	470.9	8979.0	20949.8
S	633.2	1921.2	3838.7	5765.2	19186.9	28790.8	465.6	2577.6	29233.2
O	576.0	1954.4	5663.3	5551.9	19233.6	30448.8	496.1	4291.7	29183.6
N	595.9	1293.1	5972.2	5349.1	19647.2	30968.5	642.1	3509.4	29990.2
D	523.7	2888.2	2079.9	4974.1	19820.0	26874.0	750.0	5026.9	26009.0
J2006	809.2	1688.7	2099.1	4992.6	19783.1	26874.8	694.3	8047.1	22019.9
F	845.2	1581.4	2218.2	5088.5	19565.5	26872.2	867.7	6601.6	23564.9
M	883.2	1457.8	2416.5	5376.1	19641.4	27434.0	458.2	4549.9	25683.4
A	742.1	2225.8	2387.2	5577.2	19468.1	27432.5	425.9	7263.9	23562.5
M	611.3	1664.8	2414.9	6064.2	19458.6	27937.6	661.6	2226.3	28649.0
J	387.3	1982.9	2405.5	6105.7	19436.0	27947.2	498.9	2081.3	28735.0
J	414.2	1684.6	2438.7	6102.2	19472.3	28013.2	482.4	4188.2	26406.2
A	349.2	1902.0	2929.4	6056.7	19698.0	28684.2	345.5	6650.5	24630.5
S	374.5	5198.3	4917.5	5970.3	19792.7	30680.5	344.7	2579.6	34018.4
O	439.3	3943.5	4812.5	5741.3	19771.8	30325.7	570.5	2388.5	32890.5
N	334.2	3577.2	5226.6	5541.8	19433.0	30201.4	840.7	3056.2	31897.3
D	290.5	4197.6	2255.9	5339.8	19376.7	26972.4	782.5	1937.3	30305.7

(1) Assets of private investors in postal giro accounts.
(2) Borrowing and investments on the interbank market.
(3) Certificates issued by auction after the 29/01/91 reform.
The amount indicated represents the NET amount outstanding collected by the Treasury, i.e. less any discounted interest and repayments in the reporting month.
Including, for the 3-month product, maturities shorter than 3 months.
(4) Transactions performed to balance the daily cash flow.
Cash surplus from tax revenue or issues of Treasury certificates.
(5) Total floating debt with (4) deducted.

Note: Rounding may cause the totals to differ slightly from the sum of the constituent items taken from the Monthly government debt positions.

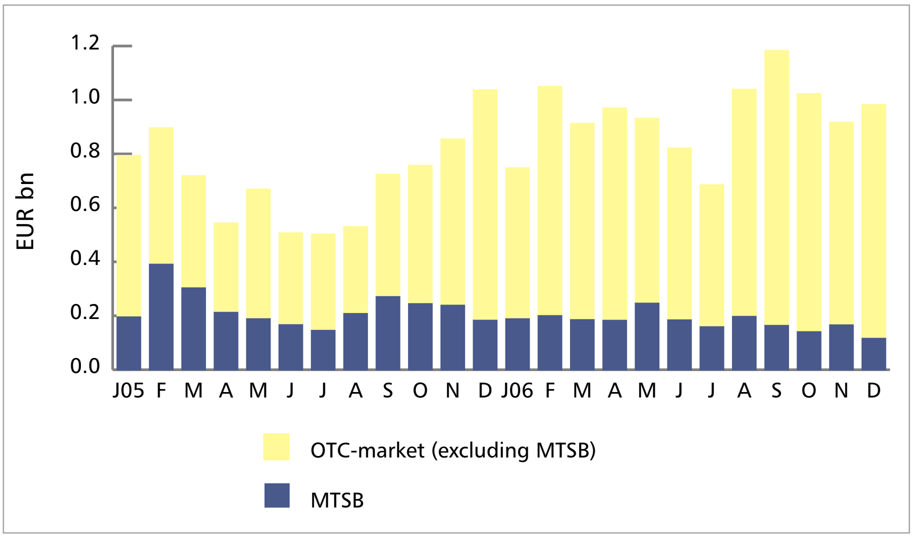
Results of Treasury Certificate auctions in 2006 (EUR million)

