"DECADE OF PEOPLE WITH DISSABILITIES IN PERU"
"YEAR OF THE CONSOLIDATION OF THE MAR DE GRAU"

MINISTRY OF ECONOMY AND FINANCE

STRATEGY FOR GLOBAL ASSET AND LIABILITY MANAGEMENT*

2016 - 2019

* This document includes the Annual Public Debt and Debt Management Program referred to in Article 14° of Law N° 28563, specifying its policies, objectives and goals, from a long-term perspective, which is compatible with the fiscal targets and debt sustainability. The approval of this document was recommended by the Asset and Liability Management Committee created by the Sixth Final Complementary Provision of Act N° 30116 as the authority that establishes the actions to be taken in order to manage the financial assets and liabilities that are part of the Public Treasury.

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May 30th, 2016

Message from the Minister of Economy and Finance

The management of the Peruvian economy has faced new challenges that affected the economic growth. The global economy has had a lower performance due to a lower growth in a context of high uncertainty about a hike in the US interest rate and a lower economic growth of China. The local economy was also affected by lower terms of trade, lower private investment, the impact of El Niño and the election process.

To fight these shocks that caused the downturn of the Peruvian economy in 2015, we had to take hard decisions in terms of public expenditure in order to strengthen the economic growth. These decisions, including the timely pre-financing of the 2016 budget, helped the Peruvian economy to adapt to the economic cycle and to recover the leadership among its peers in the region. The pre-financing of the 2016 budget was a decision complementary to a greater fiscal management aimed at reducing the infrastructure gaps through concessions and wide-ranging investment projects.

In 2016, Peru was assigned an “A-” sovereign rating in domestic currency with a stable perspective according to the three most important credit rating agencies. Recent information regarding the Peruvian economy shows that the supply-side shocks were left behind and that the economy is recovering. In 2017, we expect the Peruvian economy to grow around 4.6% and, for 2018-2020 our economy enters a sustainable growth phase of 4%.

Peru keeps up the solid macroeconomic fundamentals, controlled debt and savings buffers that enhance solvency before any unexpected reduction of revenues, emergency situations, international crisis or natural disasters. Therefore, we are convinced that, onwards, we will continue working to maintain the “A-“ credit rating obtained since 2014 and to improve it in the next years as we close the gap with the OECD countries.

Alonso Segura Vasi
Minister of Economy and Finance

Message from the Director General of Public Debt and Treasury

Three years ago, we presented for the first time the Strategy for Global Asset and Liability Management for the 2013-2016 period that reflected our profound commitment to enhance the transparency and accessibility to the government securities market. This is our key vision to run Peru's debt policy within the framework of the global asset and liability management and its implementation started on 2011 with the merger of the former National Office of Public Treasury and the former National Office of Public Debt.

The achievements we have reached during these years have been recognized by the market participants and have significantly contributed to the upgrade of Peru's sovereign credit risk: at the beginning of 2011 Peru's credit rating in domestic currency was "BBB" in average, but since 2014 it is "A-".

In order to keep improving, in 2015, the issuance of treasury bills increased and, in spite of the volatile turbulence in the markets, the issuance of bonds continued to facilitate the treasury management of the financial entities that participate in the different segments of the market. Likewise, as part of the communication strategy, the quarterly meetings with all the participants of the local market continued, in order to receive feedback that helps to consolidate the development of the market within the framework of the policy guidelines already approved.

In this sense, from now on, we will keep working on dealing with the needs of Peru's financial management and, at the same time, providing a minimum liquidity to the market that contributes to the interest rate stability, either through the direct buy-back and resale of the Public Treasury securities or temporary repo operations. In the same way, we will continue working on the development of a financial education website for people to learn to save money by buying Public Treasury securities, as other countries in the region do, initiative that is part of the National Strategy of Financial Inclusion.

Finally, we are strongly committed to strengthen the government securities market in soles, which is the backbone of the domestic capital market, and to contribute to improve the high sovereign risk rating of Peru as a necessary condition not only to help to preserve the financial stability, but also to maintain a favorable climate for investment, the main driver of the economic growth.

Carlos Blanco Cáceres
General Director of Public Debt and Treasury

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EXECUTIVE SUMMARY

The credit rating for Peru's Central Government in domestic currency stands at "high level of investment" and in foreign currency stands at "investment level", which reflects the contribution of the implementation of the asset and liability management strategy. In the last 4 years, the Strategy for Global Asset and Liability Management has focused on reducing or mitigating some of the main factors of vulnerability identified by the credit rating agencies and the development gaps between Peru and other reference countries with similar or better credit risk rating, which has been recognized with an "A-" rating for domestic currency debt and "BBB+" for foreign currency debt by two agencies since 2013 and by four agencies since 2014.

However, there are still opportunities to improve many indicators that are below average than emerging economies with similar risk rating. These indicators are the share of the public debt in domestic currency (64.7%) and the level of financial dollarization (68.4%). Likewise, given the commitment of the Republic of Peru to start a series of improvements in order to be member of the OECD, it is relevant to identify the existing gaps with these countries. In average, the share of the public debt in domestic currency of the OECD countries is approximately 92.9% and the level of financial dollarization is 83.6%. Therefore, this is a challenge for the Republic of Peru to continue improving this and other indicators, so Peru gets closer to the level of the OECD countries, in an adverse context where the fiscal space for countercyclical policies has reduced in most of emerging countries.

According to the 2017-2019 Multiannual Macroeconomic Framework (MMM), in the period 2016-2019, bonds with an amount of S/ 8.58 billion will be issued to cover the financing requirements of the Non-Financial Public Sector. According to conservative projections –whose main assumption is that the current structure of the government securities market will not change –the structural/inertial demand for sovereign bonds by the main institutional investors (pension funds, banks, insurance companies and mutual funds), non-banking entities and non-resident investors will need sovereign bonds with an amount of approximately S/ 9.8 billion in the period 2016-2019, which is enough demand to meet the needs of the Republic of Peru under that method of financing.

The outlook of the international economic situation is still complicated and defiant, but with a favorable bias for Peru. In its last World Economy Outlook (WEO) report, the IMF reduced the GDP growth forecast of the global economy for 2016, especially for Latin America, which moved from a 0.8% subdued growth (2015 October report) to a -0.5% contraction. However, in this negative international scenario, the GDP growth forecast of Peru increased from 3.3% to 3.7% for 2016, and for 2017, it increases to 4.1%; this creates an expectation that can help to improve the perception of the non-resident investors when they evaluate their investment allocation in emerging countries such as Peru.

Under this context, four deterministic scenarios were elaborated with projections in the MMM 2017-2019 and its fiscal targets and goals in order to measure the effect of the changes on the debt in different simulations. The results include different assumptions such as the performance of the economy, the financing amounts to meet the fiscal requirements and the execution of some debt management operations, as well as the prospects for the national and international financial markets that will define the access to new debt and its conditions. For this purpose, a reference rank of the main indicators for monitoring the expected Central Government's gross debt at the end of 2019.

REFERENCE FORECAST OF THE CENTRAL GOVERNMENT'S GROSS DEBT INDICATORS AT THE END OF 2019 (*)

Concept	Expected range at the end of December 2019
Percentage of soles in the gross balance	43.3% - 59.8%
Percentage of nominal fixed-rate debt in the gross balance	67.5% - 72.3%
Proportion of the domestic debt in the gross balance	43.1% - 59.7%
Average life (years)	11.4 - 13.4
Average time to re-fixing (years)	9.5 - 12.4
Concentration of amortizations over the next 12 months 1_/	4.3% - 2.8%
Percentage of financing flow in domestic currency 2_/	54.6% - 79.0%

Source: DGETP – MEF.
(*) Hedging derivatives are included.
1_/ Indicator that measures the immediate payment pressure.
2_/ It includes the financing of debt management operations.

In view of these scenarios and the projections outlined in the simulations, we propose guidelines to streamline the government debt market and manage the public resources in the period 2016-2019 efficiently.

- **In asset management**
  a) Buy-back and resale operations of Government securities in a countercyclical manner in order to provide liquidity and help to the interest rate stability.
  b) Implementation of a temporary window for placing and capturing government securities through repo operations.
  c) Responsiveness to recession or emergency scenarios using savings accumulated in the Fiscal Stabilization Fund (FSF).
  d) Elaboration and implementation of guidelines to manage the resources of the Secondary Liquidity Reserve (SLR).
  e) Design of mechanisms to use the treasury funds from financing sources different from the regular resources for contingency situations.

- **In liability management**
  a) An increase in the Public Treasury bill offer to expand the participation of the retail market through brokerage firms.
  b) An increase in the Public Treasury bond issuance i) in the short-end of the yield curve for the treasury management of banks, rural funds, insurance companies and mutual funds, ii) in the average-end of the yield curve to attend the demand of the banks, pension funds and non-resident investors and iii) in the long-end of the yield curve to comply with the needs of the pension funds and life insurance companies.
  c) Countercyclical public debt in order to prevent, mitigate and overcome temporary headwinds and principally to promote the domestic market.
  d) Debt management operations to increase the liquidity in the government securities' secondary market in soles.
  e) Keeping countercyclical lines of credits with multilateral organizations and eventual issuance of catastrophe bonds as a contingency plan.
  f) Design of mechanisms to increase the demand for government securities by non-resident investors.

- **<u>In treasury management</u>**
  a) Regulatory improvements in order to implement a complete fungibility of money for the treasury management of the different sources of budgetary financing.
  b) Development of a daily forecast collection system in the treasury accounts and enhancement of the efficiency of the Government's collection system
  c) Consolidation of a daily forecast payment system in the treasury accounts and enhancement of the efficiency of the Government payment system.
  d) Implementation of norms that regulate entities so they provide information about their own forecasts of collection and payments, as well as the terms and conditions to work with the Public Treasury.

- **<u>In market structure</u>**
  a) A study to determinate the technical and legal feasibility of a Market Maker Program for treasury bills.
  b) Development of an auction module of government bonds and bills.
  c) Development of an international clearing and settlement system for transactions of bonds in soles for non-resident investors.

Finally, the new Schedule of the Regular Treasury Auctions Program 2017 is included, which establishes the dates of the treasury bills as well as nominal and real bond auctions during 2017.

1. INTRODUCTION

According to the reports of most of the credit rating agencies, Peru is one of the few countries in the region that stands with an "A-" sovereign risk rating which is a "high investment level" of the Central Government debt in domestic currency. Obtaining this recognition was not easy and it has been very important to Peru because it has improved the fund taking conditions in order to meet the fiscal needs with more competitive costs, especially in the local market, enhancing the domestic securities market as one of the main pillars of the local financial system, with all the positive externalities for the whole economy.

In this sense, the role of the Ministry of Economy and Finance regarding the government securities domestic market is to increase the participation of the financial institutions in the auctions made by the Government (primary market) on their own behalf or in behalf of third parties in order to promote a rise in the number of initial eligible holders, which is a necessary condition to boost liquidity for the next level of trading (secondary market). In this manner, we look for democratizing the access to the securities market to broad the investor base and to develop a competitive and contestable market, as other countries, where markets are bigger, deeper and more liquid.

Since 2011, the proposed and approved conceptual framework for the global public asset and liability management strategy not only considered its principles, policies, tactics and other complementary prospective guidelines[1] to develop Peru's small domestic government securities market but also considered the need for strengthening the new position of the Ministry of Economy and Finance in the market, so that, from now on, the Government provides clear signals and actions that benefit all participants.

In the last three years, many actions considered within the Strategy for Global Asset and Liability Management have been implemented but also other actions are pending or are being implemented. At the beginning, all market participants found it difficult to understand the forward-looking changes made by the Government, but that also meant an opportunity to keep open communication channels and obtain feedback, which started before the first quarterly meetings in June 2013, within the framework of the consultancies requested to the International Monetary Fund with the support of the Swiss Cooperation since 2011. In general, we have received a favorable response to these changes from the investors, although they are still very dependent on the sudden changes of trends of international capital flows, which makes the volume of the government securities market to keep growing sustainably but with a volatile liquidity due to the limited number of local participants, whose profile allows them to operate naturally in a countercyclical manner through the whole local financial market.

In the future, it is essential to keep improving the technological infrastructure of the systems of the domestic government securities market in order to eliminate cost overrun and barriers and also to generate greater economies of scope and scale throughout the value chain, so that a greater number of participants, especially non-institutional participants, could access easily to the domestic market and, at the same time, to achieve a deeper government securities trading in the secondary market.

[1] Directorial Resolution N° 016-2012-EF/52.05, Ministerial Resolution N° 157-2013-EF/52, Ministerial Resolution N° 245-2014-EF/52 and Ministerial Resolution N° 398-2015-EF/52

This document highlights the high sovereign risk rating of Peru's Central Government as a necessary condition to contribute not only to the financial stability but also to a favorable climate for investment, the main engine for economic growth, without losing what was already achieved and ratifying the role of the Ministry of Economy and Finance to keep developing the domestic market of government securities, within the framework of its main objective[2]. From this perspective, the Republic of Peru will continue implementing improvements to reduce the gaps with peers of the region with similar credit rating and with similar OECD member countries, a close future that Peru is aiming at.

The rest of the document is divided in five sections. In the first section, the sovereign credit rating performance is revised and some indicators of Peru compared with its peers are analyzed. In the second section, the supply and demand for government securities are analyzed. In the third and fourth section, an analysis of the market prospects is made and different debt indicators that are reported to the Congress annually are projected and simulated, considering the current Multiannual Macroeconomic Framework scenarios. Finally, the fifth section details the most relevant strategic actions that are planned for the 2017-2019 period.

2. SOVEREIGN RISK RATING

2.1 Performance of Peru's credit rating

The guidelines that have been implemented and defined since the end of 2011 consider, as the main legitimacy criteria, the reduction or mitigation of the main vulnerability factors identified by different credit rating agencies and the existing development gaps between Peru and other reference countries with the same or better sovereign risk rating, in order to favor the improvement of Peru's credit rating.

