



Ministry of Finance

Dutch State Treasury Agency

Investor presentation

Asia Roadshow
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28 October 2016



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The economy and the budget



Projections: strong economic performance

Key economic figures 2015-2017 (% change, year on year)	2015	2016	2017
GDP	2.0	1.7	1.7
Household consumption	1.8	1.3	1.8
Capital formation (including inventories)	6.2	5.0	3.8
Government consumption	0.2	0.8	1.0
Exports	5.0	3.2	3.1
Imports	5.8	3.7	3.8
Unemployment (% of labour force)	6.9	6.2	6.2
Inflation (HICP)	0.2	0.0	0.5

Source: CPB, Netherlands Bureau for Economic Policy Analysis, 20 September 2016.



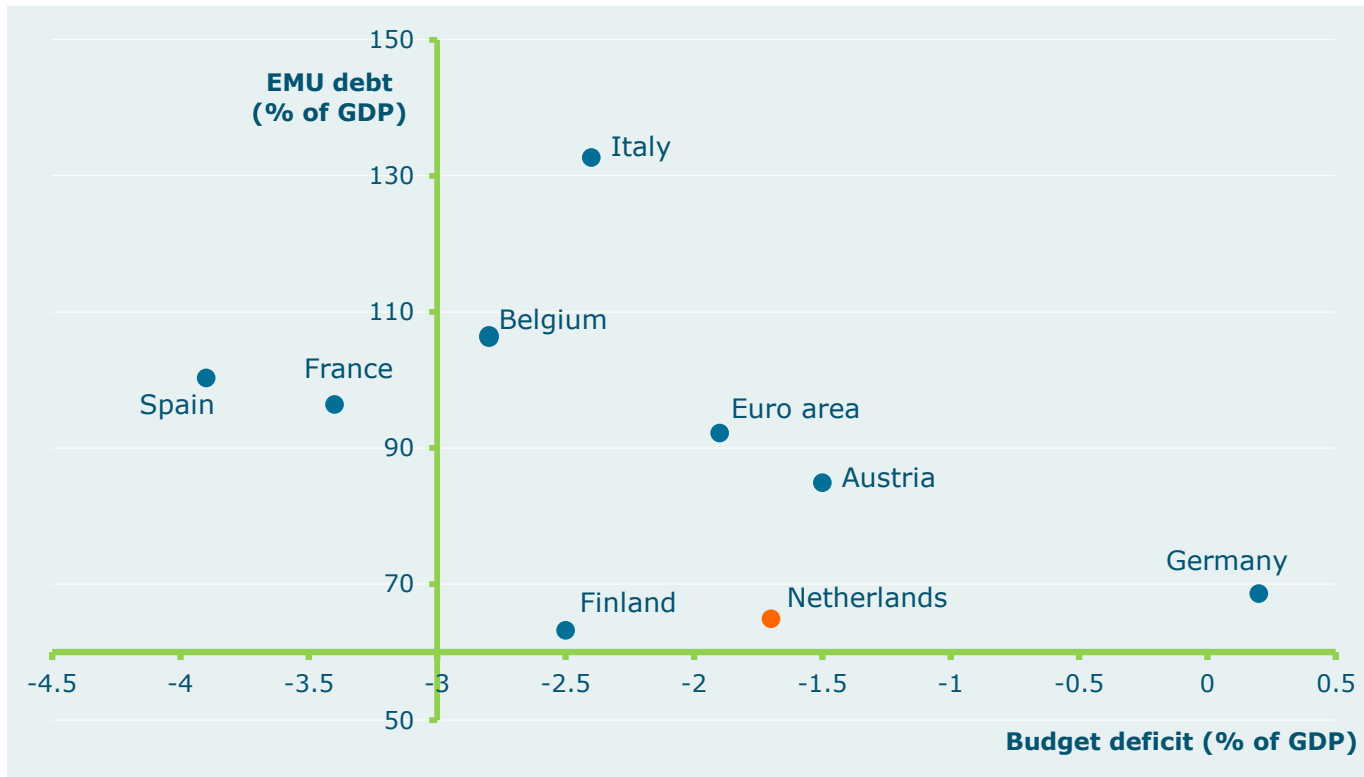
Government finances

Key budgetary figures (% GDP)	2012	2013	2014	2015	2016	2017
EMU-balance	-3.9	-2.4	-2.4	-2.3	-1.1	-0.5
EMU-debt	66.4	67.9	68.2	66.8	63.4	62.1

Source: Ministry of Finance, Budget Memorandum 2017, 20 September 2016.



Government finances compared (2016)



Source: European Commission Spring Forecast, May 2016



Fundamentally
strong



Among the most competitive countries worldwide

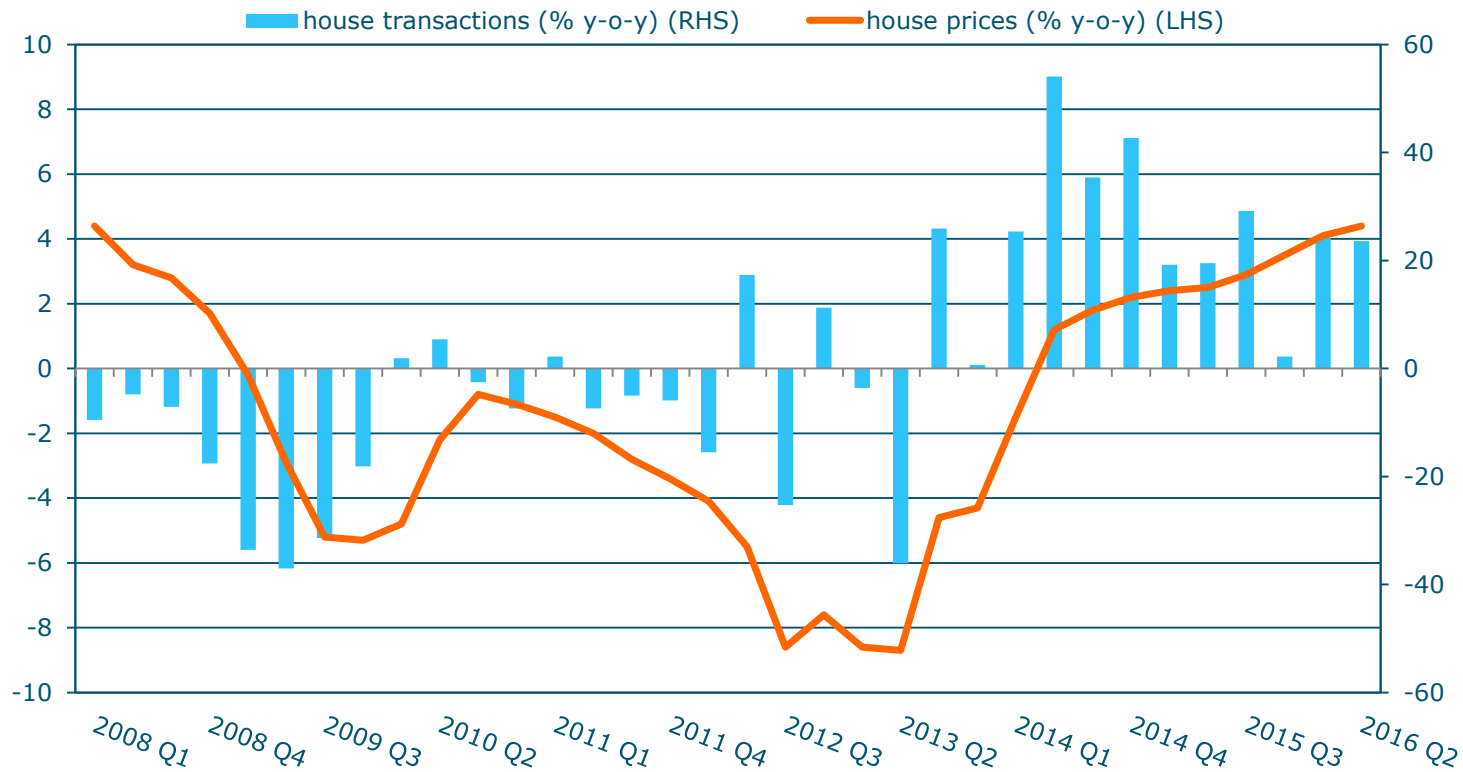
Top 12 countries on the WEF Competitiveness Index

