

An aerial night photograph of a city, likely Namur, Belgium, showing a river (the Sambre) flowing through it. A large stone bridge with multiple arches spans the river. The city lights are illuminated, and the sky is a deep blue twilight. The background shows rolling hills.

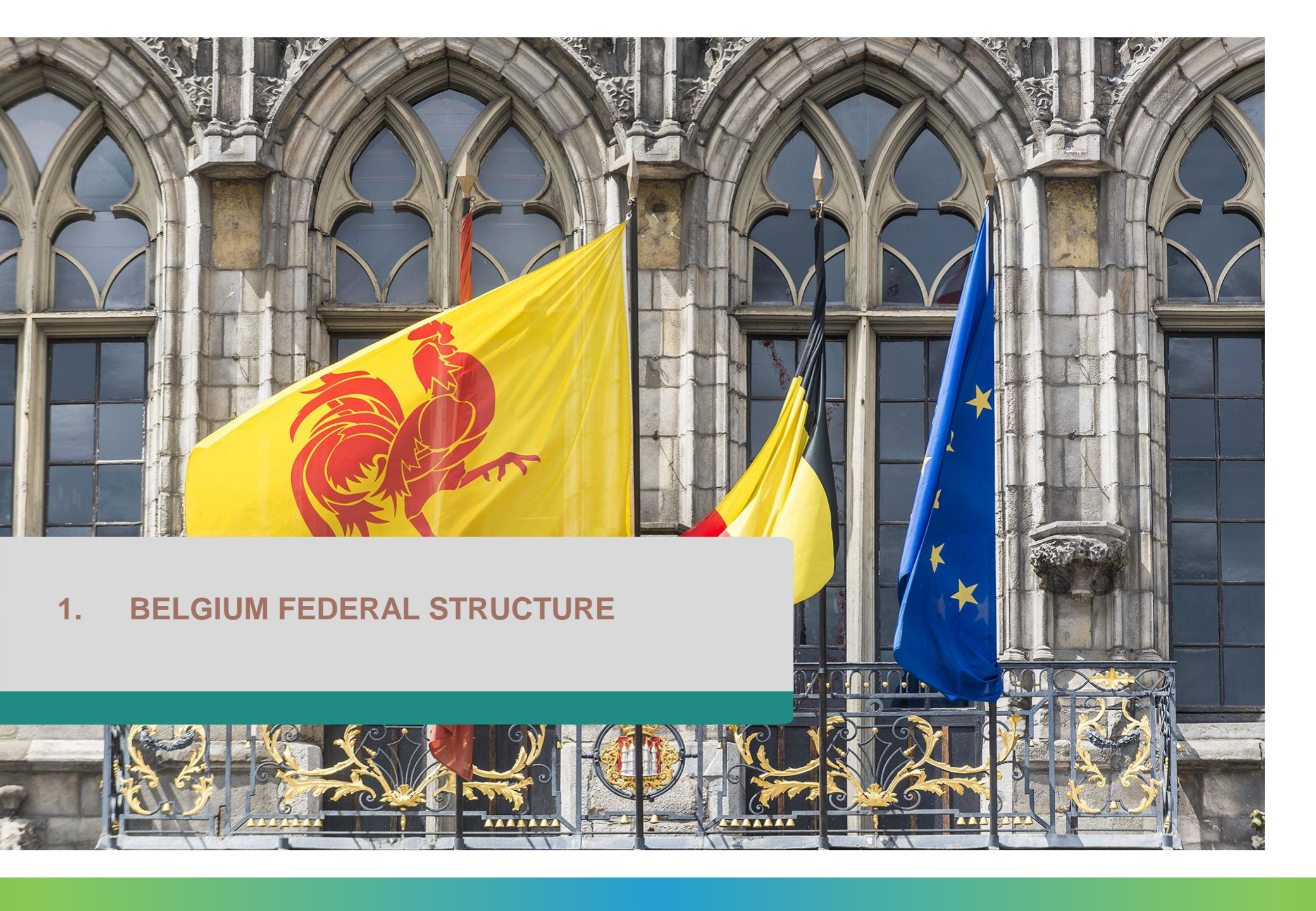
INVESTOR PRESENTATION

MARCH 2021



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1. BELGIUM FEDERAL STRUCTURE

Wallonia in Belgium – Key political acts

3 REGIONS

COMPETENCES :

Territory, Economy, Social
Services & Local Authorities

3 COMMUNITIES

COMPETENCES :

Education, Culture & Sport



The Flemish Region

The Flemish Community



The Brussels-Capital Region

The German-speaking
Community



The Walloon Region

The Walloon and Brussels
Federation



Wallonia in Belgium – Key political acts

1

The Sixth State Reform (2014)

The Sixth State Reform enhances the fiscal autonomy of the federated entities and transfers the majority of powers from the federal level to the regional / community levels.

- ❑ **Increased fiscal autonomy**: regional personal income tax (IPP regional) and fiscal expenses (ex: mortgage credits).
- ❑ **List of new transferred powers**: family benefits, healthcare, labour market, road safety, tenancy regulation, driving education, technical inspection, houses of justice ...

2

Special Finance Act (1989, 1993, 2014)

- ❑ Article 49 of the **Special Finance Act** organizes and supervises the delegation of debt management in the federated entities. For example, the role of the CSF (Conseil Supérieur des Finances) is to evaluate the financial plans of the federated entities, to formulate recommendations and in some cases to decide to cap the entity's lending capacity.
- ❑ Article 54 §2 of the *Special Finance Act* specifies that in case of an insufficient payment or in the event of delay of payment by the federal state, **the Communities and the Regions can contract a loan guaranteed by the Federal State** and interest costs are taken on by the Federal State.