Therefore, the goals set for the global debt management and public savings are aligned with the eventual improvement of the sovereign risk rating due to the mitigation of the main identified vulnerability factors (see Table N° 1). Within this framework, the public debt management has been strengthened, as part of the macroeconomic policy in general, reducing the vulnerability of the public finances in the face of negative external shocks and boosting the development of the domestic securities market in general.

Table N°1
MAIN FACTORS OF VULNERABILITY

FACTORS \ AGENCIES	Standard & Poor's	Fitch Ratings	Moody's	Coincidence Factors
Institutional structural deficiencies / Political factors	X	X	X	3/3
Productivity, infrastructure and education gaps	X	X	X	3/3
Less investor confidence / Less favorable investor environment	X		X	2/3
Tax base concentration / Informality			X	1/3
Dependency on the commodities cycle / Capital flows / External accounts weaknesses	X	X	X	3/3

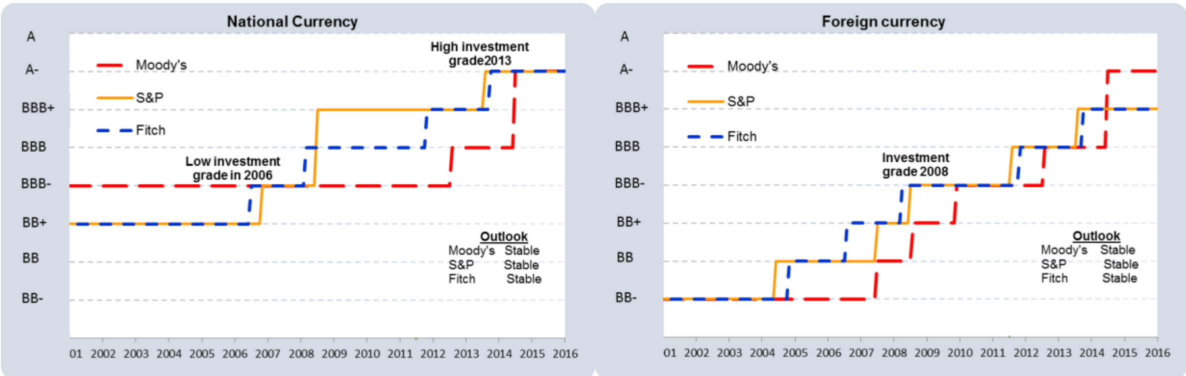
[2] A responsible and sustainable management of the public finances, minimizing the cost of liabilities, maximizing the yield of assets, subject to the maximum risk level established by the guidelines for the global asset and liability management. To achieve this goal, it is necessary to develop the public debt securities market in domestic currency in order to cover temporary financial requirements that are derived from the management of debt, savings and treasury.

Financial dollarization		X		1/3
Public debt dollarization	X	X	X	3/3
Development of the financial system and the local securities market	X	X	X	3/3

Source: Sovereign risk report of Peru's made by Fitch, Moody's and S&P.

Since 2013, the credit rating of Peru stands at "A-" for domestic currency debt and "BBB+" for foreign currency debt according to two credit rating agencies, accumulating a total of 6 credit rating upgrades[3] between 2011 and 2014. These results position Peru as the second country with the best sovereign rating in Latin America.

Graphic N° 1
SOVEREIGN DEBT RISK RATING



Source: Fitch, Moody's and S&P sovereign risk rating reports for Peru.

As each of these ratings are based on assessments regarding the strengths and weaknesses of the Republic of Peru as an issuer of sovereign debt, it is important to analyze its performance and comparison with other relevant countries.

2.2 Strengths and weaknesses compared to other countries

Even though the Central Government's domestic currency debt stands at "A-", a high investment grade rating at that, there is still room for improvement in many indicators compared to the average of the emerging economies with similar sovereign risk rating.

For instance, according to Fitch Ratings, the share of public debt in domestic currency to the gross public debt of the average of emerging countries with a BBB rating is approximately 64.7% and the dollarization level[4] is 68.4% whereas Peru has 52.4% and 63.0% respectively (see Appendix N° 2). However, the Republic of Peru has a great ability to repay in relation to the total of its annual income, which in 2015 reached a 116.3%, a better result than the average of the countries with a BBB credit risk, which was 180.7%.

In Latin America, the public debt dedollarization of Brazil is 92.7%, Mexico 84.1%, Chile 82.8% and Colombia 77.7%. Likewise, in the case of financial dedollarization,

[3] In total 8 rating upgrades including DBRS and Nice Ratings which are credit rating agencies that, even though they are not hired, they make the same periodic annual visits as the other three agencies.
[4] Domestic currency deposits/total deposits.

practically all the deposits of Brazil and Colombia are in domestic currency whereas Chile and Mexico count with 83.6% and 84.0% of total deposits in domestic currency (see Table N° 2).

Table N° 2
MAIN INDICATORS OF THE SELECTED REFERENCE COUNTRIES

Main indicators (%)	Peru	Latin America				OECD Members				Average	
		Brazil	Chile	Colombia	Mexico	Australia	Canada	Finland	New Zealand	Countries BBB	Countries OECD
Public debt in domestic currency / Total debt	52.4	92.7	82.8	77.7	84.1	100.0	97.5	100.0	99.1	64.7	92.9
Domestic public debt / GDP	9.1	62.1	14.1	28.9	25.7	34.5	85.7	62.6	35.3	31.0	49.0
Public debt / Government income	116.3	210.5	85.6	271.7	185.9	104.6	207.3	113.6	86.9	180.7	178.3
Credit granted by the financial sector /GDP	44.8	74.9	77.5	55.4	33.5	142.5	210.9	95.6	151.9	84.9	105.3
Stocks trading / GDP	1.6	26.7	10.5	4.6	9.9	48.4	75.3	0.0	4.3	27.6	120.4
Deposits in the FS in LC / Total deposits in the FS	63.0	100.0	83.6	100.0	84.0	85.0	44.7	100.0	83.4	68.4	83.6
Tax burden (Government income as GDP %)	20.1	31.6	20.5	16.2	19.3	34.5	37.7	55.5	35.0	29.2	41.0

Note: Data for Chile and Colombia refers to the Central Government, whilst for Mexico refers to the Federal Government and for Peru to the Non-financial public sector (NFPS).
Source: Fitch Sovereign Data Comparator – March 2016, Moody's Statistical Handbook – May 2016 and the World Bank.

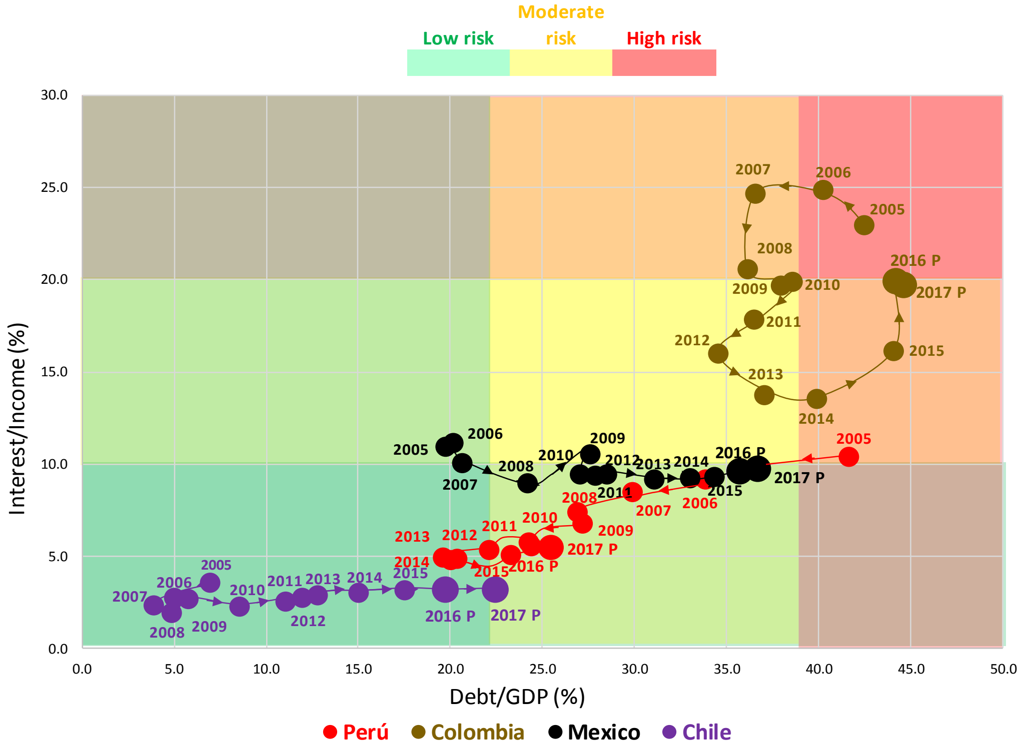
Likewise, taking into account Peru's commitment to initiate a reform agenda in order to become an OECD member, it is also important to identify opportunities for improvement. The share of public debt in domestic currency of the average of OECD countries is 92.9% and the financial dedollarization is 83.6%.

On the other hand, with regards to the ability to repay, the public debt of the average of OECD member countries equaled to 178.3% of their public income, although commodities-focused countries such as Australia, Finland and New Zealand had an average 101.7% (see Table N° 2 and Appendix N° 3), while Peru obtained a 116.3%.

Finally, comparing the path of the fiscal situation of Peru in the last 15 years to the rest of the Pacific Alliance countries we observe that the difference has been reduced. This evidences the need for reforms in order to avoid the deterioration of the indicators, especially income indicators, within a context of economic slowdown and low commodities prices.

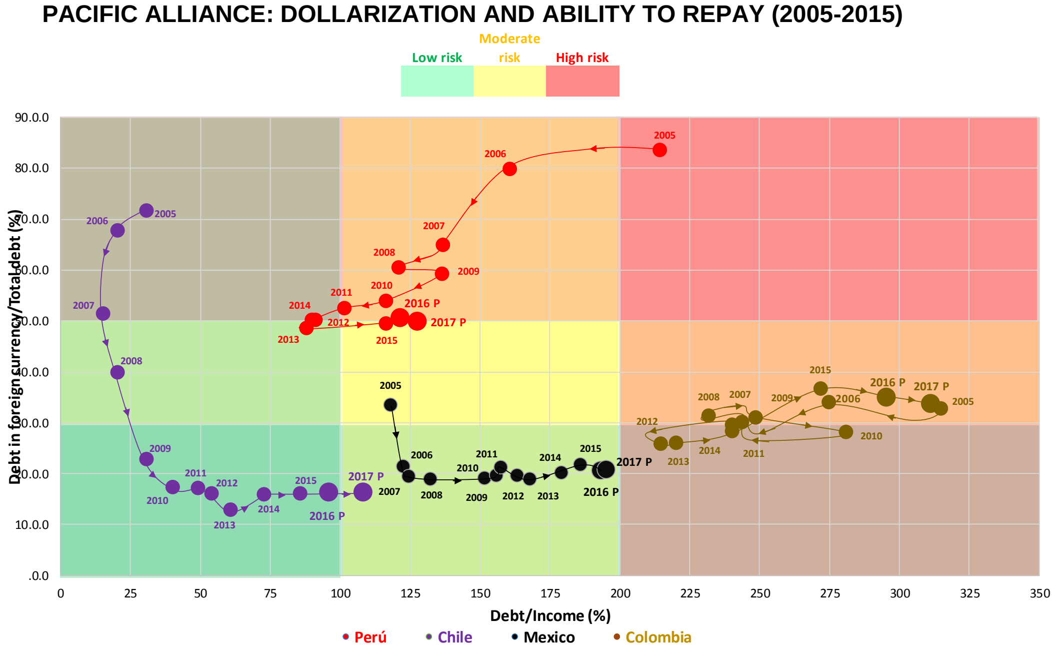
For instance, between 2005 and 2013 Peru's risk level reduced, diminishing the size of the public debt from more than 40% GDP to less than 20% GDP and the interest payment-to-public income ratio reduced from 10% to 5%. In the 2015-2016 period, Peru's fiscal space is very similar to 2010-2011 (see Graphic N° 2) without considering the net effect of outlays and repayments of the principal on the budget.

Graphic N° 2
PACIFIC ALLIANCE: BURDEN AND SIZE OF THE PUBLIC DEBT



Note: Data for Chile and Colombia refers to the Central Government, whilst for Mexico refers to the Federal Government and for Peru to the Non-financial public sector.
Source: Moody's.

Graphic N° 3
PACIFIC ALLIANCE: DOLLARIZATION AND ABILITY TO REPAY (2005-2015)



Note: Data for Chile and Colombia refers to the Central Government, whilst for Mexico refers to the Federal Government and for Peru to the Non-financial public sector.
Source: Moody's.

On the other hand, when we review the dollarization and the public debt ability to repay (Graphic N° 3) we can note that, between 2005 and 2015, Peru's risk level went from the high risk quadrant to the moderate risk, and we expect it will maintain in this quadrant at the end of 2016, but with a lower ability to repay than in 2013-2014.

3. GOVERNMENT BORROWING REQUIREMENTS

3.1 Potential sovereign bond offer

The MMF 2017-2019 published in April established the NFPS borrowing requirements for the next three years, in accordance with the expected fiscal balance accounts and the payment flows of the public debt amortizations. These projections include borrowing by the Central Government through the issuance of domestic and external bonds. See Table N° 3.

Table N° 3
SOURCES OF BORROWING REQUIREMENTS FOR THE NON-FINANCIAL PUBLIC SECTOR THROUGH BONDS
(Billion soles)

Year	Domestic bonds	External bonds	Total
2016	7.5	3.9	11.4
2017	7.7	0	7.7
2018	10.3	0	10.3
2019	4.9	0	4.9

Source: MMF 2017-2019.

On the other hand, according to the Annual Agreements Program (AAP) for 2016 elaborated within the framework of Act N° 30374, Act on Public Sector Debt for the fiscal year 2016, the maximum debt through bond issuances in the domestic and external market amounts to 14.7 billion (S/ 6.6 billion for domestic issuances and S/ 8 billion for external issuances).