Auction date	Value date	Amount at maturity	Maturity date	ISIN BE0312	Month	Outst. before auction	Amount offered	Amount accepted (comp)	Exerc. non comp.	Total accepted	Bid to cover	Weighted average rate	Spread Euribor	Bid Min/Max	Limit rate	Suc-cessful bidders	% taken at limit rate
03-01-2006	05-01-2006		13-04-2006	606727	3	2 779.0	2 255.0	405.0	5.0	410.0	5.57	2.384	-10.50	2.375/2.440	2.390	10	28.2610
			15-06-2006	608749	6	1 608.0	2 305.0	1 207.0	18.0	1 225.0	1.91	2.456	-18.70	2.440/2.500	2.465	12	21.2500
10-01-2006	12-01-2006	3 657.0	13-04-2006	606727	3	3 189.0	2 045.0	425.0	0.0	425.0	4.81	2.379	-11.60	2.375/2.410	2.380	7	100.0000
			11-01-2007	615819	12	0.0	4 810.0	1 608.0	0.0	1 608.0	2.99	2.691	-11.50	2.680/2.730	2.695	14	31.0240
31-01-2006	02-02-2006		11-05-2006	607733	3	2 369.0	2 350.0	386.0	0.0	386.0	6.09	2.444	-10.30	2.435/2.480	2.450	13	10.6900
			13-07-2006	609754	6	1 545.0	4 185.0	1 204.0	0.0	1 204.0	3.48	2.528	-17.00	2.520/2.560	2.535	11	64.6460
14-02-2006	16-02-2006	3 590.0	11-05-2006	607733	3	2 755.0	2 245.0	402.0	0.0	402.0	5.58	2.427	-16.90	2.420/2.470	2.430	6	81.8180
			15-02-2007	616825	12	0.0	4 910.0	1 603.0	0.0	1 603.0	3.06	2.742	-15.70	2.710/2.765	2.750	11	88.8890
28-02-2006	02-03-2006		15-06-2006	608749	3	2 833.0	2 310.0	408.0	0.0	408.0	5.66	2.515	-14.90	2.505/2.565	2.520	10	31.2500
			17-08-2006	610760	6	1 748.0	4 995.0	1 204.0	60.0	1 264.0	4.15	2.618	-16.50	2.610/2.655	2.620	14	47.7820
14-03-2006	16-03-2006	3 181.0	15-06-2006	608749	3	3 241.0	2 395.0	401.0	0.0	401.0	5.97	2.525	-17.90	2.520/2.580	2.530	6	43.7500
			15-03-2007	617831	12	0.0	5 250.0	1 692.0	0.0	1 692.0	3.10	2.929	-16.30	2.925/2.960	2.935	14	5.9040
04-04-2006	06-04-2006		13-07-2006	609754	3	2 749.0	2 715.0	401.0	0.0	401.0	6.77	2.652	-17.00	2.650/2.720	2.655	5	60.8700
			14-09-2006	611776	6	1 764.0	4 005.0	1 211.0	0.0	1 211.0	3.31	2.769	-23.30	2.765/2.815	2.775	12	28.7360
11-04-2006	13-04-2006	3 614.0	13-07-2006	609754	3	3 150.0	2 145.0	405.0	0.0	405.0	5.30	2.550	-21.20	2.530/2.620	2.575	7	26.0870
			12-04-2007	618847	12	0.0	3 590.0	1 610.0	0.0	1 610.0	2.23	3.003	-16.80	2.990/3.050	3.010	15	17.6470
02-05-2006	04-05-2006		17-08-2006	610760	3	3 012.0	2 001.0	415.0	0.0	415.0	4.82	2.688	-17.20	2.680/2.760	2.695	9	12.0000
			12-10-2006	612782	6	1 555.0	2 695.0	1 202.0	0.0	1 202.0	2.24	2.755	-27.50	2.735/2.820	2.760	11	63.9680
09-05-2006	11-05-2006	3 157.0	17-08-2006	610760	3	3 427.0	1 790.0	402.0	0.0	402.0	4.45	2.687	-18.50	2.680/2.730	2.690	4	80.6450
			10-05-2007	619852	12	0.0	4 240.0	1 605.0	0.0	1 605.0	2.64	3.180	-15.20	3.175/3.215	3.185	13	27.9720
30-05-2006	01-06-2006		14-09-2006	611776	3	2 975.0	2 005.0	390.0	0.0	390.0	5.14	2.740	-18.20	2.725/2.790	2.755	6	100.0000
			16-11-2006	613798	6	1 939.0	3 310.0	1 210.0	0.0	1 210.0	2.74	2.877	-19.70	2.855/2.900	2.880	10	100.0000
13-06-2006	15-06-2006	3 642.0	14-09-2006	611776	3	3 365.0	1 610.0	400.0	0.0	400.0	4.03	2.743	-21.60	2.735/2.790	2.755	4	80.0000
			14-06-2007	620868	12	0.0	4 065.0	1 603.0	0.0	1 603.0	2.54	3.142	-15.20	3.135/3.170	3.145	12	45.6000
04-07-2006	06-07-2006		12-10-2006	612782	3	2 787.0	1 817.0	400.0	0.0	400.0	4.54	2.826	-22.90	2.800/2.875	2.835	5	96.0000
			14-12-2006	614804	6	1 645.0	2 831.0	1 203.0	0.0	1 203.0	2.35	2.993	-24.50	2.980/3.030	3.000	9	67.2500
11-07-2006	13-07-2006	3 555.0	12-10-2006	612782	3	3 187.0	1 375.0	440.0	0.0	440.0	3.13	2.848	-23.10	2.840/2.890	2.860	6	96.0000
			12-07-2007	621874	12	0.0	3 270.0	1 603.0	0.0	1 603.0	2.04	3.400	-15.20	3.390/3.420	3.405	13	48.3870
01-08-2006	03-08-2006		16-11-2006	613798	3	3 209.0	2 040.0	402.0	0.0	402.0	5.07	3.007	-16.30	2.990/3.045	3.015	9	33.3330
			11-01-2007	615819	6	1 608.0	3 120.0	1 205.0	15.0	1 220.0	2.59	3.114	-22.10	3.095/3.160	3.120	12	33.7660
15-08-2006	17-08-2006	3 829.0	16-11-2006	613798	3	3 611.0	1 440.0	910.0	0.0	910.0	1.58	3.044	-17.60	3.025/3.080	3.060	10	39.1300
			16-08-2007	622880	12	0.0	2 415.0	1 803.0	203.0	2 006.0	1.34	3.508	-14.90	3.495/3.540	3.515	11	55.6820