1	Switzerland
2	Singapore
3	United States
4	Netherlands
5	Germany
6	Sweden
7	United Kingdom
8	Japan
9	Hong Kong SAR
10	Finland
11	Norway
12	Denmark

Source: World Economic Forum, 27 September 2016.



Housing market has recovered



Source: CBS, National Statistics Bureau



Pensions: reforms to achieve sustainability

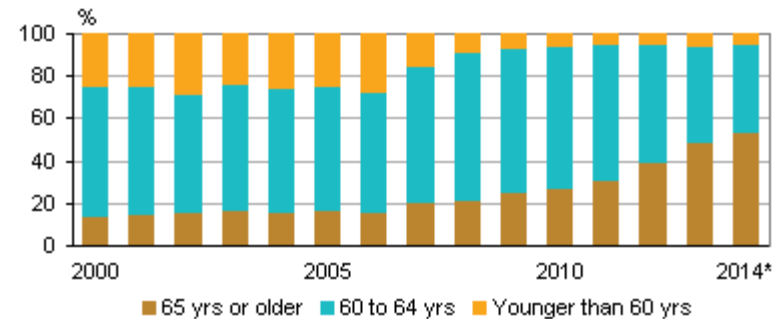
Number of retired employees and average age of retirement



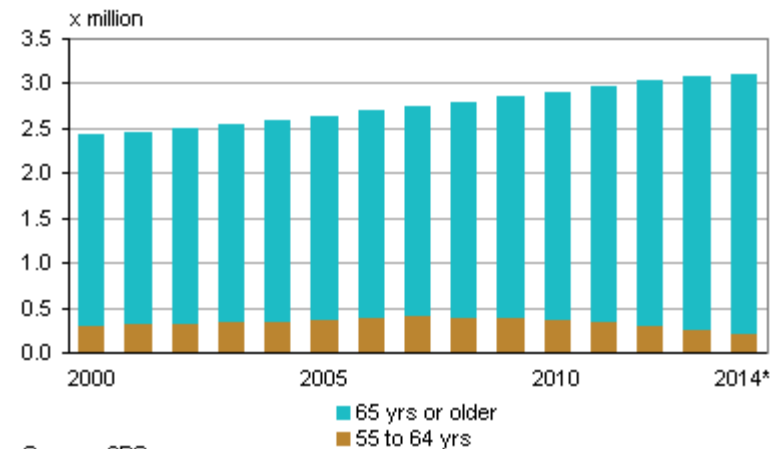
- Increase in retirement age to 67 in 2021
- Tied to life expectancy after 2021

Source: CBS, National Statistics Bureau, 2014

Retirement age employees



Retired people by age



Source: CBS



The debt position & Funding in 2016



Debt Outstanding

Key figures at the end of September 2016

Instrument	(€ mn)
DSL (T-bonds)	316,312
DSL in foreign currency	2,512
DTC (T-bills)	15,930
Private loans	5,863
Private loans in foreign currency*	629
Cash	25
Total debt outstanding**	341,272

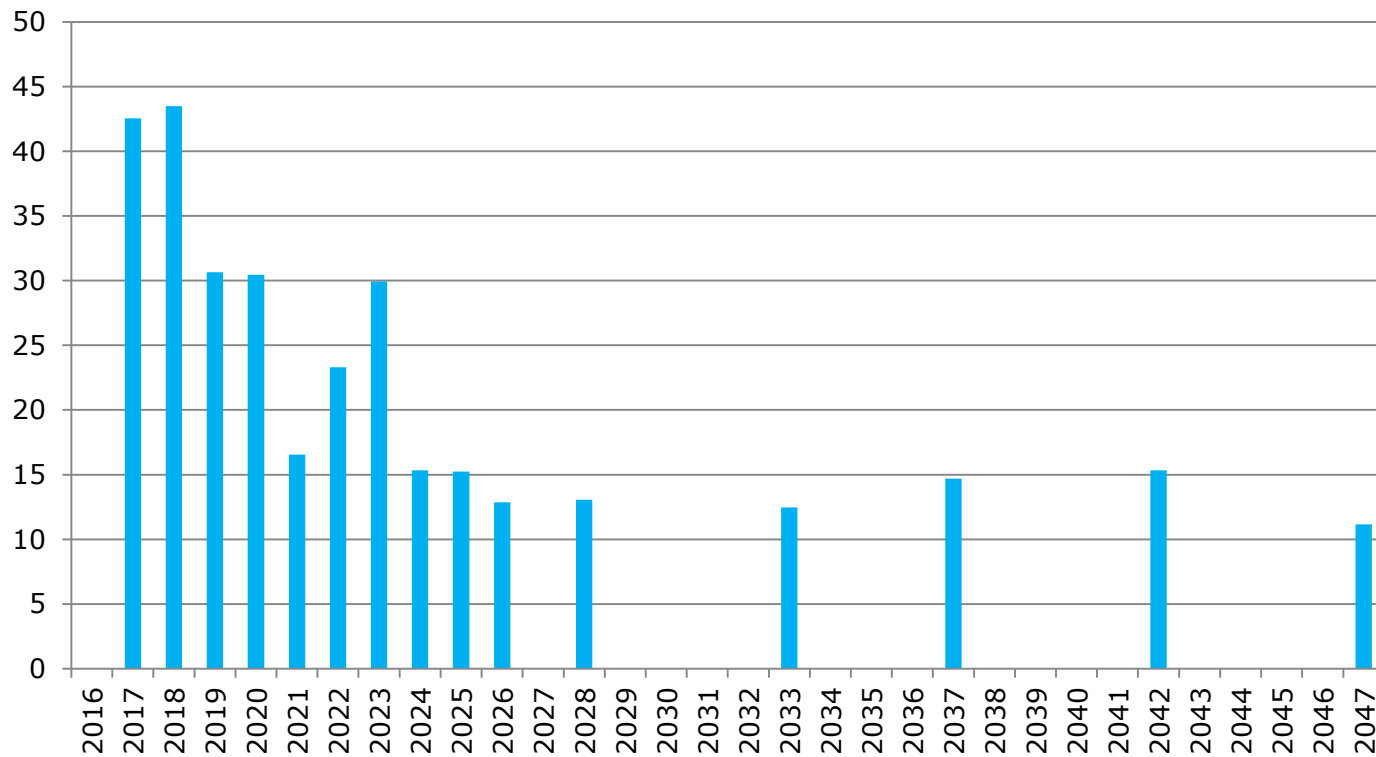
* Debt of the Netherlands Antilles taken over by the Netherlands.