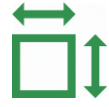
2. WALLONIA KEY FIGURES



Wallonia in a nutshell



3,633,795
Inhabitants
(33%)



16,901 km²
(55.1% of Belgian
territory)



**French speaking,
German speaking**



450 km
of waterways



81,207 km
of roads

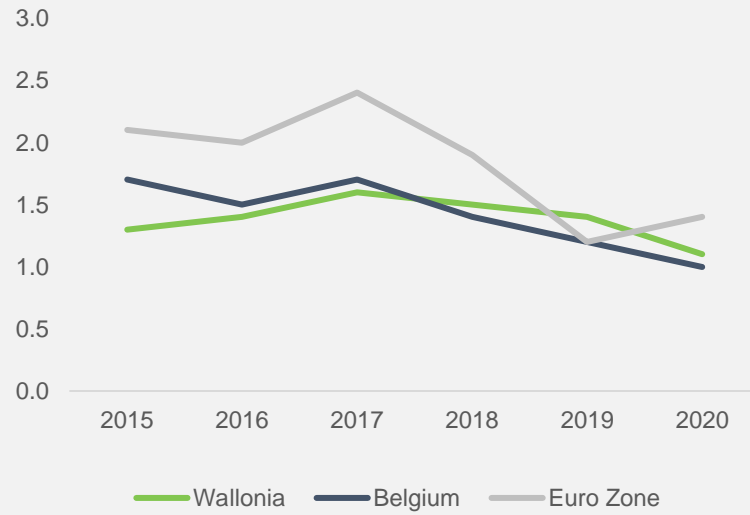


1,605km
of rail network

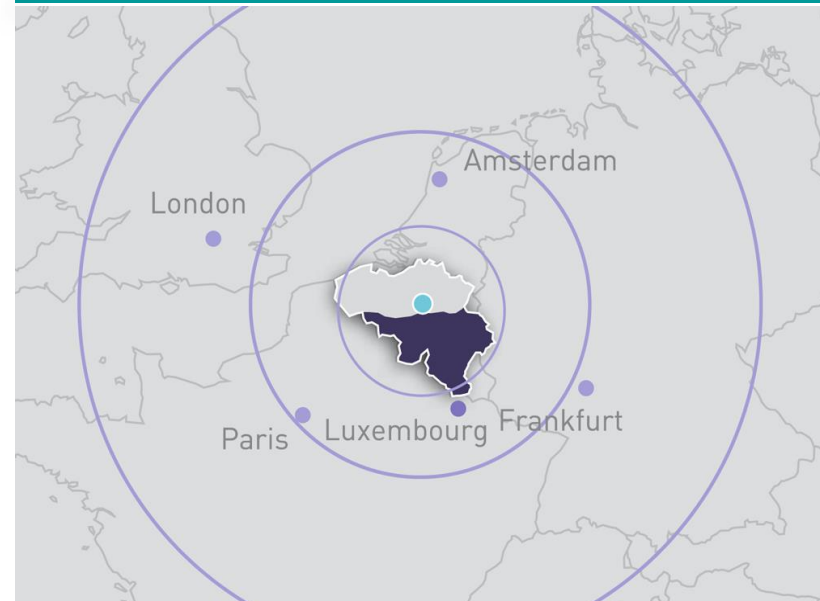


2 airports
(Charleroi, Liège)