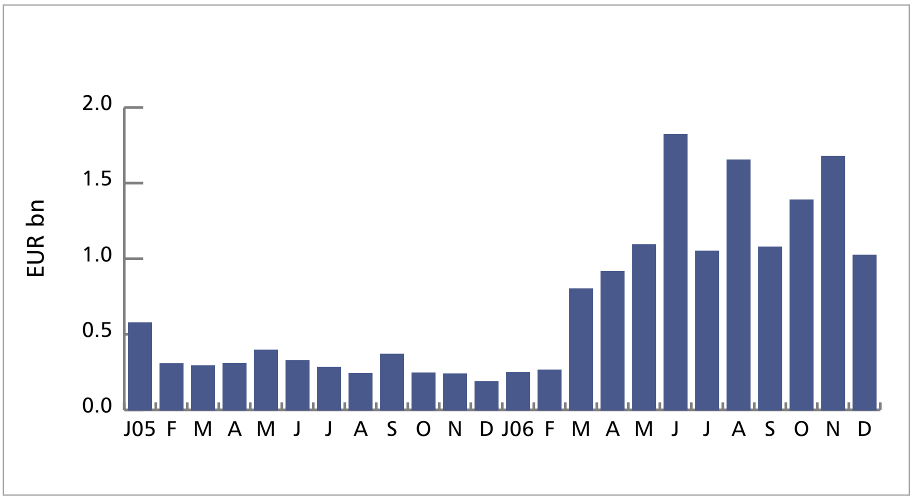
Results of Treasury Certificate auctions in 2006 (EUR million)

