Federal Government Debt
Belgian Debt Agency

2011 annual report

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BELGIAN DEBT AGENCY

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Foreword by Steven VANACKERE,

Deputy Prime Minister and Minister of Finance

Although it was hoped that the renewed growth would continue, 2011 was primarily characterised by a slowdown in world activity and the sovereign debt crisis in certain eurozone countries, which affected the Belgian economy. Growth in GDP in Belgium is therefore assessed at +1.9% in 2011, compared to +2.3% in 2010 (figures at the end of April 2012). Yet, thanks to a strong first quarter, the Belgian economy, supported by internal demand, stood up well.

This situation has affected the public finances. The general Government deficit is, in fact, estimated at 3.7% of GDP, a little more than forecast in the last stability programme (3.6% of GDP). Primary expenditure, i.e. expenditure excluding the interest rate burden, increased, but the primary balance was stabilised at -0.4% of GDP, given the increase in revenue.

Belgium's debt ratio increased, representing 98.2% of GDP, compared to 95.9% for the previous year. This increase was essentially caused by exogenous factors: the acquisition of Dexia Banque Belgique by the Government for EUR 4 billion and various loans granted to certain eurozone Member States in the context of the sovereign debt crisis.

As for the previous year, interest rates on the money markets generally remained at moderate levels, due to the continuation of the European Central Bank's accommodating monetary policy. Given the increase in long-term rates, the weighted average interest rate of the Federal Government debt, which amounted to 3.51% in 2010, increased slightly, however, to 3.69% in 2011. The interest rate burden on the debt decreased slightly in relation to GDP from 3.4% to 3.3% of GDP in 2011.

In conclusion, despite 2011 being disrupted by the sovereign debt crisis in the eurozone, the General Treasury Department (Debt Agency) continued to ensure the Government's financing requirements in an optimum manner by obtaining the necessary funds from investors and citizens who maintained complete confidence in our country. The considerable success of the State note issue in December 2011 with private savers, in particular, was a demonstration of this.

Steven Vanackere

The Minister of Finance,
Steven Vanackere

THE KEY INDICATORS OF GOVERNMENT DEBT (EUR bn or % at 31st December)				
	2011		2010	
I. Amounts outstanding of the main federal government debt instruments				
1. Gross federal debt outstanding	**363.84**		**341.61**	
- Treasury financing and investments	1.53		0.50	
- Financing of other entities	3.30		2.92	
- Portfolio securities	13.05		11.44	
- Investment reserve	0.00		0.01	
- Financing of Securities Regulation Fund	0.00		0.00	
Net federal debt outstanding	**345.96**		**326.74**	
2. Debt instruments				
A. Instruments in EUR :	363.84		341.49	
- Linear bonds (OLOs)	272.35		257.80	
- Treasury certificates	35.10		40.40	
- EMTN	1.97		1.33	
- Schuldscheine	0.28		0.00	
- Conventional loans	0.04		0.05	
- State notes	8.45		3.95	
- Treasury bonds – Silver Fund	18.39		17.63	
- “Belgian Treasury Bills” in EUR	7.38		1.69	
- Private loans, interbank loans, etc.	14.28		13.01	
- Debt issued in foreign currencies and swapped into EUR	5.22		5.22	
- Borrowings of certain organisations for which the federal government helps service the debt	0.38		0.41	
As % of the debt in EUR :				
- Linear bonds (OLOs)	74.85	%	75.49	%
- Treasury certificates	9.65	%	11.83	%
- EMTN	0.54	%	0.39	%
- Schuldscheine	0.08	%	0.00	%
- Treasury bonds – Silver Fund	5.05	%	5.16	%
- State notes	2.32	%	1.16	%
- Others	7.50	%	5.97	%
B. Instruments in foreign currency :	0.00		0.12	
- Long- and medium-term debt	0.00		0.00	
- “Belgian Treasury Bills” in foreign currency	0.00		0.12	

	2011		2010	
II. Changes in net federal government debt outstanding over the year				
1. Change (EUR bn)	19.62		12.06	
- Net balance to be financed	18.87		11.15	
- Borrowings taken over	0.00		0.04	
- Exchange gain/loss	0.02		0.18	
- Interest capitalised	0.76		0.73	
- Miscellaneous	0.00		0.00	
- Borrowings of certain organisations	-0.03		-0.04	
2. Change (%)	5.39	%	3.53	%
III. Characteristics of the federal government debt				
1. Ratings issued by the various rating agencies				
- Rating of long-term issues (S&P/Moody's/Fitch)	AA/Aa3/AA+		AA+/Aa1/AA+	
2. Breakdown by currency				
- Borrowings in EUR	100.00	%	99.96	%
- Borrowings in foreign currencies	0.00	%	0.04	%
3. Breakdown by maturity				
- Long and medium term (> 1 year)	85.50	%	85.39	%
- Short term	14.50	%	14.61	%
4. Breakdown by rate				
- Fixed rate	84.05	%	84.65	%
- Variable rate	15.95	%	15.35	%
5. Effective duration of the debt in EUR	5.39		4.83	
Effective duration of the debt in foreign currencies	0.06		0.04	
6. Federal government interest rate burden	12.08		11.21	
7. Weighted average interest rate	3.69	%	3.51	%
IV. Transition from federal debt (Treasury) to general government debt				
1. Federal debt outstanding	363.84		341.61	
2. Outstanding debt of other federal entities (1)	5.30		4.41	
3. Debt of Communities and Regions, local authorities and Social Security	44.90		42.36	
4. Consolidation adjustment	52.79		48.34	
5. Other corrections	0.49		0.26	
6. Consolidated general government debt (1+2+3-4+5)	361.73		340.30	
7. GDP	368.30		354.69	
8. General government debt ratio (6/7)	98.22	%	95.94	%

(1) Debt represented by financial instruments as understood for purposes of the Maastricht Treaty

DEVELOPMENTS IN THE ECONOMY AND IN GOVERNMENT FINANCE IN 2011

1. Developments in the Belgian economy and interest rates

Belgian economy

After two years of recovery in world economic activity, 2011 was characterised by a slowdown in international activity and trade. Growth in worldwide GDP therefore fell from 5% in 2010 to 3.8% in 2011, while that of the eurozone fell from 1.8% to 1.6% for the same years, respectively. This deterioration primarily affected advanced economies, including Belgium, although the Belgian economy stood up relatively well thanks to a strong first quarter.

The increase in the price of raw materials, particularly energy products, which curbed demand, the earthquake in Japan and the sovereign debt crisis in Europe partly explain the deceleration in world growth in 2011. The sovereign debt crisis had an impact, above all, during the second half of the year and resulted from the uncertainty and concern of economic players about the capability of States - particularly in the eurozone - to control their public debts and ensure the sustainability of public finances in general.

It is in this context that the growth in the Belgian economy, supported by internal demand, in particular corporate investments and public investments (private consumption support for business having diminished), is estimated at 1.9% for 2011, compared to 2.3% for 2010. The beginning of the year was characterised by a continuation of the increase in activity which began two years ago, but growth slowed down from the second quarter of 2011, as was the case for the majority of eurozone countries. The Belgian growth result for 2011 is, nevertheless, above the average for the eurozone.

Inflation in Belgium increased substantially due to the impact of energy product price increases. Measured on the basis of the harmonised consumer price index, inflation increased from 2.3% in 2010 to 3.5% in 2011.

Employment increased for the year as a whole (annual average increase of 56,000 units) and the harmonised unemployment rate reduced from 8.4% in 2010 to 7.3% in 2011.

Interest rates

The short-term interest rates in the eurozone and in the United States remained at low levels, influenced by accommodating and expansionist monetary policies by the central banks in these economic blocs.

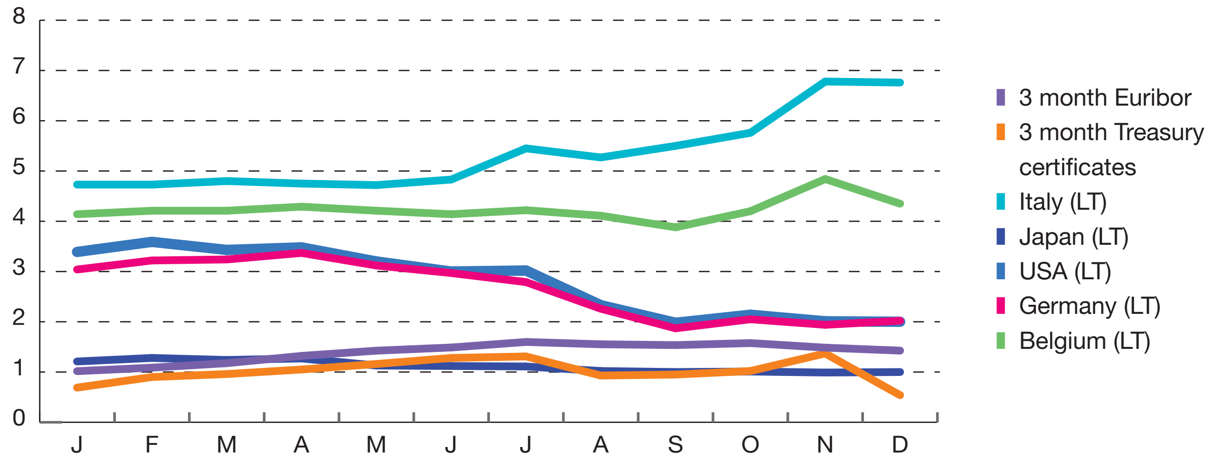
In the eurozone, the European Central Bank (ECB) increased the rate for principal refinancing operations, - i.e. the central key rate - slightly in April and July by 25 basis points each time, thus bringing it to 1.50%, with a view to containing inflation in a context of a recovery of activity and the increase in energy product prices at the beginning of the year. The economic and financial situation changed in the second half of the year and taking account of the envisaged fall in inflation in 2012, the ECB decided to lower its key rate in November and December, bringing it back to 1%. These low levels and the continuation - and intensification at the end of the year - of the unconventional measures by which the Eurosystem provided market liquidity had a downward influence on eurozone short-term rates.

Long-term interest rates in the United States and in the best-rated European countries increased overall at the beginning of the year, reflecting the recovery in economic activity in these two economic blocs. This upward trend in long-term rates was reversed from the second quarter, due to the lowering of growth prospects in the United States and the eurozone. In addition, political tensions in North Africa and in the Middle East and the tsunami in Japan generated a flight to quality movement which led to an overall lowering of the long-term rates of the best-rated sovereign issuers. The worsening of the sovereign debt crisis in the eurozone also contributed to this movement. In fact, heterogeneity increased considerably on the eurozone State bond markets. As from the first six months, the differences in yield by comparison with Germany substantially increased for Portugal, Ireland and Greece. They continued to diverge in the second six months for Greece and Portugal, while they also widened for Italy, Spain, Belgium and France.

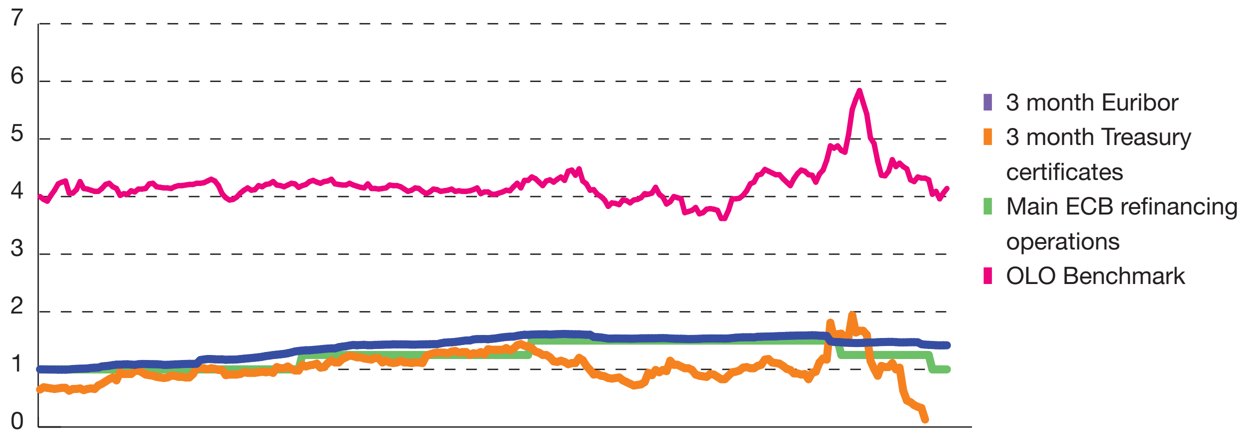
On the Belgian financial markets, short-term rates underwent similar changes to those in the eurozone, remaining, therefore, at very low levels. On average, 3-month Treasury certificate rates on the secondary market therefore fell from 0.69% in January to 0.54% in December. In the last days of December, the substantial drop in 3-month certificate rates, which reached levels close to 0%, was a result of the Treasury's surplus position during this period and the end-of-year balance sheet closure for financial institutions. The influence of the Eurosystem monetary policy also resulted in interbank rates remaining very low. The 3-month Euribor rose, on average, from 1.02% in January to 1.43% in December.

With regard to the long-term, the 10-year benchmark OLO Linear bond rate oscillated, on average, around 4% over the year, ending at 4.35% in December 2011. The difference by comparison to the benchmark German Bund yield deteriorated substantially during the second half of 2011 due to the financial crisis in general and the political crisis in Belgium. The rate differential between the 10-year OLO Linear bond and German benchmark bonds with the same maturity exceeded 300 basis points at the end of November. This differential was reduced at the end of the year due to the political responses of December and the adoption of an economic and financial programme. It was, on average, 233 basis points in December.

G1. AVERAGES OF 3-MONTH INTEREST RATES (IN %) AND AVERAGES OF YIELDS FOR 10-YEAR BENCHMARK BONDS IN 2011



G2. INTEREST-RATE CHANGES ON A DAILY BASIS (IN %) IN 2011



2. Government finance: developments in 2011

According to the National Accounts Institute (ICN) data for March 2011[1], the Belgian general Government budget for 2011 closed with a deficit equivalent to 3.7% of GDP. This result is slightly less favourable than the objective of the April 2011 stability programme, which envisaged reducing the deficit to 3.6% of GDP. This variance from the objective can be explained by, among others, the measures taken by the Government in favour of the Holding communal (Municipal holding) as a result of the financial difficulties encountered by the Dexia group. The growth in primary expenditure in structural terms also exceeded that of GDP, in particular in respect of social security and local authorities.

Economic growth was only slightly less than forecast, despite the clear downturn recorded in the second half of the year. It amounted to 1.9%, while the 2011 budget was based on assumed growth of 2% in accordance with the estimates of the January 2011 economic budget.

[1] In 2011, the Belgian National Accounting Institute introduced an in-depth revision of the method for drawing up local authority accounts. This revision resulted in an upward revision of the balance for local authorities and for the general Government of approximately 0.2% on average of GDP over the period 2004-2010.

The new Federal Government presented the 2012 budget in October 2011. It envisaged reducing the general government deficit to 2.8% of GDP in 2012, based on the stability programme. This objective was confirmed by the budgetary review of March 2012, together with that of achieving a balanced budget in 2015. An additional budget effort was made to take account of the deterioration in the economic environment and a reserve was established to secure the objectives.

Developments in the different sub-sectors

The general Government deficit breaks down into a 3.5% deficit in Entity I (Federal authorities and Social Security) and a 0.2% deficit in Entity II (Communities, Regions and Local Authorities).

Within Entity I, the Federal Government's deficit amounts to 3.4% of GDP, and that of the Social Security to 0.1% of GDP, taking account of the special Federal Government appropriation to Social Security. With regard to Entity II, the accounts for Communities and Regions record a deficit of 0.2% of GDP, while the Local Authority accounts are balanced.

Contrary to previous years, the stability programme did not include a breakdown of budget efforts between the Entities or within each Entity. The absence of a breakdown of objectives can be explained by the particular political context, characterised by a caretaker Government and by institutional negotiations relating, among others, to a reform of financial transfers between levels of government.

The Federal Government only referred on an indicative basis to the recommendations in the Higher Finance Council (CSF) report. It proposed a breakdown key equivalent to the respective shares of Entity I and Entity II in total Government primary expenditure (key 65%-35%). For 2011, this breakdown corresponded to the objectives set in the respective multi-year budgets for the federated entities.

T1. FINANCING BALANCE OBJECTIVES AND ACHIEVEMENTS (% OF GDP)			
	2010	2011	2011
	achievements	objectives	estimates
General Government	-3.8	-3.6	-3.7
		CSF recommendation	
Entity I	-3.1	-3.2	-3.5
Federal authorities	-3.0		-3.4
Social security	-0.1		-0.1
Entity II	-0.7	-0.5	-0.2
Communities and Regions	-0.7		-0.2
Local authorities	0.0		0.0

Revenue and expenditure

In 2011, general and special tax revenues increased slightly by 0.2 percentage points of GDP to represent 43.5% of GDP. Company tax revenue increased by 0.3 percentage points of GDP and withholdings on other income and assets increased by 0.2 percentage points of GDP.

These increases were counterbalanced by a drop in revenue from goods and services of 0.3 percentage points of GDP. The drop related primarily to revenue from excise duties on fuels and tobacco, resulting from reduced consumption of these products. VAT revenue, expressed as a percentage of GDP, stabilised, in particular due to the ending of the reduction of the 6% rate for construction or the acquisition of new homes and the application of VAT to the sale of land in the case of new construction.

The growth in company tax revenue can be explained by the limitation on the interest rate taken into account for the deduction of notional interest and by the marked increase in enrolment, due to the low level of early payments made since 2009. With regard to withholdings on other income and assets, the revenue from income derived from securities recovered strongly, reflecting the increase in interest rates and the growth in dividends paid by companies. Real estate tax and registration tax revenues also showed a clear rise.

The ratio of withholdings on earned income as a proportion of GDP remained stable. The slight increase in social security contributions was offset by a reduction in revenue from personal income taxes. This fall was a result of the acceleration of enrolment at the end of the year, which involved substantial tax refunds to taxpayers, despite the increase in surcharges.

Revenues not originating from general and special taxes increased by 0.3 percentage points of GDP, essentially due to payments made by financial institutions (new contribution to the deposit protection funds and dividends paid in compensation for the support measures during the financial crisis).

Primary expenditures increased, from 49.3% of GDP in 2010 to 49.8% of GDP in 2011.

This change is due to non-recurring factors, primarily the measures in favour of the Holding communal (Municipal holding), which involved a transfer of capital of 0.2% of GDP (takeover of guaranteed debts and absence of repayment of short-term loans).

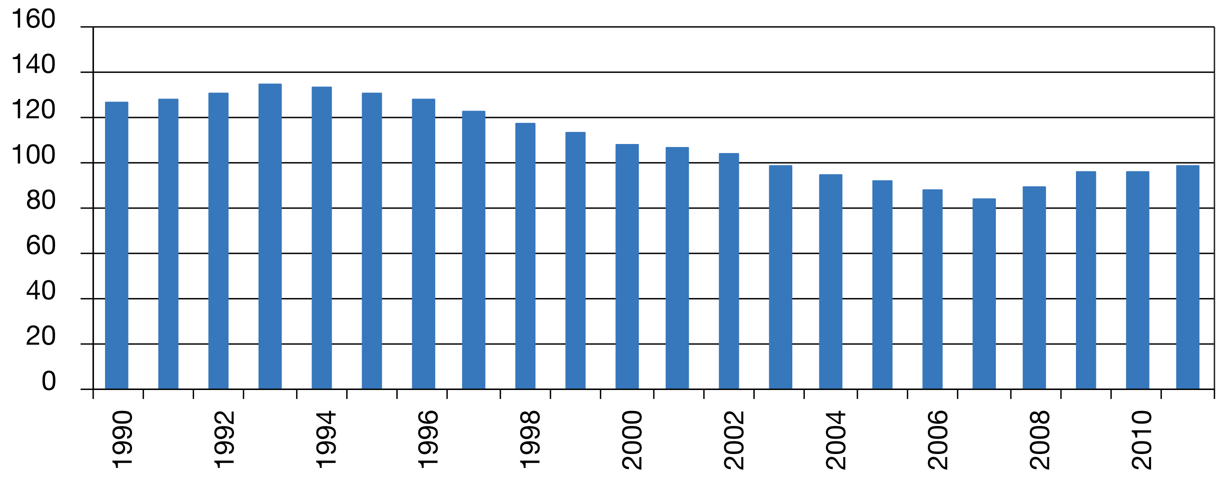
Several categories of social security expenditure also increased more rapidly than in 2010, in particular healthcare expenditure and subsidies to companies (service vouchers expenditure and the Win-Win employment plan activation measures). Local authorities' investments also increased in the run-up to the municipal elections. The acceleration was, however, less marked compared to previous electoral cycles.

Unemployment benefit expenditure, on the other hand, reduced in the context of the recovery in economic activity. The health index increased at a slower rate than that of the price index used to deflate expenditure, taking account of the lag inherent in the mechanism indexing public sector pay and social security benefits.

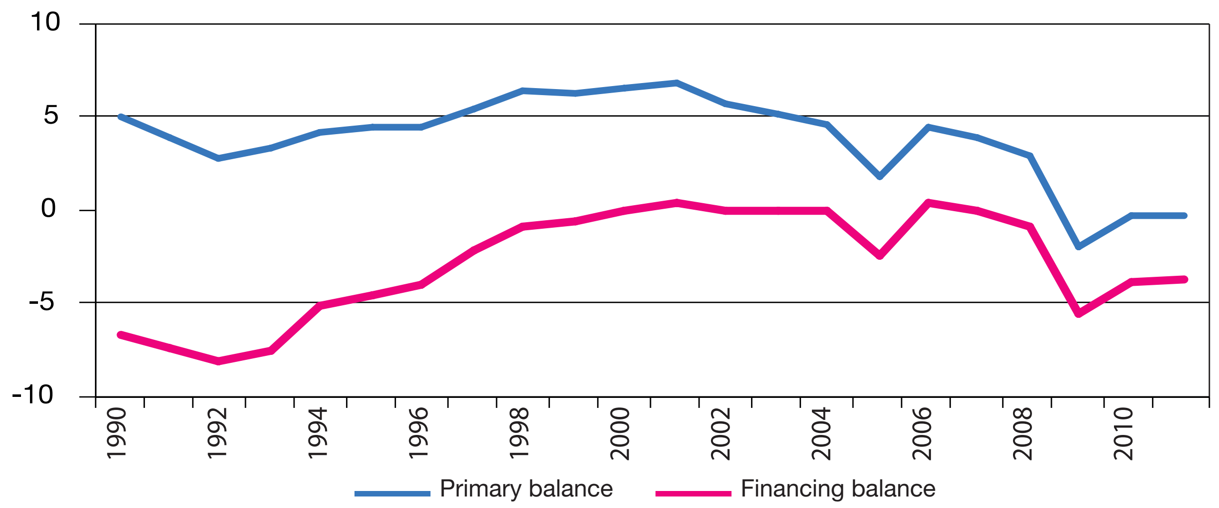
T2. GENERAL GOVERNMENT REVENUE AND EXPENDITURE (AS % OF GDP)

	2010	2011
	achievements	estimates
Total revenue	48.9	49.4
of which general and special tax revenues	43.3	43.5
Primary expenditure	49.3	49.8
Total expenditure	**52.7**	**53.1**

G3. TREND IN THE DEBT RATIO FROM 1990 TO 2011 (IN% OF GDP)



G4. PRIMARY BALANCE AND FINANCING BALANCE (% OF GDP)



The combination of receipts and primary expenditure stabilised the primary balance deficit at 0.4% of GDP. This result is less favourable than the objective stated in the stability programme of a primary balance deficit of 0.1% of GDP.