GDP growth rate evolution 2015-2020F

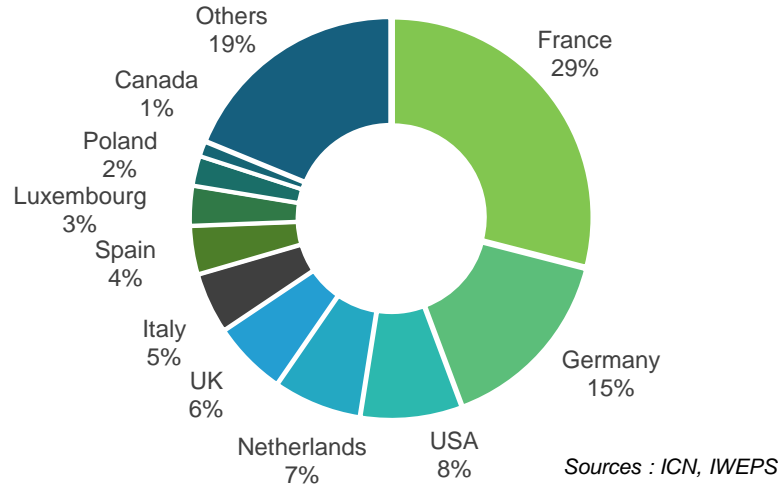


Wallonia in Europe

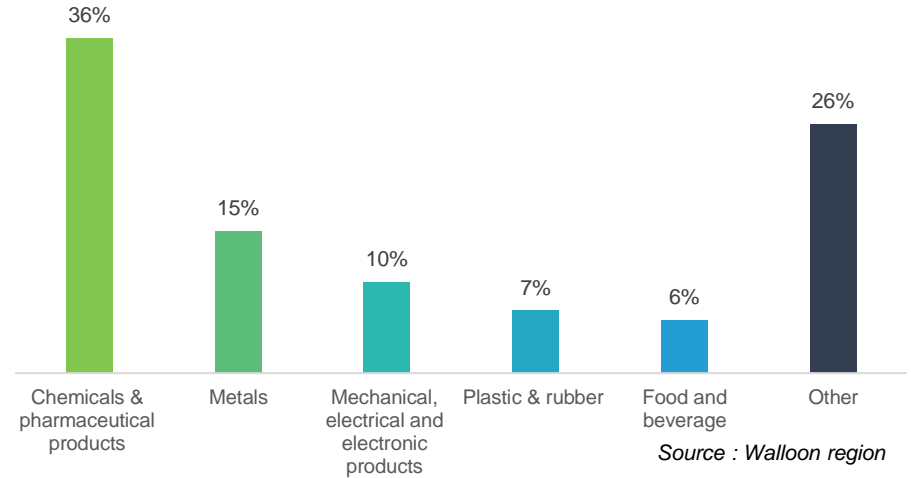


Wallonia – Commercial dynamics

Total exports in 2018 (€48Mds)



Export dynamics by economic sector in 2018



- More than 50% of the region's exports are generated from 3 countries: France, Germany and the US.
- Exports to the US have spiked by +53.1% in 2018 as a result of strong customer spending, notably in pharmaceuticals (+73.9%) and Food & Beverages (+47.9%), representing 90% of the region's US shipments.
- Notice : the concept of export covers only international trade and therefore does not cover trade between Belgian regions. In this case, we speak of inter-regional flows rather than exports.

Wallonia – Regional competencies within Belgium Federal State

Equipment and Transport

Mobility - Waterways - Sport Facilities - Heritage

Natural Resources

Environment - Water - Agriculture - Conservation of Nature

Quality of Life

Town and Country Planning - Housing - Integration of Disabled People - Social Action - Health - Energy - Rural Renovation - Waste














Local Authorities

Municipalities - Provinces - School Buildings - Public Center for Social Assistance

Economic Activities

Economy - Employment & Professional Training - Foreign Trade - International Relationships - Development Cooperation - Research - Technologies - Tourism - EU Structural Funds

Wallonia - Institutions and Public Services Entities

Parliament of Wallonia	Government of Wallonia	Wallonia Services Entities (SPW - UAP)
<p>The legislative assembly of Wallonia is composed of 75 members who are directly elected by universal suffrage for a five years term.</p> <p>They sit in plenary sessions and in committees with the aim to:</p> <ul style="list-style-type: none"> ❑ Adopt decrees (<i>regional laws</i>); ❑ Express positions (<i>resolutions</i>) on social issues; ❑ Exercise supervision over the Government (through questions). 	<p>The Government is led by the Minister-President, currently supported by 7 ministers, each in charge of several domains of activity.</p> <p>In order to execute its missions, the Government delegates the operational activities to:</p> <ul style="list-style-type: none"> ❑ SPW (Service Public de Wallonie) - the regional administration ❑ UAP (Unités d'Administration Publiques wallonne) - a number of Public Administration Units 	<div style="background-color: #800040; color: white; text-align: center; padding: 5px;">SPW General Secretary</div> <div style="background-color: #8B4513; color: white; text-align: center; padding: 5px;">SPW Budget, Logistic & TIC</div> <div style="background-color: #E91E63; color: white; text-align: center; padding: 5px;">SPW Tax system</div> <div style="background-color: #4DB6AC; text-align: center; padding: 10px;">  SPW Mobility & Infrastructure  </div> <div style="background-color: #8BC34A; text-align: center; padding: 10px;"> SPW Agriculture, Natural Resources & Environment <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;">     </div> </div> <div style="background-color: #FF9800; text-align: center; padding: 10px;"> SPW Territory, Housing, Heritage & Energy <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;">     </div> </div> <div style="background-color: #D32F2F; color: white; text-align: center; padding: 10px;"> SPW Interior & Social Action <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;">   </div> </div> <div style="background-color: #1E3D5D; color: white; text-align: center; padding: 10px;"> SPW Economy, Employment & Research <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;">    </div> </div>

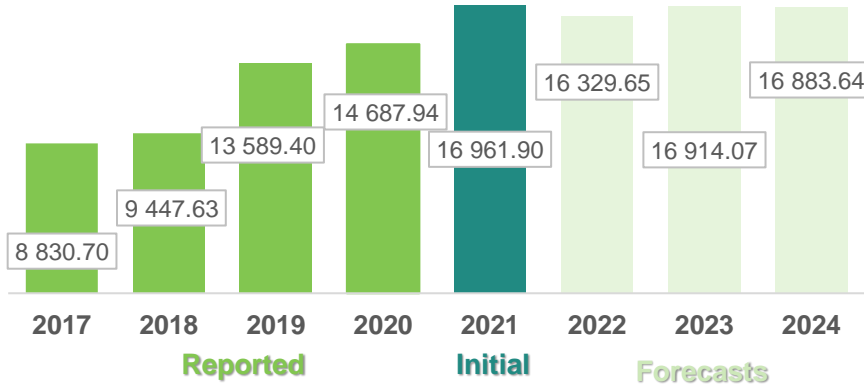
➤ Logo's of Public Administration Units are placed in their areas of competence