Likewise, at the end of April 2016, with the support of these agreements, 100% of the balance of payments has been covered with pre-financed funds in 2015, principally through issuances in foreign currencies in the international markets, reaching S/ 11.8 billion. In this way, the fiscal requirements for 2016 established in the 2017-2019 MMF were completely financed (see Table N° 4).

The Act N° 30374, Act on the Public Sector Debt for the fiscal year 2016 also authorized the funding of public investment projects, with the support of different public entities, amounted to S/ 6.4 billion and also authorized new resources for the Linea 2 and Ramal Av. Faucett – Av. Gambetta of the Red Básica del Metro de Lima and Callao amounted to S/ 382 million. Additionally, we count with the balance remaining from previous years (Urgency Decree N° 005-2014[5] and Supreme Decree N° 322-2015 – Vía Costa Verde) for a total value of S/ 1.1 billion, which makes a total of S/ 7.9 billion.

From this last amount, at the end of April, we have invested S/ 1.4 billion, and have a balance of S/ 6.5 billion yet to invest.

[5] We are currently coordinating a new authorization because the authorization of the UD N° 005-2014 is in force until 2015.

Table N° 4
BOND ISSUANCES WITHIN THE FRAMEWORK OF THE 2016 ANNUAL AGREEMENTS PROGRAM
(In billion soles)

Legal Norm	Concept	Bond authorization 2016			Executed			Balance		
		Domestic	External	Total	Domestic	External	Total	Domestic	External	Total
AAP 2016										
Act Nº 30374	Support to the balance of payments 1_/	3.3	4.6	7.8	0	0	0	0	0	0
	Investment projects (FEN)	3.0	0	3.0	1.4	0	1.4	1.6	0	1.6
	Metro de Lima	0.38	0	0.38	0	0	0	0.38	0	0.38
	Public investment projects	0	3.4	3.4	0	0	0	0	3.4	3.4
	Subtotal	**6.6**	**8.0**	**14.7**	**1.4**	**0**	**1.4**	**2.0**	**3.4**	**5.4**
Balance of AAP 2014 y 2015										
UD N° 005-2014	Public Investment Projects 2_/	1.0	0	1.0	0	0	0	1.0	0	1.0
	Subtotal	**1.0**	**0**	**1.0**	**0**	**0**	**0**	**1.0**	**0**	**1.0**
SD N° 322-2015	Vía Costa Verde	0.06	0	0.06	0	0	0	0.06	0	0.06
	Subtotal	**0.06**	**0**	**0.06**	**0**	**0**	**0**	**0.06**	**0**	**0.06**
	TOTAL PAC 2016	**7.7**	**8.0**	**15.7**	**1.4**	**0**	**1.4**	**3.1**	**3.4**	**6.5**
Prefinancing 2015 considered in the MMF (*) 3_/										
Act Nº 30283	Pre-financing (global bond 2050)	0	0	0	0	2.0	2.0	0	0	0
	Pre-financing (global bond 2027)	0	0	0	0	4.5	4.5	0	0	0
	Pre-financing (global bond 2026)	0	0	0	0	4.6	4.6	0	0	0
	Pre-financing (ordinary issuances)	0	0	0	0.83	0	0.83	0	0	0
	TOTAL PREFINANCING 2015	**0**	**0**	**0**	**0.83**	**11.0**	**12.0**	**0**	**0**	**0**

(*) Average exchange rate is 3.57, established in the MMF 2017-2019 for 2016.
1_/ The 2015 pre-financing operations supplemented the execution that corresponds to the support to the balance of payments.
2_/ We have been arranging a new authorization to use that outstanding amount.
3_/ Financing required in the MMF 2017-2019 for 2016 reaches S/ 11.4 billion.
Source: DGETP – MEF.

Table N° 5
ISSUANCES FOR THE FINANCIAL NEEDS OF THE MMF FOR 2017
(Billion soles)

Legal norm	Concept	Requirements 2017 1_/			Executed			Balance		
		Domestic	External	Total	Domestic	External	Total	Domestic	External	Total
Prefinancing 2016 considered en el MMF (*)										
Ley Nº 30374	Pre-financing (global 2030 in euros)	6.0	0	6.0	0	3.8	3.8	6.0	-3.8	2.2
	Pre-financing (regular issuances)	0	0	0	2.1	0	2.1	-2.1	0	-2.1
	TOTAL PREFINANCING 2016	**6.0**	**0**	**6.0**	**2.1**	**3.8**	**5.9**	**3.9**	**-3.8**	**0.1**

(*) Average exchange rate is 3.57, established in the MMF 2017-2019 for 2016.
1_/ The amount corresponds to that established in the MMF 2017-2019 to support the balance of payments.
Source: DGETP – MEF.

Once the balance of payments needs for 2016 have been covered, we started pre-financing the financial requirements for 2017 amounted at S/ 6 billion. On April 30, 2016, S/ 5.9 billion had been pre-financed and the remained balance was S/ 112 million.

Therefore, considering the bonds issued in 2016 to cover the financial needs for 2016 and to prefinance the needs for 2017, we plan to issue approximately S/ 6.5 billion and S/ 112 million, in addition to the amount that can be issued locally in order to earn countercyclical financing that may be used in emergency situations and contribute to dinamize the local capital market within the framework of the future AAP 2017.

3.2. Structural demand for sovereign bonds

The demand for sovereign bonds was established considering the effects of many factors such as the growth of the total funds[6] balance, the participation of the sovereign bonds in the funds structure[7], the exchange of bonds that mature per new bond issuances[8], the investment operating limit of the pension funds abroad[9], the adequacy of Basel III in Peru[10], the BCRP certificates balance[11], the best credit rating of the Public Treasury securities[12] and the exchange rate change[13].

Table N° 6
AMOUNT OF THE POTENTIAL DEMAND FOR SOVEREIGN BONDS IN 2016-2019
(In billion soles)

Years	Pension Fund	Banks	Insurance companies	Mutual funds	Total
2016	**2.5**	**1.9**	**0.8**	**0.8**	**6.0**
2017	4.6	1.5	0.9	0.3	7.3
2018	3.5	1.0	1.0	0.2	5.7
2019	3.2	1.1	1.1	0.4	5.8

Source: Directorate of Analysis and Strategy – DGETP.

Assuming that we keep the current public debt market structure and the inertial growth projection of the funds that are managed by each local investor, we estimated the possible demand in the 2016-2019 period by the main local investors in a conservative scenario (see Table N° 6).

Table N° 7
POTENTIAL DEMAND CONSIDERING NON-RESIDENT INVESTORS AND NON-BANKING COMPANIES

Periods	Institucional	Non-banking	Non- resident	Total
2016	6.0	0.09	3.4	**9.5**
2017	7.3	0.06	4.2	**11.6**

6 A rise in the rate of natural increase of the funds managed by the investors leads to a proportional growth of the demand for investment instruments (stocks, bonds, etc.), including the Public Treasury bonds.

7 Institutional investors tend to keep an investment structure with concentration and diversification limits as part of its risk policies, which does not change constantly and, therefore, the growth of its funds is proportional to the demand for the Government securities in their portfolio.

8 The redemption of issued sovereign bonds is replaced by the same instruments (new issuances) so that institutional investors may keep the participation of these securities in their funds regardless of the gradual rise of its holdings.

9 Currently, the participation level (14%) of sovereign bonds within their managed equity are under the maximum limits of investments in securities issued or guaranteed by Peru individually (30%) or together with the BCRP (40%).

10 The SBS is demanding to the credit entities a greater quantity of high-quality liquid assets (one of these assets are the debt securities issued by the Government) in order to comply with the liquidity coverage ratio (for instance, at the end of 2015 it should have been 80%).

11 The velocity of the increase or diminishment of the CD BRCP balance is one of the BCRP tools to keep an adequate liquidity level in the economy. If the CDBCRP diminishes, it generates an additional demand for short-term risk-free securities that may be covered with Public Treasury securities and vice versa.

12 When credit risk agencies improve the rating of the public debt, which stands at “A-” according to four out of five agencies, it impacts on the future demand for Peruvian sovereign bonds positively (or vice versa) by non-resident investors.

13 When there are expectations of domestic currency appreciation in relation to the US dollar, it increases the appetite for sovereign bonds issued in soles, which helps to consolidate the difference of the effective return that investors may obtain in equivalent dollars.

2018	5.7	0.05	3.3	**9.1**
2019	5.8	0.05	3.4	**9.3**

Source: Directorate of Analysis and Strategy – DGETP.

If we add the potential demand of the non-banking credit companies and the non-resident investors (considering the historic median of its holdings is 37.17%), then the potential demand will be the one showed in Table N° 7.

While there is a significant structural demand for government securities by local and international investors, we can continue prioritizing the issuance of sovereign bonds in the domestic market as new debt, which will contribute to the consolidation of the volume and deep of the government securities market in order to reach the levels of other markets in the region. Even though, as we will see later, the effects of the standardization process of the monetary policies of more developed countries may cause turbulence and volatility on the demand for bonds in the emerging countries' domestic currencies.

The impact of the legal change that allows the devolution of 95.5% of the funds of the affiliated members close to retire on the demand is approximately S/ 325 million or S/ 232 million, including the SBS data about new pensioners, average monthly pensions, life expectancy and the participation of government bonds in the pensions fund scheme 1 or in the annuity funds from insurance companies respectively, this is assuming all affiliates ask for the devolution of their funds.

4. MARKET CONDITIONS AND OUTLOOK

4.1 Economic Activity

For several years the world economy has been experiencing what many forums have called "the new normal", a process after the 2008-2009 financial crisis in which we ended up in (i) a tightening of the potential of the economies worldwide, (ii) a slow growth, (iii) a lower total factor productivity, (iv) a higher government intervention in the economy, (v) a lower financial leverage and (vi) the need for a greater participation of governments in their economies.

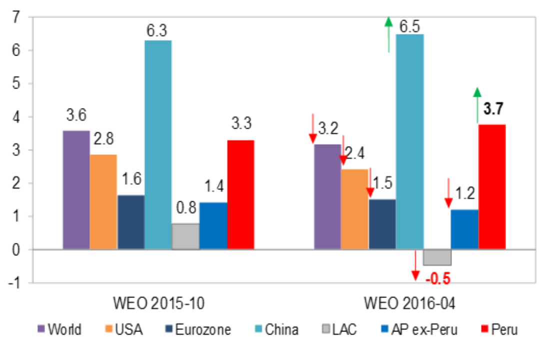
In 2015, the emerging countries' sovereign debt performances were affected by higher volatility on capital markets due to (1) a lower growth of the Chinese economy, (2) the financial market uncertainty related to an interest rate rise by the Federal Reserve of United States, (3) a strong drop in oil and commodities' prices, (4) depreciation and high inflation in commodity-exporters and (5) low inflation in the most advanced economies.

Therefore, the 2016 global economic forecast would be one of lower growth. The Multiannual Macroeconomic Framework[14] (MMF) forecasts a 3% economic growth worldwide in 2016 (3.1% in 2015) and 3.2% in 2017. The IMF[15] forecast for 2016 is 3.2% and 3.5% for 2017, due to an economic downturn in advanced economies and the setbacks in Latin America which is expected to grow -0.5% in 2016 (-0.1% in 2015) and a slow recovery of 1.5% in 2017.

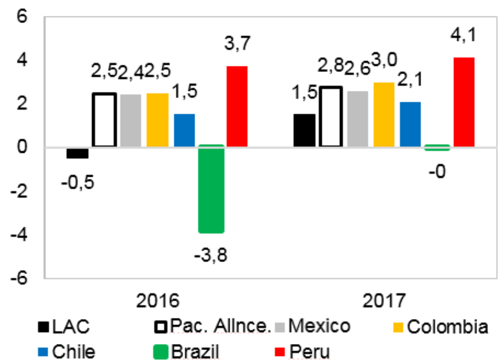
[14] Ministry of Economy and Finance, Marco Macroeconómico Multianual 2017-2019, April 2016.
[15] International Monetary Fund, World Economic Outlook, April 2016.

Graphic N° 4
IMF: GROWTH FORECASTS

FORECAST 2016



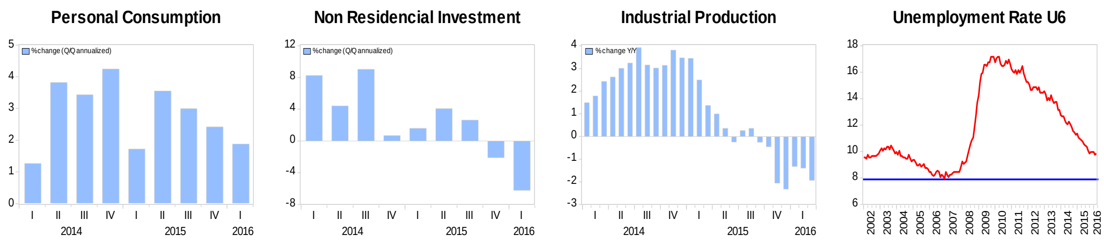
REGION: FORECAST 2016-2017



Source: IMF "World Economic Outlook" April 2016.

From now on, the potential recovery of the financial conditions in the US will affect the capital flows and their cost. The moment for a rise in the FED interest rate will become when today's low inflation in the advanced economies gets closer to the Central Banks's targets.

Graphic N° 5
FED'S FEAR OF THE U.S. ECONOMY



Source: Bloomberg, FED minutes of April, 2016.

The Federal Reserve System in the U.S. points out that there is a possibility of an interest rate hike in their next meetings, based on an official 5% unemployment rate, a 1.1% inflation rate and a 2.1% core inflation. However, what may delay the moment to rise the interest rate, according to the FED minute issued in April, are concerns about a slowdown in the GDP, personal consumption, a fall in the non-residential investment, in the industrial production and fear of the U-6 unemployment rate, which is still 2 percentage points (9.7%) above than the pre-crisis level (7.9%). An improvement of these indicators will ensure an interest rate rise. For 2016-2017, the MMF forecasts a 2.5% growth and 2.4% for 2018-2019.