The interest rate burden on national debt represented 3.3% of GDP, a slight reduction of 0.1% percentage point of GDP compared to the previous year. The new fall in the implicit interest rate on the debt compensated for the increase in the debt ratio.

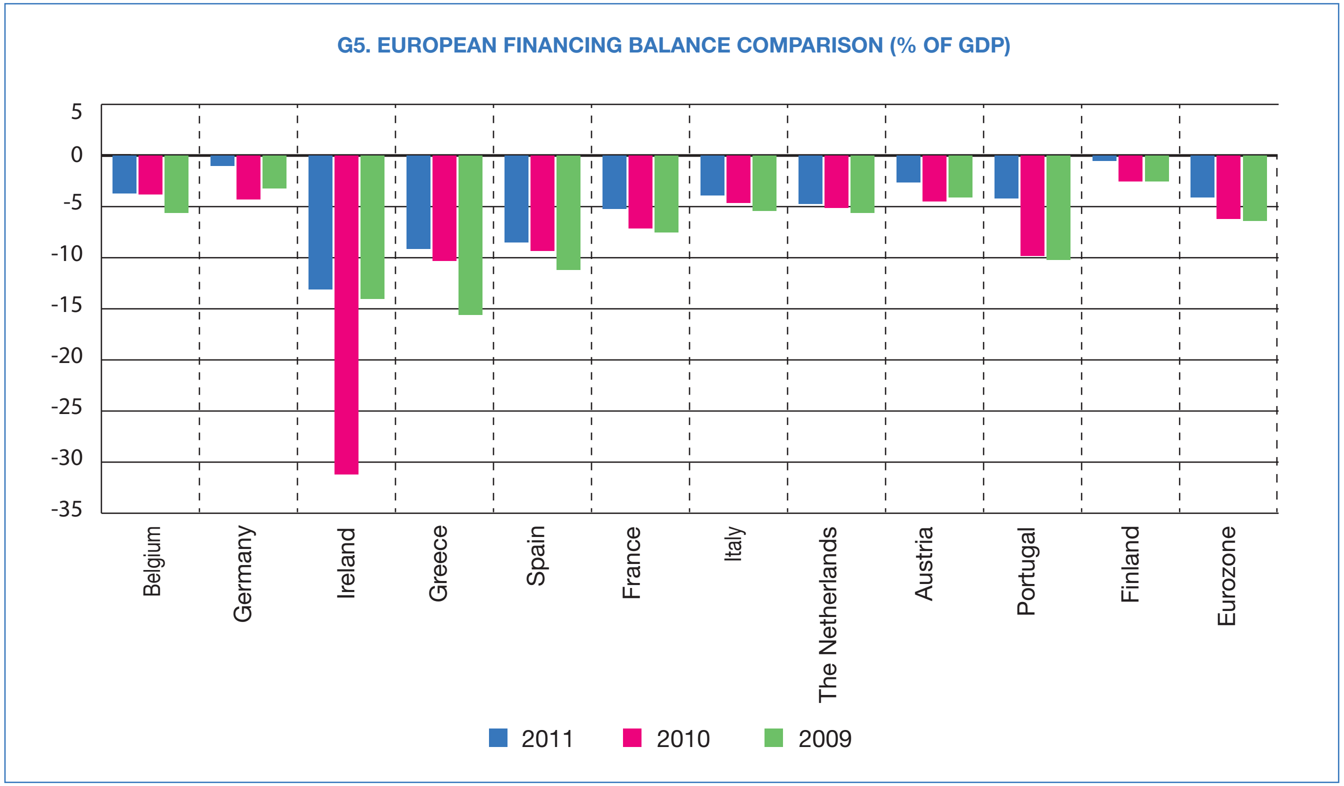
The Government debt level increased, to represent 98.2% of GDP at the end of 2011, compared to 95.9% of GDP for the previous year. This rate is higher than the objective stated in the stability programme, which envisaged a debt ratio of 97.5% of GDP in 2011.

The increase in the debt ratio was primarily caused by exogenous factors: the acquisition of Dexia Banque Belgique by the Federal Government for EUR 4 billion, the granting of loans to other eurozone Member States in the context of the sovereign securities crisis, the surplus liquidity due to the success of the State note issue at the end of 2011 and the time lag between the company tax enrolment at the end of the year and its collection the following year.

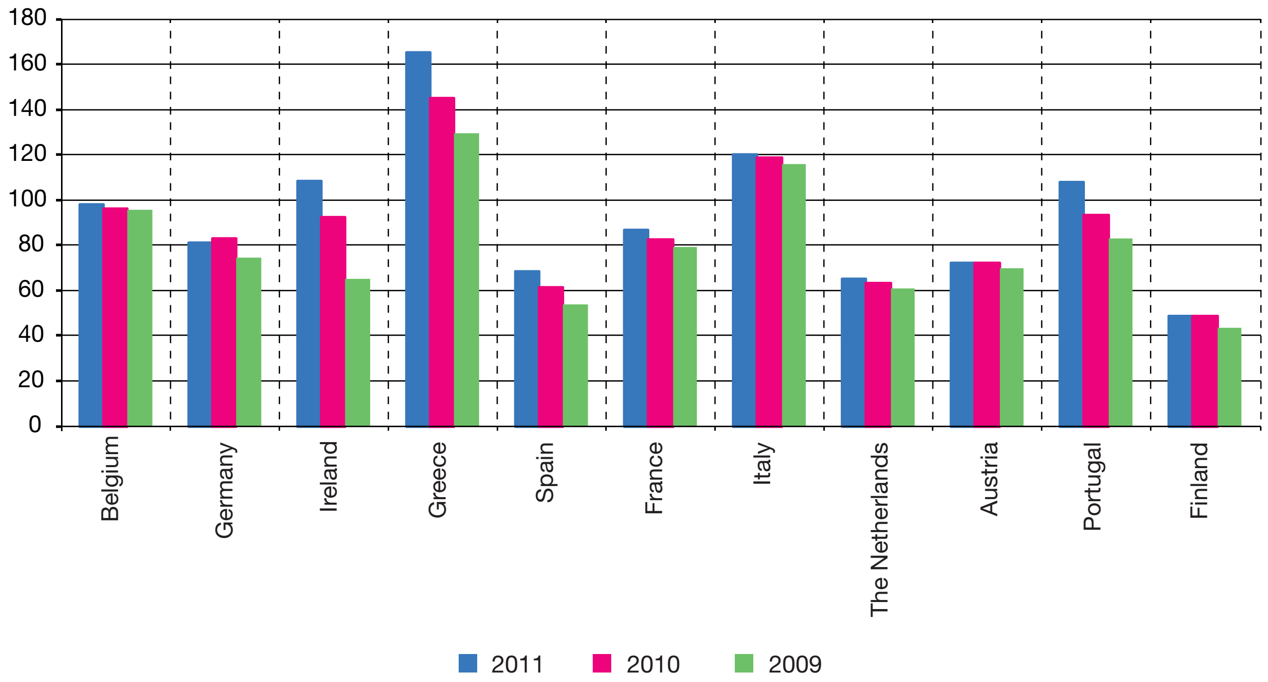
European comparison[1]

The Belgian financing balance of -3.7% of GDP is more favourable than the average financing balance of the eurozone Member States, which is a deficit of 4.1% of GDP . The primary balance results of -0.4% of GDP are also better than the eurozone average of -1.1% of GDP.

1 Data for the euro zone refers to the European Commission forecasts in autumn 2011.


G5. EUROPEAN FINANCING BALANCE COMPARISON (% OF GDP)
5
0
-5
-10
-15
-20
-25
-30
-35
Belgium
Germany
Ireland
Greece
Spain
France
Italy
The Netherlands
Austria
Portugal
Finland
Eurozone
2011
2010
2009

G6. EUROPEAN GROSS CONSOLIDATED DEBT COMPARISON (% OF GDP)



FINANCING POLICY IN 2011

1. Financing requirements and resources in 2011

In 2011, the Federal Government's gross financing requirements amounted to EUR 50.42 billion, which was EUR 9.30 billion more than initially envisaged. This substantial increase was caused by two factors.

The federal cash shortfall - which in the strict sense amounted to EUR 13.67 billion and corresponded almost exactly to that which was envisaged - was affected by the purchase of Dexia Banque Belgique which cost EUR 4.0 billion. This is why the cash shortfall in its broad sense reached EUR 18.87 billion instead of the expected 14.94 billion.

In addition, the Treasury substantially increased its buybacks of securities maturing in 2012 following the success of the State note issue in December 2011. The yield from these notes was, in fact, devoted in major part to the prefinancing of the year 2012. In total, the Treasury bought back EUR 7.12 billion OLO although only EUR 2.19 billion was initially envisaged. The increase in financing in 2011 therefore enabled a substantial reduction in the financing requirements for 2012.

The Treasury financed virtually all its requirements for 2011 through medium and long-term instruments amounting to EUR 49.50 billion. This financing was primarily carried out through the issue of EUR 40.93 billion of Linear bonds (OLO). For the first time for some time, however, State notes played a significant role; a total amount of EUR 6.03 billion, almost totally coming from the last issue of December 2011, was issued.

The Treasury collected an additional amount of EUR 1.01 billion through "Euro Medium Term Notes" and "Schuldscheine". Finally, EUR 1.53 billion of "Treasury Bonds – Silver Fund" were issued.

The short-term debt outstanding remained virtually unchanged compared to the end of 2010, but the composition thereof had changed. The amount in circulation on Treasury certificates had reduced by EUR 5.31 billion. On the other hand, more short-term debt such as "Belgian Treasury Bills" were issued, through which the Treasury occasionally obtained exceptionally advantageous conditions.

T3. TREASURY FINANCING IN 2011 (EUR BN)				
	2011 financing plan		Situation on 31/12/2011	
I. Gross financing requirements 2011		41.12		50.42
1. Federal State budget deficit		14.94		18.87
Budget deficit (stricto sensu)	*13.72*		*13.67*	
Participation in/loans to financial institutions and sovereign States	*1.23*		*5.20*	
Transfers to the Silver Fund	*0.00*		*0.00*	
2. Debt maturing in 2011		23.98		24.07
Long and medium term debt in euro	*23.98*		*24.07*	
Long and medium term debt in foreign currencies	*0.00*		*0.00*	
3. Planned pre-funding (bonds maturing in 2012 and later)		2.19		7.12
Buy backs	*2.19*		*7.12*	
4. Other financing requirements		0.00		0.36
II. Funding resources 2011 (long and medium term)		**39.73**		**49.50**
1. OLO		34.00		40.93
2. Other medium and long term funding		5.73		8.58
Euro Medium Term Notes/Schuldscheine	*4.00*		*1.01*	
Securities for retail investors	*0.20*		*6.03*	
Treasury bonds - Silver Fund	*1.53*		*1.53*	
Other	*0.00*		*0.00*	
III. Net change in short-term foreign currency debt		**0.00**		**-0.14**
IV. Change in Treasury Certificates stock		**0.00**		**-5.31**
V. Net change in other short-term debt and financial assets		**1.39**		**6.37**

2. An issuing policy based on two types of products

2.1. Liquid and standardised products

a. Linear bonds (OLO)

In 2011, the Treasury issued a total of EUR 40.93 billion OLO, in same order of volume as for 2010 (EUR 40.85 billion). It made use of the syndication technique each time when launching its three new benchmark loans. During the year under review, the Treasury also organised 8 auctions of the 11 initially scheduled in the financing plan.

Apart from the syndication of its three benchmark loans, the Treasury issued a new 5-year FRN OLO, using the same issue technique, in February. The February auction was not, however, cancelled.

Syndications

OLO 61

Continuing the tradition of issuing a bond with a 10-year maturity date in January, the Treasury launched syndication of a new benchmark bond, OLO 61. The aim of the Treasury was to add a new 10-year benchmark product to its curve.

OLO 61, with a final maturity date of 28th September 2021, was placed by a syndicate with the primary dealers BNP Paribas, Fortis, RBS, Société Générale and UBS as joint lead managers. Other primary dealers and recognized dealers also participated in the placement, as co-lead managers and members of the selling group, respectively.

This issue was launched in a positive market environment. Orders flowed in, reaching more than EUR 6 billion from 174 investors. However, news from ECOFIN during the placement operation generated a negative feeling in the peripheral market, which therefore became less buoyant. The Treasury therefore decided, in an environment of extreme volatility, to reduce the amount of this transaction to EUR 3 billion and allocated it to 153 investors.

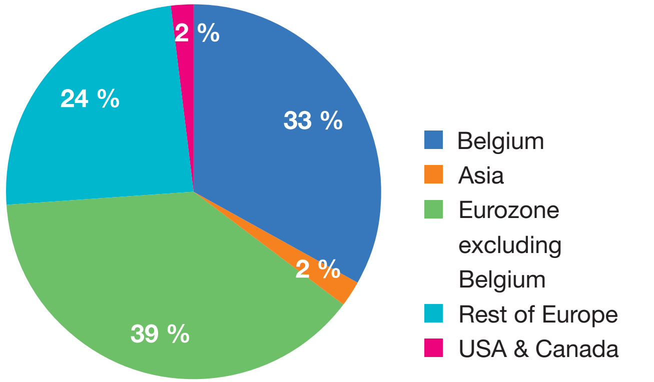
The issue spread was set at mid-swap + 93 basis points, equivalent to +125.7 basis points above the "Bund January 2021" and 88 basis points above the OAT October 2020. This OLO's coupon was set at 4.25% and the issue price at 98.971%, equivalent to a yield of 4.375%. The Treasury issued this transaction at the same yield as the OLO curve, without an issue premium.

Once again, the Treasury used the technique known as mixed-pot syndication to allocate orders. As in previous syndications, this system contributed to improving the efficiency, transparency and objectivity of both the book-building process and the allocation itself. An in-depth check was conducted on the majority of the subscriptions, thereby avoiding duplication of subscriptions from investors working with several primary dealers.

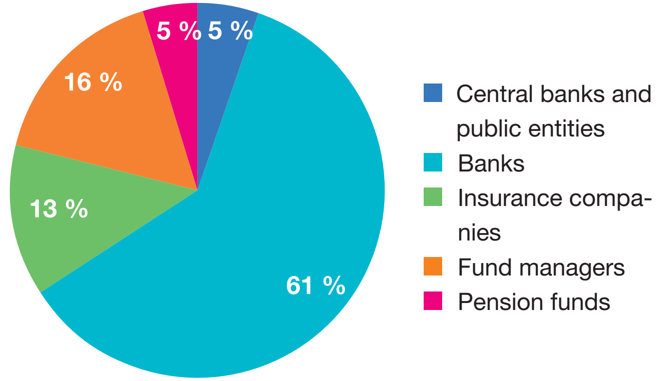
With regard to the choice of orders, the Treasury concentrated on real money final investors, who took 66.7% of the transaction.

In terms of geographical distribution, OLO 61 was essentially placed in Europe (96.10%), of which 33.23% was in Belgium.

G7. GEOGRAPHICAL DISTRIBUTION OF OLO 61 (4.25% - 28/09/2021)



G8. DISTRIBUTION OF OLO 61 BY INVESTOR TYPE (4.25% - 28/09/2021)



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

1. *Lead manager: this is the bank that receives a mandate from 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. Guarantees a small share of the investment.*

3. *Selling group: this is 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.*

The co-lead managers consist of other primary dealers, who are not joint lead managers, together with recognised dealers.

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 identity of the buyer. However there are two differences compared to normal pot syndication:

1) A blind retention is reserved for the co-lead managers. They are guaranteed this portion of the OLO allocation without the need to divulge the identity of the buyer to the joint lead managers. The blind retention forms a consideration in return for their efforts in placing the OLOs and Treasury certificates over the course of the previous year;

2) There is a strategic reserve. A fraction of the debt issue is reserved for allocation of 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 on the basis of the following criteria:
a) the order is placed by an investor who is not yet registered in the books of lead managers, b) the order is of excellent quality and/or represents true diversification.

Duration manager

The Treasury generally appoints a duration manager for each auction. The function of a duration manager is to stabilise the market when the issue price of the new OLO is set, by acting as the counterparty for all switch orders placed by the investors in the book, amongst other roles. Switch orders are purchase orders for the new OLO on condition that another security is sold simultaneously at a pre-determined minimum price. This orderly and efficient organisation of investor selling orders is intended to limit erratic movements in the market when the new OLO price is set.

OLO 62

It became apparent, in January, that there was a demand for sovereign paper at a floating rate in the EMTN market. Floaters are a rare product among sovereign issuers. With the exception of two floaters from Italy and one floater from Spain, there were no issues of this type in 2010. The Treasury therefore decided to fill this niche by issuing, by means of syndication, a 5-year FRN OLO.

The choice of this maturity was dictated by sound refinancing risk management requirements. The Treasury could, in fact, extend the refinancing period in an optimum manner on the short-term segment, while minimising the risks by swapping this FRN OLO at a fixed rate at the time of issue.

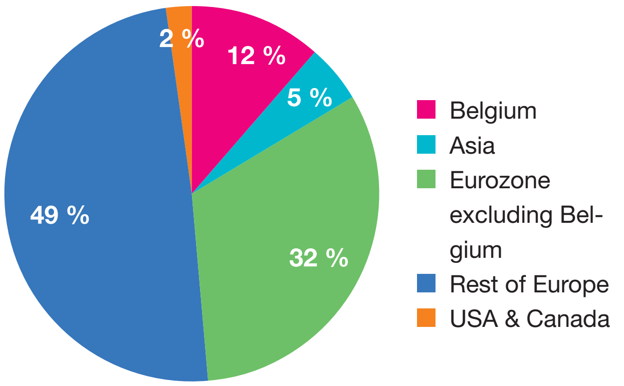
This FRN OLO brought in 3 billion EUR. It was priced at Euribor +67 basis points and was issued at a price of 99.66%. The coupon amounted to Euribor +60 basis points. This syndication did not have an issue premium.

Almost 93% of the allocated orders were placed in Europe and

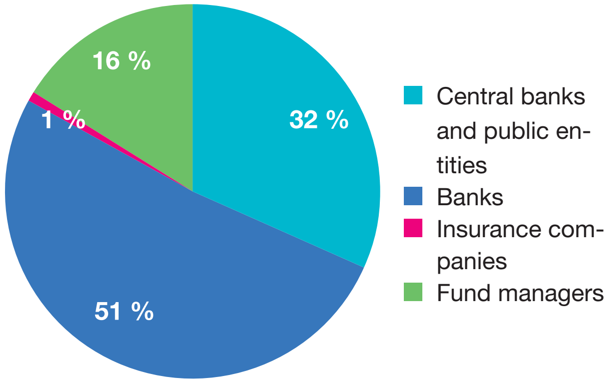
essentially came from final investors such as fund managers and ALM banks.
OLO 62 was placed through the primary dealers BNP Paribas Fortis, Barclays Capital, Crédit Agricole and Deutsche Bank. The reduced number of syndication members was justified by the specific nature of this floating rate instrument.

Finally, it should be noted that there was no duration manager for this syndication.

G9. GEOGRAPHICAL DISTRIBUTION OF OLO 62 (FRN – 15/02/2016)



G10. DISTRIBUTION OF OLO 62 BY INVESTOR TYPE (FRN – 15/02/2016)



OLO 63

For the third syndication of the year, the Treasury continued its 2011 issue programme by launching a "long 6-year" in March, maturing in June 2017. This maturity was chosen to offer investors increased diversification of 2017 maturities and to reduce the Treasury's refinancing risk by smoothing out the profile of repayments in 2017 in view of the amounts outstanding to be refinanced in March and September of that year.

This syndicated benchmark was launched in an environment where market feeling and the spreads were continuously improving, with a strong demand for Belgian sovereign paper. In this way, the Treasury opened its books which were revealed to be of very high quality.

OLO 63, with a final maturity of 28th June 2017 and a coupon of 3.50%, was issued at a price of 98.81%, which is equivalent to a yield of 3.719%, at mid-swap +55 basis points, and corresponds to a cost of 90.7 basis points above the German "Bund 4.15% - July 2017" bond. The spread above the OAT April 2017 was 71 basis points.

The Treasury issued this OLO at 9 basis points above the OLO curve, which represents the issue premium demanded by investors to subscribe to this new transaction.

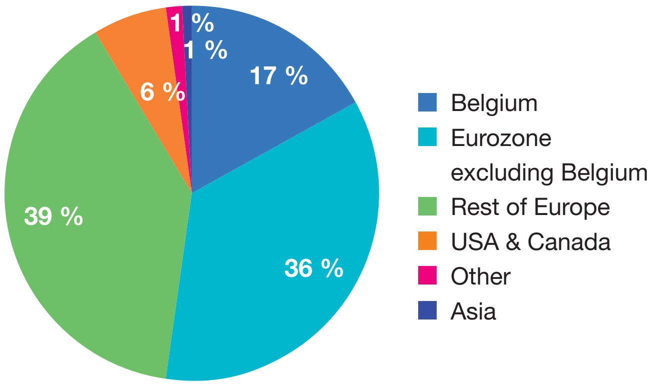
The Treasury selected the following four primary dealers as lead managers for this syndication: Citi, Deutsche Bank, KBC and Morgan Stanley. The other primary dealers and recognised dealers also participated in the placement, as co-lead managers and members of the selling group, respectively.

Placement orders amounted to more than EUR 12 billion from 230 investors in 22 countries. The final amount allocated was EUR 5 billion, to 210 investors.