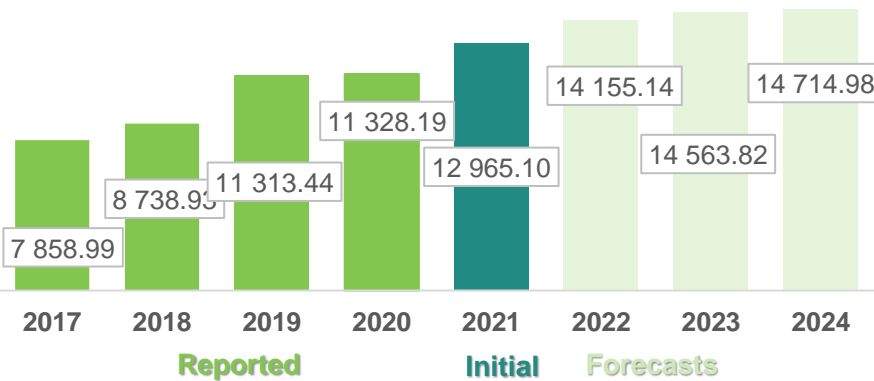
3. BUDGET OVERVIEW

Focus on Wallonia Budget Figures

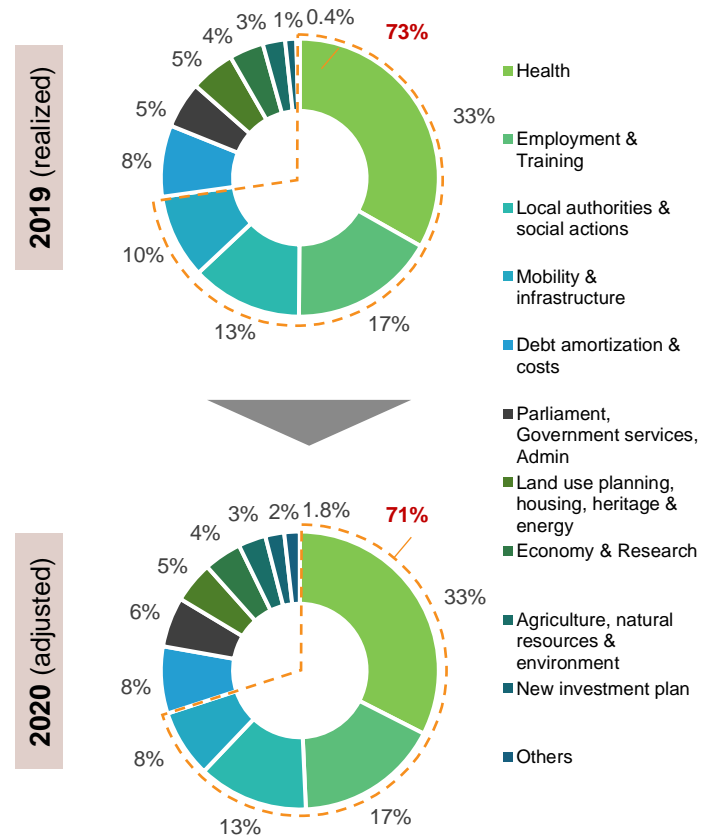
Total Expenditure evolution (in € million)



Total Revenue evolution (in € million)



Expenditures breakdown by source (2019-2020)



To address its recurrent deficit, Wallonia has launched a unique exercise to assess and justify all current / new budget expenditures. **ZERO BASED BUDGETING exercise** was launched in early 2020 and is expected to produce incremental results, starting mid 2021 (*see definition on slide 13*).

Zero based budgeting

What is “zero based budgeting” exercise ?

- ❑ Expenditures will be 100% screened (€ 16 billion expenditures to be analyzed in 12-18 months).
- ❑ All tax cuts will be screened (€ 1.8 billion tax deductions).
- ❑ All spending units within the Region (SPW – UAP) concerned by the exercise.

Main goals of “zero based budgeting”

- ❑ Improve the quality and efficiency of public expenditures.
- ❑ Check each individual type of expenditure in terms of timely spending.
- ❑ Grow / increase sustainability investments
- ❑ Break away from aged budgeting methods based on previous year’s spending.

- *First decision taken following the elaboration of budget 2020*
- *Methodology put in place with help of external consultants*
- *Implementation started as of end of 2020*
- *Referring to the structural reform support program, the European Commission is advising the Region on the added value of completing a spending review*
- *Impact not yet included in the forecasted figures (2021-2024)*



4. DEBY MANAGEMENT & FUNDING PLAN

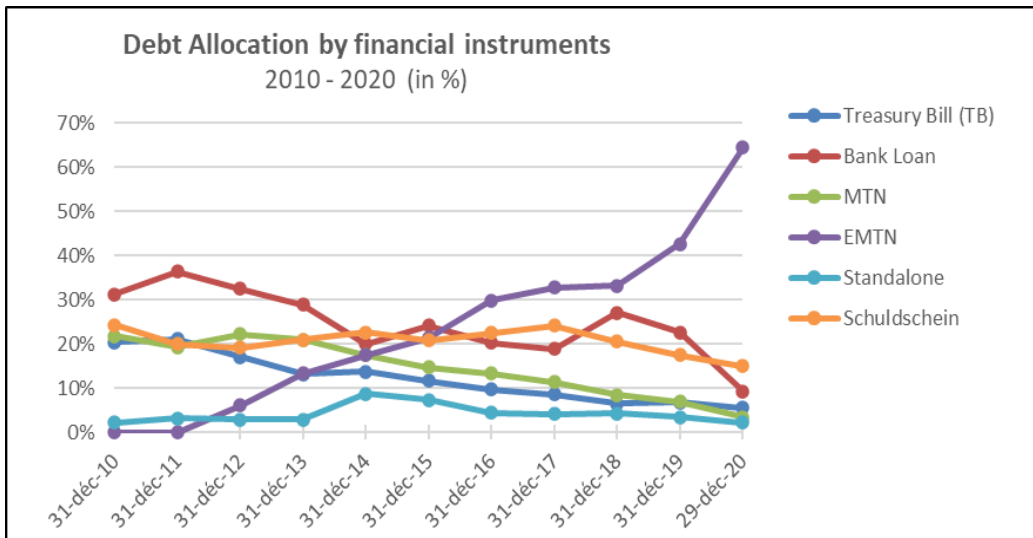
Robust liquidity position - Strong debt and treasury management