** Excluding cash collateral received (€ 20.9 bn).



Long-term debt profile

Redemptions long-term debt position at the end of October 2016 (€ bn)





Borrowing requirement 2016

Borrowing requirement	(€ bn)
Capital market redemptions 2016	28.1
Money market ultimo 2015	15.2
Cash collateral ultimo 2015	19.4
Cash surplus	-0.7
Cash inflow loans Propertize	-2.4
Buy-backs DSL 2017 & DSL 2018	5.6
Total borrowing requirement	65.2

Note: The estimate for the cash balance excludes receipts resulting from possible sales of shares in state owned enterprises in the future.

Source: DSTA Quarterly Outlook, September 2016



Funding in 2016

Funding	(€ bn)
Capital Market (cash terms)	28.2
o/w in nominal value	26.3
o/w proceeds from bonds issued above par	1.9
Money market ultimo 2016	16.1
Cash collateral estimate ultimo 2016*	20.9
Total funding 2016	65.2

* Based on the outstanding amount at the end of August and assuming cash collateral is constant for the remainder of the year.

Source: DSTA Quarterly Outlook, September 2016

- Money market is the primary buffer
- New in 2016: target range capital market



DSL issuance in 2016

DSL	Outlook 2016 (€ bn)	Realized (€ bn)	Due 2016 (€ bn)
New 10-year DSL	15	12.8	1.5-2.5
New 5-year DSL*	7.5 - 10	8	
Reopening longer dated off-the-run DSLs	2.5 - 5	3.5	
Total DSL funding	25 - 30	24.3	

* Will be reopened again in 2017 to reach at least € 15 bn

Source: DSTA Outlook 2016, 11 December 2015 & Results Issuance DSLs, 11 October 2016



Funding requirement 2017

Borrowing requirement 2017, first estimate (€ bn)	
Capital market redemptions 2017*	43.0
Money market ultimo 2016	16.1
Cash collateral estimate ultimo 2016	20.9
Cash deficit	0.7
Total borrowing requirement	80.7

* This includes DSL redemptions in euro's and US dollars as well as repayments of debt obligations from previously state-owned enterprises Fortis and Propertize and of loans from the Netherlands Antilles

Note: The 2017 funding plan will be published in the Outlook 2017 on 15 December 2016

Source: DSTA Quarterly Outlook, September 2016

Secondary markets





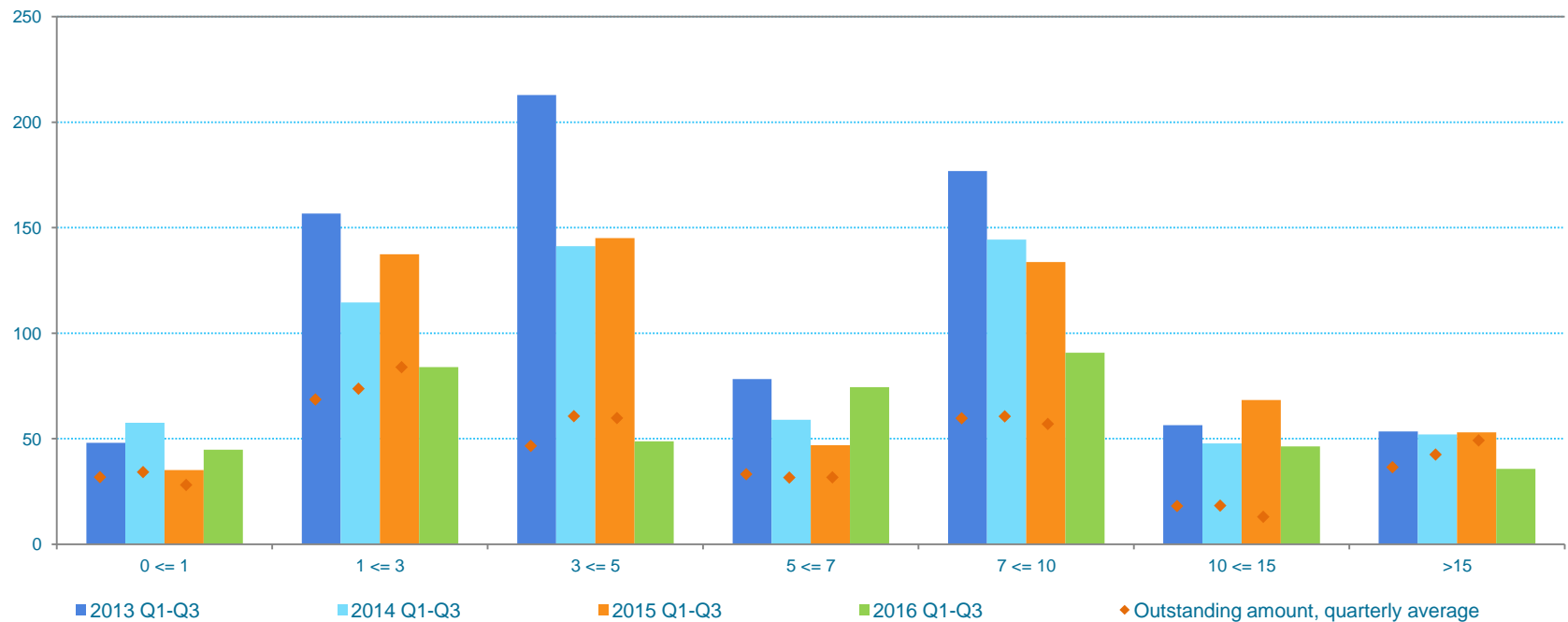
Ensuring liquidity in secondary markets

- Annual issuance of a new 10-year bond
- Raising the outstanding amounts to at least € 15 bln. of bonds up to and including 10-years, longer dated bonds up to € 10 bln., within 12 months.
- Frequent reopening of off-the run DSLs in consultation with our Primary dealers
- Annual discussion with Dutch Investors on perceived liquidity
- Quotation obligation for Primary Dealers to ensure tradable prices to be available at all time
- Repo facility available to Primary Dealers ('lender of last resort')



Secondary market

PD reported DSL turnover, 2013-2016 (Q1-Q3), by remaining maturity (in € bn)



Source: SMTR



Supplement I



Structural reforms

Housing market

- Reduced mortgage interest tax deductibility (new and existing loans)
- New mortgages to be redeemed in full during the lifetime of the loan
- Property transfer tax lowered from 6% to 2%, maximum LTVs and LTI's down
- Rents will be more market-based, and increased more for relatively higher incomes