Table N° 8
PERU: GDP PROJECTIONS

Year	IMF WEO April	BCRP survey Economic analysts	BCRP survey Financial system	BCRP survey Non-financial companies	MEF MMF 2017-2019
2016	3.7%	3.6%	3.5%	3.6%	3.8%
2017	4.1%	4.0%	4.0%	4.0%	4.6%
2018	3.6%	4.2%	4.0%	4.5%	4.0%
2019	3.5%	-	-	-	4.0%

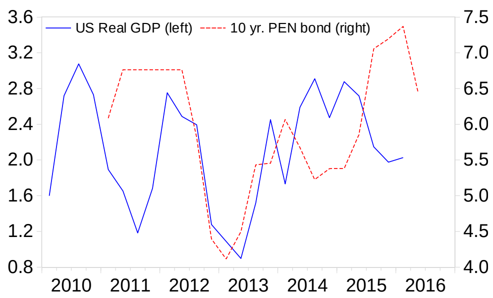
Source: IMF, WEO, April 2016. BCRP survey April 29, 2016. MEF.

Also the annual economic growth forecasts for Peru from 2016 to 2018 are auspicious. According to the MMF, GDP will grow 3.8% in 2016, 4.6% in 2017 and 4% for 2018-2019. According to the BCRP survey, the economic analysts expect a 3.6% to 4.2% growth for the 2016-2018 period. On the other hand, the IMF expects a more conservative and revised upward growth range from 3.7% to 3.5% in the 2016-2019 period, where the growth range for the countries of the Pacific Alliance is 2.5% to 3.2% in the aforementioned period. Additionally, the MMF expects that Peru's main commercial partners could grow 1.4% in 2016, lower than the 1.8% in 2015, and a 2% economic growth recovery in average for the 2017-2019 period.

Impact on the sovereign debt in soles

The lower U.S. economic growth of 2% could lead to lower yields of the Peruvian sovereigns bonds in soles of approximately 5.5%, but a rebound in the U.S. economy with a 2.4%-2.8% annual growth could carry the 10-year sovereign bond yield to the 6.5%-7% range.

Graphic N° 6
US GDP vs. 10-yr PEN bond



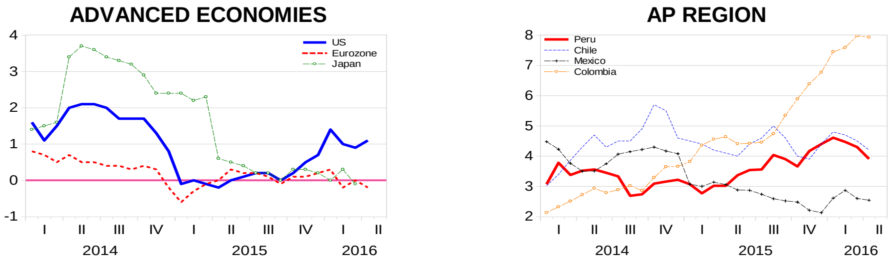
Source: Bloomberg.

4.2 Inflation rates

The inflation rate in advanced economies has diminished due to a fall in oil and commodities prices. We expect the inflation rate of advance economies to converge to 2%.

In the case of emerging commodities exporters, lower oil prices have been overshadowed by the depreciation of their currencies due to lower commodities prices, lower foreign capital inflows, higher inflation rates that lead the central banks to raise their interest rates. We expect inflation rates to converge within the central banks' targets.

Graphic N° 7
INFLATION RATES



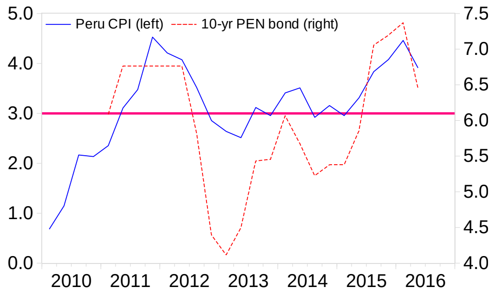
Source: Bloomberg.

In Peru, with inflation expectations anchored at 3.5% in 2016, we expect the Central Reserve Bank of Peru to continue rising the reference rate in order to contain and anchor the inflationary expectations and be able to respond to a possible rise in the FED interest rate. Likewise, exchange rate expectations show a 7% depreciation of the U.S. dollar in 2016 up to S/ 3.65 per dollar. Since 2017, the market expects that the inflation rate converge within the target range of the BCRP and, for 2018, inflation would converge to the upper band of the target at 3%.

Impact on the sovereign debt in soles

An annual inflation rate around 4% in Peru is reflected in the 10-year sovereign bond yields ranging from 6.75% to 7.25% and an inflation rate of 3% would imply approximately yields around 5.4%.

Graphic N°8
Peru: Inflation vs. 10-yr PEN bond



Source: Bloomberg.

4.3 Interest rate

In advanced economies, where interest rates are very low (even negative, such as the Eurozone and Japan) due to accommodating monetary policies, we expect an interest rate rise by the FED up to 1% this year, the European Central Bank anchors its interest rate at 0.0% in 2016, and even in 2017 and the Bank of Japan reduces its interest rates to a lower negative level such as -0.30% in 2016.

Table N° 9
REFERENCE INTEREST RATE FORECASTS THROUGH APRIL 2016

Institution	Country or Region	Current **	2016	2017*
FED	EE.UU.	0.25-0.50	0.95	1.5
BCE	Eurozona	0.0	0.0	0.0
BOJ	Japón	-0.1	-0.3	-0.35
BCB	Brasil	14.25	13.4	11.9
BCRP	Perú	4.25	4.5	4.5

* Forecast to the third quarter of 2017. **Source:** Bloomberg.
** Through April 2016.

In the LA5[16] region, interest rates trending upwards are expected to buffer the inflation generated by depreciation due to lower export prices and a possible U.S. interest rate rise between June and December 2016.

[16] Brazil, Mexico, Colombia, Chile and Peru.

Impact on the sovereign debt in soles

In Peru, the reference interest rate of the BCRP may increase two or three times this year, and may reach 4.60% by the end of 2016. The possibility the BCRP increases the interest rate depends on inflationary pressures (and how much they moderate) and the exchange rate performance. Therefore, higher interest rates will address to higher sovereign bond yields in soles.

4.4 Exchange rate

A rise in the U.S. currency that started in the middle of 2014 has reversed since the beginning of 2016 in the midst of a slow recovery of the U.S. economy. For 2016, the market expectations for the euro in relation to the dollar are 1.1 dollar per euro, with a slight upward trend for the euro compared to the end of 2015.

Table N° 10
MACROECONOMIC EXPECTATION SURVEYS OF THE SOL/DOLLAR EXCHANGE RATE

Survey date April 29, 2016	Economic analysts	Financial System	Non-financial companies
Annual expectations 2016	3.52	3.50	3.50
Annual expectations 2017	3.63	3.50	3.54
Annual expectations 2018	3.65	3.60	3.60

Source: Central Reserve Bank of Peru.

In the case of the commodities-focused emerging countries (Brazil, Russia, Colombia, Peru, Chile, Mexico), the lower commodities prices have led to important currency depreciation and have boosted inflation; in addition, it is expected this scenario to continue as long as low export prices continue. The risk that the capital inflow at the beginning of 2016 reverts due to the possibility that the FED rises the reference rate twice this year exists, which will result in a higher depreciation in the region.

Table N° 11
EXCHANGE RATE EXPECTATIONS FOR THE SOL

Currency	Exchange rate	2Q-2016	3Q-2016	4Q-2016	1Q-2017
Dollar	PEN/USD	3.46	3.49	3.55	3.58
Euro	PEN/EUR	3.806	3.839	3.905	3.938
Yen	PEN/JPY	3.09	3.06	3.09	3.09

Source: Bloomberg.

In Peru, the exchange rate in relation to the US Dollar depreciated 14.6%[17] by the end of December 2015 compared to 2014. In 2016, we expect a high volatility and that the exchange rate closes the year around the S/ 3.55 level.

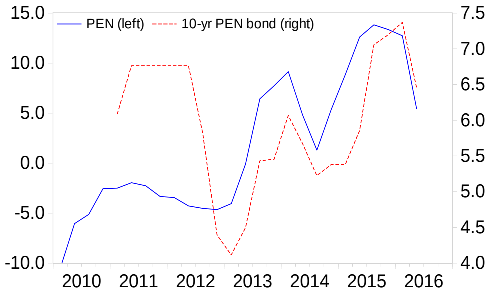
Impact on the sovereign debt in soles

The Sol will continue its volatility behavior influenced by the U.S. economy performance and the expectations of an interest rate rise by the Fed, which will contribute to the appetite of investors for dollar-denominated assets. On the other hand, if it is the case that a delay on interest rate hikes occur we will continue to see an inflow of short-term capitals to riskier Latin America markets looking for highest yields and a downward exchange rate.

[17] Source: Bloomberg.

The depreciation of the Sol affects the 10-year sovereign bond yields upwards. A higher depreciation of the Sol will depend on the possible return to normality of the U.S. monetary policy, which is supposed to happen in 2017, and the depreciation will impact the 10-year bond yields, increasing more than 7%.

Graphic N° 9
Peru: Exchange Rate vs. 10-yr PEN bond



Source: Bloomberg.

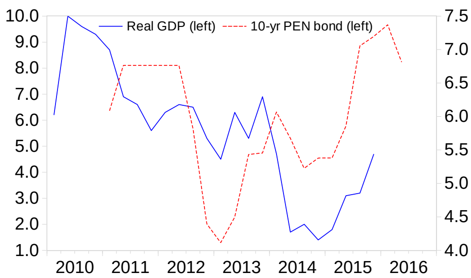
4.5 Sovereign debt forecast in 2016

In 2016, the performance of the sovereign bond yields in domestic currencies of the LA5 countries will be in line with the shifts in the risk perceptions globally, in a way that we have periods of (a) high yields due to the Fed interest rate rise and capital outflows from emerging countries, and (b) lower yields because of a delay in an interest rate hike by the Fed and a higher demand for greater returns by foreign investors.

In the long-term, we expect a moderated growth for dollar-issued sovereign bond yields by emerging countries thanks to positive forecasts of the U.S. economy and the possible flight to quality by non-resident holders of Peruvian public debt.

Although it would fare better to have a higher Peruvian economic growth by reducing the sovereign debt yields in soles and improve the risk perception of Peru, which in turn would attract more capital that would appreciate the local currency, this higher growth will mean higher interest rates by the BCRP that would affect the sovereign bond yields upwards.

Graphic Nº 10
Peru: GDP vs. 10-yr PEN bond



Source: Bloomberg.

5. FORECASTS AND SIMULATIONS OF DEBT INDICATORS

Usually, liability management aims to alleviate the liquidity risk stemming as a result of maturity concentrations; therefore, it is necessary to soften the maturity profile and improve as much as possible the financial costs related to risk that unnecessarily may generate a higher refinancing volume in the financial markets within the framework of a global asset and liability management. To this end, the same risk indicators of the Central government gross debt and the impact on the main strategic actions as part of the debt management implementation are monitored annually.

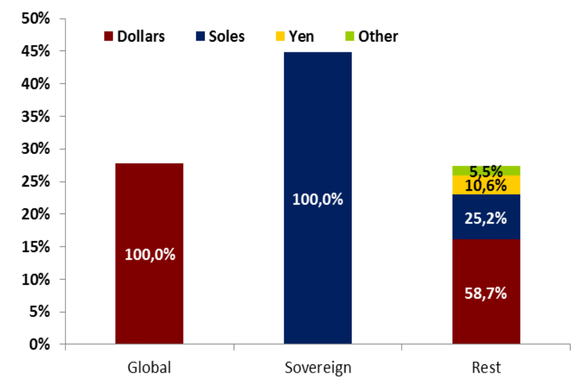
To determine these indicators we consider not only the gross debt forecasts, but also the MMF 2017-2019 projections, as well as the targets and fiscal rules contained herein, without losing the expected scenario of the prospective analysis to 2030. In this way, by 2019, we simulate a referential range of targets for these indicators that lie on four alternative deterministic scenarios, with assumptions considering economic performance, funding requirements to meet the fiscal needs and implementation of some debt management operations, as well as the local and international financial market prospects that will define the access and conditions to take new debt. Additionally, a new additional scenario based on the base scenario has been created to quantify some net debt indicators.

5.1. Debt position of the Central Government through December 31, 2015

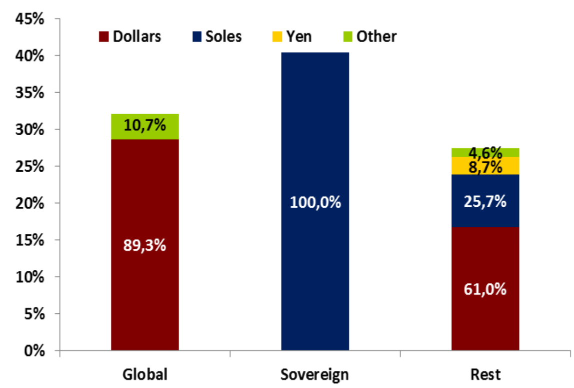
By December 31, 2015, the level of debt of the Central Government shows that the position of the domestic currency in its structure reached 47.4%.