OVERAL REGIONAL DEBT (€ million)	31-12-19	31-12-20
Direct Debt (1)	-10 839.75	-15 536.43
Internalised Debt (SPABS + SWDE + FADELS) (2)	-1 105.59	-1 105.58
Long-Term Regional Debt (3) = (1) + (2)	-11 945.34	-16 642.01
Short-Term Regional Debt (4)	-879.00	-917.50
TOTAL REGIONAL DEBT (5) = (3)+(4)	-12 824.34	-17 559.51
Region Cash position (6)	870.61	2 223.64
TOTAL REGIONAL DEBT (7) = (5)+(6)	-11 953.73	-15 335.87

SPABS: Société Publique d'Administration des Bâtiments Scolaires

SWDE: Société Wallonne des Eaux

FADELS: Fonds d'Amortissement des Dettes du Logement Social.

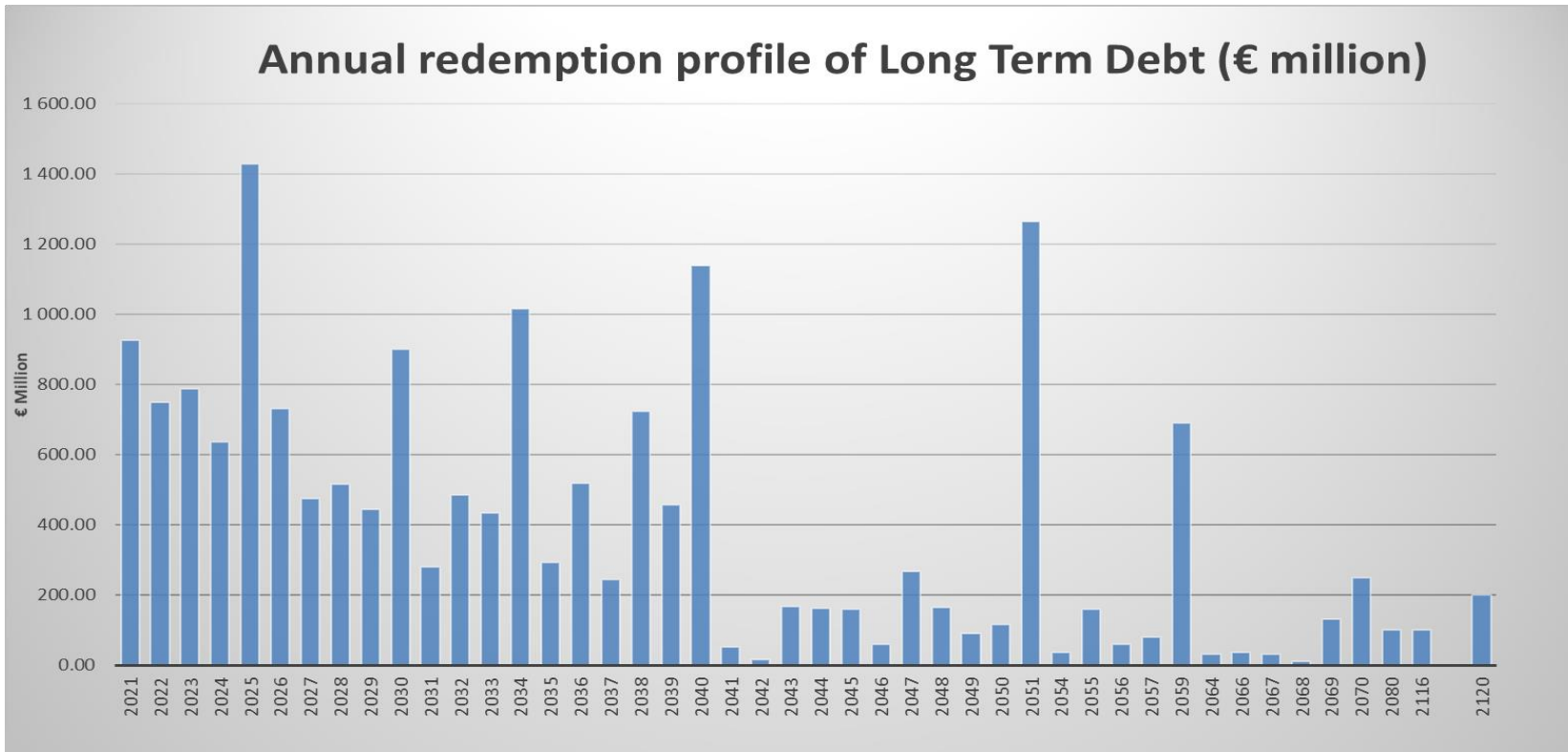


Wallonia has secured and committed facilities that allow fast and continuous access to capital markets

- one European medium-term notes program (EMTN);
- two Medium-term notes programs (MTN).

To manage its debt and treasury positions, Wallonia relies on a dedicated organization (***the Debt Cell***) located inside its public administration (SPW).