Pensions/retirement

- Retirement age increased to 67+ from 2021 onwards
- The maximum pension accrual qualifying for tax relief curtailed

Health care

- More long-term care will be provided outside homes for the elderly, by local governments
- More limited health insurance coverage, higher contributions by the insured
- Increased competition in the health care sector

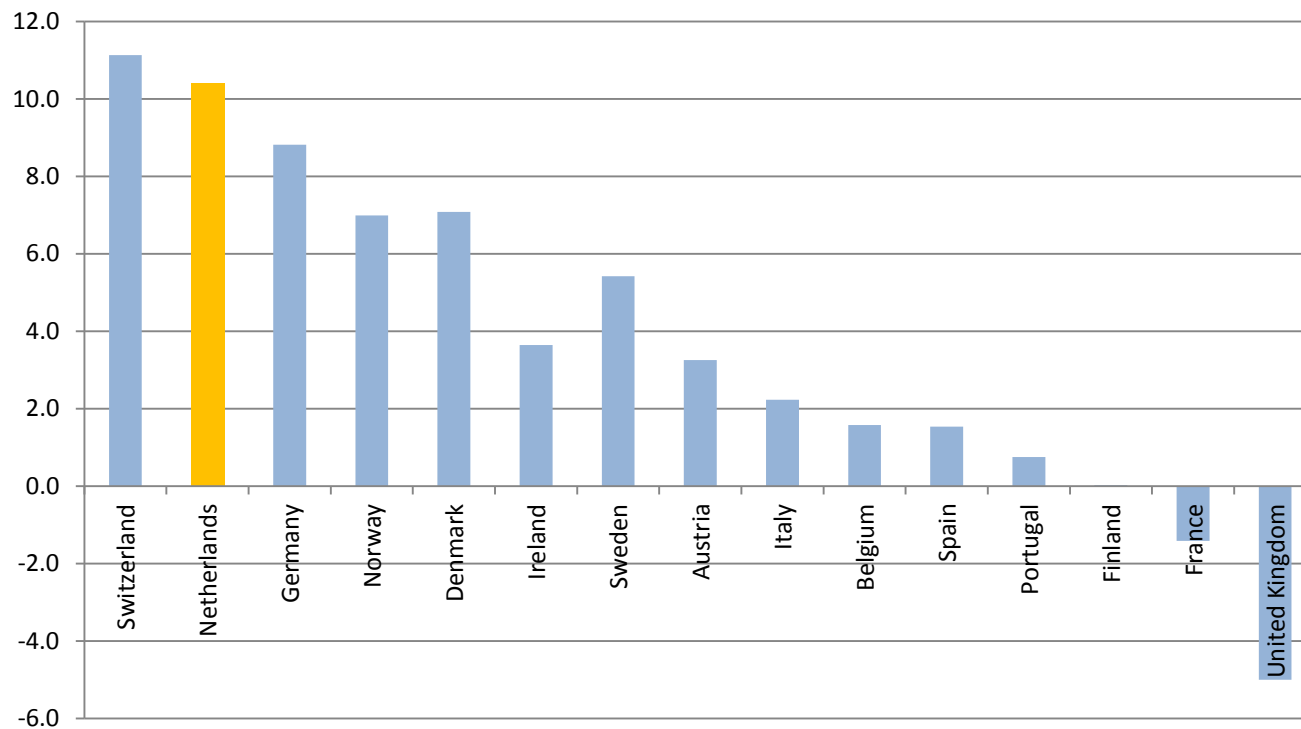
Labour market

- Dismissal procedures simplified, increases labour market flexibility
- Access to unemployment benefits more stringent, stimulating labour supply



Strong current account surplus

Current account balance 2016 (% of GDP)

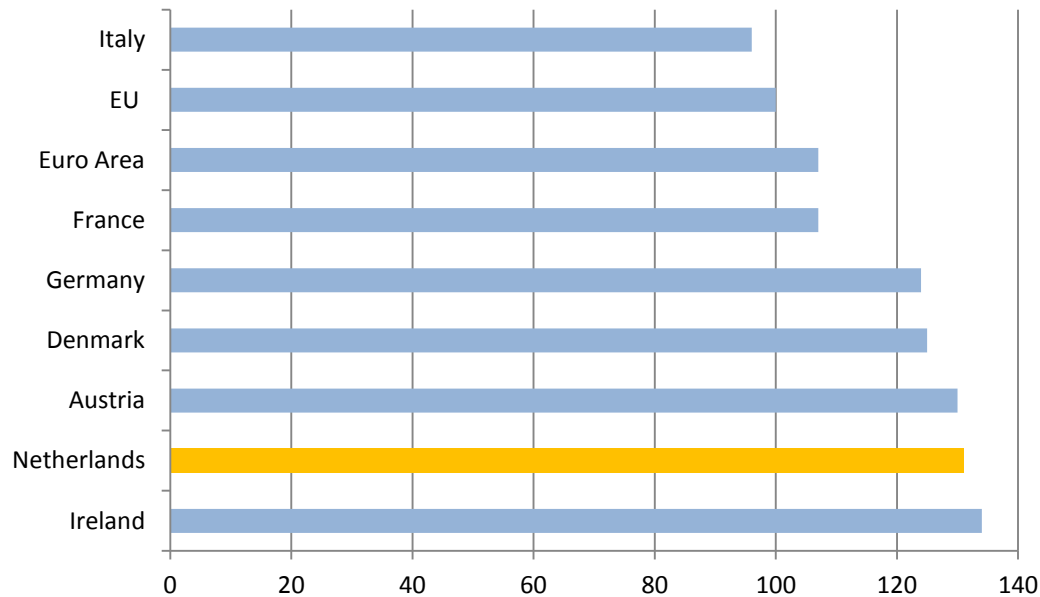


Source: European Commission Spring Forecast 2016, May 2016



Among the richest countries in Europe

Real GDP per capita (PPS, 2015, index)