Graphic Nº 11
CENTRAL GOVERNMENT DEBT POSITION BY CURRENCY OR TYPE OF BOND

TO DECEMBER 31st, 2014



TO DECEMBER 31st, 2015

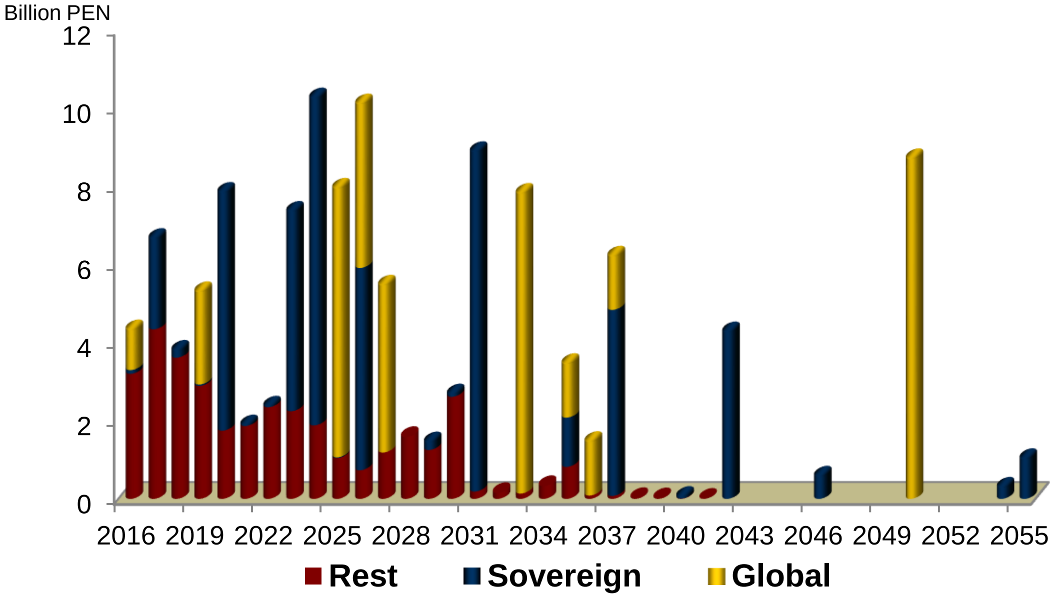


Source: DGETP – MEF.

To that date, the profile of the amortization payments showed that the 23% of the total principal maturities should be paid to 2010 (56% of that 23% corresponds to payments of obligations different than sovereign and global bonds). To 2027, the 60% of the total debt will mature. Therefore, even if the average life[18] of the total gross debt of the Central Government is 12.8 years, the refinancing risk may appear in some years with important amortization concentrations.

[18] It expresses the weighted average term (in years) in which the borrower should pay the nominal amortizations of the loans to his creditors.

Graphic Nº 12
PROFILE OF THE CENTRAL GOVERNMENT DEBT MATURITIES



Source: DGETP – MEF.

5.2 Scenarios to simulate the projection ranges

To determine the ranges for the forecasts of the monitoring indicators of the Central Government gross debt, four scenarios have been simulated. Each scenario responds to different assumptions of economic and financial variables and to the debt management operations to be executed in the next four years. In the Table Nº 12, the main assumptions are presented.

Table Nª 12
SOME QUANTITATIVE AND QUALITATIVE ASSUMPTIONS IN THE SCENARIOS TO SIMULATE THE PROJECTIONS TO 2019

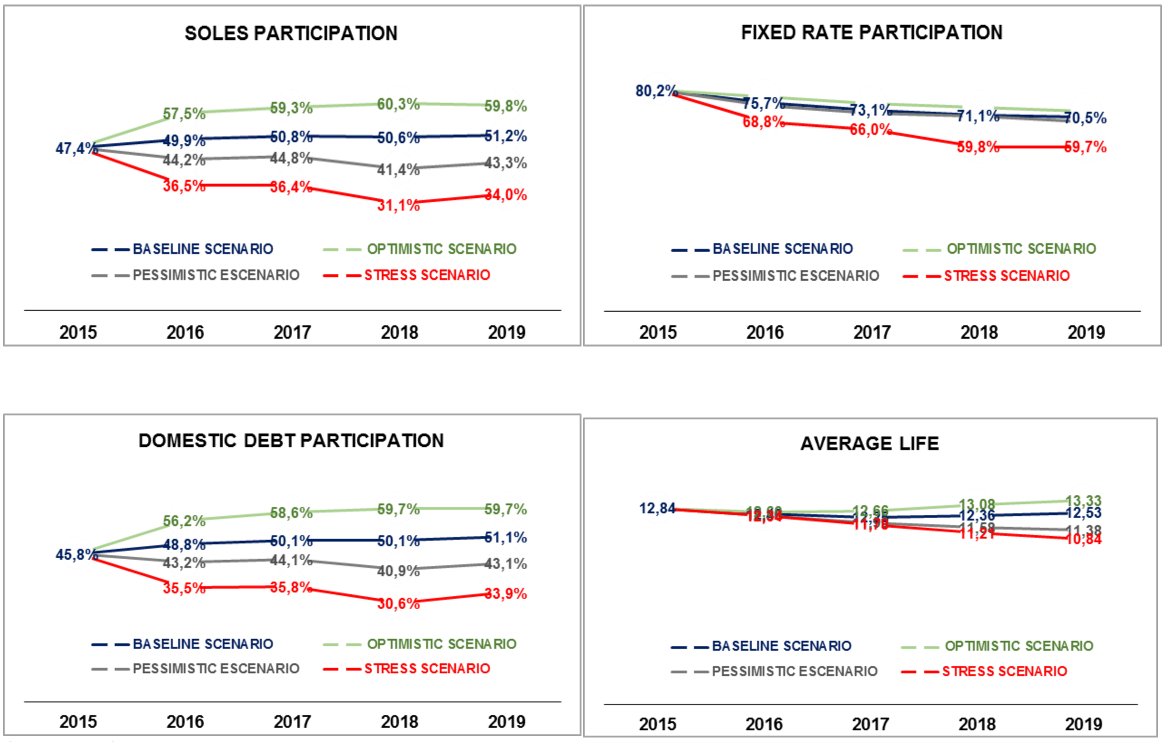
Assumptions	Base scenario		Optimistic scenario		Pessimistic scenario		Stress scenario	
	External	Domestic	External	Domestic	External	Domestic	External	Domestic
Financing 2016 (billion soles)	7.6	10.7	6.0	9.9	10.1	12.2	11.8	13.2
Financing 2017 (billion soles)	6.2	6.3	6.2	5.5	9.9	9.7	11.4	12.2
Financing 2018 (billion de soles)	3.9	8.2	3.9	9.3	7.1	6.6	10.1	6.0
Financing 2019 (billion soles)	8.3	5.8	6.6	7.0	12.7	4.6	16.0	4.2
Financed prepayments (billion soles)	3.2		6.3		2.4		0.3	
Exchanges (million soles)	5.1		6.2		2.0		0.2	

Primary result **as** % GDP	From -1.2% in 2016 to 0.0% in 2019	From -0.9% in 2016 to 1.0% in 2019	From -1.3% in 2016 to -0.1% in 2019	From -2.2% in 2016 to -0.1% in 2019
Real rate growth of GDP (%)	From 3.8% in 2016 to 4.0% in 2019	From 4.5% in 2016 to 5.0% in 2019	From 2.0% in 2016 to 3.5% in 2019	From 1.0% in 2016 to 3.0% in 2019

Source: DGETP – MEF.

In Graphic N º 13, the results of some monitoring indicators of the gross debt for the next 5 years are shown. More details of these results can be found in the Appendix Nº 4.

Graphic Nº 13
SOME INDICATORS OF THE CENTRAL GOVERNMENT GROSS DEBT



Source: DGETP – MEF.

On the base of both optimistic and pessimistic scenarios, the expected referential range of the gross debt indicators at the end of 2019 was established as detailed in the Table Nº 13.

Table Nº 13
REFERENCE FORECASTS OF THE CENTRAL GOVERNMENT GROSS DEBT INDICATORS AT THE END OF 2019 (*)

Concept	Expected range at the end of December 2019
Percentage of soles in the gross balance	43.3% - 59.8%
Percentage of nominal fixed-rate debt in the gross balance	67.5% - 72.3%
Percentage of domestic debt in the gross balance	43.1% - 59.7%
Average life (years)	11.4 - 13.4
Average time to re-fixing (years)	9.5 - 12.4
Concentration of amortizations over the next 12 months 1_/	4.3% - 2.8%
Percentage of the financing flow in domestic currency 2_/	54.6% - 79.0%

Source: DGETP – MEF.
(*) Includes hedge derivatives.
1_/ Indicator that measures the immediate pressure for payments.
2_/ Includes the financing of debt management operations.

5.3 Projections of the gross debt service and composition

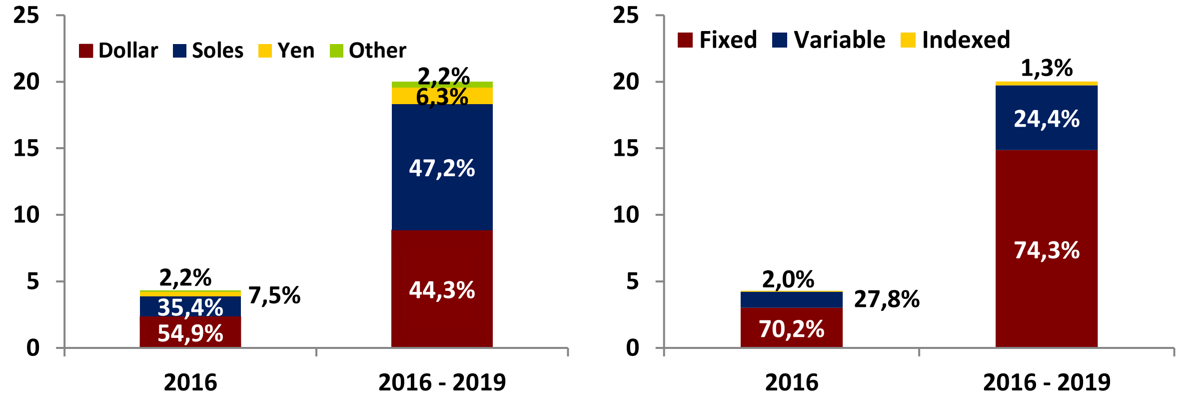
Considering that the base scenario represents the probability that the assumptions included could materialize, it is planned that the analysis of the position and the projections of the Central Government gross debt will be established based on this scenario.

a. <u>Projection of the gross debt service by currency and interest rate</u>

The amortizations of 2016 represent approximately 3.5% of the total debt and the annual amortizations to 2019 reach slightly growing payment levels, in average 4.2%. Relatively speaking, the pressure of debt payment in the Republic of Peru's budget will fluctuate between 10.4% and 13.7% of the annual incomes.

Future payments in soles represent approximately 35% in 2016 and 47% of accumulated maturities for the next four years (Graphic N° 14). The relative lower participation of the domestic currency is caused principally by the redemption of the global bonds maturing in 2016 and 2019. In that regard, in the interest rate structure, the 72% of the maturities in 2016 belong to agreed obligations in fixed rate and, the 76% to 2019.

Graphic N° 14
CENTRAL GOVERNEMENT MATURITIES BY CURRENCY AND INTEREST RATE
(Billion soles)

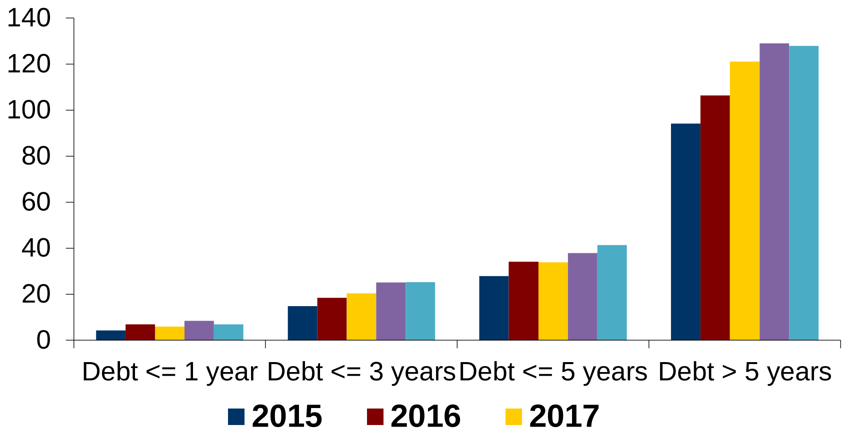


Source: DGETP – MEF.

b. <u>Projection of the gross debt composition by term to maturity</u>

The maturity structure of the current and future loans are still focusing in terms longer than five years; in 2019 this concentration will be higher (See Graphic N° 15). The effect of this structure can be seen in the profile of the government debt maturities.

Graphic N° 15
TERM TO MATURITY OF THE CENTRAL GOVERNMENT GROSS DEBT
(Billion soles)



Source: DGETP – MEF.

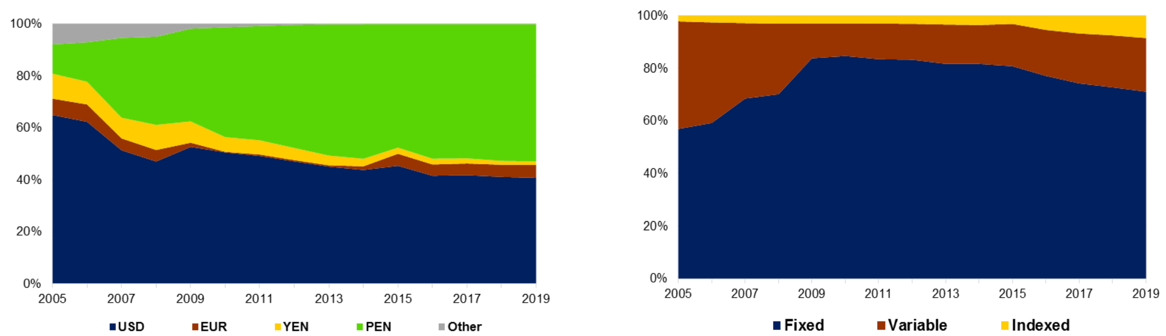
Likewise, in the base scenario, the percentage of the debt maturities longer than 5 years to December 2019 equals to approximately 75.6%, a relative position similar to that of the previous years. The factors that explain this situation are related to the debt management operations, which are financed with the issuance of long-term sovereign bonds.

In this manner, the average life indicator will be approximately 12.5 years at the end of 2019.

c. <u>Projection of the gross debt composition by currency and interest rate</u>

The domestic currency participation in the total gross debt will be 51.2% at the end of 2019, higher than the participation in 2016, which at the end of 2015 reached 47.4% (see Graphic N° 16).

Graphic N° 16
PERFORMANCE OF THE CENTRAL GOVERNMENT GROSS DEBT COMPOSITION BY CURRENCY AND INTEREST RATE



Source: DGETP – MEF.