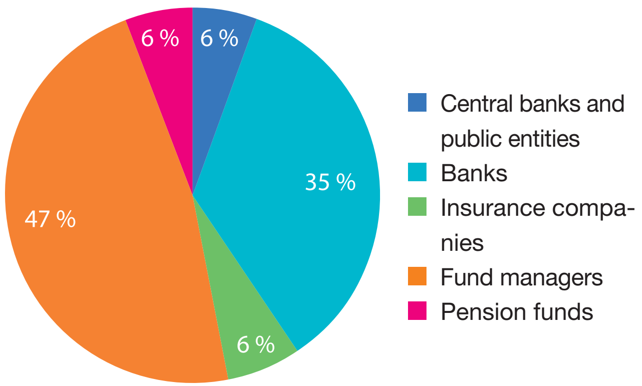
The Treasury also used the technique known as mixed pot syndication to allocate orders. This system contributed to improving the efficiency, transparency and objectivity of both the book-building process and the allocation itself. In this case, it afforded the Treasury better control over orders allocated outside Belgium.

In terms of geographical distribution, almost 40% was placed in Europe outside the eurozone and 52.48% was placed within the eurozone, of which 16.96% in Belgium. Concerning the distribution by investor, the Treasury particularly favoured final investors.

G11. GEOGRAPHICAL DISTRIBUTION OF OLO 63 (3.50% - 28/06/2017)



G12. DISTRIBUTION OF OLO 63 BY INVESTOR TYPE (3.50% - 28/06/2017)



OLO 64

For the fourth and last syndication of the year, the Treasury launched a 15-year OLO in June. This maturity was chosen to complete the long part of the curve, following the issue of a 30-year benchmark in 2010.

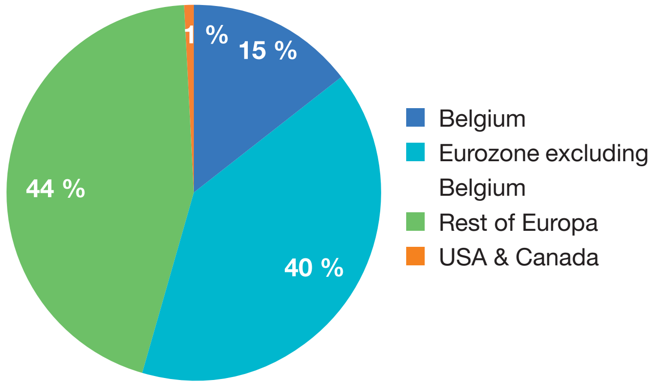
OLO 64 with a final maturity of 28th March 2026 and a coupon of 4.50% was issued at a price of 99.751, which is equivalent to a yield of 4.525%, at mid-swap +83 basis points, which corresponded to a cost of 70.2 basis points above the French 3.5% OAT - April 2026 bond.
The Treasury issued this bond with an issue premium of 5 basis points above the OLO curve.

The Treasury selected the following four primary dealers as lead managers for this syndication: Barclays Capital, BNP Paribas Fortis, HSBC and ING. The other primary dealers and recognised dealers also participated in the placement, as co-lead managers and members of the selling group, respectively.

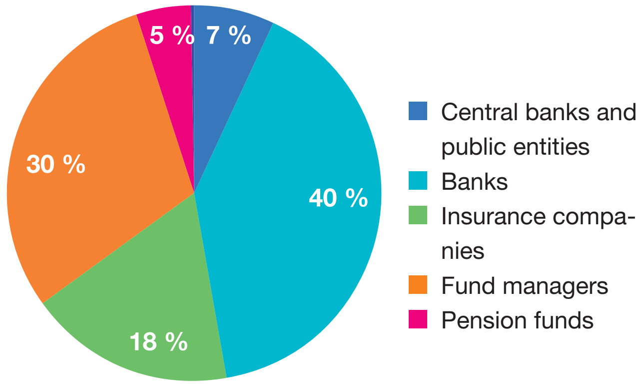
The placement orders were close to EUR 6 billion for 130 investors. The minimum size envisaged for this syndicated transaction was EUR 3 billion. The Treasury decided, given the investor interest, to increase the size of the issue to EUR 3.5 billion. The final amount allocated therefore totalled EUR 3.5 billion.

The Treasury also used the mixed pot system to allocate the orders for this syndication.
This syndication was much appreciated by international investors who took more than 85% of the final allocated amount of the transaction, two-thirds of which was taken by final investors.
Finally, it should be noted that with the exception of the FRN, a duration manager was appointed each time.

G13. GEOGRAPHICAL DISTRIBUTION OF OLO 64 (4.50% - 28/03/2026)



G14. DISTRIBUTION OF OLO 64 BY INVESTOR TYPE (4.50% - 28/03/2026)



OLO auctions

Due to the sovereign debt crisis in Europe, the circumstances and conditions prevailing on the primary government bond markets proved to be less favourable than in the past. The OLOs were issued through syndications (see above) and auctions. The Treasury publishes a calendar, for the latter type of emission, to inform the financial markets of the timing of issues. This transparency and predictability offered by the Treasury is important for the liquidity of OLOs. On the other hand, the Treasury runs a certain risk of dependency in relation to the circumstances and conditions prevailing at the time of auction.

In 2011, the circumstances and conditions during the auctions proved to be relatively good, with the exception of the October and November auctions. Although the periods prior to an auction are characterised by difficult circumstances and conditions, the feeling of the financial markets reversed just before the envisaged auctions. The positive elements consisted, for example, of progress in the Governmental negotiations, the announcement by the ECB that it would buy Spanish and Italian sovereign paper and that of the Federal Reserve to buy more long-term “Treasuries”.

A new rescue plan was approved at the European level at the end of October, but concerns about its realisation overshadowed the auction. The negative feelings of the markets were also fuelled by doubts about Italy’s capability to tackle its structural problems.

During this auction, the Treasury issued EUR 2.15 billion, which was mid-way within the range previously announced (EUR 1.7 to 2.7 billion). Contrary to previous auctions, there was less demand for long-term OLO lines, which meant that the Treasury did not offer lines in this term segment.

The negative climate on the markets continued to grow in November, resulting in a strong rise in interest rates in peripheral countries. This time, Belgium was not spared and was dragged into this rise. In the end of November auction, 4 lines were auctioned and the Treasury paid between 5% and 6%. Given the high rate levels and as the financing programme was practically completed, the Treasury limited this issue to EUR 2 billion.

2011 was significant for the growing preference of investors for long-term bonds, which corresponded perfectly to the Treasury’s strategy of lengthening its debt maturities. It should be noted that the Treasury also takes account of market demand when selecting the lines to be auctioned.

By comparison with 2010, the relative share of very long-term maturities (greater than 10 years) increased from 15.88% to 32.26% and the amount issued increased from EUR 4.42 billion to EUR 13.20 billion. The relative share of medium and short-term maturities continued to reduce, going from 38.76% to 35.74%. It should also be noted that the demand for new 10-year benchmark bonds remained very substantial, with their relative share reaching 32%.

The Treasury had decided, in 2009, to organise auctions on a monthly basis. This principle continued to be applied during 2011. OLO auctions were therefore scheduled for the last Monday of every month, except December. The calendar was, however, slightly modified by advancing the April, May and August auctions by one week, to take account of certain public holidays in Belgium, the United States and the United Kingdom, which fell on the last Monday of these months.

The Treasury may also decide to cancel an auction when there is a syndication in the month in question. This occurred in January, March and June when the OLO 61, 63 and 64 were launched, bringing in a total of EUR 11.5 billion. In addition, a new FRN OLO (OLO 62) was issued in February for a total of EUR 3 billion. The Treasury nevertheless decided to hold that month’s auction to maintain the issue frequency of fixed-rate OLOs.

There were, therefore, 8 auctions which brought in a total of EUR 26.425 billion (EUR 22.206 billion during the competitive round and EUR 4.219 billion for the non-competitive round).

The issue calendar, which is published each year in December, does not indicate which lines will be auctioned in the following year or the number of lines. This information is disclosed one week before the auction, following consultation with the primary dealers. Market demand and market circumstances are analysed in detail during this consultation and a decision is taken on that basis.

Three lines were issued during five auctions and four lines in the remaining three auctions.

The new 10-year benchmark (OLO 61) which was launched in January was demanded at each auction and offered in such a way that the initial amount of EUR 3 billion swelled to reach a total amount outstanding of EUR 13.01 billion.

OLO 63, which was issued in March, was also subsequently offered on 3 occasions, increasing the amount in circulation from EUR 5.0 billion to EUR 6.71 billion.

In June 2011, the Treasury issued a new 15-year bond, OLO 64, with a final maturity of 28th March 2026. This new benchmark bond was also included in an auction in September, bringing the amount outstanding to EUR 4.47 billion at the end of the year.

The bid to cover ratio for all the eight auctions was an average of 2.18, compared to 2.25 for 2010 and 2.63 for 2009. The extreme values recorded in 2011 were 1.44 and 5.89. The bid-to-cover ratio is the ratio between the amounts offered and the amounts selected. It is an indicator which makes it possible to determine whether the auction is sufficiently covered by the bids, and therefore, whether there is enough demand for the paper.

The tail is also another indicator for the auction. This is the difference between the limit price and the lowest price offered for the line in question.

The tail highlights the quality of the demand: a small tail means that all the bids were competitive whereas a long tail indicates that the bids that were not accepted were too prudent and below the market price. This provides an illustration of the primary dealers' interests.

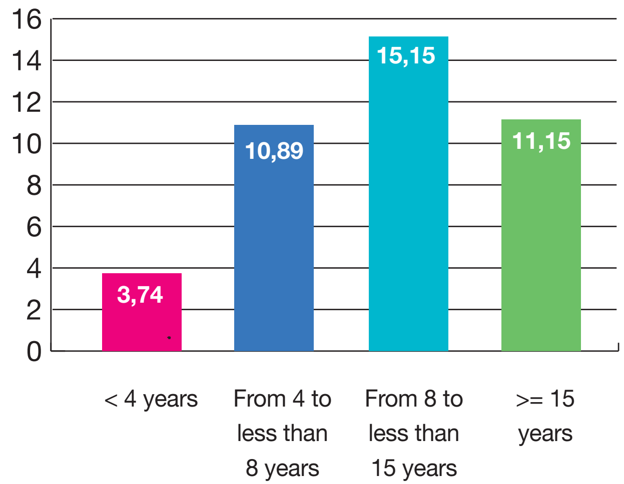
The tail of the new 10 year benchmark bond, OLO 61, which was offered at each auction, was initially stable in January and February (0.34 and 0.33 cent). In the May auction, it doubled to reach 0.70 cent and subsequently amounted to 0.67 and 0.74 cent in July and August. It improved during the September and October auctions to 0.46 and 0.44 cent, respectively. During the auction at the end of November, however, it soared to 1.95 cent. These fluctuations reflect the volatility and uncertainty prevailing on the financial markets.

It should also be noted that the primary and recognised dealers received the auction results on average 6.75 minutes after the closure of bids. The shortest time was 5 minutes for the April auction. The other extreme of 8 minutes was recorded during the auction of 28th November 2011.

Non-competitive subscriptions

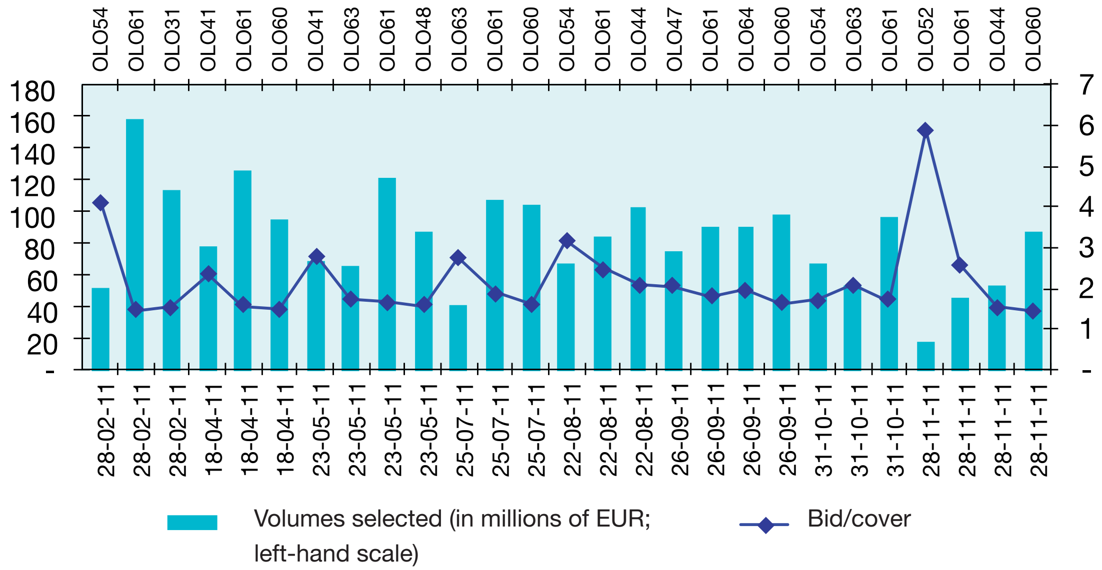
After the competitive round of auctions, the primary dealers – but not the recognized dealers – are entitled to participate in non-competitive subscriptions.

G15. DISTRIBUTION OF OLO ISSUES BY MATURITY FOR 2011 (EUR BN)

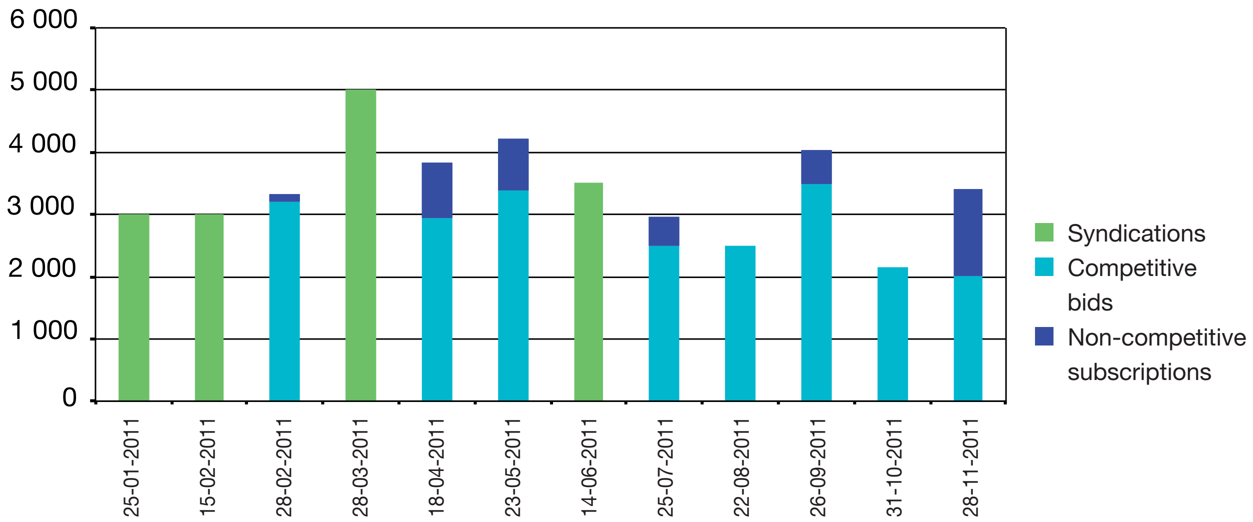


They acquire this right through their active participation in the auctions. They can buy securities at the weighted average auction price, based on a predetermined percentage of their bids accepted in the two previous auctions.

G16. BID-TO-COVER RATIO AT THE 2011 OLO AUCTIONS



G17. OLO ISSUES IN 2011 DISTRIBUTED BY TYPE (IN MILLIONS OF EUR)



The right to non-competitive subscriptions for all the primary dealers taken together amounted to EUR 6.97 billion, 50.13% (amounting to EUR 3.40 billion) of which was exercised (compared to 69.83% in 2010). The exercise of this right depends on market conditions at the time of the non-competitive round.

Some institutions such as the Caisse des Dépôts et Consignations and the Fonds Monétaire may also subscribe to the non-competitive round. But, contrary to the primary dealers, these institutions may only subscribe before the start of the competitive round at the weighted average price (which is not yet known at this time). EUR 816 million were also subscribed in this way, which meant that the non-competitive subscriptions finally amounted to EUR4.219 billion in 2011.

Buy-back of linear bonds

Since July 2001, the Treasury has been using the MTS Belgium (MTSB) electronic trading platform for bond buy-backs, as it offers liquidity, efficiency and pricing transparency. MTS Belgium comprises a screen (Belgian Buy-Backs - BBB), to which the primary and recognised dealers and the Treasury have sole access, and on which the Treasury continuously display the purchase prices. Apart from this possibility, dealers may also contact the Treasury by telephone to take part in this buy-back programme.

When an OLO line reaches a date less than 12 months prior to its final maturity, the Treasury offers it for buy-back, which enables investors to divest themselves of their securities in advance. For the Treasury, buy-backs allow planned interim financing of the future OLO maturity dates.

The Treasury had already begun, during 2010, to buy back the OLO 53 (final maturity 28th March 2011) and 36 (final maturity 28th September 2011) lines, and this with effect from the end of March and the 1st October respectively. The Treasury bought back EUR 328.50 million of OLO 53 during the first three months of 2011, which brought the total amount bought back to EUR 5.07 billion. This represented 46.19% of the total amount issued. The Treasury had already bought back EUR 1.61 billion of OLO 36 in 2010 which, when added to the EUR 3.1 billion buy-backs in 2011 meant that the amount to be reimbursed on final maturity had reduced to EUR 7.65 billion, a reduction of 38.21%.

The Treasury started to buy-back OLO 57 (maturing on 28th March 2012) on 29th March 2011, followed by OLO 38 (maturing on 28th September 2012) from 29th September. In total, the Treasury bought back EUR 3.2 billion of OLO 57 in 2011, so that the amount in circulation had reduced to EUR 9.51 billion. The Treasury bought back EUR 2.2 billion of OLO 38 in the months of October, November and December, so that the amount in circulation at the end of 2011 only amounted to EUR 5.25 billion.

In addition, the Treasury began, with effect from 7th December 2011, a little earlier than envisaged, the buy-back of OLO 12 (final maturity 24th December 2012). The success of the December State note issue generated a substantial cash surplus that the Treasury wished to use in an efficient manner, among others to enter the OLO 12 buy-back programme at an earlier date. The amount outstanding for this OLO initially amounted to EUR 8.5 billion. EUR 1.6 billion was bought back in a short period of time, so that the amount in circulation at the end of the year had reduced to EUR 6.9 billion. In total, EUR 2.83 billion were bought back during December, which was the highest monthly amount bought back in 2011.

T4. BUY-BACKS CONDUCTED BY THE TREASURY IN 2011 ON A MONTHLY BASIS													
(in millions of EUR)	J	F	M	A	M	J	J	A	S	O	N	D	Total
OLO 53 - March 2011	100	75	154										**329**
OLO 51 - June 2011	0	750	10	0	16	0							**776**
OLO 36 - September 2011	710	255	464	198	231	417	330	499	18				**3 122**
OLO 57 - March 2012				591	380	485	712	230	380	163	78	227	**3 246**
OLO 38 - September 2012										1 027	206	960	**2 193**
OLO 12 - December 2012												1 643	**1 643**
Total per month	**810**	**1 079**	**628**	**789**	**627**	**902**	**1.042**	**729**	**398**	**1 190**	**284**	**2 830**	**11 308**

b. Treasury certificates

In 2011, the end-of-month outstanding amounts of Treasury certificates varied within a range of EUR 35 to 43 billion. The amounts outstanding increased at the start of the year with a view to covering the OLO capital and interest reimbursements in March. They then reduced considerably at the end of the year, especially in December, where the certificates auction followed the successful State note issue.

In the year under review, the basic Treasury certificates issue calendar remained unchanged by comparison with the previous year. There were, therefore, two auctions per month - one at the beginning of the month for 3 and 6-month maturities and the other in mid-month for 3 and 12-month maturities. As in 2010, the Treasury did not issue 1 or 2-month Cash Management T-Bills - certificate issues that are added to the programme of conventional issues. More emphasis was placed on the volumes issued during the different auctions while retaining the standard maturities, which explains the variability of the volume of certificates issued in 2011.

Investors sustained their interest in Treasury certificate auctions, evidenced by the bid-to-cover ratio, which is the amount of bids received divided by the amount of bids accepted at auctions. It should be noted that this ratio was, on average, greater than 2 for the three maturities, to the Treasury's benefit.

On average, the bid-to-cover ratio was 3.25 for the 3-month segment, 2.24 for the 6-month segment and 2.06 for the 12-month. The average amount bid was EUR 3.53 billion for the 3-month, EUR 3.39 billion for the 6-month and EUR 2.93 billion for the 12-month segment. These ratios remained at levels which were comparable to those for the previous year.

The level of these ratios must be qualified insofar as the amounts selected were adapted based on the amounts offered. While, in the initial part of the year these amounts remained comparable to those of the previous year, the same did not apply for the second half of 2011. In fact, the volumes auctioned in the competitive round on 12-month issues amounted, on average, to EUR 1.67 billion for the first six months of the review under review, but then fell to EUR 1.14 billion during the second half of the year. This disparity was also reflected in the minimum and maximum values of the amounts auctioned. Thus, for new 12-month lines, the volume selected after the first auction oscillated between EUR 0.8 billion and EUR 1.8 billion with an average of 1.4, a reduction compared to the previous year (EUR 1.9 billion), given the reduced interest of investors in the long-term certificates segment.

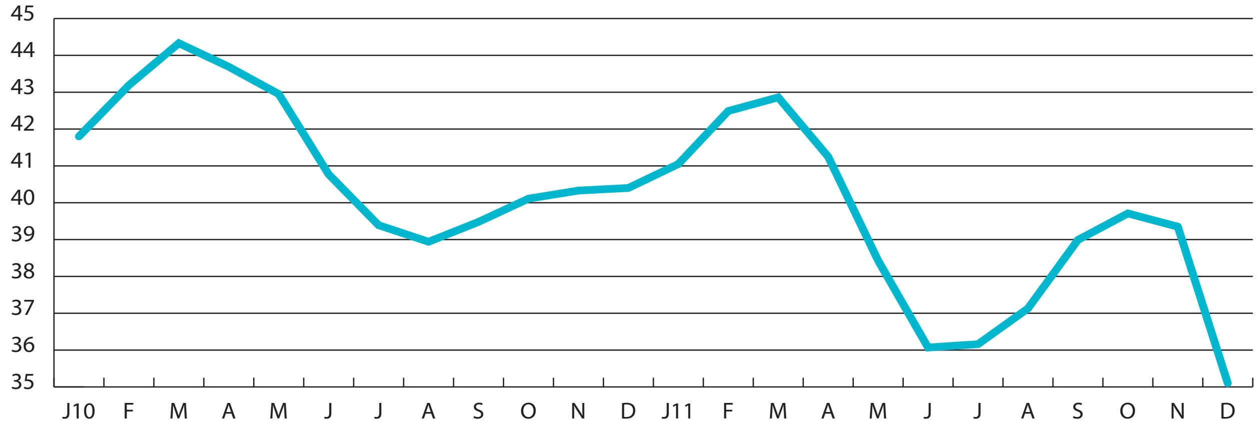
The average difference at auction between the limit rate and the lowest offered rate was 5.3 basis points for 3 months, 3.3 basis points for 6 months and 9.2 basis points for 12 months, representing an increase compared to 2010. This is partly the result of the substantial volatility in the markets during the year under review and reflects the uncertainties that marked 2011.