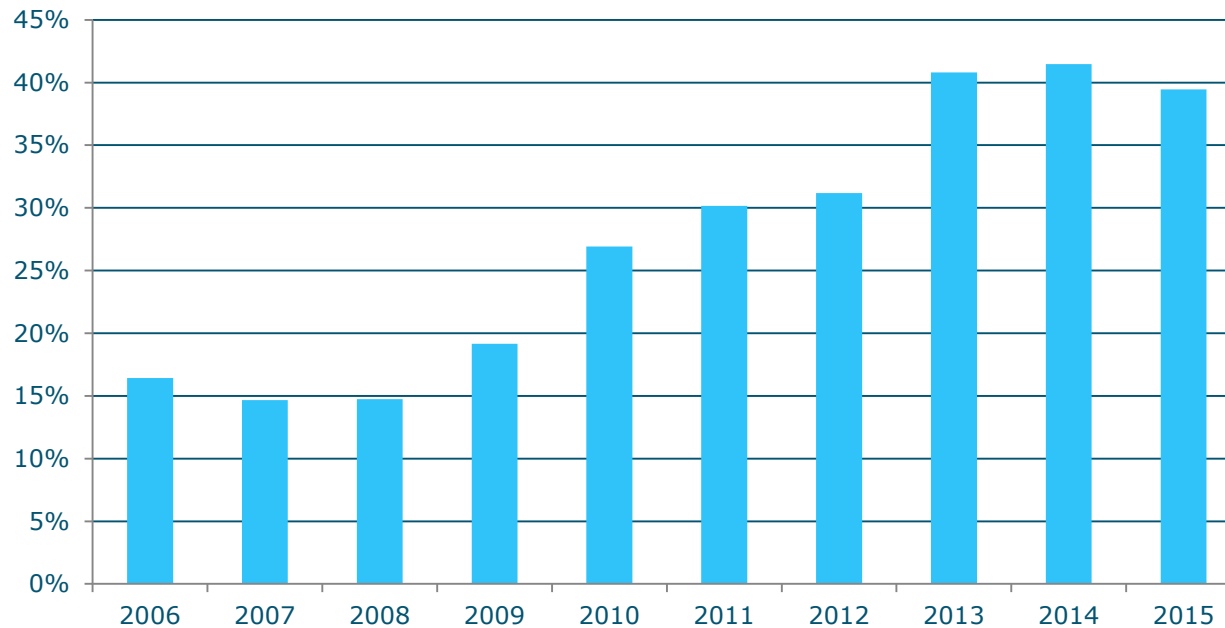


Source: Eurostat



Decline in 'underwater mortgages'

Mortgages under water (% of total mortgages)

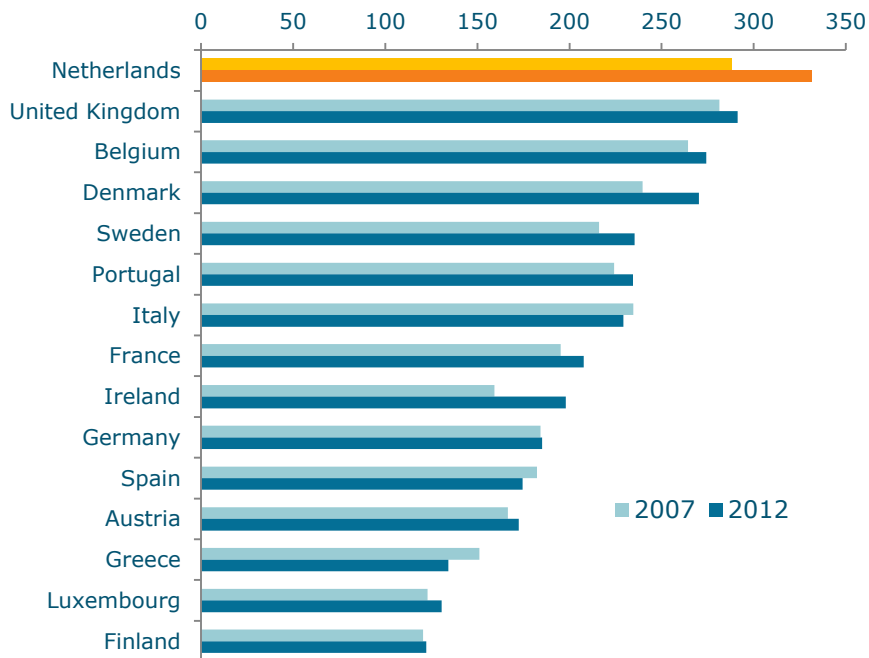


Source: CBS, National Statistics Bureau (2016)



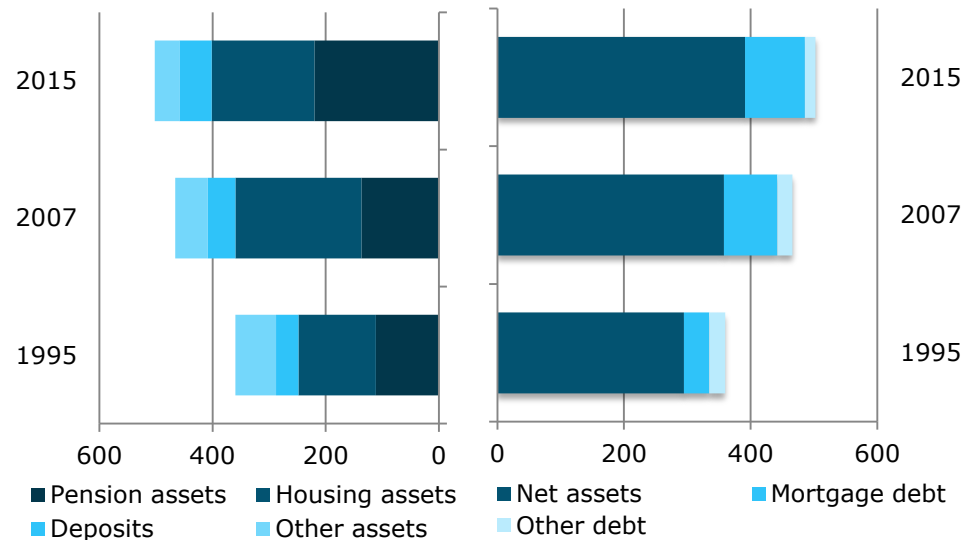
Households have strong asset position

Household financial assets (% GDP)



Source: Eurostat, 2013

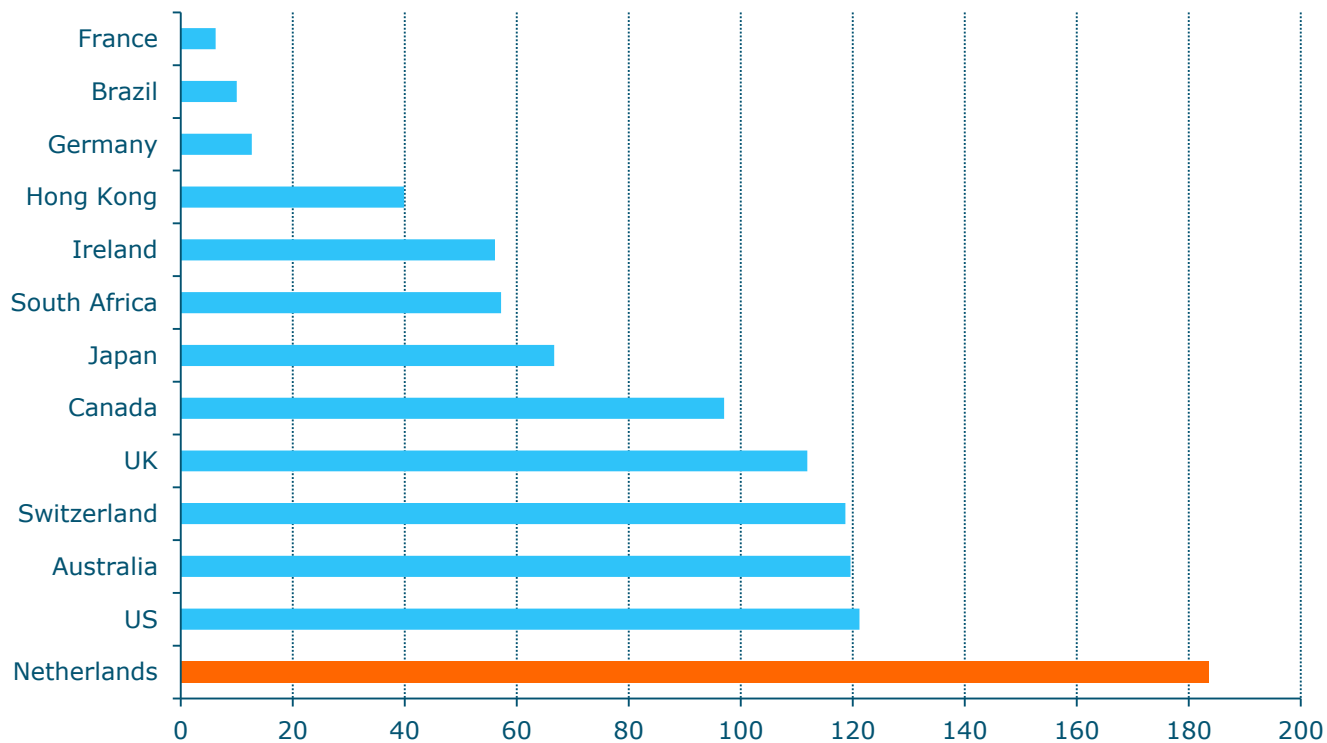
Household assets and liabilities (% GDP)