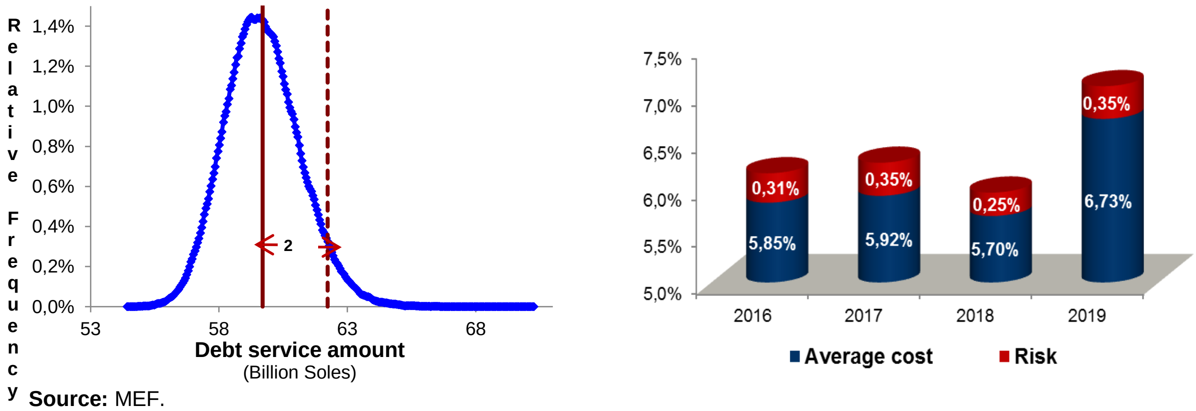
The interest rate forecast in the gross debt structure for the following years is still above 70% since 2009, reaching approximately 70.5% by the end of 2019.

5.4 Gross debt service and cost at risk

The analysis of the debt service at risk (SeR[19]) shows that the estimated amount of the debt service for the next four years (from 2016 to 2019 even) with a 95% confidence level reaches S/ 59.7 billion. The risk associated to the interest and exchange rate fluctuations that could mean an additional outlay regarding the expected service (measured by the difference between 95% percentile and the average) reaches S/ 2.5 billion (An additional 4.2% to the estimated debt service payment). See Graphic N° 17.

On the other hand, the average annual cost in soles of the gross debt is the payment of the debt interests and the additional amount resulting from the effect of the exchange and interest rate changes[20]. This additional amount, defined as risk, was calculated considering the stochastic performance of the interest and exchange rates, as well as its joint correlation[21]. The probable rise of the cost caused by the variations of the exchange and interest rates represents approximately 31bp for the next analyzed 4 years (Graphic N° 17).

Graphic N° 17
SERVICE AT RISK AND THE CENTRAL GOVERNMENT GROSS DEBT COST AND RISK FOR THE PERIOD 2016-2018



Source: MEF.

5.5 Indicators of gross debt deterministic sustainability

The analysis of the performance of the Central Government gross public debt ratio using the sustainability[22] indicator reflects such situation in all the analyzed scenarios, within an economic context where lower GDP growth, lower fiscal incomes and the adverse conditions on the prices of the financial variables will impact negatively on the gross debt balance (see Graphic N° 18).

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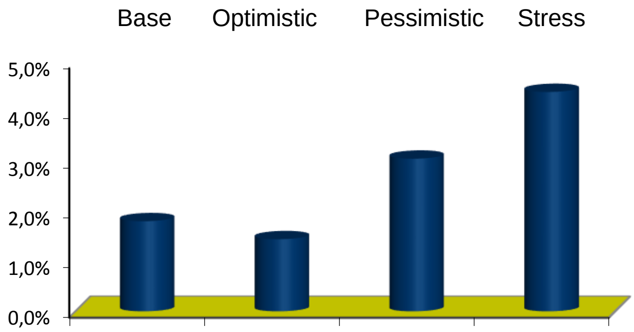
[19] This model accepts that each variable interest rate and the exchange rates follow a variance of the geometric Brownian motion, and that they are correlated. From this assumption, an appropriate number of Monte Carlo simulations with possible joint paths are established, with which a distribution of the accumulated debt service in the chosen period is built.

[20] This financial cost takes into account the possible growing performance of the interest rates of the variable rate loans of the passive debt and the fixed rates of the new financing and the expected exchange rate stability, which would increase the debt cost for the next years.

[21] The financial cost risk in soles is defined as the difference between the maximum cost (at 95% confidence) and the average cost.

[22] This indicator is the difference between the sustainable fiscal burden and the weighted average of the projected primary surplus as GDP ratios. The sustainable fiscal burden ensures that the debt ratio is constant over time. If the indicator has a negative sign, it means the public debt is sustainable (and eventually decreasing).

Graphic N° 18
SUSTAINABILITY INDICATOR OF THE CENTRAL GOVERNMENT GROSS DEBT
(GDP Percentage)



Source: DGETP – MEF.

The higher debt to finance greater fiscal requirements projected for the next years could be mitigated if the Government decides to use a part of the Public Treasury resources (assets) in the cases established by the current law. This would avoid a sudden higher pressure on the securities market that the Republic would to need to go and it would mean less financial expenses.

Table N° 14
CENTRAL GOVERNMENT DEBT TO GDP RATIOS
(In GDP percentage)

Base scenario	2015	2016	2017	2018	2019
C.G. Debt to GDP	19.9%	21.1%	20.8%	20.5%	20.0%
C.G. Debt service to GDP	1.7%	2.0%	1.9%	2.2%	2.0%
C.G. Amortizations to GDP	0.7%	0.9%	0.8%	1.1%	0.9%
C.G. Interests to GDP	1.0%	1.1%	1.1%	1.1%	1.1%

Source: DGETP – MEF.

The expected Central Government gross debt to GDP ratio for the next years will stabilize in 20% to 2019, a result consistent with the 2017-2019 MMF and the effect of the debt management operations planned for the analysis period (See Table N° 14).

Table N° 15
CENTRAL GOVERNMENT DEBT TO INCOME RATIOS
(Income percentage)

	2015	2016	2017	2018	2019
C.G. Debt to income	119.9%	130.7%	128.6%	125.5%	122.7%
C.G. Debt service to income	10.2%	10.4%	12.6%	11.7%	13.7%
C.G. Amortizations to income	4.2%	4.0%	5.7%	5.1%	7.0%
C.G. Interests to income	6.0%	6.3%	6.9%	6.6%	6.6%

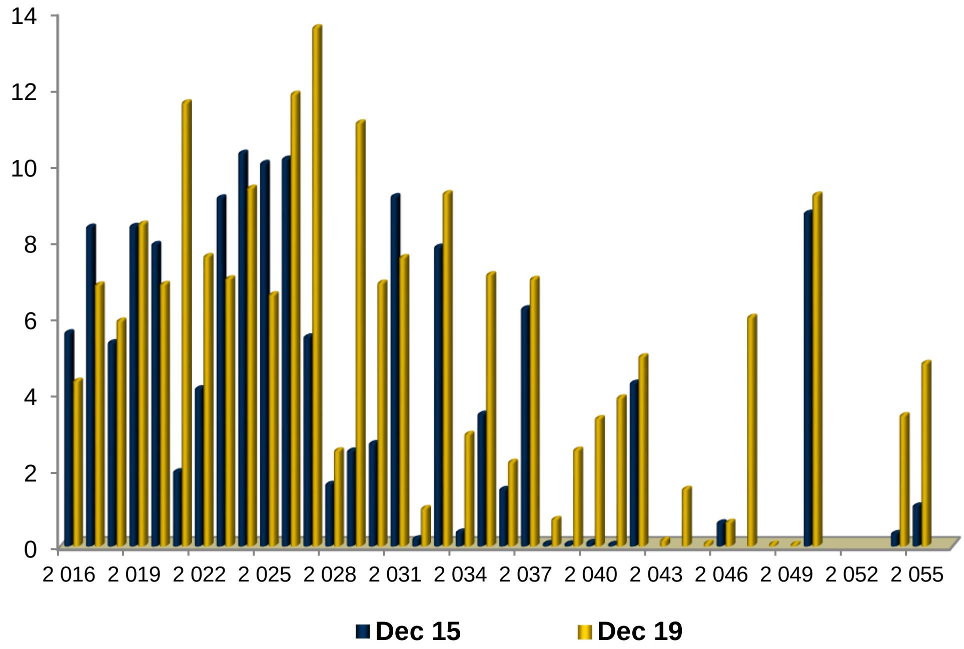
Source: DGETP – MEF.

But most important, the estimation of some debt indicators regarding the expected Central Government incomes for the next years helps to analyze the performance of the capacity of payment. In the table N° 15, we can observe that from 2018, this ratio will have a decreasing behavior, stabilizing at 123%, in line with the growth of the projected incomes and the effect of the debt management operation planned for the analysis period.

Another objective of the strategy is to improve the Central Government debt maturities profile in order to avoid payment concentrations. In this way, the Graphic N° 19 shows the maturities profile of the Central Government debt with the new debt for the 2016-2019 period for the financial needs and liability management operations for the present year.

The debt service profile reflects the redistribution of maturities as a result of the debt management operations for the period and the higher debt for the financing of the big infrastructure projects in the portfolio. New funds obtained to meet this objective will prioritize the issuance of the new sovereign securities in the long-term of the curve with enough liquidity to meet the institutional investor needs, such as insurance companies, which could match their assets and liabilities.

Graphic N° 19
AMORTIZATION PROJECTION OF THE CENTRAL GOVERNMENT GROSS DEBT
(Billion soles)



Source: DEGTP – MEF.

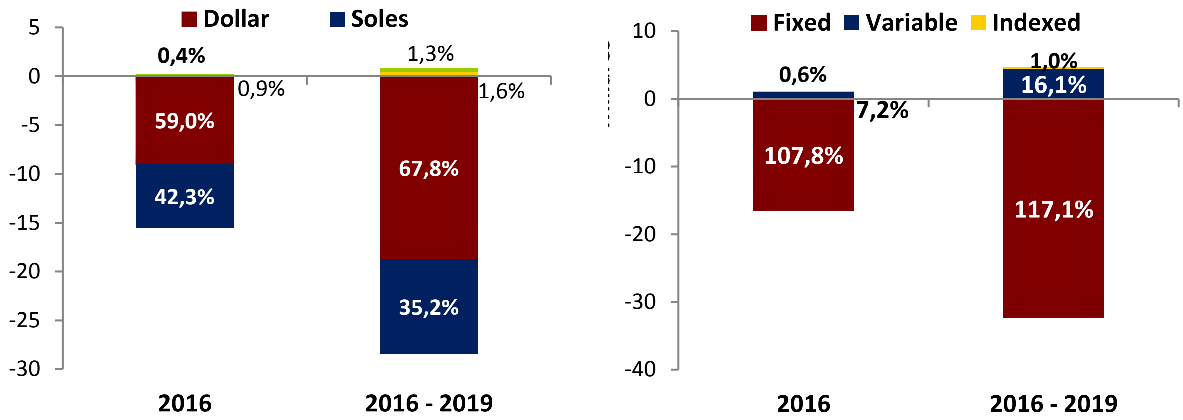
5.6 Projection of the net debt service and composition

From the base scenario, a new scenario that includes the Public Treasury assets has been elaborated in order to assess the future performance of the net debt.

a. Net debt service forecast

After financing the amortization flow of the gross debt, from 2016 to 2019 (inclusive), there is a S/ 15.3 billion surplus for 2016 and a S/ 27.7 billion surplus for the next four years; said funding can be managed by the Public Treasury under the new legal framework to obtain better returns.

Graphic N° 20
CENTRAL GOVERNMENT MATURITIES BY CURRENCY
(Billion soles)



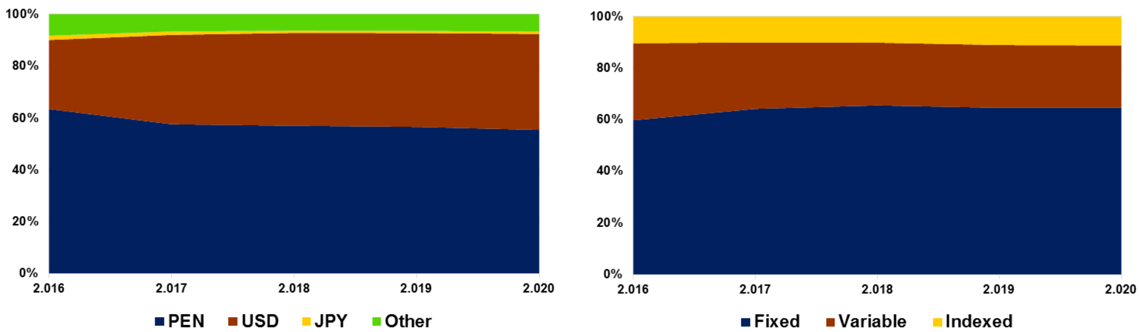
Source: DGETP – MEF.

The share of soles in the total surplus represents approximately 42% and 35% for 2016 and the next 4 years respectively (see Graphic N° 20). In a similar way, in the interest rate structure, most of the surplus is fixed-rate surplus.

b. Forecast of debt composition by currency and interest rates

The domestic currency share in the net debt represents approximately 65% at the end of 2019, below the average of the 2016-2018 period, which is 69%. Likewise, from 2017 onwards, the projection of the fixed interest rate in the net debt structure will remain above 68%, but at the end of 2016 it will reach 60% (see Graphic N° 21).

Graphic N° 21
PERFORMANCE OF THE CENTRAL GOVERNMENT NET DEBT COMPOSITION BY CURRENCY AND INTEREST RATE



Source: DGETP – MEF.