In addition, on average 63% of investors saw their bids accepted at the 3-month auctions. For the 6- and 12-month segments, the proportion was in the order of 80% and 75% respectively. The fall in the average for the 12-month segment was due to the concentration of bids accepted from some primary dealers.

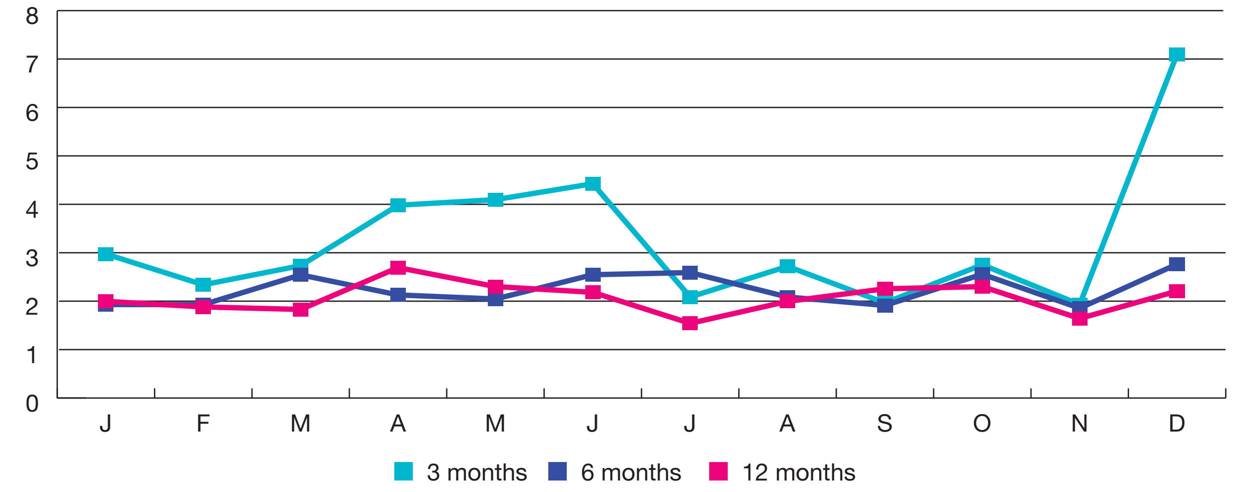
Graph G21 illustrates the spread between the weighted average rate of Treasury certificates and the Euribor for issues of 3-, 6- and 12-month lines. The averages of the spreads compared to the Euribor for 2011 were -30,01, -40.41 and -24.10 basis points for the 3-, 6- and 12-month segments respectively, all to the advantage of the Treasury. These spreads reduced, on average, compared to the previous year.

In 2011, in volume terms the primary dealers availed themselves of 22% of their entitlement to obtain Treasury certificates at the average weighted auction rate, by means of non-competitive subscriptions. Non-competitive participation was particularly important in the 12-month segment (45.55%). It should be borne in mind that primary dealers' exercise of their entitlement to non-competitive bids depends on market conditions.

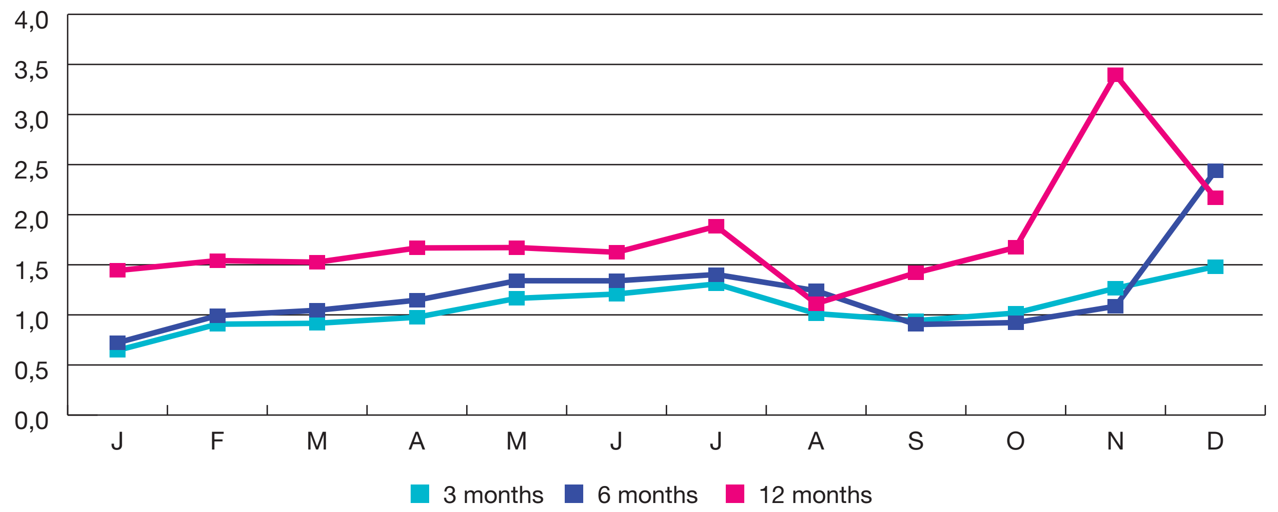
G18. OUTSTANDING TREASURY CERTIFICATES AT END OF MONTH IN 2011 (IN BILLIONS OF EUR)



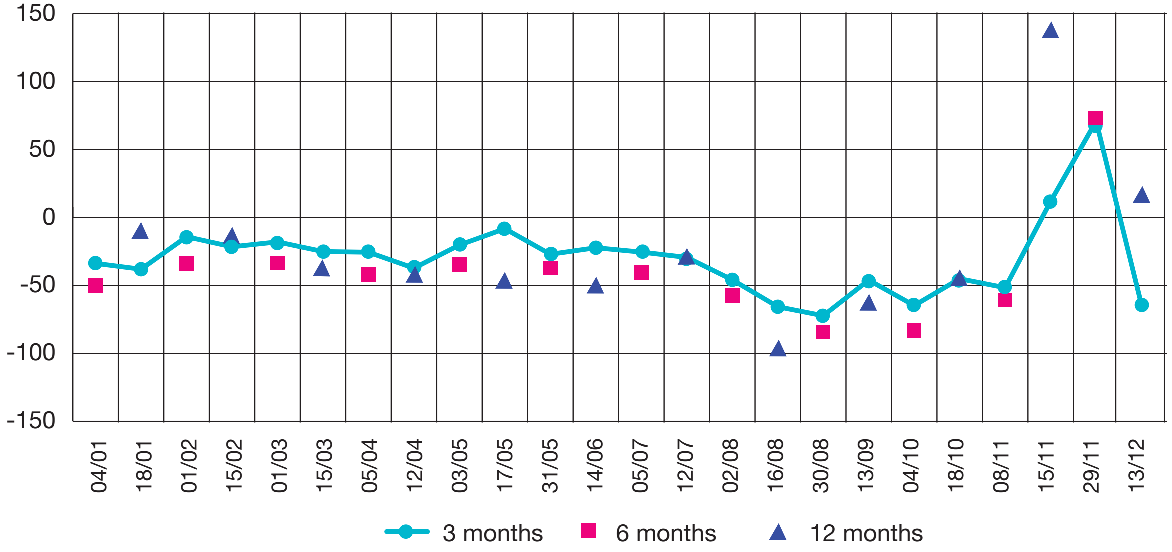
G19. AVERAGE BID TO COVER RATIO FOR AUCTIONS OF TREASURY CERTIFICATES IN 2011



G20. WEIGHTED AVERAGE INTEREST RATES OF TREASURY CERTIFICATES AT 3, 6 AND 12 MONTHS IN 2011 (IN %)



G21. ISSUE SPREADS BETWEEN THE AVERAGE WEIGHTED RATE OF TREASURY CERTIFICATES AND EURIBOR AT 3, 6 AND 12 MONTHS IN 2011 (IN BASIS POINTS)



c. State notes

For the sixteenth consecutive year, the Belgian Government issued State notes.

2011 was, however, characterised by the huge success of the State note issue of 4th December.

Several factors contributed to this huge success.

Firstly, there was the impact of the rates offered to savers during this issue. They, most certainly, were the primary driver of the success of the issue as this was the first time for several years that savers could benefit from such high rates.

This was followed by the call by the Prime Minister to the media, which was excellent publicity in a favourable context with the attractive rates being offered.

Another factor which contributed to the success of the issue was the fact that the rates offered were higher than competitors' rates for similar products.

Finally, the last factor resides in the fact that Belgian savings are substantial and the State note arrived at a propitious time for savers seeking a secure, risk-free product.

State notes are fixed-interest medium- and long-term loans with annual coupons, in EUR. They are placed through placing institutions bound by contract to the Treasury.

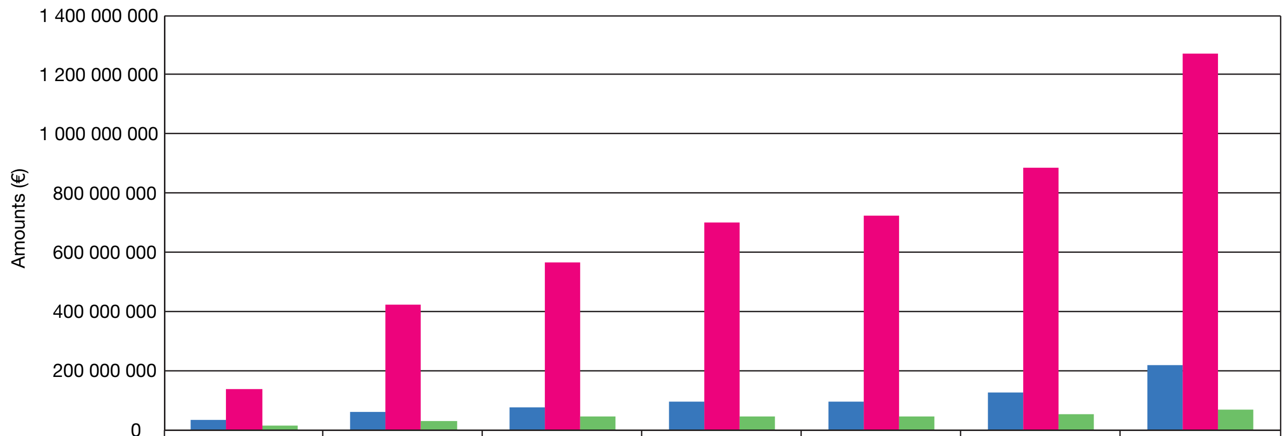
On the primary market, this product is targeted at private investors, and certain other investor categories: foundations, non-profit organisations, churches or institutions classified as religious bodies in the national register of legal persons, entities established in the European Economic Area which are similar to the entities listed above and which benefit from the same subscription rights by virtue of community law. It should be noted that it remains possible to opt for a subscription by name in the Treasury's Ledger of the national debt, at no cost. The registered form is also possible for purchase on the secondary market.

During each of its issues, the Treasury offered maturities of 3, 5 and 8 years for its notes. The volumes subscribed for the first three issues showed a downward trend: EUR 141.4 million, 87 million and 77.1 million, respectively. On the other hand, during the last issue of the year, in December, the amounts subscribed absolutely exploded, reaching the record amount of EUR 5.7 billion.

The total amount of State notes issued for 2011 therefore amounted to a little less than EUR 6 billion, which is an absolute record for a State notes issue campaign.

Concerning the secondary market, the State notes are quoted on the Euronext Brussels continuous market and the liquidity is underwritten by a liquidity provider, Florint BV.

G22. NON-CUMULATIVE DAILY ISSUES OF STATE NOTES (DECEMBER 2011)



	D1	D2	D3	D4	D5	D6	D7
3 years	33 945 400	61 124 200	75 853 800	94 724 000	95 436 400	128 068 600	221 047 600
5 years	140 152 800	423 401 400	565 762 400	703 359 200	724 776 400	885 280 800	1 271 867 000
8 years	16 743 600	29 782 400	43 977 600	43 982 400	45 860 600	55 205 800	68 947 600

In addition, in order to facilitate liquidation and tax payment of State notes, they are included in the Belgian National Bank's X/N liquidation system.

T5. ISSUES OF STATE NOTES IN 2011 (in euro)				
Issue of 4 March 2011				
	STATE NOTES	COUPON	PRICE	TOTAL SUBSCRIBED
	3-year S.N.	2.45%	100.00%	19 450 000
	5-year S.N.	3.20%	100.00%	62 720 000
	8-year S.N.	3.75%	100.00%	59 250 000
				141 420 000
Issue of 4 June 2011				
	STATE NOTES	COUPON	PRICE	TOTAL SUBSCRIBED
	3-year S.N.	2.50%	100.00%	12 800 000
	5-year S.N.	3.25%	100.00%	27 800 000
	8-year S.N.	3.75%	99.75%	46 400 000
				87 000 000
Issue of 4 September 2011				
	STATE NOTES	COUPON	PRICE	TOTAL SUBSCRIBED
	3-year S.N.	2.35%	100.25%	9 500 000
	5-year S.N.	3.00%	100.25%	31 300 000
	8-year S.N.	3.50%	100.25%	36 300 000
				77 100 000
Issue of 4 December 2011				
	STATE NOTES	COUPON	PRICE	TOTAL SUBSCRIBED
	3-year S.N.	3.50%	100.00%	710 200 000
	5-year S.N.	4.00%	100.00%	4 714 600 000
	8-year S.N.	4.20%	100.00%	304 500 000
				5 729 300 000
	Total 2011			**6 034 820 000**

d. Strips

Stripping activity in 2011 was determined by the finalisation of the project to create fungibility. Since 28th June 2011, new zero-coupon securities, from OLO stripping, are exchangeable or fungible if they have the same maturity, irrespective of whether they represent an interest coupon or the principal of an OLO. Existing zero-coupon securities can be converted into these fungible zero-coupon securities for the same nominal amount. The Treasury named these fungible securities BE-strips.

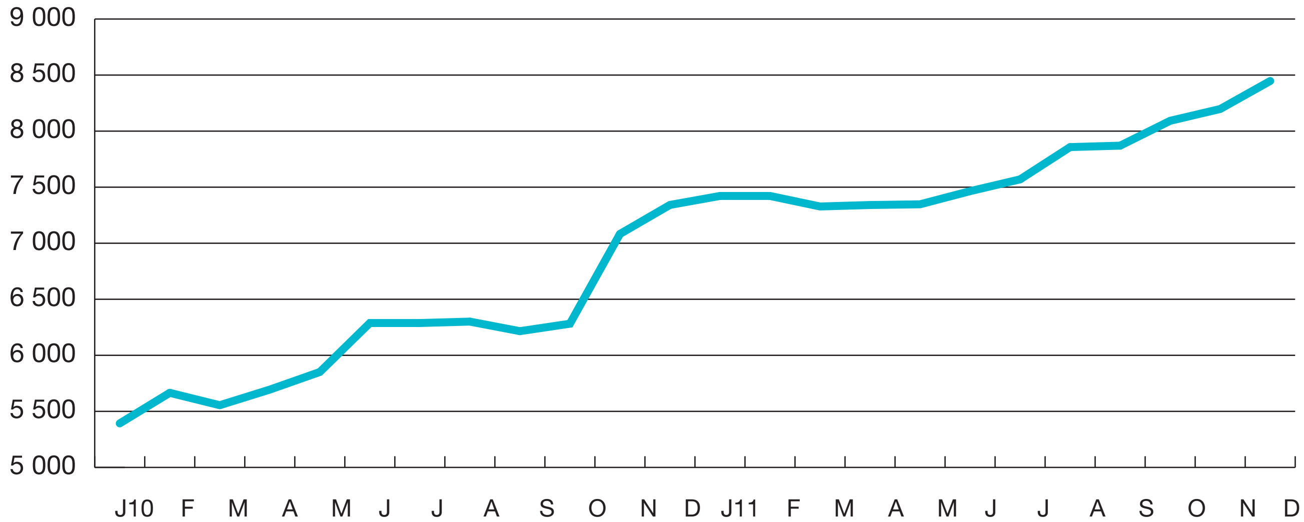
Belgium is the second eurozone country, after France, to realize the fungibility of its strips market. In so doing, the Treasury aimed to increase the liquidity of the OLO strips market. In the past, there was often strong demand for strips which were, however, located in the very long segment of the curve. The result was that stripping establishments had to retain and finance all the unsold zero coupons. This situation proved to be fairly costly in practice which meant that, despite the demand, a large number of establishments were reluctant to strip OLOs.

Making strips with the same maturity fungible will generate an increase in liquidity. Illiquid strips, which represent interest coupons, can, in fact, always be reconstituted into OLO with the same final maturity (after matching fungible strips with the same maturity as the non-matured coupons and naturally for the same nominal amount as the coupon).

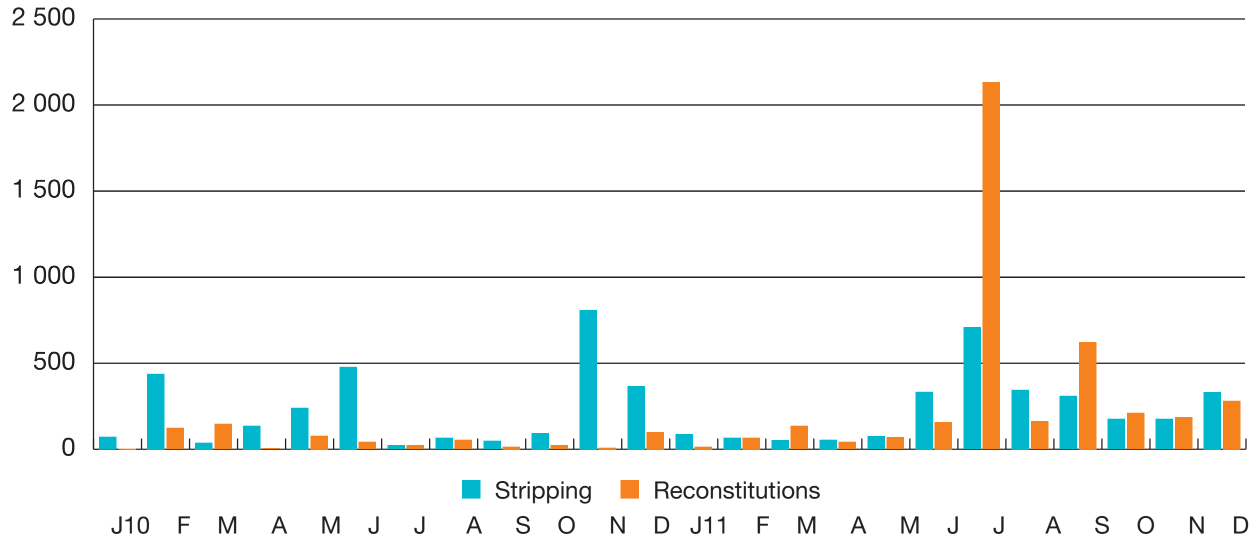
There was a substantial increase in the amount outstanding of stripped OLOs in the first half of 2011. This was in anticipation of the launching of the fungibility. After the launch, the Treasury recorded a large number of reconstitutions. This phenomenon is attributable to the use of the possibility to reconstitute illiquid strips into OLO. The same thing happened in France.

Both stripping and reconstitutions showed an upward trend in the second half of the year. Fungibility therefore created a new dynamic in the OLO strips market. The outstanding amounts of stripped OLOs increased to more than EUR 8.4 billion at the end of 2011. There were also large numbers of long-term OLO strips. This reflected the demands of investors who were primarily interested in strips on the long part of the curve. As many as possible long-term strips were sold and the short-term BE-strips were reconstituted into OLO. This resulted in a substantial number of reconstitutions in the short part of the curve.

G23. CHANGE IN THE NET STRIPPED AMOUNT ON OLOS FROM JANUARY 2010 TO DECEMBER 2011 (IN MILLIONS OF EUR)



G24. OLO STRIPPING AND RECONSTITUTION ACTIVITY FROM JANUARY 2010 TO DECEMBER 2011 (IN MILLIONS OF EUR)



2.2. Tailor-made products

In 2011, 11 transactions were concluded in the context of the EMTN/Schuldscheine envelope for a total amount equivalent to EUR 1,012.5 million, which is less than the initially envisaged amount of EUR 2 billion.

a. Bond issues within the EMTN programme

OLOs are the Treasury's most important financing instrument as they cover 90% of the long-term financing requirements. With a view to achieving even greater diversification of the investor base, the Treasury introduced the Euro Medium Term Notes (EMTN) programme in 2008. The legal documentation makes it possible to issue short-, medium- and long-term loans in all OECD currencies, and also in the form of a series of structured products. The Treasury can therefore respond efficiency and flexibly to specific requests from individual investors for issues denominated in determined currencies or with certain maturities. EMTN issues are, of course, subject to the cost-efficiency rule, which means that they are only conducted if the cost at issue is less than or equal to the cost of an OLO with the same maturity. It is clearly understood that recourse to such instruments must not compromise the liquidity of the OLOs. Issues in the EMTN programme must therefore be considered as supplementary to the standard programme.

At the beginning of 2011, the financing programme envisaged issuing an initial envelope of EUR 4 billion of possible EMTN issues. The interest shown in EMTN issues in the first six months was very limited due to the difficult market situation caused by the eurozone crisis, in combination with the absence of a Government; there was only one issue for EUR 75 million with a 17-year maturity. On the basis of this poor result, the satisfactory operation of the OLO programme and improvement of the budget figures, the Treasury decided, in mid-September, to adjust the amount of the envelope, bringing it to EUR 2 billion.

The second half of the year began with a 15-year issue of JPY 10 billion, or EUR 89.4 million after swap. The other 5 transactions were all denominated in EUR and were either at a floating rate or slightly structured with longer maturities.

Subsequently, two transactions enabled the collection of a total amount of EUR 165 million with a 6-year and a 3-month Euribor floating coupon + 135 basis points. These two transactions were swapped to the fixed rate.

The following three transactions of EUR 50 million had an extendable structure. First maturity of the transactions is in 2021 (10-year maturity), but investors have the possibility in two transactions of extending the structure up to 2031 and in one transaction up to 2041. The Debt Agency had already issued EUR 750 million in 2010 with a similar original structure.

b. “Schuldscheine” contracts

The Debt Agency often conducts studies to find the most interesting instruments for bond investors. Based on contacts established essentially with German savers during roadshows regularly organised by the Agency, it appeared that they had a major interest in “Schuldscheine”.