Source: DNB in the Governments' Budget Memorandum



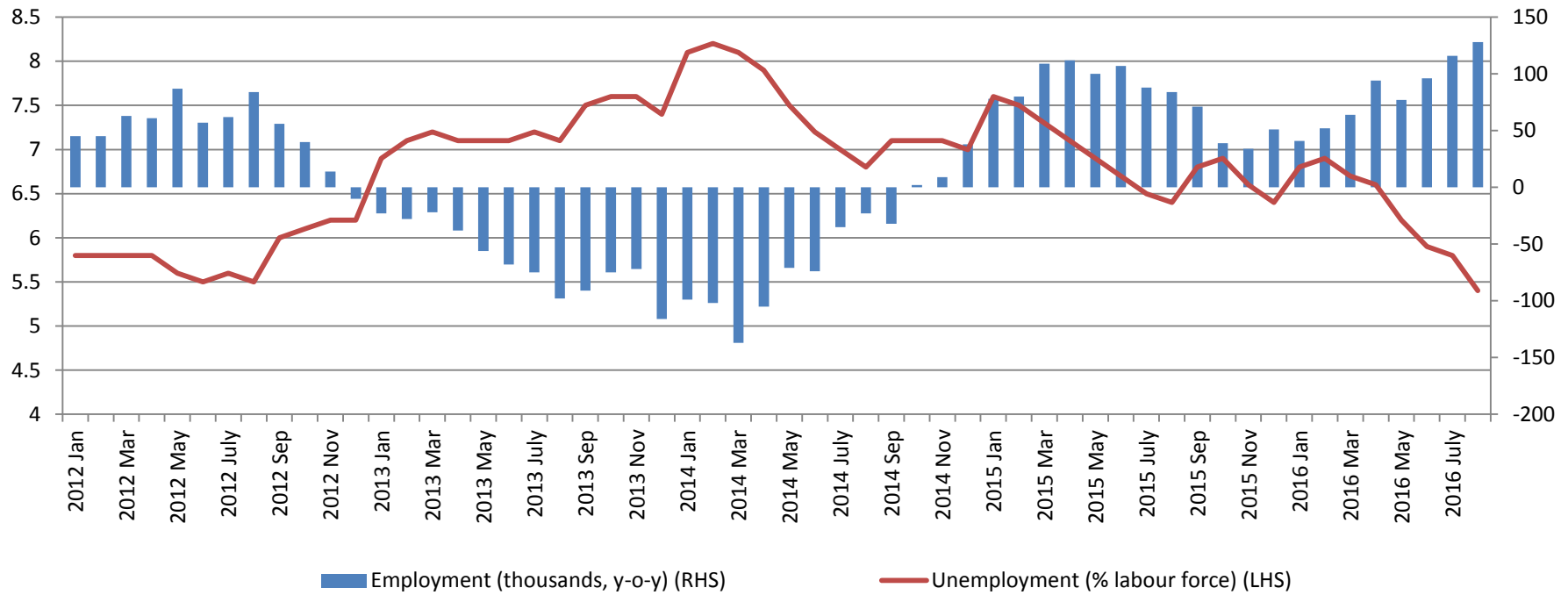
Pension assets internationally (% GDP in 2015)



Source: Willis Towers Watson, Global Pension Asset Study, 2016



Labour market recovery

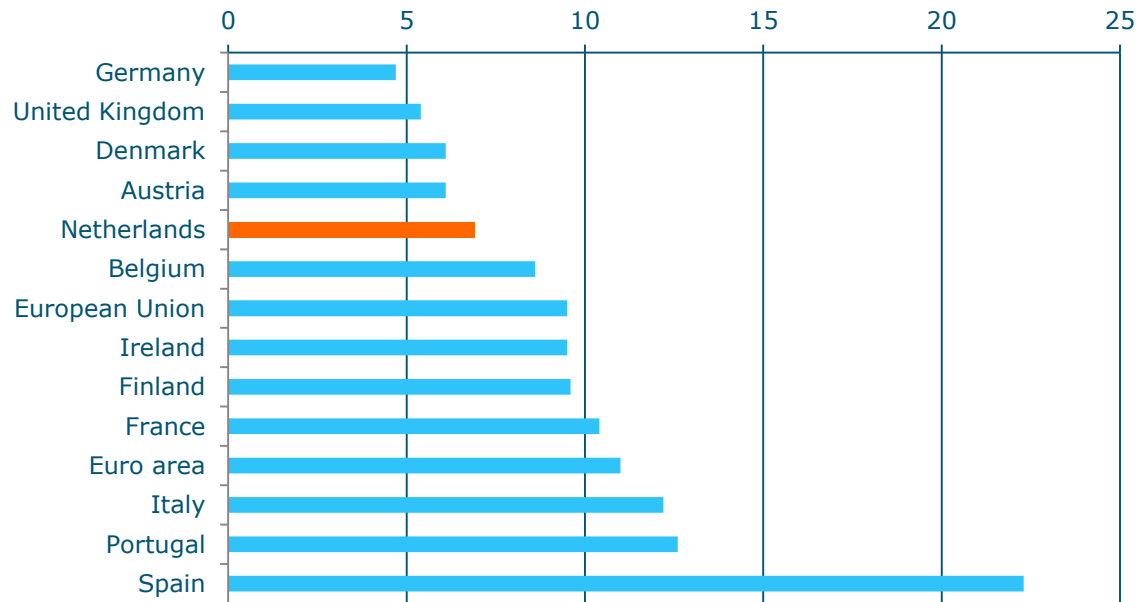


Source: CBS, National Statistics Bureau (2016)



Unemployment remains low in European context

Unemployment rate (2015, % of labour force)