6. STRATEGY 2017-2019

The most important public complementary actions that will be implemented until 2019 are the following:

6.1 Asset management

a) Repo operations of government securities in a countercyclical way in order to provide liquidity and contribute to the stability of interest rates

In order to provide a minimum liquidity to the government securities and contribute in a countercyclical way to the interest rate stability of the sovereign curve, the Public Treasury will make buy-back and resale auctions of sovereign bonds or will execute buy-back and resale of these bonds through auction or trading platforms as another participant of the local government securities secondary market. Therefore, when the yield curve rise or fall continuously because of the lack of purchase or sale stance, the government securities that have too much demand or supply will be bought-back or resold respectively. These securities can buy through the Sovereign Debt Fund and can be used in debt management operations in order to be replaced by others that may be lacking in some segments of the market, helping to soften the debt amortizations.

b) Implementation of a temporary placement and capture window for government securities using repo operations

As part of the buy-back and resale operations of government securities, the Public Treasury, as another market participant, will open new possibilities for buying and selling securities of the Sovereign Debt Fund in exchange for interest rate established by the Public Treasury, in order to give more dynamism to the government securities market and to reduce the volatility of the yield curve.

c) Responsiveness in the wake of recessive or emergency scenarios using the savings accumulated in the Fiscal Stabilization Fund (FSF)

As part of the financial strategy to face adverse situations of liquidity risk caused by the sudden fall of public income or unexpected increases of the expenditures in case of a national emergency, the Public Treasury will preserve and make profitable the accumulated funds of the FEF in order to use them in the future and subsequent pay back within the framework of the Law N° 30099.

d) Elaboration and implementation of the guidelines for the management of the Secondary Liquidity Reserve resources (SLR)

The Public Treasury will preserve and manage SLR funds efficiently, establishing investment guidelines when these funds are needed, to counter financial volatility that affects the liquidity of the source of ordinary revenue necessary to execute the cash budget or affect the securities or credit market liquidity.

e) Design of mechanisms for the contingent use of the Public Treasury funds from financing sources other than ordinary revenue

Facing the possibility of an unfavorable context, where the use of the FSF and the

RSL is not possible but the access to greater debt to keep the solvency of the debt service and sustainability indicators based on the total public income that generate the ability to repay could have a boomerang effect, the Government will take into account the implementation of multiannual mechanisms so the Public Treasury can make a contingent use of the accumulated savings resulting from different financing sources of the regular income and avoid higher financial costs.

6.2 Liability management

a) Rise in the issuance of government bills to broaden the participation of the retail market through brokerage firms

In line with the National Strategy of Financial Inclusion approved in 2015, the maximum referential amount of the regular bill auctions of 3, 6, 9 and 12 months will increase until a maximum total balance of S/ 1.5 billion at the end of 2016 and will reach to S/ 3 billion at the end of 2017, in order to increase the market segment and create better conditions for the future development of the secondary market. In this manner, the balance will be enough to develop liquidity and a deeper secondary market for the short-end rates of the sovereign yield curve.

b) Rise in the issuance of Treasury bonds i) in the short-end of the yield curve for the treasury management of banks, rural funds, insurance companies and mutual funds, ii) in the medium-end of the yield curve to meet the demand of banks, pension funds and non-resident investors and iii) in the long-end of the curve to meet the requirements of the pension funds and insurance companies

To comply with the requirements of different investor profiles and their different objectives, sovereign bonds will be offered according to the existing demand and the market conditions before each auction. Likewise, new benchmark bonds will be auctioned as long as the demand could allow a sustainably increase in the debt balance. The maximum amount to be auctioned will be established previously to each auction according to the funding needs of the Public Treasury.

c) Countercyclical debt to prevent, mitigate and overcome the temporary adverse shocks and promote mainly the domestic market

Without putting at risk our long-term main goal of strengthening the public debt securities market as a stepping-stone to further the development of the Peruvian capital market, we can appeal to foreign debt, through multilateral organizations or the issuance of bonds in dollars or euros on international markets to maintain a wide base of investors.

d) Debt management operations to increase the liquidity in the domestic secondary market of public securities

Debt management operations will be carried out to reduce or modify the concentration and composition of the government securities maturity profiles and, at the same time, the balance of the benchmark bonds will increase as well as the liquidity of the government secondary market in soles. To this end, the implementation of these operations using current foreign debt will be a priority in order to reverse the temporary rise of the foreign currency in the debt structure and at the same time to continue increasing the liquidity of the secondary market, favoring the sovereign credit rating.

e) Maintaining countercyclical credit lines available with multilateral organizations and possible issue of "catastrophe bonds" as contingency plan.

As part of the actions before contingencies in stress situations caused by financial crisis or possible catastrophe situations, the Government will maintain an active policy to acquire contingent credit lines from multilateral organizations and bilateral cooperation to face possible financial crisis and natural disasters, including the issuance of "cat bonds", within the framework of the financial protection strategy.

f) Design the mechanisms to increase the demand for government securities by non-resident investors

In order to continue increasing the non-resident investor base, the government will consider additional mechanisms that could ease the access of these investors to the government securities domestic market as a complement to the development of an international settlement and clearing platform.

6.3 Treasury management

a) Improvement of regulatory policies to implement the full money fungibility in the treasury management of the different sources of budgetary financing

The previous experience with deficit and excessive debt lead to very rigid mechanisms of treasury monitoring and even, in occasions, these were unnecessary and counter-productive. These mechanisms highly distort the financial activity and imply high related-costs. For example, the most disturbing element is the link between some expenses and their sources of budget funding, which leads to monitor the origin of the source of each payment made by the Public Treasury, impeding the money fungibility. Therefore, we will keep improving the norms that impede a full fungibility of all the funds, in spite of monitoring the budget. In particular, a legislative proposal to use the debt resources in a flexible manner, especially for those that result from the sovereign bond issuances in domestic currency, so it could apply to the financing of the investment projects and therefore, avoid the rigid separation of such resources, favoring pre-established projects authorized by the correspondent regulation.

b) Development of an estimation system of the daily collection in the Public Treasury accounts and enhance the efficiency of the State's revenue collection system

In coordination with the SUNAT[23], a daily collection estimation system will be developed and implemented so that the collection information, which are comprised of Public Treasury resources, is available or can be available within the terms and conditions requested by the General Directorate of Public Treasury and Debt (DGETP); also, it should include the regular update of the daily collection estimations or forecasts, as well as the monitoring of differences between these estimations and the effective collection in order to increase the efficiency. In the case of the Public Treasury revenues provided by public entities other than SUNAT, we will study and

[23] SUNAT is the Government agency in charge of collecting public revenues, managing tax policy and managing customs in Peru.

evaluate solutions that will improve their predictability. Likewise, the DGETP will continue to support the SUNAT to increase the fiscal collection and will establish that the collection should be deposited in the Public Treasury account, according to the terms and mechanisms or procedure established by the DGETP.

c) Consolidation of the estimation system for daily payments in the Public Treasury accounts and increase the efficiency of the State's payment system

Since 2016, a set of rules to organize most of the periodic payments for the different public entities through their corresponding treasury offices has been established. These rules imply processing the specified expenses transmitted by the public entities the next working day after these entities transmitted the information to the DGETP (t+1). To complete this payment estimation system, mechanisms such as obligation payment schedules for property acquisitions and provision of services and works by public entities, similar to the existing payment schedule for remunerations, pensions and others approved by the Vice-Minister of Public Treasury will be established, as well as the dissemination and training, in a way that enhances the timely programming of payments and the best practices for the budget and financial execution of the State's resources.

d) Implementation of norms to regulate entities that provide information about collection and payment forecasts, as well as the terms and conditions to operate with the Public Treasury

Considering the Public Treasury's information needs, it is necessary to design and publish norms that consolidate the issues regarding the treasury management, for example, opening bank accounts, collection and payment procedures, as well as financial programing mechanisms, which involves sending the income and outcome estimations to the Public Treasury.

6.4 Market structure

a) Study to assess the technical and legal viability to elaborate a Market Makers Program for Government bills

We will consider the possibility to elaborate a Market Makers Program for Government bills in order to improve the liquidity and deepen the secondary market according to the best international practices and experience, similar to the case of the government bonds denominated sovereign bonds. To this end, we will consider creating a system that will allow entities that are considered as market makers and obtain higher scores because they contributed to a more frequent trading and to a higher investor deconcentration to have the privilege to allocate an additional amount to the established amount, submit subscription orders (second round) to the weighted average yield resulting from the auctions (first round), among other privileges.

b) Development of an auctions module for government notes

Currently, Public Treasury auctions are made through Datatec (bonds) and Lima Stock Exchange (bills), but the fixed costs to participate require covering the company's economies of scale that discourages greater investor participation. To this end, the current auction module for the government public deposits will extend so the auction of bonds and bills could be a complement to the current platforms so entities can participate in bond and bill auctions through internet in an ordered, efficient and transparent way.

c) <u>Development of an international settlement and clearing system for the operations with bonds in soles for non-resident investors</u>

We will keep working to find the best way to implement a clearing and settlement platform in order to diversify the non-resident investor base. To this end, we have been coordinating with an international securities depositary to establish the mechanism that ease the operations in the primary and secondary market with sovereign bonds in soles and that these operations can be settled in that depositary in the domestic currency or any settlement currencies accepted in this depositary, in order to create an additional access window so that non-resident investors could access to the domestic government securities instruments.

APPENDIX 1: 2017 Annual Public Debt and Debt Management Program

In accordance with the article 14° of the Single Consolidated Text of the Act N° 28563, General Act on the National Public Debt System, approved by Supreme Decree N° 008-2014-EF and its amendments, the 2017 Annual Public Debt and Debt Management Program 2017 was elaborated in 2016. From a long term perspective, the policies, objectives and quantitative goals of this program are part of the Strategy for Global Asset and Liability Management 2016-2019, consistent with the fiscal goals of the 2017-2019 Multiannual Macroeconomic Framework.

The public debt management is based on a long-term strategy and the main objective is to cover part of the Public Sector financing needs and develop the government securities market with the lowest costs possible, subject to a prudent risk and considering Peru's capacity of payment.

In the last years we have been reaching both objectives focusing on reducing the vulnerability of the public finances by modifying the structure of the government liabilities portfolio with a greater position of the domestic currency and lower payment concentrations in the amortization profile for the next years that led to the consolidation of Peru's investment grade designated by sovereign risk agencies.

Since 2013, the Strategy for Global Asset and Liability Management is the baseline scenario for the asset and liability management guidelines that will be observed permanently by all institutional entities or units that are part of the Public Finance to execute all their operations. This baseline scenario is composed of guidelines[24] that are clearly defined and should remain on time to guarantee the institutionalization of the financial policy, which guides the public debt and treasury management according to the best international practices. At the same time, the validity of these guidelines seek to give signals of transparency and predictability to the government securities market, in order to support the economic agents on the decision-making process of investment and treasury management.

Considering articles 17 and 28 of the Single Consolidated Text of the Act N° 28563, General Act on the National Public Debt System, that establish the procedures to set the maximum amounts for concertation of debt operations and the annual program of disbursements respectively, that establish that the main parameters are the objectives, policies and goals of the Annual Public Debt and Debt Management Program, the actions below should be completed in 2017 in order to reach the goals established in the indicators that measure the

[24] Basic principles of financial management:

- Optimization of the relation between risk and return/cost.
- Centralization of the flow liquidity and fund balance.
- Comparison of alternatives with the same comparable base.
- Priority to the highest competition possible at all levels.

Financial policies of the asset and liability management:

- Deep the securities market increasing the public debt in soles.
- Maintain liquidity reserves to face volatility situations.
- Make the public funds profitable and reduce the liquidity cost.
- Reduce the foreign debt procyclicality as a source of vulnerability.
- Keep a sound financing structure for the indirect debt.
- Ensure the net public debt sustainability.

Strategic guidelines for the management of the structural risk:

- Optimization of the liquidity risk management.
- Adopt a countercyclical position before interest rate risk.
- Diversification of the exchange risk.
- Concentration risk control.

vulnerability level of the public finance, the development of the government securities' local market, the debt service concentration, and others, which are compatible with the principles, financial policies, strategic guidelines and objective set in the Strategy for Global Asset and Liability Management:

- The financing of the fiscal needs established in the Multiannual Macroeconomic Framework will be obtained mostly from the government securities market in soles.
- We will encourage the financing of the investment projects in soles obtained from the local government securities market.
- Weekly Public Treasury bills of 3, 6, 9 and 12 months will be auctioned with a total amount not higher than S/ 3 billion at the end of 2017.
- The sovereign nominal and VAC bonds will be auctioned in the short, medium and long end of the curve, with a maturity ranging from 1 and 4 years, between 5 and 15 years and more than 15 years, respectively.
- As possible, we will prepare special auctions that will allow increasing the secondary market liquidity and the size of the government securities market. These auctions will materialize when the market conditions are more favorable to interests of the Republic of Peru.
- The settlement of the nominal and real sovereign bonds and the Public Treasury bills will be made under the delivery versus payment scheme.
- The management of the Sovereign Debt Fund will be implemented in order to contribute to a daily minimum liquidity and to widen the access to these types of government instruments to the public.
- Repo operations using nominal or real sovereign bonds and Public Treasury bills will be executed. The goal is to improve the treasury management and increase the demand for Public Treasury Securities and, therefore, the liquidity in the government securities market.
- Communication channels with credit risk agencies and local and foreign investors will enhance in order to keep them informed about the performance of the debt indicators and the intentions of future actions and operations.

To quantify the effect of these actions on the Central Government's debt management, some monitoring indicators have been defined, and their values are based on different deterministic scenarios, which determine the projected referential range for the end of 2017:

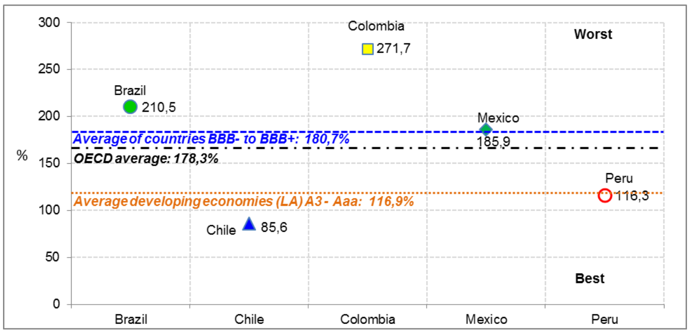
Quantitative referential goals at the end of 2017

Indicator	Range at the end of December 2017
Percentage of soles in the portfolio	44.8% - 59.3%
Percentage of fixed-rate debt in the portfolio	72.2% - 74.8%
Percentage of domestic debt in the gross balance	44.1% - 58.6%
Average life (years)	11.9 - 12.7
Average time to re-fixing (years)	10.2 - 11.6
Concentration of amortizations over the next 12 months	3.8% - 3.4%
Percentage of the flow of domestic currency financing	41.6% - 65.7%

Source: DGETP – MEF.