Auction date	Value date	Amount at maturity	Maturity date	ISIN BE0312	Month	Outst. before auction	Amount offered	Amount accepted (comp)	Exerc. non comp.	Total accepted	Bid to cover	Weighted average rate	Spread Euribor	Bid Min/Max	Limit rate	Suc-cessful bidders	% taken at limit rate
05-09-2006	07-09-2006		14-12-2006	614804	3	2 848.0	3 122.0	1 403.0	0.0	1 403.0	2.23	3.111	-16.40	3.100/3.155	3.120	10	68.8890
			15-02-2007	616825	6	1 603.0	2 846.0	1 126.0	0.0	1 126.0	2.53	3.281	-19.40	3.270/3.310	3.285	11	100.0000
12-09-2006	14-09-2006	3 775.0	14-12-2006	614804	3	4 251.0	2 092.0	1 402.0	0.0	1 402.0	1.49	3.141	-17.40	3.135/3.160	3.145	11	82.9630
			13-09-2007	623896	12	0.0	3 548.0	1 509.0	379.0	1 888.0	2.35	3.600	-15.50	3.595/3.625	3.605	13	20.4080
03-10-2006	05-10-2006		11-01-2007	615819	3	2 828.0	2 330.0	352.0	0.0	352.0	6.62	3.240	-19.50	3.235/3.280	3.240	7	79.5180
			15-03-2007	617831	6	1 692.0	3 785.0	1 003.0	0.0	1 003.0	3.77	3.375	-20.70	3.360/3.410	3.380	8	44.6040
10-10-2006	12-10-2006	3 627.0	11-01-2007	615819	3	3 180.0	1 950.0	353.0	30.0	383.0	5.52	3.246	-23.30	3.240/3.280	3.250	6	34.2860
			11-10-2007	624902	12	0.0	3 750.0	1 554.0	0.0	1 554.0	2.41	3.614	-15.80	3.605/3.650	3.620	12	51.3510
31-10-2006	02-11-2006		14-12-2006	614804	1	5 653.0	1 152.0	404.0	0.0	404.0	2.85	3.221	-16.20	3.210/3.260	3.230	9	52.3400
			15-02-2007	616825	3	2 729.0	1 652.0	370.0	0.0	370.0	4.46	3.388	-17.60	3.380/3.420	3.390	7	100.0000
			12-04-2007	618847	6	1 610.0	2 745.0	1 070.0	0.0	1 070.0	2.57	3.464	-24.00	3.450/3.500	3.465	10	100.0000
14-11-2006	16-11-2006	4 521.0	14-12-2006	614804	1	6 057.0	1 672.0	480.0	0.0	480.0	3.48	3.237	-15.90	3.230/3.300	3.245	6	100.0000
			15-02-2007	616825	3	3 099.0	1 512.0	402.0	70.0	472.0	3.76	3.408	-18.50	3.400/3.430	3.410	10	59.6000
			15-11-2007	625917	12	0.0	4 098.0	1 609.0	0.0	1 609.0	2.55	3.719	-16.60	3.710/3.755	3.725	14	26.1650
05-12-2006	07-12-2006		15-03-2007	617831	3	2 695.0	1 820.0	339.0	0.0	339.0	5.37	3.460	-18.30	3.455/3.500	3.465	6	27.2000
			10-05-2007	619852	6	1 639.0	1 770.0	1 000.0	0.0	1 000.0	1.77	3.533	-19.90	3.515/3.555	3.545	12	42.0000
12-12-2006	14-12-2006	6 537.0	15-03-2007	617831	3	3 034.0	1 505.0	360.0	0.0	360.0	4.18	3.474	-20.00	3.465/3.510	3.480	6	100.0000
			13-12-2007	626923	12	0.0	2 310.0	1 604.0	0.0	1 604.0	1.44	3.744	-15.60	3.735/3.760	3.750	12	48.8720

Average daily trading volumes in Treasury certificates
on the secondary market



Daily average trading volumes on the repo market
in Treasury certificates



"TREASURY BONDS – SILVER FUND" INVESTMENTS

(31st December 2006)