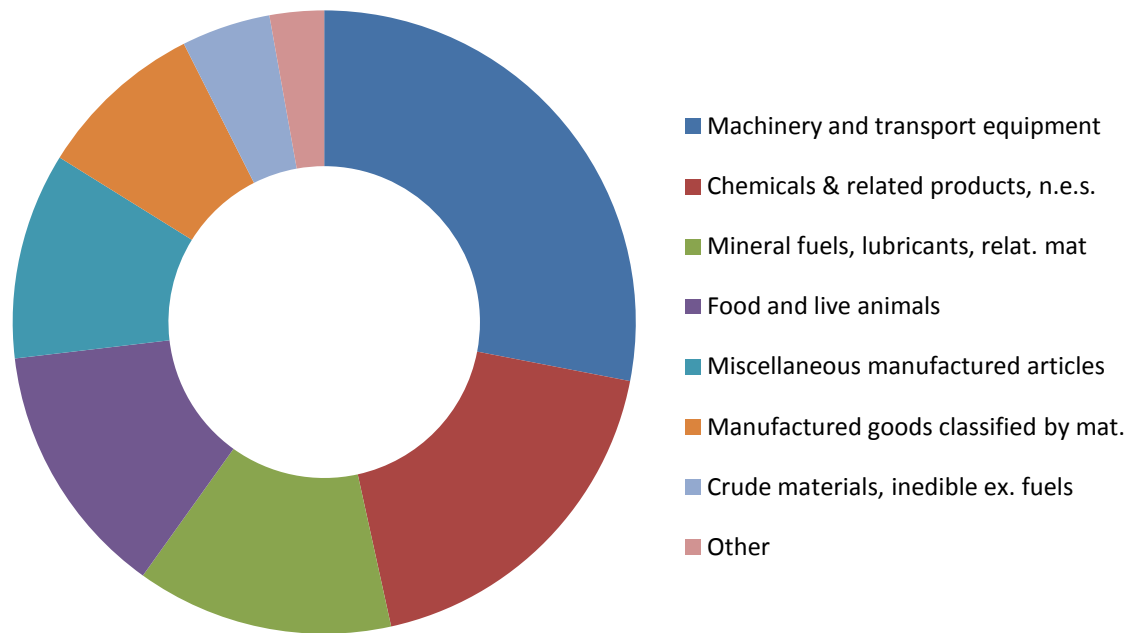


Source: Eurostat



Export performance by product category

Exports by product category (% of total)



Source: CBS, National Statistics Bureau (2015)

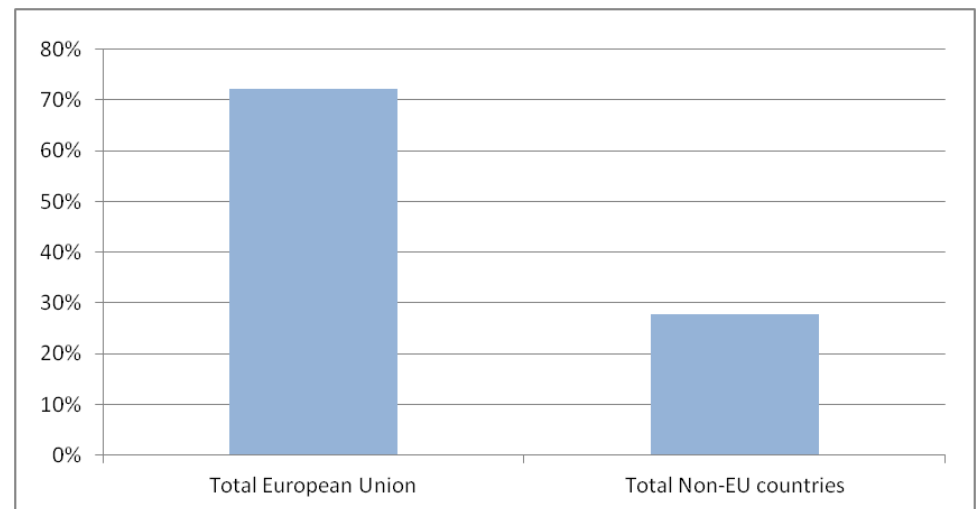


Export performance by country destination

Rank	Country	Share
1	Germany	23.2 %
2	Belgium	10.4 %
3	United Kingdom	8.9 %
4	France	8.1 %
5	United States of America	4.2 %
6	Italy	4.1 %
7	Spain	2.9 %
8	Poland	2.4 %
9	China	2.0 %
10	Sweden	1.8 %
11	Czech Republic	1.6 %
12	Other Central and South America	1.5 %
13	Denmark	1.4 %
14	Switzerland	1.3 %
15	Turkey	1.3 %

Source: CBS, National Statistics Bureau (2015)

Split of exports: EU and non-EU (% of total)





Financial sector interventions

1. Nationalizations: ABN Amro and ASR (2008, as part of nationalization of Fortis NL), SNS REAAL(2013)

Financial institutions which are or will be privatized:

- REAAL (the former insurance part of SNS REAAL) was sold in early 2015
 - ABN Amro – IPO in November 2015; 23% was sold for € 3.8 bn; remainder will be sold in the coming years
 - ASR – IPO in June 2016; 36% was sold for €1.1 bn; remainder will be sold in the coming years
 - SNS Bank (the former banking part of SNS REAAL) – privatization in due time
 - Propertize (the former real estate part of SNS Bank) was sold on 27 September 2016 for € 0.9 bn
2. Capital support (2008) to ING (€ 10 bn) and AEGON (€ 3 bn) is repaid in full
 3. Guarantee scheme for medium-term bank debt was wound down at the end of 2014
 4. Alt-A portfolio (US-RMBS) of ING was sold end 2013 / early 2014



Supplement II

The DDA explained



A short overview

- Rule-based auction → all investors receive equal treatment
- Primary auction with direct participation of end-investors
- A single uniform price → winner's curse avoided
- Bids can be placed via Primary Dealer(s) of choice and orders can be split via several dealers
- The DSTA is the sole book runner
 - Level playing field among all Primary Dealers
 - Confidential participation of investors
- PDs must sign a DDA Allocation and Price Compliance Statement as indicated in the General Conditions for PDs (www.dsta.nl/english/Subjects/Primary_Dealers)

The DDA rules can be found on the DSTA's website: www.dsta.nl



Bidding

- Bids are placed at increments of 0.5 bps to the reference bond or 'at best'
- Maximum bid of € 300 million per spread point;
- An investor may split orders among Primary Dealers up to the maximum allowed (€ 300 million per spread)
- There is **no pot** in the DDA: Primary Dealers are rewarded for overall DDA performance
- Bids 'at best' are at all times equal to bids at the tightest spread

The DDA rules can be found on the DSTA's website: www.dsta.nl



Investor classification

Real money clients	Other clients
Asset and Fund managers	Hedge funds
<ul style="list-style-type: none">• Central banks• Agencies• Supranationals	All accounts of banks, except: <ul style="list-style-type: none">• Treasury/ ALM accounts of banks• Private banks
Insurance companies	Other trading desks
Pension funds	
Private banks	
Treasuries / ALM accounts of banks	

Focus on real money clients

- Allocation: Real Money clients receive priority at the cut-off spread

Safeguarding instant liquidity

- DSTA reserves the right to raise the allocation to 'Other clients' up to 35% of the total allocated amount