Outstanding Debt - Annual redemption profile and Ratios



REGIONAL DIRECT DEBT - KEY RATIOS	31-12-19	31-12-20
Regional long term debt value (€ million)	-12 824.38	-16 642.01
Implicit rate (all in)	2.15%	1.66%
Average life span (years)	17.95	19.81
Fixed rate ratio	87.48%	90.58%
Duration (years)	10.54	13.84

2021 Initial Funding Needs

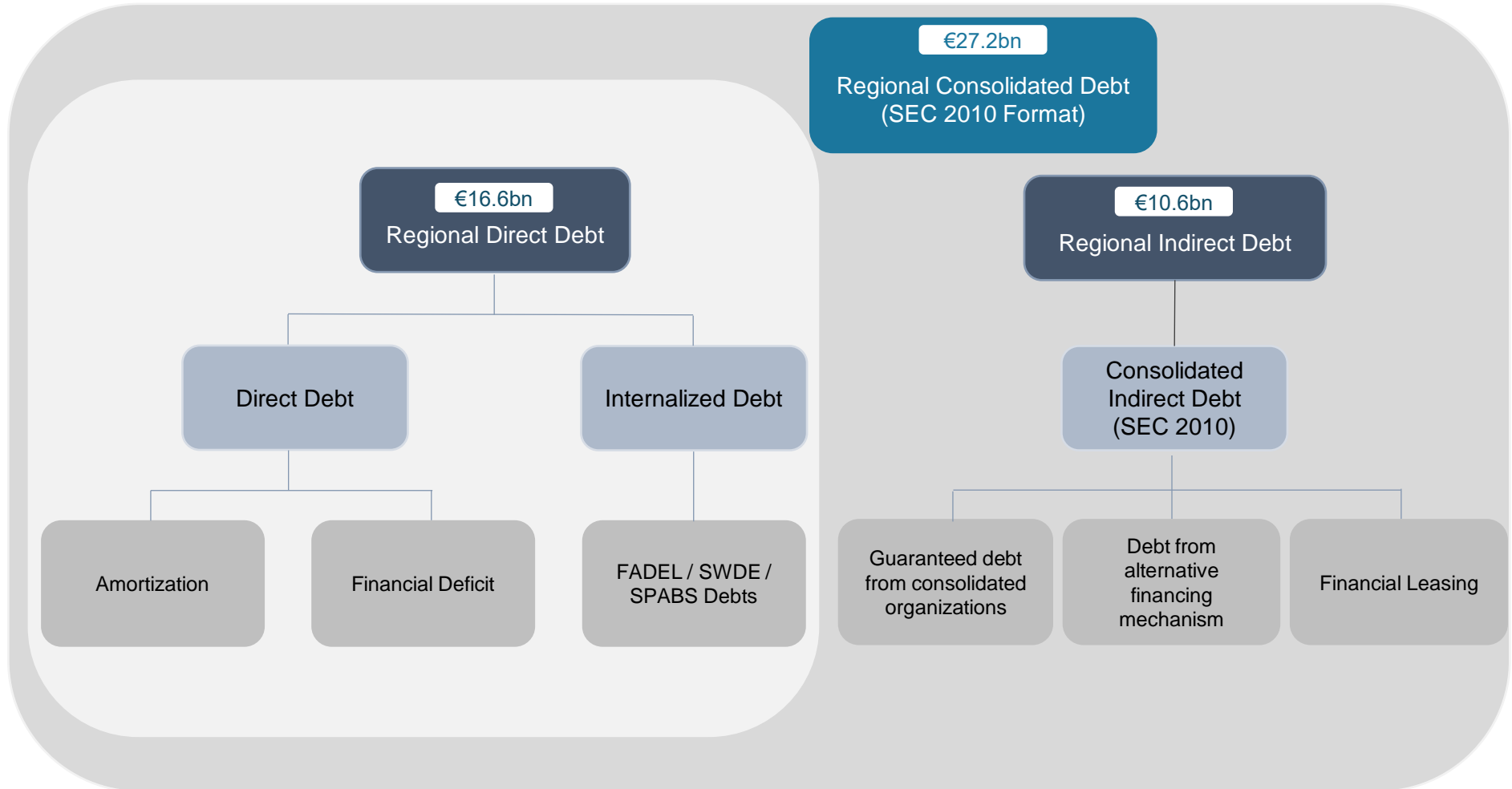
COVID-19 pandemic and unprecedented related economic crisis affected Wallonia funding needs in 2020. Potential new impact on funding plan in 2021 still needs to be assessed.

FUNDING PLAN 2021 (€ million)	1 March 2021	
Amortizations	-926.70	
Funding gap (initial)	-3 996.82	
INITIAL FUNDING NEEDS	-4 923.52	
Budget Buffer (2021)	371.00	
EU Financing Plan (SURE)	396.00	
Pre-financing completed in 2020 *	1 525.57	
FUNDING COMPLETED IN 2021	323.00	100.00%
EMTN	323.00	
Private placement	323.00	100.00%
Benchmark (sustainability bond)	0.00	0.00%
MTN	0.00	
Private placement	0.00	0.00%
Commercial paper	0.00	0.00%
Schuldschein	0.00	0.00%
OUTSTANDING FUNDING PLAN	-2 307.95	

(*pending amount to be confirmed)

Overview of Regional Consolidated Debt (2020)

- In order to assess the credit profile of Wallonia as a borrower, the credit rating agencies (such as Moody's) also look into the so-called consolidated debt (Maastricht concept), by adding to the regional direct debt the regional indirect debts (SEC 2010), made of *guaranteed debt of the consolidated organic companies*, but also *debt from alternative financing mechanism and financial leasing*.