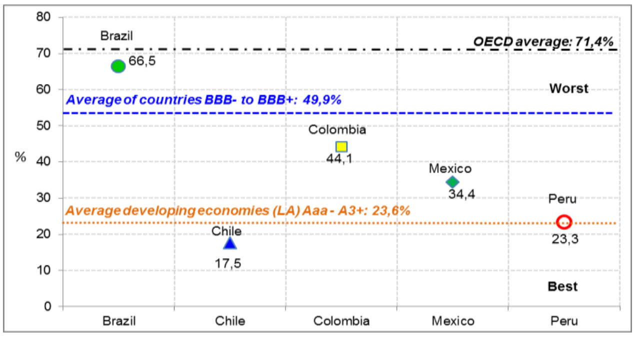
APPENDIX 2: Debt indicators of Peru and other economies

Central Government debt to Central Government income



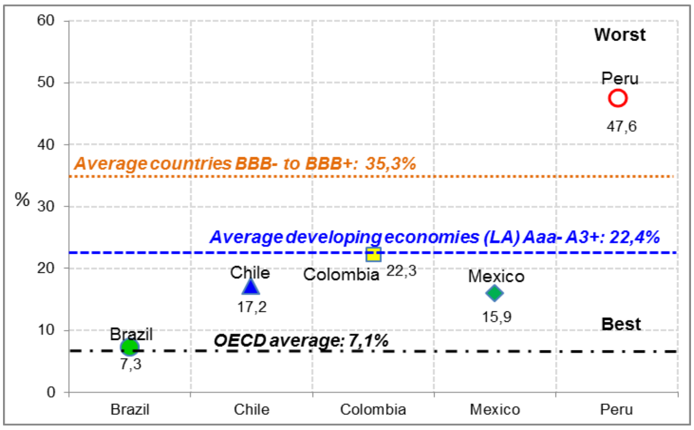
Source: Moody's Sovereign Handbook May 2016.

Public debt to GDP



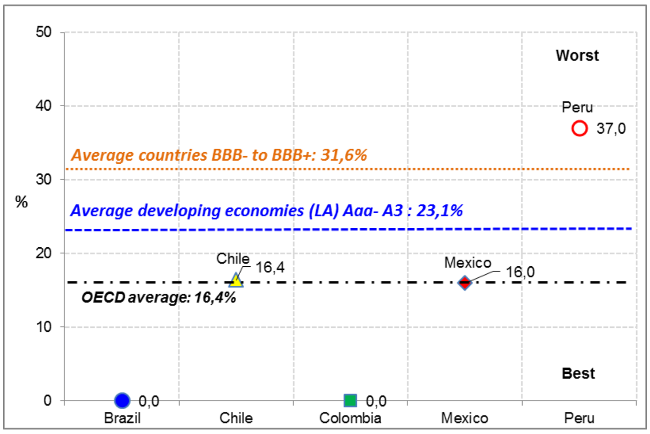
Source: Moody's Sovereign Handbook May 2016.

Public debt dollarization



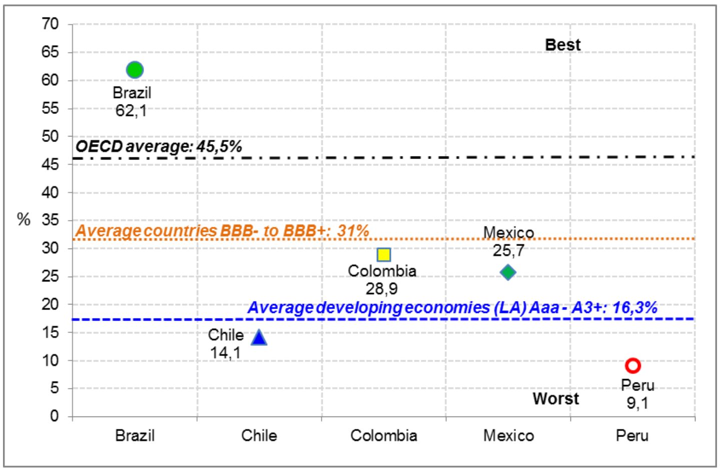
Source: Fitch Sovereign Data Comparator March 2016.

Dollarization of bank deposits



Source: Fitch Sovereign Data Comparator March 2016.

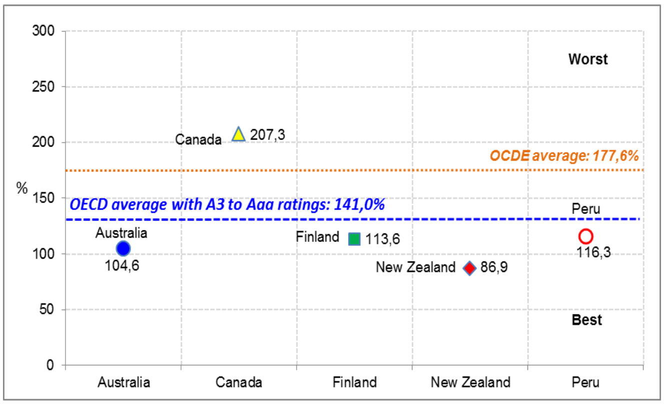
Domestic public debt participation to GDP



Source: Fitch Sovereign Data Comparator March 2016.

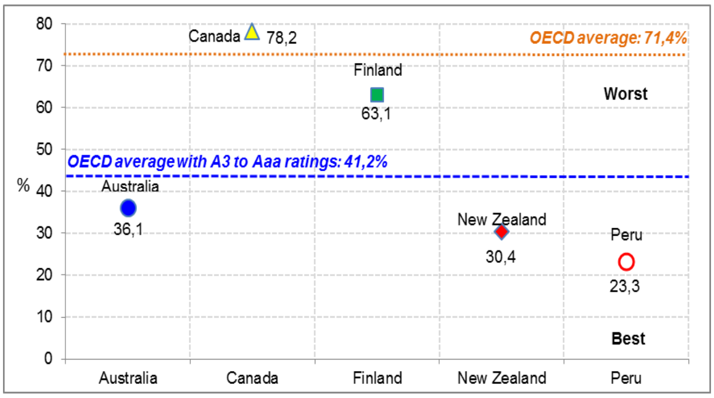
APPENDIX 3: Debt indicators of Peru and OECD countries

Central Government debt to Central Government income



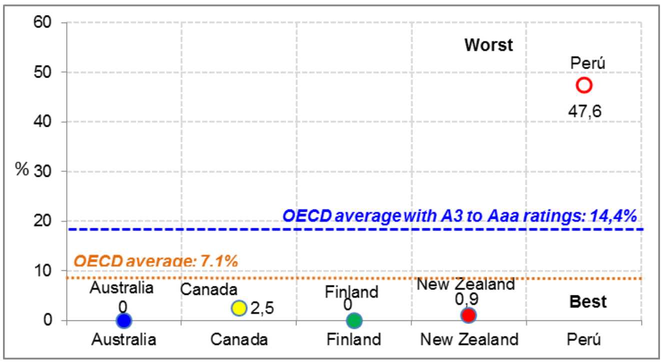
Source: Moody's Sovereign Handbook May 2016.

Public debt to GDP



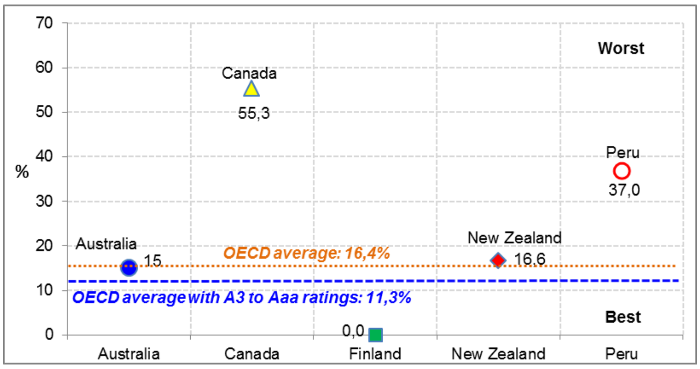
Source: Moody's Sovereign Handbook May 2016.

Public debt dollarization



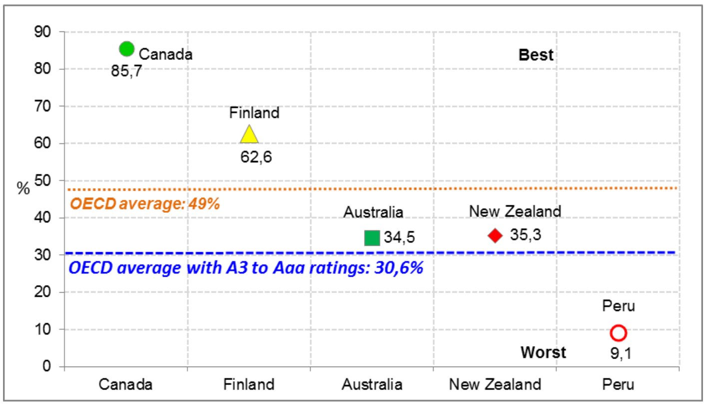
Source: Fitch Sovereign Data Comparator March 2016.

Dollarization of bank deposits



Source: Fitch Sovereign Data Comparator March 2016.

Participation of the domestic public debt to GDP



Source: Fitch Sovereign Data Comparator March 2016.

APPENDIX 4: Public debt: indicator performance

(Billion soles)

	2015	2016	2017	2018	2019
Base Scenario					
Total gross debt	**121.9**	**138.3**	**146.4**	**153.95**	**159.8**
Fixed rate	80.2%	75.7%	73.1%	71.1%	70.5%
Soles	47.4%	49.9%	50.8%	50.6%	51.2%
Domestic debt	45.8%	48.8%	50.1%	50.1%	51.1%
Soles (in 5 years)	60.3%	65.8%	61.6%	57.1%	57.3%
Fixed rate (in 5 years)	66.8%	68.9%	61.0%	60.9%	56.8%
Average life (years)	12.84	12.46	12.25	12.36	12.53
Average time to refixing (years)	11.67	11.13	10.92	11.06	11.29
Equivalent interest rate	8.7%	7.5%	7.2%	6.8%	6.6%

	2015	2016	2017	2018	2019
Optimistic Scenario					
Total gross debt	**121.9**	**138.0**	**147.4**	**156.0**	**161.3**
Fixed rate	80.2%	77.1%	74.8%	73.0%	72.3%
Soles	47.4%	57.5%	59.3%	60.3%	59.8%
Domestic debt	45.8%	56.2%	58.6%	59.7%	59.7%
Soles (in 5 years)	66.6%	76.3%	71.6%	66.3%	60.3%
Fixed rate (in 5 years)	64.8%	71.0%	62.1%	62.7%	57.7%
Average life (years)	12.84	12.60	12.66	13.08	13.33
Average time to refixing (years)	11.67	11.53	11.65	12.10	12.39
Equivalent interest rate	8.7%	7.3%	7.1%	6.7%	6.6%

	2015	2016	2017	2018	2019
Pessimistic scenario					
Total gross debt	**121.9**	**140.5**	**153.2**	**161.9**	**170.9**
Fixed rate	80.2%	74.0%	72.2%	68.0%	67.5%
Soles	47.4%	44.2%	44.8%	41.4%	43.3%
Domestic debt	45.8%	43.2%	44.1%	40.9%	43.1%
Soles (in 5 years)	61.0%	61.1%	57.6%	55.4%	57.6%
Fixed rate (in 5 years)	69.1%	68.1%	61.9%	62.7%	59.6%
Average life (years)	12.84	12.36	11.90	11.58	11.38
Average time to refixing (years)	11.67	10.66	10.16	9.62	9.40
Equivalent interest rate	8.7%	8.0%	7.9%	7.6%	7.4%

	2015	2016	2017	2018	2019
Stress scenario					
Total gross debt	**121.9**	**141.4**	**156.6**	**167.8**	**179.7**
Fixed rate	80.2%	68.8%	66.0%	59.8%	59.7%
Soles	47.4%	36.5%	36.4%	31.1%	34.0%
Domestic debt	45.8%	35.5%	35.8%	30.6%	33.9%
Soles (in 5 years)	57.6%	54.2%	51.1%	50.0%	54.9%
Fixed rate (in 5 years)	69.5%	65.8%	60.0%	59.8%	57.9%
Average life (years)	12.84	12.34	11.78	11.21	10.84
Average time to refixing (years)	11.67	9.98	9.12	8.19	7.77
Equivalent interest rate	8.7%	8.4%	8.5%	8.2%	8.1%

Source: DGETP – MEF.

APPENDIX 5: Schedule of the Regular Treasury Auction Program

January 2017 1

D	L	M	M	J	V	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

February 2017 2

D	L	M	M	J	V	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

March 2017 3

D	L	M	M	J	V	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

April 2017 4

D	L	M	M	J	V	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

May 2017 5

D	L	M	M	J	V	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

June 2017 6

D	L	M	M	J	V	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

July 2017 7

D	L	M	M	J	V	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

August 2017 8

D	L	M	M	J	V	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

September 2017 9

D	L	M	M	J	V	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

October 2017 10

D	L	M	M	J	V	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

November 2017 11

D	L	M	M	J	V	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

December 2017 12

D	L	M	M	J	V	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Tuesday of each month: Public Treasury bill auctions.

Thursday of each month: Bond auctions.

Terms and conditions of the information contained in this appendix: Should any of the regular auction dates coincide with a holiday, the auction will be held the next business day. The General Directorate of Public Debt and Treasury, before each auction, will establish what type of bills or bonds will be issued in each opportunity.