A “Schuldschein”[1] is a loan contract, not a security, by which the borrower promises the lender to repay a determined sum on a determined date against a determined[2] remuneration. For this contract under German law, the accounting method enables the investor to record their receivable without regular re-evaluation of the value (no marked to market valuation) and therefore without the accompanying volatility. Transmissibility of these loans is limited and the product is therefore of primary interest to buy and hold investors, who require a longer term investment, such as insurers and pension funds.

This product is also interesting for the Belgian Treasury as, in exchange for this accounting and administrative advantage and the possibility of adapting the characteristics (duration, amount, remuneration) of the loan to the Investor’s specific requirements, they are prepared to accept lower remuneration. There was no intention to issue very large amounts, to ensure that the Schuldscheine would not endanger OLO market liquidity. Finally, Schuldscheine offer the benefit of broadening the essentially German investor base on the one hand, by attracting new investors and, on the other, by broadening the offer of services and the range of products offered to savers already accustomed to the Belgian Government financial instruments.

To facilitate the administrative processing, the Debt Agency works with minima of EUR 50 million. This amount may be distributed among different investors. In addition, the amounts of existing contracts with investments of less than EUR 50 million may be increased.

The Schuldscheine documentation was ready at the beginning of December and, despite this time of year, interest by German investors proved to be considerable for this product and the reputation of the Kingdom of Belgium. Four transactions were concluded for a total amount of EUR 283 million with maturities scaled from 15 to 27 years. All the investors were German insurance companies.

Demand for this product has been growing since the beginning of 2012.

c. “Belgian Treasury Bills” (BTB) in EUR and foreign currencies

In 2011, the Treasury also diversified its range of products in an efficient manner. It was, therefore, very active in the issue of BTB on the Euro Commercial Paper market. A sovereign issuer Commercial Paper (CP) programme has substantial advantages.

Firstly, this is a very flexible short-term financial instrument given that the CP is issued on tap. It is the ideal instrument to meet cash deficit balances after the issue of Treasury certificates. The Belgian Treasury was a pioneer in the eurozone in respect of the integration of CP into cash management.

In addition, in 2011, the after swap issue levels proved to be much lower than those of the Treasury certificates with the same maturities. Even during periods of volatility on the short segment of the curve, the normal issue levels could be maintained in the CP, whereas Treasury certificate rates increased strongly.

The result was that BTB maturities were lengthened until a reduction in the demand for Treasury certificates was felt on the primary market. By way of comparison, therefore, during November, a nominal EUR 3.553 million 3-year Treasury certificates was auctioned at an average weighted rate of 1.28%. In the same month, the Treasury issued an amount,

[1] This is a general name. From a strictly legal perspective, the name is «Schuldscheindarlehen».

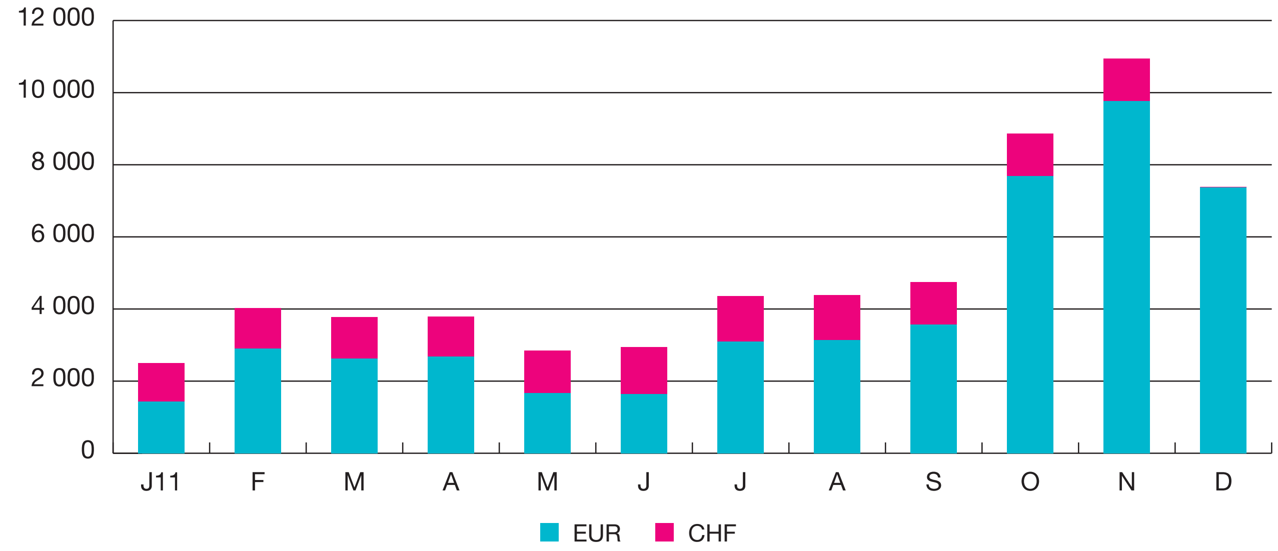
[2] Slight structures are possible.

after swap, of EUR 2.622 million in 3-month CP at an average weighted rate of 0.74%. It was primarily during the last quarter that the amount in circulation on BTB increased. This was due not only to the coupon maturities and the OLO of 28th September, but also to the volatility on the Treasury certificates market. A peak in amounts outstanding was achieved in November, with an EUR equivalent of some 11 billion.

In this way, the Kingdom of Belgium BTB programme was effectively the most successful among the programmes of eurozone sovereign issuers, both in terms of volumes and relative rate levels. The success of a CP programme naturally depends on the investor base. There is, in fact, no obligation for a dealer to subscribe for a certain percentage of CP. Over the years, however, the Treasury has carefully built up a bond of trust with the most important investors. The investors are essentially central banks. The advantage of a central bank as an investor by comparison with other participants such as money market funds resides in the fact that the quality of the issuer takes precedence over the yield offered. The result of the combination of the possibility of issuing in all OECD currencies and the existence of investor-directed marketing was that more than 80% of our issues are held by central banks in Asia and South America.

As in the past, the BTB programme was also used to finance the debt in foreign currencies. The CHF debt remained static and was financed at a negative rate: there have even been negative rate points at more than 1%.

G25. CHANGE IN THE OUTSTANDING BTBS IN 2011 (IN MILLIONS OF EUR)



d. Treasury Bonds - Silver Fund

No new resources were allocated to the Silver Fund in 2011.

The “Treasury Bonds – Silver Fund” are zero-coupon bonds. The interest, determined upon issue based on the OLO rate curve, is capitalised up until the final maturity date. The securities are included in the Government debt and the value posted takes into account the interest accrued.

Two “Treasury Bonds - Silver Funds” matured in 2011. The Silver Fund replaced the capital and interest with three new “Treasury Bonds – Silver Funds” with their final maturities in 2022, 2023 and 2024 respectively.

On 31st December 2011, the reserves in the Silver Fund invested in “Treasury Bonds – Silver Fund” amounted to EUR 18.39 billion and had maturities extending from 2012 to 2024.

More detailed information is available on the Funds’ internet site: http://www.fondsdevieillissement.be.

3. General Directives and control of risks

3.1. The refinancing and refixing risks

In 2009, the Minister of Finance raised the maximum values of the refinancing and rate refixing risks of the debt portfolio given the profound economic recession affecting substantial parts of the world. The Treasury could, therefore, integrate greater sensitivity into the short-term interest rate, whether through more issues of short-term paper or through rate swaps. The Treasury opted for the latter possibility and therefore used the margins offered by the General Directives on rate refixing risks. These new higher maximum margins continued to apply in 2010.

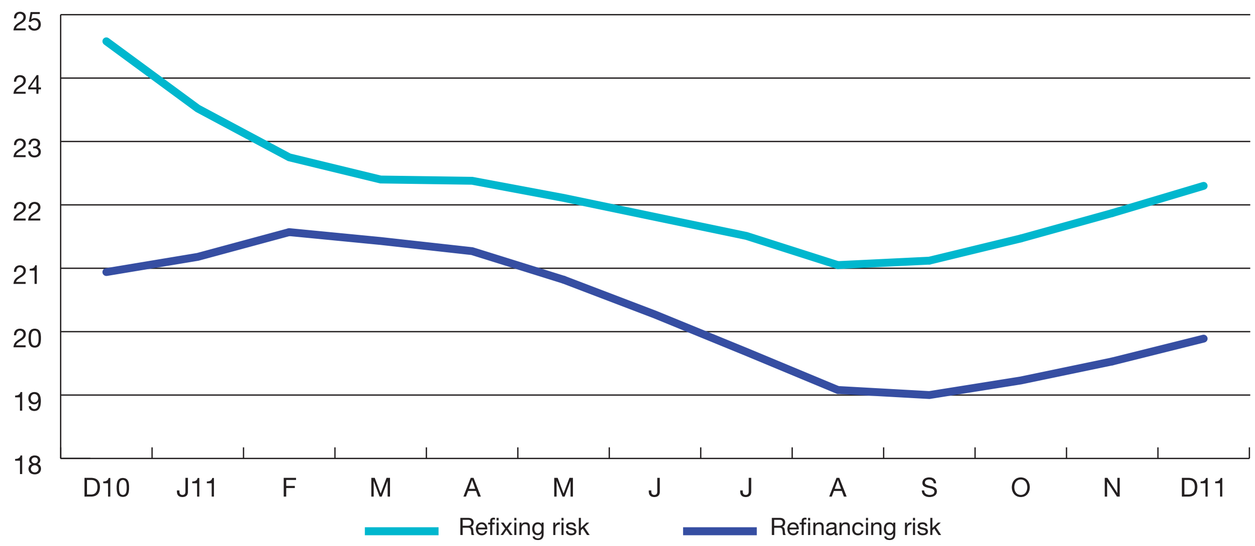
During 2010, however, it appeared that the economy was moving out of the trough and the Treasury decided to cancel the rate swaps in the second half of the year, which substantially decreased the rate refixing risk.

The 2011 General Directives announced the return to the previous values for the refinancing and rate refixing risks, with the exception, however, of the 12-month refinancing risk, for which the maximum remained set at 25%. The General Directives clearly stipulated that the Treasury must aim for a maximum value of 22.50% for this risk, but that this was not mandatory.

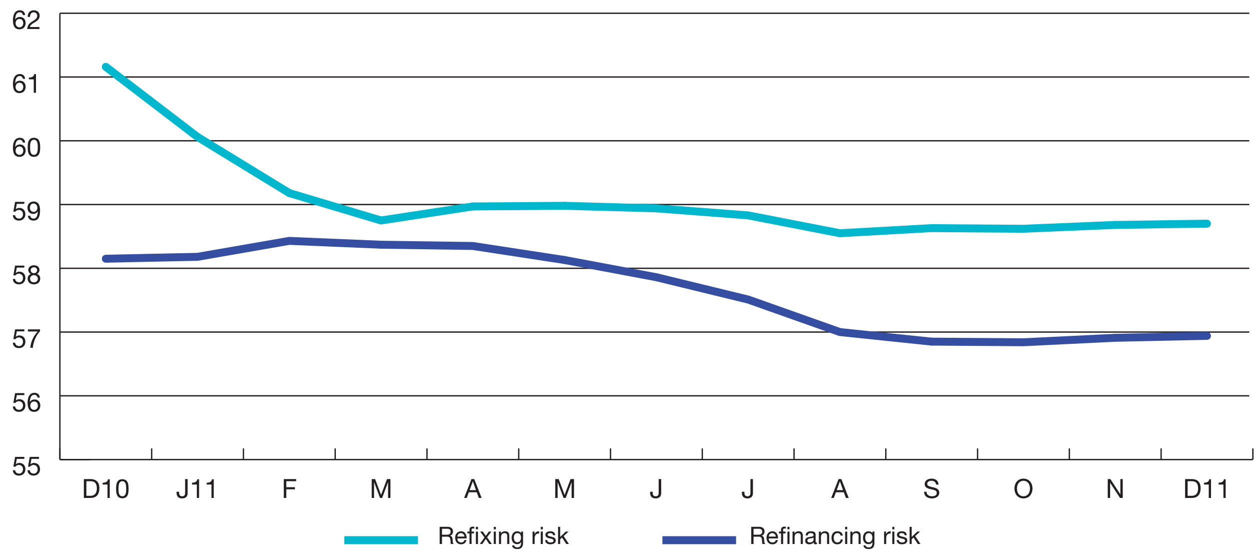
The Treasury did, however, succeed in limiting the refinancing risk to 22.50% throughout the year. At the end of 2011, it amounted to 19.89%. The 60-month refinancing risk was also limited to less than 60% for the entire year. This was made possible by only issuing maturities of five years or less, in a very limited manner.

In parallel with the refinancing risks, the rate refixing risks also reduced. The latter take account of the floating nature of certain loans, together with rate swaps. The 12-month refixing risk, which remained limited to 25%, amounted to 22.30% at the end of 2011. At 60-months it amounted, at the end of the year under review, to 58.70%, well below the maximum of 65%.

G26. CHANGE IN THE 12-MONTH REFINANCING RISK AND REFIXING RISK OF THE EURO DEBT IN 2011 (AS A % OF THE TOTAL)



G27. CHANGE IN THE 60-MONTH REFINANCING RISK AND REFIXING RISK OF THE EURO DEBT IN 2011
(AS A % OF THE TOTAL)



3.2. Credit risk

Credit risk is determined by the potential loss to the Treasury if one or more of its counterparties fails to fulfil their contractual payment obligations. The Treasury's credit-risk management principles remained largely unchanged in 2011. The Treasury therefore maintained its 2008 decision to limit the volume and time credit limits[1] for its banking counterparties. Given that the banking crisis of the previous year progressively extended and became a debt crisis in more and more eurozone countries, the Treasury decided in 2011 to also introduce volume and time limits to the credit limits granted to eurozone countries. The downward trend in a large number of ratings resulted in the amount of a series of credit lines being reduced and the Treasury also deleted fifteen credit lines in 2011 given that their ratings no longer fulfilled the minimum required by the Treasury[2]. On the other hand, two new counterparties were granted a credit line for the first time during the year.

As part of its liquidities management, the Treasury concludes transactions on the interbank market. Cash surpluses are placed with financial counterparts. As for the three previous years, the Treasury maintained its decision to only make use of reverse repos for placements greater than one week, and in general to grant preference to conclusion of reverse repos for shorter maturities. For the reverse repo period the Treasury receives an OLO and/or a Treasury certificate as collateral, which limits the credit risk of these operations. By comparison with 2010, the average daily amount placed by the Treasury reduced by 14% in 2011. Although the Treasury had concluded an EMA contract[3] for repo operations with three new counterparties, the share of reverse repos in placements reduced from 73% in 2010 to 50% in 2011, while the share of usual placements in the average daily amount placed increased in the same period from 27% to 50%.

On 31 December 2011 the total credit risk in derivative products amounted to EUR 2.6 billion, i.e. a 15% increase compared to the end of the previous year (EUR 2.2 billion). Thanks to the Credit Support Annex agreements (CSA) the Treasury concluded[4], with all its primary dealers, and with some counterparts, the Treasury is protected to a great extent against this credit risk. At the end of 2011, it had received EUR 1.6 billion in collateral, thanks to which the net credit risk in derivative products amounted to EUR 1.0 billion, i.e. an increase of 29% compared to the end of the previous year (EUR 0.8 billion).

The increase in the foreign currency swaps credit risk (before collateral) (EUR +0.3 billion) and the other derivative products[5] (EUR +0.4 billion) was the cause of the increase in the total credit risk in derivatives. On the other hand, the rate swaps credit risk reduced by EUR 0.3 billion, as a series of rate swaps

1 The credit limits of the Treasury counterparts are calculated based on their equity and rating.

2 The Treasury only accepts counterparts that have a minimum A rating for new transactions.

3 See the Federal Government 2007 Annual Debt Report, Part 3 – point 3 for an explanation of the EMA master agreements.

4 In 2011, a Credit Support Annex (CSA) agreement was concluded with two new primary dealers; there was therefore a CSA agreement with all the primary dealers who worked with the Treasury in 2011. Moreover, the Treasury concluded a CSA agreement with two additional recognized dealers this same year.

5 FXSwaps and outrights.

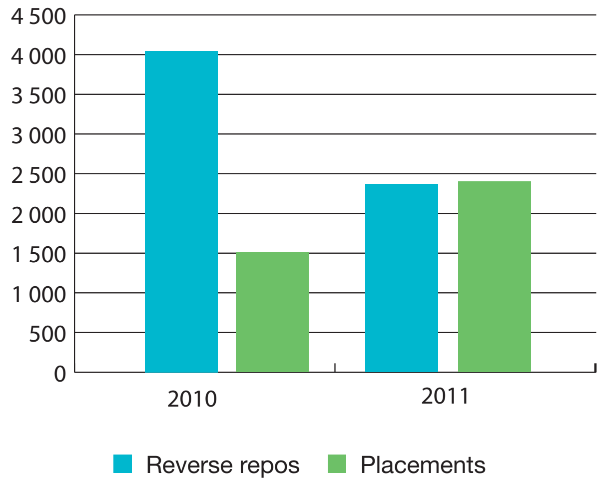
reached their final maturity in 2011 and few new swaps were concluded. As for the previous year, the reduction in exchange rates was the main cause of the increase in the credit risk for foreign currency swaps in 2011.

Given the downward trend - already mentioned above – in ratings, 99.1% of the net credit risk in derivative products was, at year end, with A-rated counterparts[6]. This percentage was 94.1% at the end of 2010 and the share of the net credit risk in derivative products was 5.9% with AA-rated counterparts.

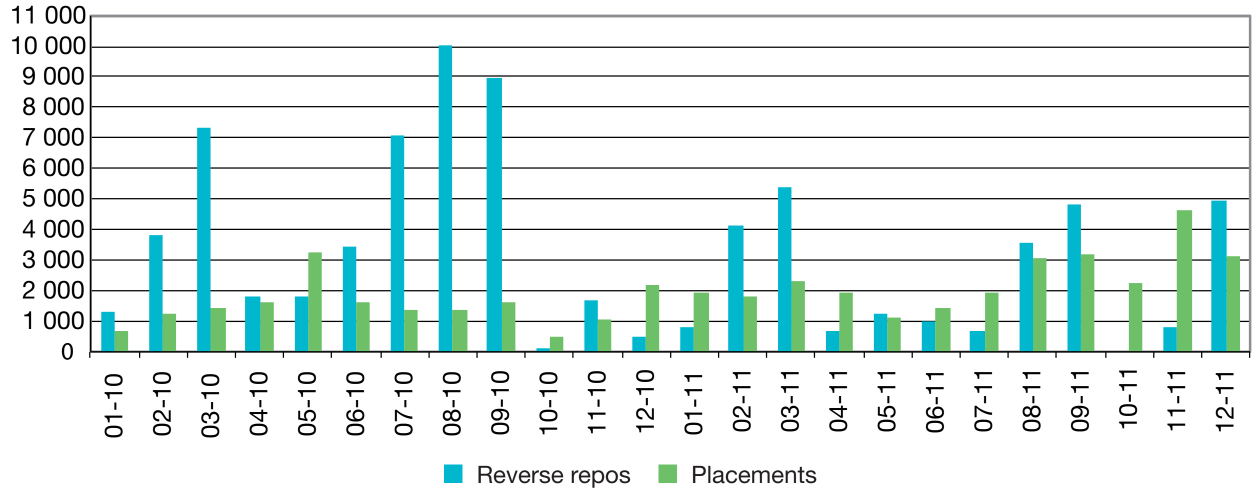
The share of transactions with a residual maturity of at least 10 years in the total credit risk in derivative products doubled, increasing from 19.9% at the end of 2010 to 38.7% at the end of 2011.

6 During 2011, the rating of a counterpart occupying a historic position in derivative products reduced to below the minimum A threshold which applies for the conclusion of new transactions. Although this counterpart had previously fulfilled the required conditions to obtain a credit line, the Treasury will not conduct any new transactions with this counterpart.

G28. SHARE OF PLACEMENTS AND REVERSE REPOS. AVERAGE DAILY AMOUNTS PLACED (IN MILLIONS OF EUR)



G29. MONTHLY CHANGE IN THE SHARE OF PLACEMENTS AND REVERSE REPOS. AVERAGE AMOUNTS PLACED PER DAY (IN MILLIONS OF EUR)



T6. CREDIT RISK FOR DERIVATIVE PRODUCTS BY RATING LEVEL AT 31 DECEMBER 2011							
Ratings (*)	Number of transactions	%	Total risk in EUR before collateral	%	Collateral	Total risk in EUR	%
AAA	0	0.0%	-	0.0%	-	-	0.0%
AA	0	0.0%	-	0.0%	-	-	0.0%
A	117	99.2%	2 559 050 504.60	99.6%	1 558 530 000.00	1 000 520 504.60	99.1%
Lower then A	1	0.8%	9 133 501.76	0.4%	-	9 133 501.76	0.9%
Total	**118**	**100.0%**	**2 568 184 006 .36**	**100.0%**	**1 558 530 000.00**	**1 009 654 006.36**	**100.0%**

(*) Rating of the counterpart or parent company

T7. CREDIT RISK FOR DERIVATIVE PRODUCTS BY RATING LEVEL AND BY PRODUCT AT 31 DECEMBER 2011						
Ratings (*)	Interest rate swaps	%	Foreign currency swaps	%	Other derivatives	%
AAA	-	0.0%	-	0.0%	-	0.0%
AA	-	0.0%	-	0.0%	-	0.0%
A	918 451 268.58	99.0%	1 281 748 359.33	100.0%	358 850 876.68	100.0%
Lower then A	9 133 501.76	1.0%		0.0%		0.0%
Total	**927 584 770.34**	**100.0%**	**1 281 748 359.33**	**100.0%**	**358 850 876.68**	**100.0%**

(*) Rating of the counterpart or parent company

T8. DISTRIBUTION OF CREDIT RISK FOR DERIVATIVE PRODUCTS BY RESIDUAL MATURITY AT 31 DECEMBER 2011				
	Total	Interest rate swaps	Foreign currency swaps	Other
<1 year	12.2%	-16.0%	8.1%	100.0%
1 to 5 years	14.1%	-33.1%	52.2%	0.0%
6 to 10 years	34.9%	63.0%	24.4%	0.0%
>=10 years	38.7%	86.2%	15.2%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

MAIN STRATEGIC POINTS

1. The public debt crisis in the eurozone intensified

During 2011, the interest differentials between eurozone country government bonds increased overall by comparison with 2010.