Key ratings considerations

Financial rating

MOODY'S

Last credit opinion update : December 2020

Long Term Rating: A2 – Negative Outlook

Prime-1 short-term rating of its Treasury notes

Credit Strengths

- ▲ Mature and robust legislative background with well-defined responsibilities amid a complex Belgian institutional system.
- ▲ Revenue flexibility is high and is supportive of the region's credit profile
- ▲ Prudent but sophisticated debt management underpins unquestioned market access.

Credit Challenges

- ▼ Persistent financing and operating deficits
- ▼ A high and increasing debt burden
- ▼ An economy which compares unfavorably with national and European peers

Non-Financial rating

vigeo
eiris

Date of report: April 2018

ESG rating: 55/100

- Région wallonne ranks **4th out of 30** among European Local Authorities sector
- Région wallonne demonstrates a consistent performance, with scores above the sector average in all six assessed domains
- ▲ The local authority's performance is ranked *advanced* in Community Development and *good* in four other domains: Environment, Human Resources, Human Rights and Governance
- ▼ The performance in Procurement and Services is only *limited*



5. BOND ISSUANCES

Summary of Wallonia current benchmark size issues

Current Issues	SUSTAINABILITY 2026 Bond (7y)	SUSTAINABILITY 2034 Bond (15y)	SUSTAINABILITY 2030 Bond (10y)	SUSTAINABILITY 2034 Bond Tap	CONVENTIONAL 2025 Bond (5y)	SOCIAL 2040 Bond (20y)	CONVENTIONAL 2051 Bond (30y)
Amount	€ 500 million	€ 500 million	€ 500 million	€ 200 million	€ 1 000 million	€ 1 000 million	€ 1 000 million
Launch Date	25 th April 2019	25 th April 2019	1 st April 2020	1 st April 2020	28 th May 2020	28 th May 2020	25 th Nov. 2020
Maturity Date	3 rd May 2026	3 rd May 2034	8 th April 2030	3 rd May 2034	22 nd June 2025	22 nd June 2040	16 th Jan. 2051
Coupon	0.250%	1.250%	0.500%	0.777%	0.050%	1.050%	0.650%
Rate (all-in)	0.382%	1.265%	0.540%	0.797%	0.061%	1.118%	0.703%
Spread versus OLO (all-in)	OLO + 32.3 bps	OLO + 37.6 bps	OLO + 47 bps	OLO + 50 bps	OLO + 43 bps	OLO + 56.4 bps	OLO + 38 bps
Total 2019 : € 1 billion			Total 2020 : € 3.7 billion				



6. SUSTAINABILITY DEVELOPMENT STRATEGY

Sustainability Bond Framework overview

- ❑ The framework has been built in line with the **Green Bond Principles**, the **Social Bond Principles** and the Sustainability Bond Guidelines
- ❑ The framework has been **reviewed by Vigeo eiris**
- ❑ The framework and Second Party Opinion are available on Wallonia website
 - https://www.wallonie.be/sites/default/files/2019-06/rw_sustainability_bond_framework_april_2019.pdf
 - https://www.wallonie.be/sites/default/files/2020-03/20200330_vigeo_eiris_spo_walloon_region_vf.pdf



<h3>Use of Proceeds</h3>	<ul style="list-style-type: none"> ❑ Eligible Green and Social Expenditures related to a large number of assets, in line with the role of the Region, and targeting different beneficiaries: public entities, companies, communities, households and individuals ❑ Six Eligible Green Categories: Renewable Energy, Energy Efficiency & Low Carbon Buildings, Sustainable Mobility, Sustainable Food & Consumption, Pollution Prevention and Control and Protection of Resources, Land and Biodiversity ❑ Four Eligible Social Categories: Education and Employment Promotion, Socioeconomic Advancement and Empowerment, Affordable Housing and Access to Essential Services and Basic Public Infrastructure ❑ Investment expenditures, operating expenditures, tax expenditures and R&D are eligible ❑ Nuclear and armament activities will all be excluded, without any exception.
<h3>Process for Project Evaluation and Selection</h3>	<ul style="list-style-type: none"> ❑ The selection of Eligible Green and Social Expenditures is annually managed and approved by the Sustainability Bond Committee (Comité Obligataire Durable) ❑ Each time required, the Committee will request expertise support from Walloon administration (SPW) and public agencies (UAP) in charge of key environmental and/or social expenditures ❑ The Committee is responsible for i) selecting and reviewing the pool of Eligible Green & Social Expenditures, ii) validating the effective disbursed amounts of Eligible Expenditures at the end of each fiscal year, iii) updating the framework (when necessary) & iv) deciding for new issuances under the framework
<h3>Management of Proceeds</h3>	<ul style="list-style-type: none"> ❑ Tracking the allocation of the bond proceeds will be done by an operational team reporting to the Sustainability Bond Committee. ❑ Eligible Green and Social Expenditures are related to the current year (Current Expenditures) and the previous year (Recent Expenditures) ❑ In order to avoid any possible double counting, the Committee will make sure that only expenditures net of any EU programs, Belgian Federal State grants, or other revenues earmarked for specific purposes, are eligible
<h3>Reporting</h3>	<ul style="list-style-type: none"> ❑ Budget allocation and impact report ❑ Annually until full allocation ❑ <i>An independent auditor is appointed by Région Wallonne to ensure that the (re)allocation of net proceeds, the unallocated amount and the reporting commitments are compliant with the framework and avoid any double accounting in this programmatic approach across the various issuances and budget exercises</i>