" BT - FV " securities	Amount invested	Rate	Interest prorated at 31/12/2006	Portfolio value at 31/12/2006	Amount at maturity
28/03/2002 - 15/04/2010	624 076 032.25(1)	5.43384823	179 054 754.03	803 130 786.28	955 734 250.39
12/09/2002 - 15/10/2010	431 740 237.50(2)	4.54934710	91 181 338.65	522 921 576.15	618 936 159.87
10/04/2003 - 15/04/2011	451 511 336.23(3)	4.23497214	75 580 133.96	527 091 470.19	629 682 696.99
21/11/2003 - 17/10/2011	645 687 591.81(4)	4.24719380	89 324 020.22	735 011 612.03	897 230 872.37
21/11/2003 - 16/04/2012	1 000 000 000.00(4)	4.31747266	140 731 643.61	1 140 731 643.61	1 426 757 473.64
21/11/2003 - 15/04/2013	1 000 000 000.00(4)	4.44964500	145 239 981.04	1 145 239 981.04	1 506 014 320.05
22/01/2004 - 15/10/2012	296 159 365.37(5)	4.22902667	38 425 148.64	334 584 514.01	425 297 020.86
22/01/2004 - 15/04/2014	1 000 000 000.00(5)	4.37400828	134 379 387.58	1 134 379 387.58	1 549 902 169.97
22/01/2004 - 15/04/2015	1 000 000 000.00(5)	4.45786790	137 065 806.78	1 137 065 806.78	1 632 358 619.37
22/01/2004 - 15/04/2016	1 000 000 000.00(5)	4.56395979	140 470 446.47	1 140 470 446.47	1 726 649 079.02
22/01/2004 - 18/04/2017	1 000 000 000.00(5)	4.67063142	143 900 472.22	1 143 900 472.22	1 830 675 165.94
22/01/2004 - 16/04/2018	1 000 000 000.00(5)	4.74408188	146 266 227.88	1 146 266 227.88	1 934 933 570.10
03/12/2004 - 15/04/2019	1 250 000 000.00(6)	4.20204082	111 704 163.66	1 361 704 163.66	2 258 592 546.19
03/12/2004 - 15/04/2020	1 250 000 000.00(6)	4.24643832	112 910 904.00	1 362 910 904.00	2 369 231 756.61
20/05/2005 - 15/04/2021	442 653 633.07(7)	3.76448399	27 294 345.69	469 947 978.76	797 041 035.55
28/12/2006 - 15/10/2021	555 628 202.07(8)	4.01888850	239 975.52	555 868 177.59	995 830 949.11
Total	**12 947 456 398.30**		**1 713 768 749.95**	**14 661 225 148.25**	**21 554 867 686.03**

(1) UMTS (437 805 323.76); gains on gold (177 114 565.58); short-term interest (9 156 142.91).
(2) BNB earnings (429 000 000.00); short-term interest (2 740 237.50).
(3) Belgacom dividend (237 252 326.52); bank notes (213 965 560.02); short-term interest (293 449.69).
(4) Credibe (2 645 687 591.81).
(5) Belgacom pension fund (5 000 000 000); Belgacom dividend (290 000 021.25); short-term interest (6 159 344.12).
(6) Fadels - Alesh (2 500 000 000)
(7) DLU - EBA (422 897 175.76); Credibe balance (19 754 399.06); short-term interest (2 058.25).
(8) BNB profit (211 934 919.75); Belgacom dividend (317 056 955.21); DLU - EBA (150 737.04) Credibe balance (26 477 330.62); short-term interest (8 259.45).

ORGANISATION CHART (on 31/12/2006)
General Treasury Department

Jean-Pierre ARNOLDI, Administrator general

Administration Government financing and Financial markets

Marc MONBALIU, Administrator

Public debt support service

Auditor General of Finance
O. VAN DRIESSCHE

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Cash flow forecasts

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D - 60272 Frankfurt

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UBS LIMITED
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CSFB (Credit Suisse First Boston) (Europe) Ltd
One Cabot Square

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LANDBOUWKREDIET	Sylvain Dupuislaan, 251	1070 BRUSSEL
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DEUTSCHE BANK	Marnixlaan, 13-17	1000 BRUSSEL
DEXIA BANK	Pachecolaan, 44	1000 BRUSSEL
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FORTIS BANK	Warandeberg, 3	1000 BRUSSEL
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VDK SPAARBANK	Sint-Michielsplein, 16	9000 GENT
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