Graph 30 illustrates the change in 10-year rates for Greek, Irish and Portuguese government bonds. These countries had already shown the highest rates in 2010 and the situation did not change in 2012 despite the eurozone and IMF assistance programmes. It should be noted, however, that their interest rates underwent substantially different changes.

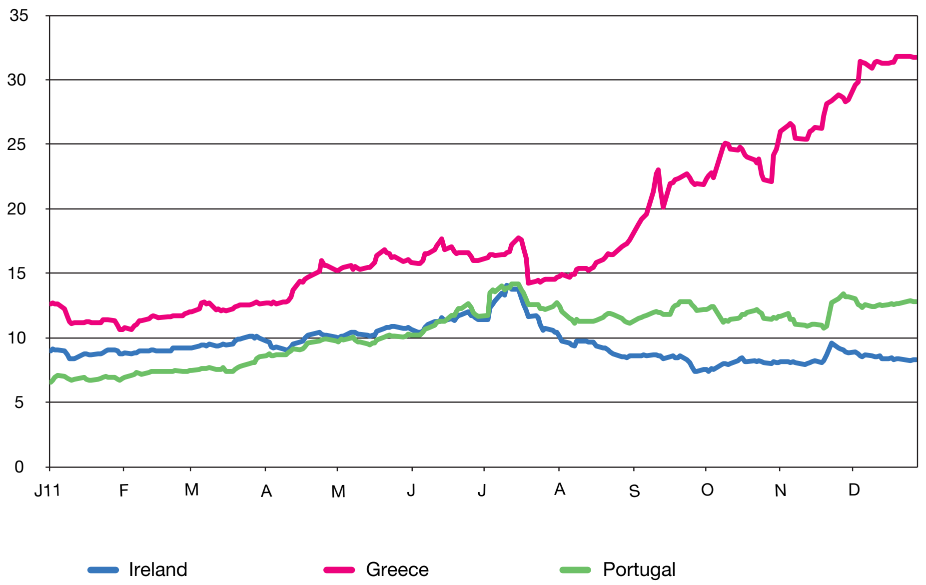
Greek 10-year government bonds rates increased practically throughout the year and reached unprecedented values of more than 30.0%. In addition, in 2011, the Greek rate curve was completely reversed; put another way, short-term rates were higher than long-term rates. Given the low volume of Greek government securities traded and the absence of this issuer from the primary market - Greece issued nothing onto the capital market for the entire year - these rates represented a trend rather than a precise market price, but this trend was clearly negative. It has also become increasingly evident that in 2012, as expected, Greece would not be able to refinance itself on the capital markets.

Portuguese rates also suffered increasing pressure. In April 2011, Portugal therefore also sought assistance from the European Commission and in May, the European Council gave its agreement to support the country, through, among others, the European Financial Stability Facility. The IMF also undertook to provide its support in the form of loans. This did not prevent Portuguese rates from continuing to increase and remain high throughout the year.

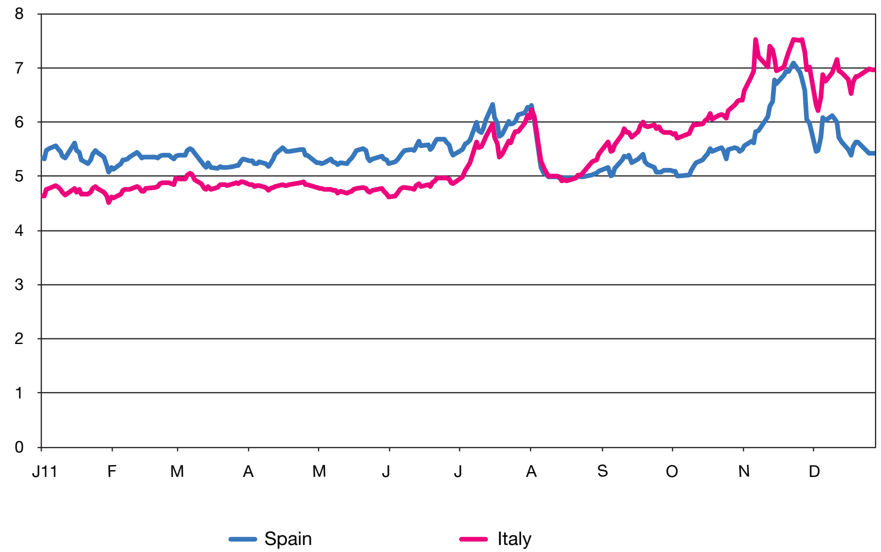
Irish rates underwent a different change. The country had already received the promised assistance in November 2010. It was, however, the improvement in the economic fundamentals that reduced the rates on a sustainable basis from the second half of 2011. Therefore, although the rates initially followed the change which occurred for all the peripheral countries after the launching of the Italian and Spanish bond purchase programme by the ECB (see below), while the rates for the other peripheral countries increased again from September 2011, the Irish rates remained a little below 10.0%. Ireland could not, however, finance itself on the capital markets in 2011.

It must also be pointed out that, through its “Secondary Market Purchase Programme”, the ECB, on several occasions, supported these countries’ bond prices. This has, therefore been added to the EFSM, EFSF and IMF loans (or directly from eurozone countries in the case of Greece).

G30. 10-YEAR RATES FOR GREEK, PORTUGUESE AND IRISH GOVERNMENT BONDS IN 2011 (IN %)



G31. 10-YEAR RATES FOR ITALIAN AND SPANISH GOVERNMENT BONDS IN 2011 (IN %)



Decisions by the Heads of Government and Heads of State of the eurozone countries

During 2011, the Heads of Government and Heads of State of the countries comprising the eurozone met on several occasions to discuss measures aimed at warding off the sovereign debt crisis. The countries outside the eurozone were also affected by certain measures. The following is a selection of the most important measures.

- The European Council of 24 and 25 March 2011 strengthened, in what is called the European Semester, the coordination and control of budget objectives and programmes in the countries of the European Union. The eurozone countries also agreed in the context of the Euro Plus Pact, on stronger coordination (some countries outside the eurozone also joined this pact) on the budgetary objective plan but also to stimulate competitiveness. It was also decided to create a permanent mechanism, the European Stability Mechanism (ESM) which would assume the role of the “European Financial Stability Facility” (EFSF).

- On 21st July 2011, the Heads of Government and Heads of State of the eurozone countries met to grant a second aid package to Greece. At the same time, the length of the bilateral loans to Greece was extended and the interest rates lowered. The EFSF and later the ESM should also be able to intervene in ways other than granting loans to Member States. The countries also undertook to achieve a maximum budget deficit of 3.0% by 2013 at the latest.

- On 26th October 2011, the eurozone countries decided to call Greece and the private investor that had invested in the Greek State debt to opt in a broader manner for private sector involvement (PSI) by which the nominal value of Greek debt would be reduced to 50%. The eurozone countries would contribute an amount of EUR 30 billion to this package. It was also decided to introduce new techniques - such as the provision of credit enhancement to new debt issued by Member States - to make the EFSF more efficient. In addition, the capital requirements for eurozone banks were increased.

- On 9th December 2011, the eurozone countries decided to implement new budget rules, including the obligation to achieve balanced budgets (i.e. a maximum structural public deficit of 0.5% of GDP). The set of rules was called the fiscal compact. The tasks of the European Commission in the monitoring of programmes will be further broadened. It was also decided to accelerate the entry into force of the ESM, if possible during 2012.

During the summer months, however, the crisis extended to Italy and, to a lesser extent, Spain. Given that they are substantial economies with - in the case of Italy - liquid markets in government bonds, the developing situation generated certain concerns. At the end of July, the European Council took a series of important decisions. When the ECB consequently began, at the beginning of August, to buy back Italian and Spanish government securities, the markets relaxed again. This did not last for long: for the most part of the fourth quarter, the markets remained agitated and interest rates, especially for Italy, reached problematic levels. The Eurotop decisions of 8 and 9 December, combined with the practically simultaneous announcement of the ECB Long Term Refinancing Operations finally resulted in an easing in the second half of December 2011.

Despite the sometimes historically high interest differentials with Germany, Belgian rates remained at fairly limited levels. At the end of November, it appeared that Belgium would be drawn into the crisis but the announcement, after the drop in ratings by Standard & Poors, of an agreement on the budget brought a rapid improvement. Meanwhile, it became clearly apparent that Belgian savers held government bonds in high regard if they offered an interesting yield. This, in its turn, played an important role in the relaxing of Belgian rates during the last weeks of December.

2. Increase in the share of Belgian institutional and private investors in the public debt

2011 was characterised by an increase in the share of Belgian investors in the Federal Government debt. This phenomenon was recorded for both institutional and private investors.

Increase in the share of institutional investors in the Federal Government debt

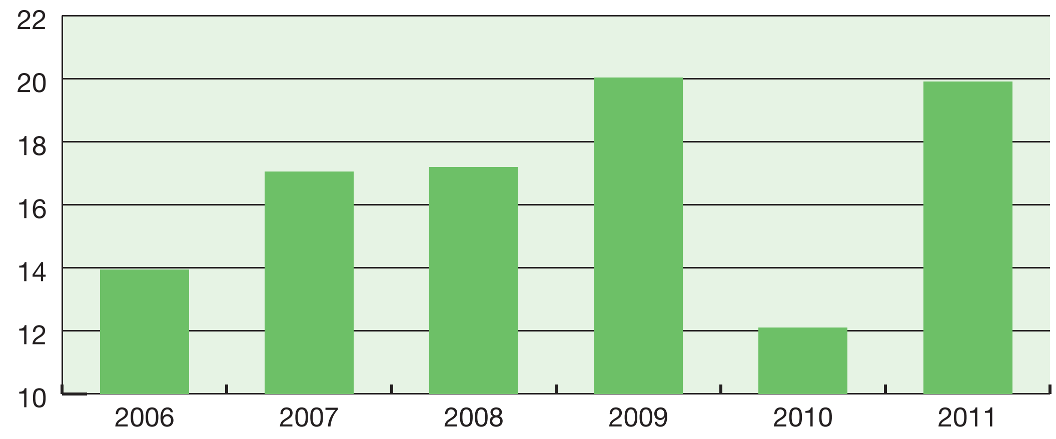
Linear bonds (OLOs)

With regard to the OLO primary market, Belgian investors' share of total demand increased from 12% to almost 19%. After a fall in 2010, demand returned to its 2009 level, which was substantially higher than for previous years. There was a visible reduction in demand from Asia (from 9.9% to 2.2%) and from other eurozone countries (from 42.9% to 35.5%). On the other hand, there was an increase in demand from the USA and Canada (from 1.5% to 3.4%) and from other European countries outside the eurozone (from 33.6% to 37.8%).

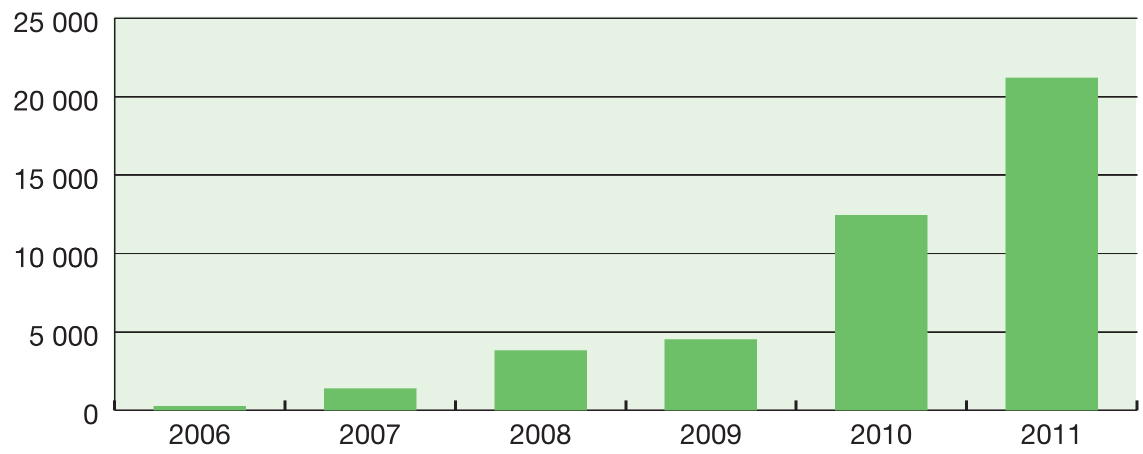
On the OLO secondary market[1], a substantial (net) increase was recorded in purchases made by Belgian investors. The trend recorded in previous years therefore continued. Belgian investors therefore continued to invest in OLO despite the political impasse, difficult markets and high spreads compared to Germany. A virtual doubling of purchases from other eurozone countries was also recorded, by comparison with 2010. In addition, substantial sales were made from Asia,

1 The conclusions are based solely on the figures obtained from the primary and recognized dealers. They constitute the main dealers for our debt, although there are others. The figures relate solely to the final investors' market. They nevertheless make it possible to identify certain trends.

G32. SHARE OF BELGIAN INSTITUTIONAL INVESTORS IN THE OLO PRIMARY MARKET (IN %)



G33. NET OLO PURCHASES BY BELGIAN INVESTORS (IN MILLIONS OF EUR)



which confirms the trend on the primary market. There were also (net) sales from other European countries outside the eurozone and from North America and South America.

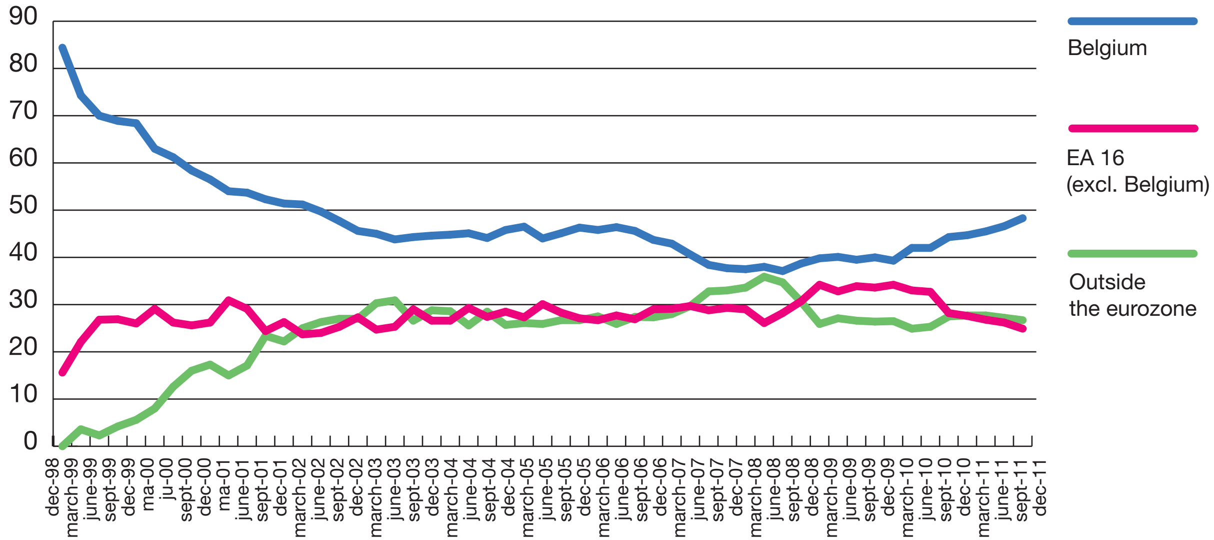
Holdings by Belgian investors of OLO increased from 44.3% at then end of 2010 to 48.3% at the end of 2011.

Treasury certificates

Issues on the Treasury certificates primary market only take place using the auction technique, where the primary and recognized dealers take paper on their own behalf or on behalf of investors. Therefore the Treasury does not, in this case, have figures to determine the geographical zone of the placement.

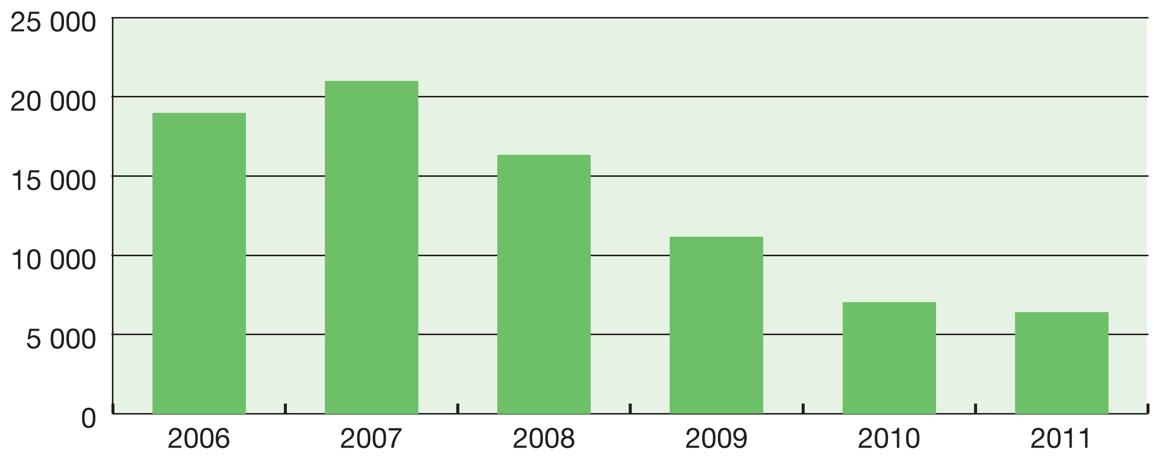
With regard to the Treasury certificates[2] secondary market, a slight reduction was noted in purchases made by Belgian investors. The trend from previous years therefore continued. There was also a reduction in demand from other eurozone countries and from Asia. Demand from other European countries outside the eurozone and from North America and South America increased.

G34. CHANGES IN OLO HOLDINGS (IN % OF TOTAL)

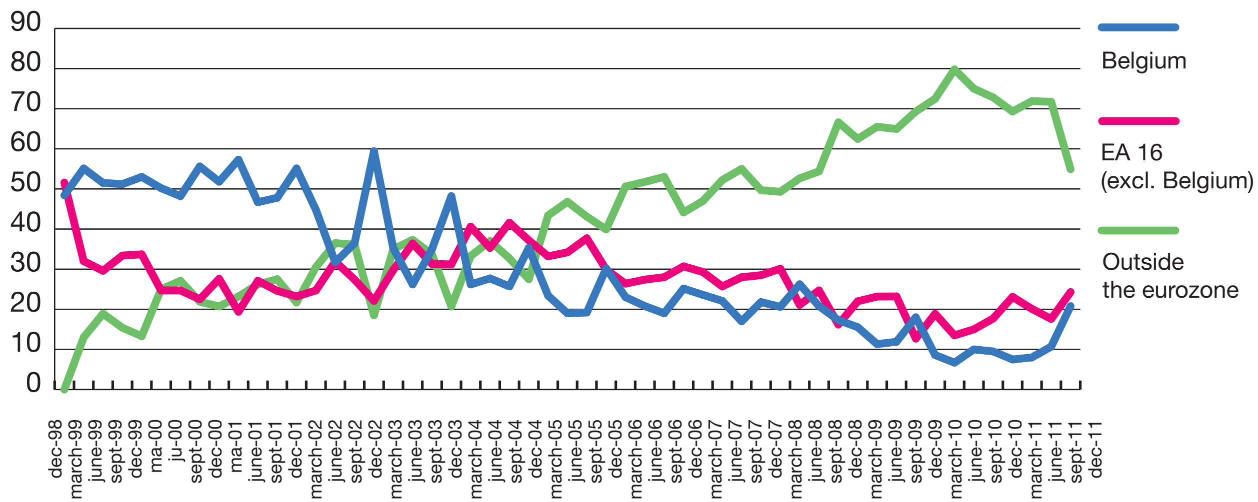


2 The conclusions are based solely on the figures obtained from the primary and recognized dealers. They constitute the main dealers for our debt, although there are others. The figures relate solely to the final investors' market. They nevertheless make it possible to identify certain trends.

G35. NET PURCHASES OF TREASURY CERTIFICATES BY BELGIAN INVESTORS (IN MILLIONS OF EUR)



G36. CHANGES IN TREASURY CERTIFICATE HOLDINGS (IN % OF TOTAL)



Holdings by Belgian investors of Treasury certificates increased to 20.8%.

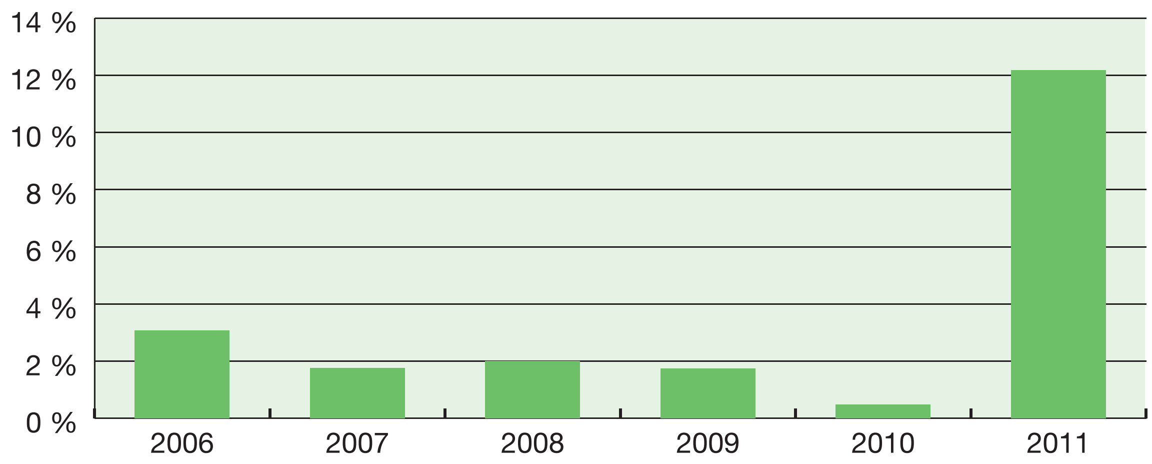
Increase in the share of private investors in the Federal Government debt

2011 was characterised by a substantial increase in the share of State notes in all financing resources. It should be recalled that State notes are a financing instrument focused essentially on private investors.

In 2011, this part amounted to 12.2%, compared to an average of 1.8% for the five previous years. This substantial increase came essentially from the resounding success of the last issue of the year where the Treasury collected EUR 5.7 billion.

The four State note issues in 2001 together brought in a little more than EUR 6 billion.

