



KINGDOM OF BELGIUM – Belgian Debt Agency

The Belgian “State Note” (retail bond)

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The State Note is a simple and transparent financial product for households

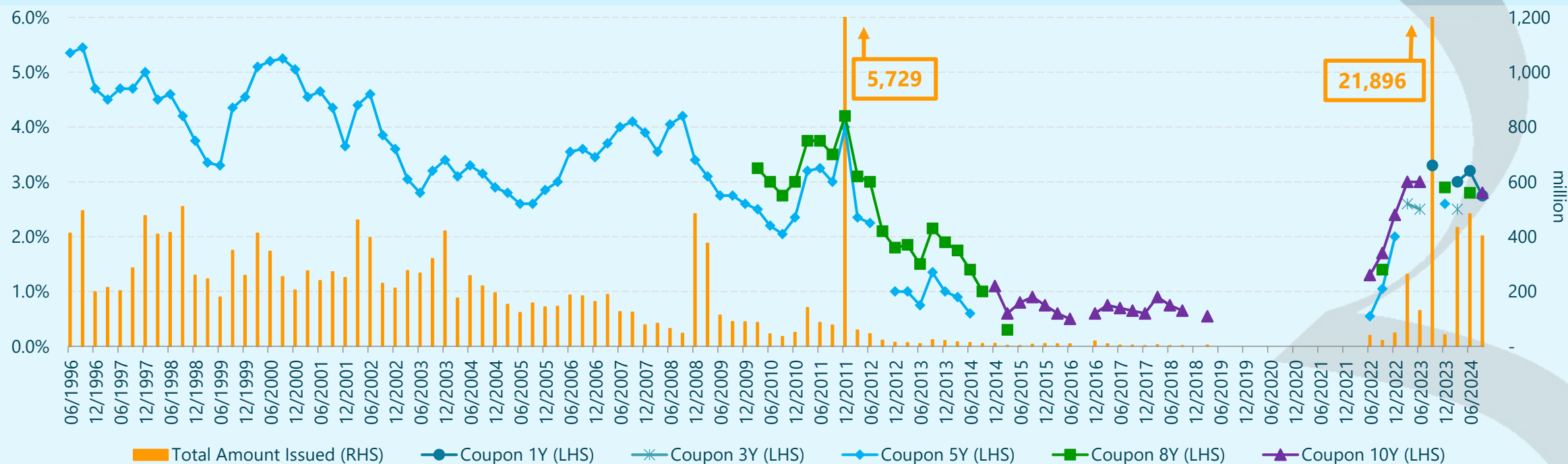
Product info of the State Note

- A federal government bond that is exclusively available on the primary market to households, non-profit organizations and foundations
- Issued at par and for a whole number of years (3, 5, 8 & 10y; since 2023 also 1y)
- Fixed-rate annual coupon
- Minimum subscription amount of 100 euro, increments of 100 euro
- In principle 4 issuances per year, each having a 7-day subscription period
- 2 distribution channels:
 - directly via the website of the Belgian Debt Agency (no costs)
 - through one of the 14 financial institutions that distribute it
- Quoted on the stock exchange: Euronext Brussels



In September 2023, the 1-year State Note resulted in an amount of EUR 21.9 billion

Issuance results of the State Notes (1, 3, 5, 8 and 10 years) & the coupons (1996-2024)



- Once again, the Belgian private investor demonstrated that he/she was willing to finance the State when the offer is reasonable.
- After more than 3 years of interruption due to too low rates, State notes were reintroduced in June 2022:
 - The 3 campaigns of 2022 recorded a total amount of EUR 108.7 millions.
 - The 4 campaigns of 2023 recorded a total amount of EUR 22.3 billion, of which that of **September (1-year State Note) alone brought in 21.9 billion (!)**
 - The first three campaigns of 2024 recorded respective results of 433, 482 and 403 millions.

From time to time, it is extremely popular

The 1-yr State Note issuance of 4 September 2023

- First time issuance of a 1-year State Note
- Idea from the Minister of Finance, Vincent Van Peteghem, to give retail investors a correct market rate on savings (vs Belgian retail banks) → withholding tax on coupon of 1y Note reduced from 30% to 15%
 - Coupon 3.30%, 2.81% net return
- Massive interest: **21.90 billion euro** issued (previous record: 5.7 billion euro in December 2011)
 - Direct subscriptions through BDA's website: **7.1** billion euro or 238,565 subscriptions (one every 3 seconds), an average subscription of 29,618 euro
 - Through financial institutions: **14.8** billion euro or 304,106 subscription, average of 47,221 euro
- In total 542,671 subscriptions
- No money spent on a marketing campaign



The 1-yr State Note issuance of 4 September 2023

- Limitation of issuance of T-bills (Treasury Certificates), down by 10.2 billion euro
- Decrease of long-term funding by 2.25 billion euro
- Lower 1-yr funding cost via State Note than the 3.64% cost observed for 1-yr financing on 4 September 2023:
$$3.30\% + 0.20\% \text{ (fees)} - 0.50\% \text{ (withholding tax)} + 0.14\% \text{ (estimated loss on taxes elsewhere)}$$
$$= \mathbf{3.14\%} \ll 3.64\%$$
- In addition, 10-yr spreads towards France and Germany decreased by 3 to 4 bp
- Investment of the structural cash surplus at higher yields than State Note funding cost of 3.64%
- Strong message to the market (and rating agencies) of the potential of this product

The 1-yr State Note issuance of 4 September 2023

- Large fluctuations in subscriptions: difficult to predict & unforeseen changes in funding plan
 - Impact on liquidity of other products
- Operational challenges:
 - During the subscription period: calls, emails, ...
 - During the whole lifespan of the notes: transfers, inheritance, ...
 - Legal
- Increased attention on debt management by press, politicians, parliament, public, ...