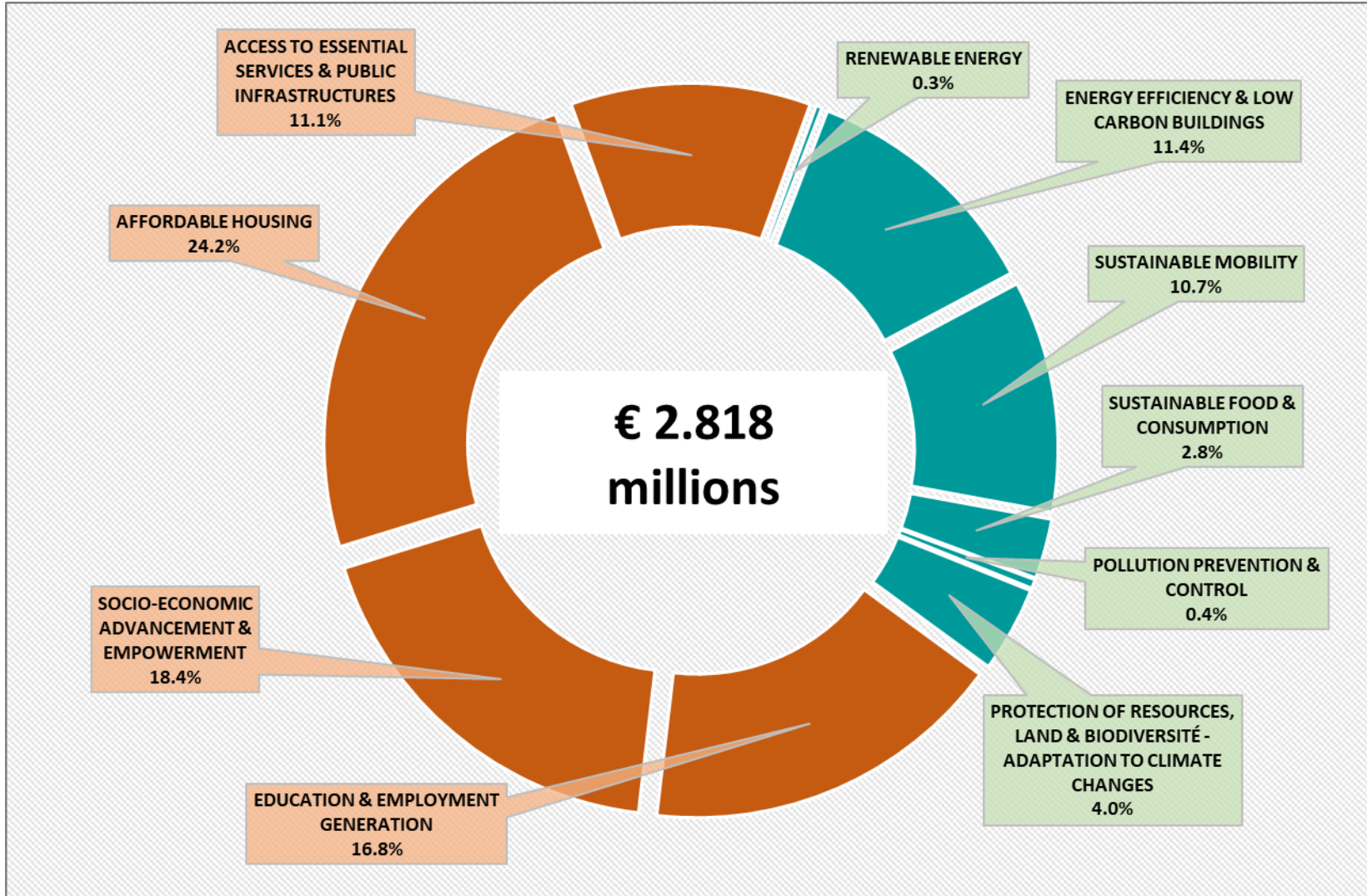
Overview of Sustainability & Social Bond Issues in 2019 – 2020

CATEGORIES OF EXPENSES	(EUR million)			
	Sustainability 2019 Bond *	Sustainability 2020 Bond	Social 2020 Bond	TOTALS
GREEN CATEGORIES				
Renewable Energy	2.7	5.0		7.7
Energy Efficiency & low carbon buildings	180.5	140.0		320.5
Sustainable Mobility	121.4	180.0		321.4
Sustainable Food & Consumption	/	78.0		78.0
Pollution Prevention & Control	/	12.0		12.0
Protection of Resources, Land, Biodiversity, Soil Decontamination & Climate Change Adaptation	26.9	85.0		111.9
SUB-TOTALS	331.5	500.0		831.5
SOCIAL CATEGORIES				
Education & Employment Generation	273.0	200.0	/	473.0
Socio-Economic Advancement & Empowerment	/	/	518.0	518.0
Affordable Housing	383.3	/	300.0	683.3
Access to Essential Services & Basic Public Infrastructure	12.2	/	300.0	312.2
SUB-TOTALS	668.5	200.0	1 118.0	1 986.5
TOTALS	1 000.0	700.0	1 118.0	2 818.0

(* First annual report published in September 2020 – SB2019 Budget allocation & impact analysis)

https://www.wallonie.be/sites/default/files/2020-09/wallonie_sb2019-budget_allocation_report_impact_report-30thseptember2020.pdf

Wallonia Sustainability & Social Bonds – Split by Category



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<https://www.wallonie.be/en/discover-wallonia/few-figures/financing>

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