G37. SHARE OF PRIVATE INVESTORS IN TOTAL FINANCING RESOURCES



3. The rating agency decisions and the new regulation affecting them

The growing influence of rating agencies led the supervisory authorities to develop a regulation. European-wide developments have a central position here. Since 2009, following serious errors committed by certain rating agencies in assessing a series of products, a regulation has been applicable to credit rating agencies,[1] the objective of which is to make the ratings used in the European Union independent, objective and of good quality. This regulation lays down conditions regarding the issuing of rating and contains provisions in relation to the organisation and conduct of rating agencies to promote their independence and avoid conflicts of interest. In principle, they must fulfil registration conditions, measures to prevent confusion of interest and are subject to checks.

These measures, however, proved to be insufficient so that the regulation was amended[2] in 2011 and preparations for a new regulation[3] also began that same year, with additional adaptations being made to some Directives.

Particular attention is being paid this time, in the draft regulation, to the exaggerated importance given to the ratings in the regulation itself. The intention is to remove the reference to these ratings in the regulations and to ensure that the participants in the financial markets will no longer use the ratings alone for decision-making. In addition, greater transparency and a higher frequency is required, i.e, every six months, for State ratings. Diversity and greater independence of rating agencies is also on the agenda to act as counterbalance to the current oligopoly formed by Standard&Poor's, Moody's and Fitch. Finally, the intention is also to make rating agencies more responsible and, in specific cases, to commit their liability.

Other elements are also under consideration, i.e. the principle of rotation by which it will not always be the same agencies that rate a determined issuing institution or product and the creation of a database (EURIX) for inter-rating comparisons.

1 Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (Text with EEA relevance).

2 Regulation (EC) No 513/2011 of the European Parliament and of the Council of 11 May 2011 amending Regulation (EC) No 1060/2009 on credit rating agencies (Text with EEA relevance). It relates, among others, to modifications to supervision subsequent on the creation of the ESMA.

3 Commission Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) N° 1060/ 2009 on credit rating agencies, en de Commission Proposal for a Directive of the European Parliament and of the Council amending Directive 2009/ 65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings of collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Fund Managers in respect of the excessive reliance on credit ratings.

4. The financing of the acquisition of Dexia Banque Belgique

On 9 October 2011, after a weekend of difficult negotiations, the announcement was made that after the scission of Dexia holding, the Belgian Government would nationalise the Belgian part of Dexia by buying the corresponding shares for a price of EUR 4 billion.

This transaction was immediately financed by short-term market operations, in particular loans on the interbank market and issues of Belgian Treasury Bill in EUR or foreign currencies swapped in EUR. Although EUR 4 billion is a considerable sum, the payment did not cause any problem. Even after the OLO maturity on 28 September 2011, the Federal Government's cash position was positive. After the successful auction at the end of September, the Treasury had, in fact, already achieved almost 95% of its long-term financing for 2011. Apart from this frontloading, the Treasury had also decided to maintain a policy of positive cash positions after the difficult and volatile summer months.

The immediate, short-term financing of EUR 4 billion should, however, be converted as quickly as possible into long-term financing. The good progress in the financing plan also enabled this conversion to be made in 2011.

The financing plan was adapted on 13 October and the Treasury decided to increase the OLO issue programme by EUR 3 billion, to bring it up to EUR 39 billion. These amounts were collected during the October and November auctions. The balance of EUR 1 billion will, therefore, come from Treasury certificate auctions and will be consolidated in 2012 by longer-term financing.

Despite the crisis that affected the markets in October and, above all, at the end of November, the Treasury succeeded in largely achieving its envisaged financing plan of EUR 41 billion (OLO and EMTN combined). The long-term financing achieved (OLO and EMTN) amounted to virtually EUR 42 billion and therefore fully covered the purchase of Dexia Banque Belgique. The very successful State note issue in December for an amount of EUR 5.7 billion was therefore fully used for the prefinancing of 2012.

5. The granting of a State guarantee to certain financial institutions

In order to preserve the stability of the Belgian financial system, the Government decided in 2008 to set up a system of State guarantees for undertakings contracted by any credit institution or financial holding company satisfying the criteria and requirements stipulated by royal decree. This system remained in application in the following years.

The Treasury was made responsible for administrative management of this system. This is done, in particular, by the debt support service (SSD - Guaranteed Debt) in close cooperation with the Debt Agency and the MSF (Marchés et Services Financiers/Financial Markets and Services) Service. The table below gives an overview by institution of the guaranteed amounts in circulation in EUR on 31 december 2010 and 31 december 2011.

In 2011, the Belgian Government received a total of EUR 630.03 million (Ways and Means Budget – Art. 16.11.04) as remuneration for the guarantees granted referred to above (compared to EUR 689.85 million in 2010).

Dexia

Dexia has not made any issues in relation to this part of the guarantee since June 2010. The guaranteed amount in circulation has, therefore, been reducing consistently since then. The amount outstanding shown in the table represents the part assumed by the Belgian Government, which is 60.50% of the total amount outstanding. Dexia pays the Government a guarantee premium every month. For transactions over less than a year, the premium amounts to 0.50% while that for transactions lasting more than a year amounts to 0.865%.

T9 GUARANTEED AMOUNTS IN CIRCULATION PER INSTITUTION (IN EUR)

	Outstanding amount 31/12/2010	Outstanding amount 31/12/2011
Dexia	26 888 234 556.24	14 717 241 718.38
Dexia FSA	5 215 569 954.97	0.00
Dexia SA		13 068 000 000.00
FORTIS OUT	4 649 106 735.25	4 422 234 852.11
FORTIS IN	1 500 000 000.00	1 500 000 000.00
FORTIS CASHES	2 350 000 000.00	2 350 000 000.00
KBC	15 132 681 000.00	10 902 195 000.00
TOTAL	**55 735 592 246.44**	**46 959 671 570.30**

Dexia FSA

The portfolio which is the subject of this guarantee was sold during 2011.

Dexia S.A.

This is an additional guarantee for Dexia S.A. The guaranteed entities are Dexia S.A. and Dexia Crédit Local.

The maximum amount of the guarantee is EUR 45 billion for a period of 6 years. The share for Belgium is 60.5%, France 36.5% and Luxembourg 3%. In absolute figures, this means that the Belgian authorities are guaranteeing a maximum of EUR 27,225,000,000.

The guarantee premium amounts to:

- for short-term operations: a fixed part of 50 basis points + a spread (which can vary from 20 to 40 basis points), depending on the rating of the guaranteed entity;
- for long-term operations: a fixed part of 50 basis points + a fixed spread of 36.5 basis points with a spread in addition (ranging from 20 to 40 basis points), depending on the rating of the guaranteed entity.

No premium was received in 2011.

FORTIS OUT

This relates to the senior receivables held by Fortis Banque S.A. assumed by Royal Park Investments NV.

The guaranteed amount in circulation reduced by EUR 226.9 million compared to 2010.

Remuneration of the guarantee is 0.70% of the guaranteed amount.

FORTIS IN

This relates to the losses suffered by Fortis Banque S.A., above an initial loss tranche of EUR 3.5 billion on the portfolio of structured products, which was not transferred to Royal Park Investments.

The guaranteed amount in circulation is equal to the maximum amount that can be covered by the guarantee, which is EUR 1.5 billion.

Remuneration of the guarantee is 0.70% of the guaranteed amount.

FORTIS CASHES

This relates to receivables held by Fortis Banque S.A. assumed by Fortis S.A. on the basis of the Relative Performance Note concluded between Fortis Banque S.A. and Fortis S.A. related to the CASHES (Convertible And Subordinated Hybrid Equity-linked Securities) issued by Fortis Banque S.A. in December 2007.

The guaranteed amount in circulation is equal to the maximum amount that can be covered by the guarantee, which is EUR 2.35 billion. Remuneration of the guarantee is 0.70% of the guaranteed amount.

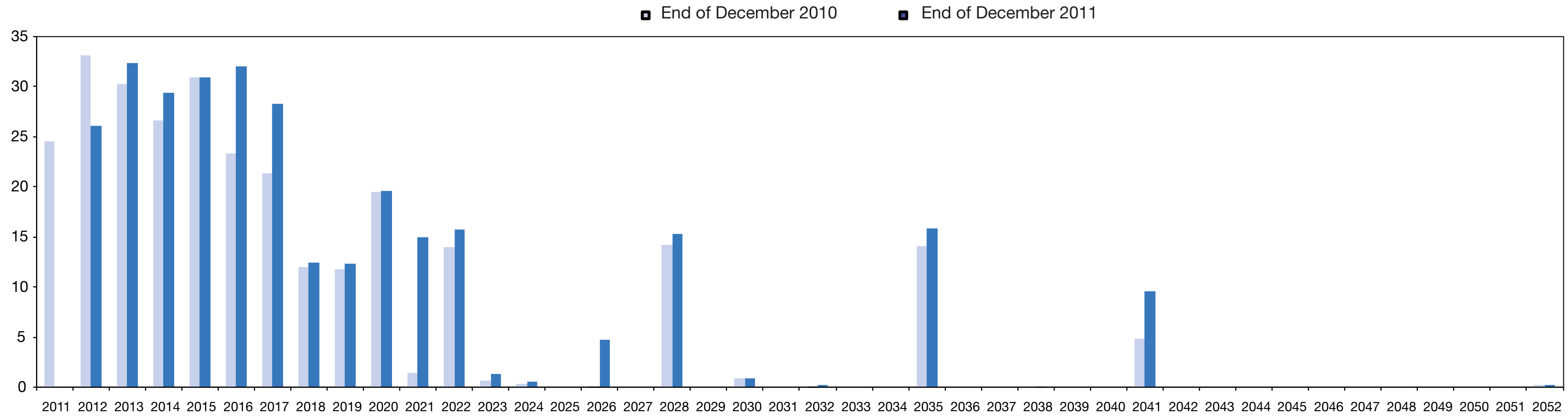
KBC

This relates to the losses incurred by KBC Groep NV, KBC Bank NV and their subsidiaries on a portfolio of financial instruments made up of loan derivative products and collateralized debt obligations (CDOs).

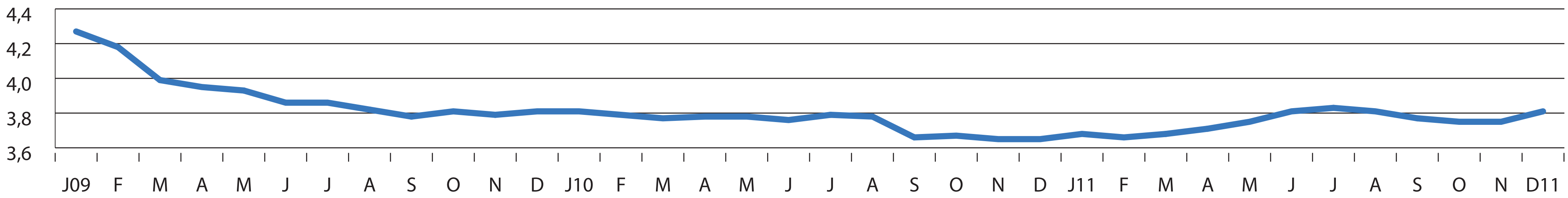
The guaranteed amount in circulation reduced by EUR 4.23 billion compared to 2010.

APPENDICES

G1. MATURITY SCHEDULE OF THE FEDERAL GOVERNMENT LONG-TERM DEBT IN EUR (BILLIONS)



G2. WEIGHTED AVERAGE ACTUARIAL RATE OF THE DEBT IN EUR (IN %)



T1. AMOUNTS IN CIRCULATION BY OLO LINE (IN EUR) AT THE END OF DECEMBER 2011						
	Maturity	Coupon %	Code BE0000	OLO no.	Outstanding amount	% strips
1	28/03/2012	2	317 264	57	7 443 000 000.00	0.00%
2	28/09/2012	5	298 076	38	12 757 900 000.00	1.04%
3	24/12/2012	8	262 684	12	8 546 896 081.16	
4	28/03/2013	4	310 194	50	12 718 000 000.00	0.00%
5	28/09/2013	4.25	301 102	41	15 547 200 000.00	1.42%
6	28/03/2014	4	314 238	54	12 895 000 000.00	0.00%
7	28/09/2014	4.25	303 124	43	12 828 915 000.00	0.69%
8	28/03/2015	8	282 880	23	6 220 187 157.66	18.07%
9	28/03/2015	3.5	316 258	56	9 785 000 000.00	0.00%
10	28/09/2015	3.75	306 150	46	11 294 000 000.00	2.64%
11	15/02/2016	FRN	322 314	62	3 000 000 000.00	
12	28/03/2016	2.75	319 286	59	9 594 000 000.00	0.00%
13	28/09/2016	3.25	307 166	47	12 984 000 000.00	0.58%
14	28/03/2017	4	309 188	49	11 176 000 000.00	0.00%
15	28/06/2017	3.5	323 320	63	6 709 000 000.00	0.00%
16	28/09/2017	5.5	300 096	40	8 437 637 800.00	2.39%
17	28/03/2018	4	312 216	52	10 471 000 000.00	0.00%
18	28/03/2019	4	315 243	55	10 212 000 000.00	0.00%
19	28/09/2020	3.75	318 270	58	17 634 000 000.00	0.04%
20	28/09/2021	4.25	321 308	61	13 096 000 000.00	0.23%
21	28/03/2022	4	308 172	48	13 909 000 000.00	0.00%
22	28/03/2026	4.5	324 336	64	4 472 000 000.00	0.00%
23	28/03/2028	5.5	291 972	31	15 253 939 136.01	17.87%
24	28/03/2035	5	304 130	44	15 785 692 800.00	14.07%
25	28/03/2041	4.25	320 292	60	9 580 000 000.00	13.83%
	TOTAL				**272 350 367 974.83**	
	Outstanding amount of strippable lines				**260 803 471 893.67**	

T2. RESULTS OF OLO AUCTIONS AND SYNDICATIONS IN 2011 (IN MILLIONS OF EUR)													
Issue date	Final maturity	ISIN BEOOO	Outstanding before auction	Amount offered	Amount accepted (comp)	Exerc. non comp	Total accepted	Bid to cover	Weighted average price	Weighted average rate	Min/max bid	Stop price	Successful bidders
25/01/11	28/09/21	321308			3 000.0		3 000.0		98 971	4 375			
		SYNDICATION		0.0	3 000.0		3 000.0						
15/02/11	15/02/16	322314			3 000.0		3 000.0		99 660				
		SYNDICATION		0.0	3 000.0		3 000.0						
28/02/11	28/03/14	314238	10 973.0	2 085.0	505.0	97.0	602.0	*4.13*	103 397	2 827	103.10/103.46	103.37	10
	28/09/21	321308	3 000.0	2 285.0	1 575.0	21.0	1 596.0	*1.45*	100 056	4 245	99.59/100.20	99.93	15
	28/03/28	291972	14 131.9	1 723.0	1 122.0	0.0	1 122.0	*1.54*	111 590	4 511	110.99/111.78	111.52	16
		AUCTION		6 093.0	3 202.0	118.0	3 320.0	*1.90*					
28/03/11	28/06/17	323320			5 000.0		5 000.0		98 810	3 718			
		SYNDICATION		0.0	5 000.0		5 000.0						
18/04/11	28/09/13	301102	13 727.2	1 780.0	765.0	156.0	921.0	*2.33*	103 748	2 637	103.15/103.80	103.72	12
	28/09/21	321308	4 596.0	1 915.0	1 245.0	429.0	1 674.0	*1.54*	99 123	4 357	98.72/99.22	99.05	12
	28/03/41	320292	4 823.0	1 405.0	940.0	301.0	1 241.0	*1.49*	91 130	4 815	90.44/91.22	91.02	15
		AUCTION		5 100.0	2 950.0	886.0	3 836.0	*1.73*					
23/05/11	28/09/13	301102	14 648.2	1 935.0	681.0	218.0	899.0	*2.84*	104 044	2 447	103.80/104.13	104.01	11
	28/06/17	323320	5 000.0	1 120.0	650.0	101.0	751.0	*1.72*	98 646	3 753	97.90/98.79	98.50	12
	28/09/21	321308	6 270.0	2 000.0	1 200.0	280.0	1 480.0	*1.67*	100 397	4 202	99.61/100.52	100.31	13
	28/03/22	308172	12 827.0	1 310.0	855.0	227.0	1 082.0	*1.53*	98 294	4 198	97.70/98.38	98.21	14
		AUCTION		6 365.0	3 386.0	826.0	4 212.0	*1.88*					
14/06/11	28/03/26	324336			3 500.0		3 500.0		99 751	4 525			
		SYNDICATION		0.0	3 500.0		3 500.0						
25/07/11	28/06/17	323320	5 751.0	1 120.0	403.0	25.0	428.0	*2.78*	98 334	3 819	97.80/98.44	98.25	10
	28/09/21	321308	7 750.0	2 058.0	1 062.0	127.0	1 189.0	*1.94*	99 801	4 274	99.06/99.91	99.73	12
	28/03/41	320292	6 064.0	1 675.0	1 040.0	303.0	1 343.0	*1.61*	90 994	4 826	90.06/91.17	90.91	11

		AUCTION		4 853.0	2 505.0	455.0	2 960.0	1.94					
22/08/11	28/03/14	314238	11 575.0	2 060.0	655.0	0.0	655.0	3.15	104 070	2 357	103.70/104.08	104.06	4
	28/09/21	321308	8 939.0	2 110.0	835.0	0.0	835.0	2.53	103 005	3 884	102.23/103.05	102.97	10
	28/03/35	304130	14 017.7	2 095.0	1 014.0	0.0	1 014.0	2.07	108 741	4 396	107.90/108.90	108.71	13
		AUCTION		6 265.0	2 504.0	0.0	2 504.0	2.50					
26/09/11	28/09/16	307166	12 175.0	1 501.0	736.0	73.0	809.0	2.04	101 028	3 025	100.55/101.10	100.97	9
	28/09/21	321308	9 774.0	1 620.0	900.0	310.0	1 210.0	1.80	104 094	3 751	103.55/104.28	104.01	13
	28/03/26	324336	3 500.0	1 770.0	900.0	72.0	972.0	1.97	105 007	4 037	103.95/105.21	104.70	17
	28/03/41	320292	7 407.0	1 576.0	963.0	76.0	1 039.0	1.64	99 482	4 280	98.61/99.87	99.34	15
		AUCTION		6 467.0	3 499.0	531.0	4 030.0	1.85					
31/10/11	28/03/14	314238	12 230.0	1 135.0	665.0	0.0	665.0	1.71	102 878	2 739	102.45/103.03	102.73	12
	28/06/17	323320	6 179.0	1 120.0	530.0	0.0	530.0	2.11	98 007	3 897	97.45/98.15	97.85	11
	28/09/21	321308	10 984.0	1 585.0	960.0	0.0	960.0	1.65	99 031	4 372	98.51/99.15	98.95	12
		AUCTION		3 840.0	2 155.0	0.0	2 155.0	1.78					
28/11/11	28/03/18	312216	10 103.0	972.0	165.0	203.0	368.0	5.89	92 335	5 462	91.00/92.70	92.21	6
	28/09/21	321308	11 944.0	1 166.0	450.0	702.0	1 152.0	2.59	89 582	5 659	87.50/89.80	89.48	8
	28/03/35	304130	15 031.7	835.0	530.0	224.0	754.0	1.58	90 181	5 774	88.00/90.61	90.00	11
	28/03/41	320292	8 446.0	1 235.0	860.0	274.0	1 134.0	1.44	78 553	5 784	77.00/78.86	78.31	13
		AUCTION		4 208.0	2 005.0	1 403.0	3 408.0	2.10					

T3. MONTHLY BREAKDOWN OF SHORT-TERM DEBT IN EUR (IN MILLIONS)											
Month	Postal account (1)	Interbank + misc. (2)	Treasury certificates (3)						Treasury bonds in EUR	Cash management transactions (4)	Total floating debt (5)
			1 month	2 months	3 months	6 months	12 months	Total			
J2010	1 623.6	3 980.5			4 074.4	11 726.2	25 997.1	41 797.6	347.5	9 893.1	37 856.2
F	1 504.0	4 096.5			6 725.1	10 250.5	26 213.8	43 189.4	1 290.7	14 349.4	35 731.3
M	1 599.0	5 472.0			8 017.5	10 112.5	26 200.5	44 330.5	282.3	6 257.5	45 426.2
A	1 366.5	5 432.3			7 328.1	9 961.8	26 400.8	43 690.8	344.9	11 226.8	39 607.7
M	1 316.4	6 664.9			6 668.9	9 918.4	26 362.2	42 949.5	457.3	10 050.3	41 337.8
J	58.9	11 242.4			5 178.2	9 532.0	26 060.2	40 770.5	282.4	15 233.5	37 120.6
J	171.4	6 751.2			4 114.8	9 584.8	25 690.6	39 390.2	282.4	21 158.5	25 436.7
A	214.7	7 575.7			4 157.8	9 392.0	25 389.0	38 938.8	362.4	24 922.8	22 168.8
S	126.6	7 884.2			4 640.8	9 455.2	25 383.5	39 479.5	1 112.1	8 461.6	40 140.7
O	123.9	4 546.8			5 267.2	9 375.3	25 468.4	40 110.9	2 380.1	11 776.8	35 384.9
N	153.3	6 995.2			5 586.6	9 260.9	25 486.5	40 334.0	1 867.3	10 304.7	39 045.1
D	21.1	7 679.2			6 658.1	8 667.0	25 079.7	40 404.8	1 691.6	14 869.0	34 927.6
J2011	293.4	5 507.2			7 534.7	8 595.9	24 921.9	41 052.5	1 440.1	15 127.6	33 165.6
F	69.8	5 229.7			9 409.2	8 479.0	24 602.4	42 490.5	2 912.4	17 638.1	33 064.2
M	144.5	5 465.6			10 287.8	8 116.7	24 453.0	42 857.4	2 626.8	9 482.3	41 612.0
A	173.8	5 071.4			9 439.4	7 930.7	23 882.7	41 252.7	2 629.3	13 171.8	35 955.4
M	129.8	4 566.3			6 879.7	8 112.4	23 441.3	38 433.3	1 682.9	10 759.4	34 052.9
J	104.2	5 017.7			4 828.6	8 078.7	23 165.7	36 072.9	1 656.2	9 758.5	33 092.4
J	131.9	5 065.5			5 896.8	7 898.5	22 368.6	36 163.9	3 096.6	16 149.3	28 308.6
A	82.5	5 717.0			6 982.6	7 982.6	22 160.4	37 125.5	3 146.6	19 670.2	26 401.4
S	97.2	7 818.8			9 413.4	8 133.4	21 447.0	38 993.8	3 375.9	8 991.8	41 293.8
O	62.3	7 135.3			10 455.1	8 296.1	20 955.3	39 706.5	7 687.8	11 035.5	43 556.3
N	83.5	10 089.5			11 267.7	8 353.0	19 733.1	39 353.8	9 766.8	14 985.2	44 308.3
D	103.4	10 178.1			8 670.5	7 534.2	18 891.0	35 095.7	7 381.0	17 879.4	34 878.9

(1) Private depositors' holdings in postal accounts.