Mechanics of allocation: an example

Details

Transaction	
Spread	17 to 18 bp
Target size	€ 4 - 6 bn
Book size	€ 10.5 bn

Order book

Spread	At best	17	17.5	18
Real money	1500	1000	1500	1500
Other	1000	2000	1000	1000
Total	2500	3000	2500	2500
Cumulative		5500	8000	10500

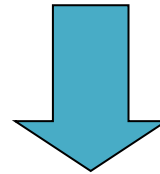


Mechanics of allocation – scenario 1

Order book

Spread	At best	17	17.5	18
Real money	1500	1000	1500	1500
Other	1000	2000	1000	1000
Total	2500	3000	2500	2500
Cumulative		5500	8000	10500

- Allocated amount: **€ 6000**
- Uniform cut off: **+17.5**



Allocation at cut-off:
Real Money **33 %**
Others **0 %**

Allocation

Spread	At best	17	17.5	18
Real money	1500	1000	500	0
Other	1000	2000	0	0
Total	2500	3000	500	0
Cumulative		5500	6000	

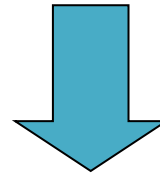


Mechanics of allocation – scenario 2

Order book

Spread	At best	17	17.5	18
Real money	1500	1000	1500	1500
Other	1000	2000	1000	1000
Total	2500	3000	2500	2500
Cumulative		5500	8000	10500

- Allocated amount: **€ 5000**
- Uniform cut off: **+17**



Allocation at cut-off:
Real Money **100%**
Others **83%**

Allocation

Spread	At best	17	17.5	18
Real money	1500	1000	0	0
Other	833	1667	0	0
Total	2333	2667	0	0
Cumulative		5000		



Supplement III

Funding instruments



Funding instruments: the capital market

Dutch State Loans (T-bonds)

- Focus on issuance in EUR
- Maturities: focus on 3- or 5- years and 10-years
- Commitment to the long end of the curve (up to 30-year segment)
- Auctions on fixed dates: 2nd and (if needed) 4th Tuesday of the month
- Quarterly issuance calendars
- Dutch Direct Auctions for new medium and longer-dated DSLs
- Benchmark sizes minimum € 15 bn per DSL and € 10 bn for 30-year DSLs
- Buy-backs for cash management purposes (up to 24 months remaining maturity)
- Possibility of issuance of USD Dutch State Bonds



Funding instruments: the money market

Dutch Treasury Certificates (T-bills)

- Maturities: 3 to 6 or 12 months
- Auctions: twice a month on Monday

Commercial Paper (CP)

- Maturities up to 1 year (focus on up to 3 months)
- In EUR, USD, GBP, CHF and NOK
- No auctions, initiative with counterparty
- Foreign currencies fully hedged

Deposits (“Cash”)

- Borrowing short term; large amounts if necessary
- Lending: unsecured and secured (reverse repo: buy-sell-back)
- In EUR and borrowing also in USD



Primary Dealer group for 2016

ABN Amro Bank	Barclays Capital*	Citigroup*
Commerzbank*	Deutsche Bank	Goldman Sachs
HSBC France	ING Bank*	Jefferies
Natixis	Nomura	Rabobank*
Royal Bank of Scotland*	Société Générale	

* Also Commercial Paper Dealer

6 Single Market Specialists

BBVA	Crédit Agricole	DZ Bank
Nordea	Santander GB&M	UBS



Supplement IV

Secondary Market



QE and DSL

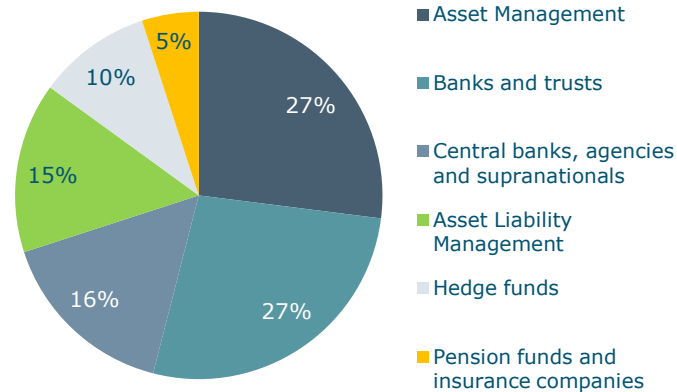
- Capital key of the Netherlands for PSPP is 5.7%
- ECB (DNB) buys approx. € 2.8 bn per month of DSLs (from April 2016 onwards)
- Amount of DSLs bought under PSPP totals 57 bn (September 2016)
- Average maturity of DSL holdings is approx. 7.9 years (September 2016)
- DNB has a securities lending facility
- DSTA has a repo facility for PDs (lender of last resort)



Investor base 2016 DDAs

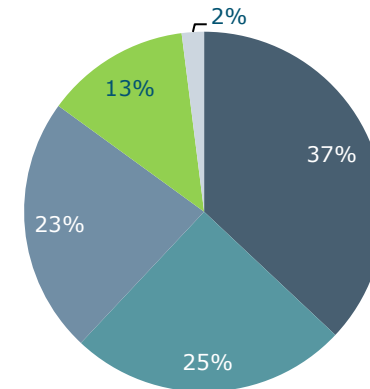
10-year DDA DSL 2026, March 2016

Investor type distribution (%)

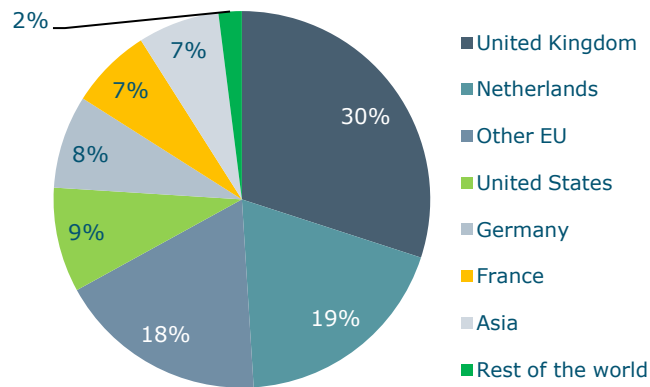


5-year DDA DSL 2022, June 2016

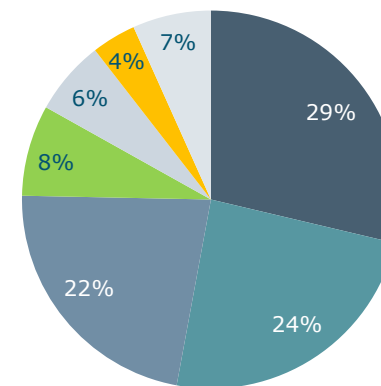
■ Banks and trusts
 ■ Treasuries and ALM accounts of banks
 ■ Hedge funds
 ■ Asset and fund managers
 ■ Central banks, agencies and supranationals



Geographical distribution (%)



■ United Kingdom
 ■ Netherlands
 ■ Other EU
 ■ United States
 ■ Germany
 ■ France
 ■ Asia
 ■ Rest of the world



■ United Kingdom
 ■ Netherlands
 ■ United States
 ■ France
 ■ Italy
 ■ Spain
 ■ Other



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