(2) Interbank borrowing and lending.

(3) Certificates issued by auction after the 29/01/1991 reform.

(4) Transactions performed to balance the daily cash flow, cash surplus from tax revenue or from Treasury certificate issues.

(5) Total floating debt with (4) deducted.

T4. RESULTS OF TREASURY CERTIFICATE AUCTIONS IN 2011 (IN MILLIONS OF EUR)															
Auction date	Amount at maturity	Maturity date	ISIN BE0312	Month	Outstanding before auction	Amount offered	Amount accepted (comp)	Excerc. non comp	Total accepted	Bid to Cover	Weighted average rate	Euribor spread	Min/max bid	Limit rate	Suc-cessful bidders
04/01/11		14/04/11	666358	3	4 139.0	3 640.0	1 008.0	66.0	1 074.0	3.61	0.661	-33.80	0.650/0.800	0.670	12
		16/06/11	668370	6	2 005.0	3 155.0	1 635.0	0.0	1 635.0	1.93	0.722	-50.20	0.710/0.850	0.730	15
18/01/11	5 579	14/04/11	666358	3	5 213.0	3 625.0	1 551.0	0.0	1 551.0	2.34	0.631	-38.10	0.620/0.700	0.640	13
		19/01/12	675441	12	0.0	3 205.0	1 605.0	377.0	1 982.0	2.00	1.443	-10.90	1.415/1.610	1.455	14
01/02/11		19/05/11	667364	3	3 744.0	3 765.0	2 002.0	272.0	2 274.0	1.88	0.940	-14.20	0.930/1.010	0.950	12
		14/07/11	669386	6	1 860.0	3 290.0	1 705.0	81.0	1 786.0	1.93	0.992	-33.90	0.960/1.045	1.000	13
15/02/11	6 439	19/05/11	667364	3	6 018.0	4 485.0	1 604.0	335.0	1 939.0	2.80	0.874	-21.60	0.850/0.950	0.880	12
		16/02/12	676456	12	0.0	3 160.0	1 680.0	223.0	1 903.0	1.88	1.542	-17.80	1.525/1.610	1.550	16
01/03/11		16/06/11	668370	3	3 640.0	4 130.0	1 560.0	0.0	1 560.0	2.65	0.916	-18.00	0.900/0.990	0.920	12
		18/08/11	670392	6	2 140.0	3 980.0	1 565.0	0.0	1 565.0	2.54	1.046	-33.60	1.035/1.100	1.050	12
15/03/11	6 663	16/06/11	668370	3	5 200.0	4 520.0	1 603.0	310.0	1 913.0	2.82	0.916	-25.10	0.910/1.075	0.920	9
		15/03/12	677462	12	0.0	3 300.0	1 804.0	209.0	2 013.0	1.83	1.526	-38.70	1.510/1.750	1.535	15
05/04/11		14/07/11	669386	3	3 646.0	3 887.0	1 002.0	72.0	1 074.0	3.88	1.006	-25.60	0.990/1.190	1.015	11
		15/09/11	671408	6	2 006.0	3 385.0	1 590.0	20.0	1 610.0	2.13	1.147	-42.10	1.115/1.250	1.150	16
12/04/11	6 764	14/07/11	669386	3	4 720.0	2 870.0	703.0	0.0	703.0	4.08	0.947	-37.30	0.935/0.990	0.950	9
		19/04/12	678478	12	0.0	4 350.0	1 615.0	173.0	1 788.0	2.69	1.668	-42.50	1.665/1.715	1.675	14
03/05/11		18/08/11	670392	3	3 705.0	2 635.0	780.0	0.0	780.0	3.38	1.199	-20.30	1.180/1.290	1.200	11
		20/10/11	672414	6	2 008.0	3 180.0	1 555.0	0.0	1 555.0	2.05	1.341	-34.70	1.325/1.470	1.345	16
17/05/11	7 957	18/08/11	670392	3	4 485.0	3 380.0	702.0	166.0	868.0	4.81	1.131	-8.30	1.120/1.210	1.135	6
		17/05/12	679484	12	0.0	3 940.0	1 712.0	238.0	1 950.0	2.30	1.672	-47.70	1.665/1.720	1.680	16
31/05/11		15/09/11	671408	3	3 616.0	2 995.0	710.0	0.0	710.0	4.22	1.162	-27.10	1.140/1.250	1.170	12
		17/11/11	673420	6	2 160.0	4 090.0	1 606.0	0.0	1 606.0	2.55	1.340	-37.20	1.330/1.430	1.345	14
14/06/11	7 113	15/09/11	671408	3	4 326.0	3 280.0	708.0	0.0	708.0	4.63	1.254	-22.30	1.250/1.330	1.260	10
		14/06/12	680490	12	0.0	3 525.0	1 615.0	130.0	1 745.0	2.18	1.625	-51.20	1.615/1.730	1.630	15

Auction date	Amount at maturity	Maturity date	ISIN BE0312	Month	Outstanding before auction	Amount offered	Amount accepted (comp)	Excerc. non comp	Total accepted	Bid to Cover	Weighted average rate	Euribor spread	Min/max bid	Limit rate	Suc-cessful bidders
05/07/11		20/10/11	672414	3	3 563.0	3 585.0	1 206.0	0.0	1 206.0	2.97	1.313	-25.50	1.295/1.350	1.320	13
		15/12/11	674436	6	1 910.0	4 165.0	1 608.0	0.0	1 608.0	2.59	1.403	-40.70	1.375/1.450	1.410	13
12/07/11	5 423	20/10/11	672414	3	4 769.0	1 975.0	1 645.0	0.0	1 645.0	1.20	1.305	-29.40	1.210/1.480	1.380	13
		19/07/12	681506	12	0.0	1 650.0	1 070.0	0.0	1 070.0	1.54	1.884	-29.40	1.820/2.050	1.950	9
02/08/11		17/11/11	673420	3	3 766.0	2 410.0	1 185.0	0.0	1 185.0	2.03	1.146	-45.90	1.115/1.250	1.160	12
		19/01/12	675441	6	1 982.0	3 266.0	1 566.0	85.0	1 651.0	2.09	1.241	-57.50	1.225/1.340	1.255	13
16/08/11	5 353	17/11/11	673420	3	4 951.0	4 425.0	1 300.0	251.0	1 551.0	3.40	0.879	-65.70	0.865/0.950	0.890	9
		16/08/12	682512	12	0.0	3 400.0	1 704.0	235.0	1 939.0	2.00	1.113	-96.70	1.090/1.170	1.120	15
30/08/11		15/12/11	674436	3	3 518.0	3 345.0	1 610.0	0.0	1 610.0	2.08	0.817	-72.30	0.795/0.910	0.825	14
		16/02/12	676456	6	1 903.0	3 365.0	1 760.0	0.0	1 760.0	1.91	0.904	-84.30	0.885/0.990	0.915	14
13/09/11	5 034	15/12/11	674436	3	5 128.0	3 665.0	1 980.0	264.0	2 244.0	1.85	1.067	-46.10	1.040/1.200	1.080	15
		20/09/12	683528	12	0.0	2 335.0	1 035.0	261.0	1 296.0	2.26	1.420	-63.20	1.370/1.900	1.450	9
04/10/11		19/01/12	675441	3	3 633.0	6 135.0	1 800.0	0.0	1 800.0	3.41	0.909	-64.80	0.900/1.100	0.920	8
		15/03/12	677462	6	2 013.0	4 385.0	1 715.0	0.0	1 715.0	2.56	0.923	-83.30	0.905/1.100	0.940	13
18/10/11	6 414	19/01/12	675441	3	5 433.0	4 056.0	1 936.0	157.0	2 093.0	2.10	1.128	-45.10	1.090/1.420	1.150	12
		18/10/12	684534	12	0.0	3 060.0	1 330.0	193.0	1 523.0	2.30	1.673	-44.40	1.640/2.040	1.690	8
08/11/11		16/02/12	676456	3	3 663.0	4 030.0	1 670.0	0.0	1 670.0	2.41	0.957	-51.70	0.930/1.100	0.970	12
		19/04/12	678478	6	1 788.0	3 081.0	1 661.0	0.0	1 661.0	1.85	1.086	-60.60	1.055/1.200	1.100	15
15/11/11	6 502	16/02/12	676456	3	5 333.0	2 655.0	1 830.0	53.0	1 883.0	1.45	1.575	11.80	1.390/2.500	1.880	16
		15/11/12	685549	12	0.0	1 470.0	895.0	50.0	945.0	1.64	3.396	137.40	3.000/4.500	3.600	12
29/11/11		15/03/12	677462	3	3 728.0	2 814.0	502.0	312.0	814.0	5.61	2.185	70.80	2.100/2.800	2.200	7
		17/05/12	679484	6	1 950.0	1 418.0	513.0	275.0	788.0	2.76	2.438	73.20	2.380/3.000	2.460	12
13/12/11	7 372	15/03/12	677462	3	4 542.0	2 578.0	300.0	139.0	439.0	8.59	0.780	-64.60	0.780/0.970	0.780	2
		13/12/12	686554	12	0.0	1 768.0	801.0	255.0	1 056.0	2.21	2.167	15.90	2.130/2.500	2.210	9

T5. "TREASURY BONDS – SILVER FUND" INVESTMENTS STATEMENT ON 31ST DECEMBER 2011					
Treasury bond – Silver Fund	Amount invested	Interest rate	Pro rata interest at 31/12/2011	Portfolio at 31/12/2011	Amount at final maturity
21/11/2003 - 16/04/2012	1 000 000 000.00	4.31747266	409 350 668.15	1 409 350 668.15	1 426 757 473.64
21/11/2003 - 15/04/2013	1 000 000 000.00	4.44964500	423 911 974.55	1 423 911 974.55	1 506 014 320.05
22/01/2004 - 15/10/2012	296 159 365.37	4.22902667	115 462 589.67	411 621 955.04	425 297 020.86
22/01/2004 - 15/04/2014	1 000 000 000.00	4.37400828	405 306 563.26	1 405 306 563.26	1 549 902 169.97
22/01/2004 - 15/04/2015	1 000 000 000.00	4.45786790	414 305 659.52	1 414 305 659.52	1 632 358 619.37
22/01/2004 - 15/04/2016	1 000 000 000.00	4.56395979	425 762 685.10	1 425 762 685.10	1 726 649 079.02
22/01/2004 - 18/04/2017	1 000 000 000.00	4.67063142	437 364 035.43	1 437 364 035.43	1 830 675 165.94
22/01/2004 - 16/04/2018	1 000 000 000.00	4.74408188	445 400 225.78	1 445 400 225.78	1 934 933 570.10
03/12/2004 - 15/04/2019	1 250 000 000.00	4.20204082	423 065 197.86	1 673 065 197.86	2 258 592 546.19
03/12/2004 - 15/04/2020	1 250 000 000.00	4.24643832	428 120 249.61	1 678 120 249.61	2 369 231 756.61
20/05/2005 - 15/04/2021	442 653 633.07	3.76448399	122 722 418.79	565 376 051.86	797 041 035.55
28/12/2006 - 15/10/2021	555 628 202.07	4.01888850	121 357 877.86	676 986 079.93	995 830 949.11
27/04/2007 - 15/04/2021	176 663 398.98	4.32873520	38 797 164.55	215 460 563.53	319 446 696.28
29/07/2010 - 15/04/2022	955 744 555.41	3.649	50 170 022.58	1 005 914 577.99	1 454 746 084.10
28/10/2010 - 17/04/2023	619 003 211.29	3.649	26 694 929.08	645 698 140.37	968 034 074.05
15/04/2011 - 17/10/2022	630 519 393.87	4.370	19 582 358.62	650 101 752.49	1 031 807 640.16
17/10/2011 - 16/10/2023	700 000 000.00	4.055	5 816 999.21	705 816 999.21	1 128 040 170.06
17/10/2011 - 15/04/2024	197 230 872.37	4.109	1 660 495.59	198 891 367.96	326 308 870.32
Total	**14 073 602 632.43**		**4 314 852 115.21**	**18 388 454 747.64**	**23 681 667 241.38**

Changes in the rating of the Federal Government debt

Moody's :

- 07/10/2011 : rating Aa1 placed on review for downgrade;
- 16/12/2011 : rating downgraded from Aa1 to Aa3, negative outlook;

S&P :

- 25/11/2011 : rating downgraded from AA+ to AA, negative outlook;
- 05/12/2011 : rating AA placed on creditwatch negative;
- 13/01/2012 : rating AA affirmed, outlook negative;

Fitch Ratings :

- 23/05/2011 : rating AA+ affirmed, outlook revised from stable to negative;
- 20/10/2011 : rating AA+, outlook negative, affirmed;
- 16/12/2011 : rating AA+ placed on creditwatch negative;
- 27/01/2012 : rating downgraded from AA+ to AA, outlook negative.

Organisation and evaluation of the Debt Agency

The Debt Agency took an active part in the achieving, within the General Treasury Department and, in general within F.P.S. Finance, the Royal Decrees of 17 August 2007 (MB of 18 October 2007) in relation to internal control, the internal audit and the audit committee.

The control model adopted by the Debt Agency was detailed down to the daily monitoring of the financial transactions ensured by the Debt Agency internal audit.

For the first time, the financial budget data of the 2011 debt are from the new double entry accounting system for the debt and have been integrated into the general accounting and into the budget accounting of the Federal authority kept by the Federal Accounting Department (Service Comptable Fédéral) of F.P.S. Budget and Management Control (SPF Budget et Contrôle de Gestion) as defined in the Fedcom environment. In the context of the drawing up of the national accounting, the Debt Agency also provides specific reports to the Belgian National Accounting Institute, drawn up in compliance with the standards in the European System of Integrated Economic Accounts (ESA 95) and the “Protocol on the excessive deficit procedure” (EDP).

List of Securities Dealers of the Treasury of the Kingdom of Belgium in 2012

Primary Dealers

- ABN AMRO
  Gustaf Mahlerlaan 10, PO Box 283,
  NL-1000 EA Amsterdam

- BANCO SANTANDER
  Ciudad Grupo Santander,
  Avda. de Cantabria, s/n,
  E-28660-Boadilla del Monte (Madrid)

- BARCLAYS BANK PLC
  5 The North Colonnade, Canary Wharf,
  GB-London E14 4BB

- BNP PARIBAS FORTIS BANK NV/SA
  Warandeberg 3
  B-1000-Brussel

- CITIGROUP GLOBAL MARKETS
  Citigroup Centre, Canada Square,
  Canary Wharf
  GB-London E14 5LB

- CREDIT AGRICOLE CIB
  Quai du Président Paul Doumer 9,
  F-92920-Paris La Defense Cédex

- DEUTSCHE BANK
  Taunus Anlage, 12,
  D-60262-Frankfurt Am Main

- GOLDMAN SACHS INTERNATIONAL
  Peterborough Court, 133 Fleet Street,
  GB-London EC4A 2BB

- HSBC FRANCE
  109, Avenue des Champs Elysees,
  F-75008-Paris Cédex 08

- ING BANK NV
  Amstelveenseweg 500,
  NL-1081 KL Amsterdam

- JP MORGAN SECURITIES LTD LONDON
  125 London Wall,
  GB-London-EC2Y 5AJ

- KBC BANK
  Havenlaan 12,
  B-1080-Brussel

- MORGAN STANLEY
  20 Bank Street - Canary Wharf,
  GB-LONDON-E14 4AD

- NOMURA INTERNATIONAL PLC
  1 Angel Lane,
  GB-London EC4R 3AB

- ROYAL BANK OF CANADA CAPITAL MARKETS
  1 Queenhithe, Thames Court,
  GB-London EC4V 4DE

- THE ROYAL BANK OF SCOTLAND
  135 Bishopsgate,
  GB-London EC2M 3UR

- SOCIETE GENERALE
  Cours Valmy 17, Tour Societe Generale,
  F-92987-Paris La Defense Cédex

- UBS LIMITED
  1, Finsbury Avenue,
  GB-London EC2M 2PP

Recognized dealers

- BANCO BILBAO VIZCAYA ARGENTARIA
  Plaza de San Nicolas 4
  E-48005 Bilbao

- COMMERZBANK AG
  Mainzer Landstrasse 153
  D-60261 Frankfurt Am Main

- JEFFERIES INTERNATIONAL LTD
  Vintners Place, 68 Upper Thames Street,
  GB-London-EC4V 3BJ

- NORDEA BANK DANMARK
  3, Strandgade,
  DK-0900 Copenhagen

- SCOTIABANK EUROPE PLC
  201 Bishopsgate, 6th Floor,
  GB-London EC2M 3NS

BTB Dealers

- BARCLAYS BANK PLC
  5 The North Colonnade, Canary Wharf,
  GB-London E14 4BB

- CITIBANK INTERNATIONAL PLC
  Citigroup Centre, Canada Square, Canary Wharf,
  GB-London E14 5LB

- DEUTSCHE BANK AG (London branch)
  Winchester House,
  1 Great Winchester Street,
  GB-London EC2N 2DB

- DEXIA CAPITAL MARKETS
  Pachecolaan 44,
  B-1000-Brussel

- GOLDMAN SACHS INTERNATIONAL (arranger)
  Peterborough Court, 133 Fleet Street,
  GB-London EC4A 2BB

- KBC BANK
  Havenlaan 12,
  B-1080-Brussel

- UBS LIMITED
  1 Finsbury Avenue,
  GB-London EC2M 2PP

Institutions placing State notes

- ABN AMRO Private Banking
  Roderveldlaan, 5 bus 4
  2600 Berchem

- BANK VAN DE POST
  Anspachlaan, 1
  1000 Brussel

- BANK DEGROOF
  Nijverheidstraat, 44
  1040 Brussel

- BKCP
  Waterloolaan, 16
  1000 Brussel

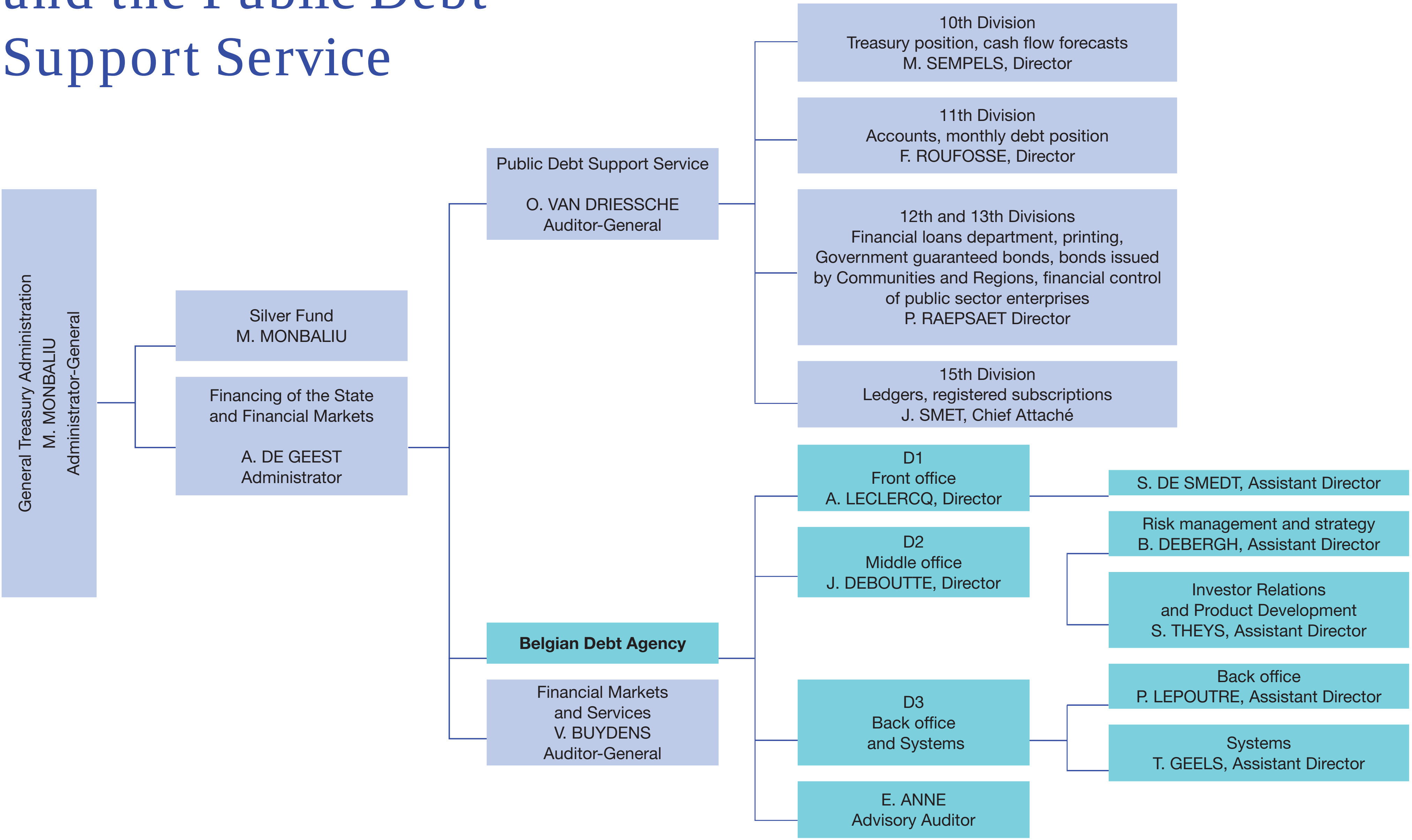
- BNP-PARIBAS FORTIS
  Warandeberg, 3
  1000 Brussel

- LANDBOUWKREDIET
  Sylvain Dupuislaan, 251
  1070 Brussel

- DELTA LLOYD
  Sterrenkundelaan, 23
  1210 Brussel

- DEUTSCHE BANK
  Marnixlaan, 13-15
  1000 Brussel
- DEXIA BANK
  Pachecolaan, 44
  1000 Brussel
- DIERICKX, LEYS & CIE
  Kasteelpleinstraat, 44
  2000 Antwerpen
- GOLDWASSER EXCHANGE SPRL
  Adolphe Demeurlaan, 35
  1060 Brussel
- ING BELGIUM
  Marnixlaan, 24
  1000 Brussel
- KBC BANK
  Havenlaan, 2
  1080 Brussel
- LELEUX ASSOCIATED BROKERS
  Wildewoudstraat, 17
  1000 Brussel
- PETERCAM
  Sint-Goedeleplein, 19
  1000 Brussel
- VAN DE PUT & C°
  Van Putlei ,74-76
  2018 Antwerpen
- VDK BANK
  Sint-Michielsplein, 16
  9000 Gent

Organisation chart of the Debt Agency and the Public Debt Support Service



Colofon

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