



Ministry of Finance

# Dutch State Treasury Agency

Investor presentation  
Mexico City

Latest update: 29 May 2017

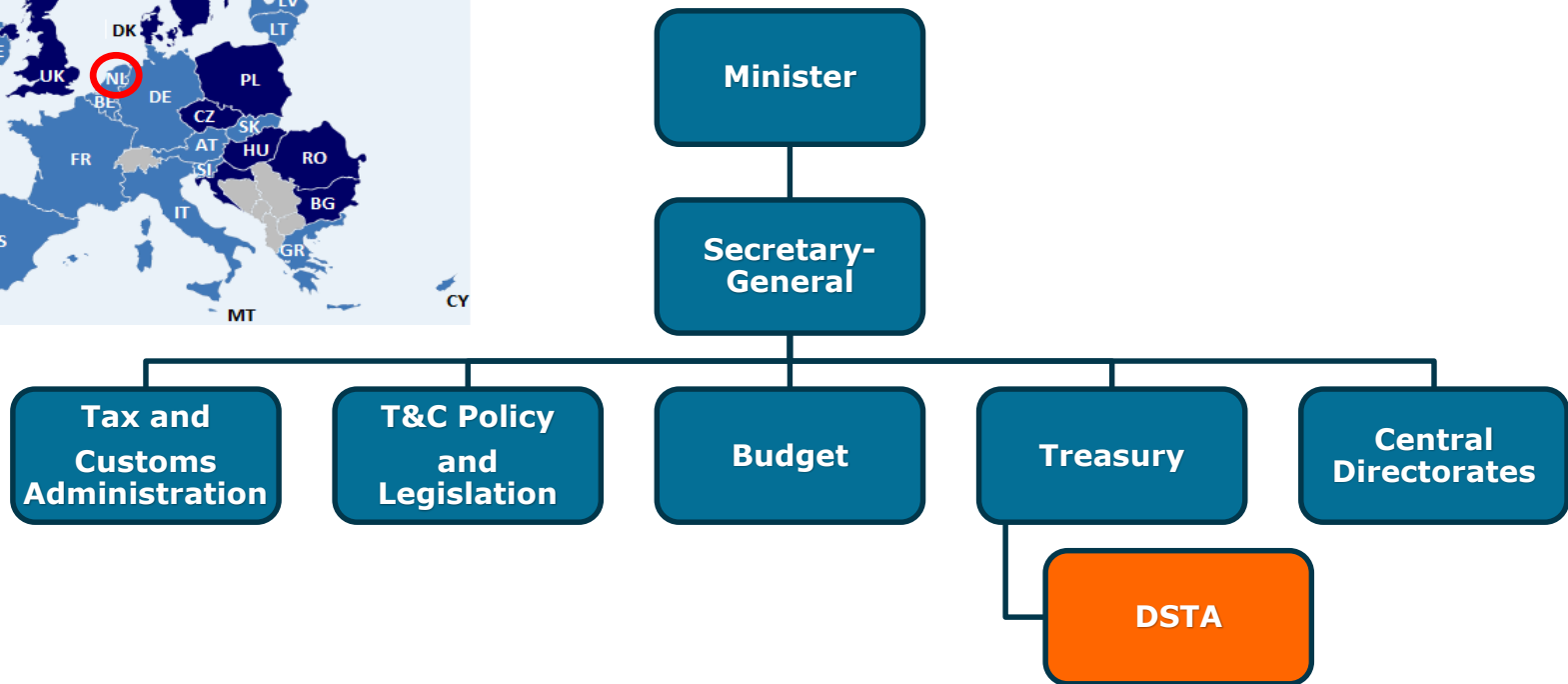
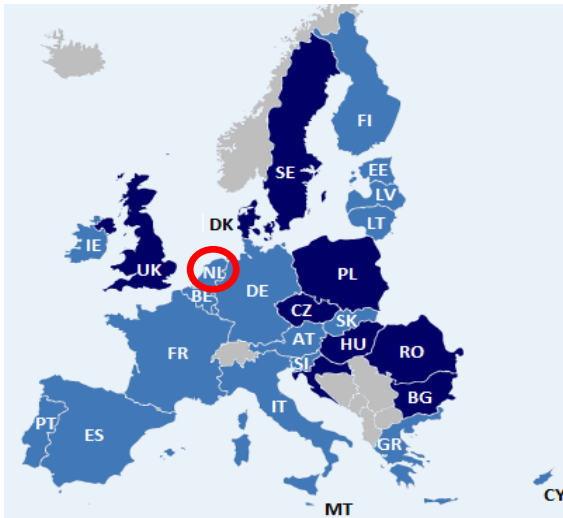


# Contents

1.	Introduction	3
2.	The economy and the budget	5
3.	The Netherlands: fundamentally strong	12
4.	The debt position	17
5.	Funding plan 2017	21
Supplement I	Current status after the elections	29
Supplement II	Trade, housing, labour and pensions	32
Supplement III	Interest risk framework 2016-2019	45
Supplement IV	Funding instruments	48
Supplement V	The DDA explained	53



# The Dutch Ministry of Finance





# The Dutch State Treasury Agency



- Founded in 1841 in Amsterdam
- Moved to The Hague in 2009
- Part of the Ministry of Finance
- Autonomous decisions within a mandate:
  - Compatibility: only the Finance Minister can borrow on behalf of the State
  - Minister granted this mandate to the DSTA
- Main objective: *to manage the State's debt efficiently and effectively and to meet the State's funding requirement by borrowing and lending money*





The economy  
and the budget





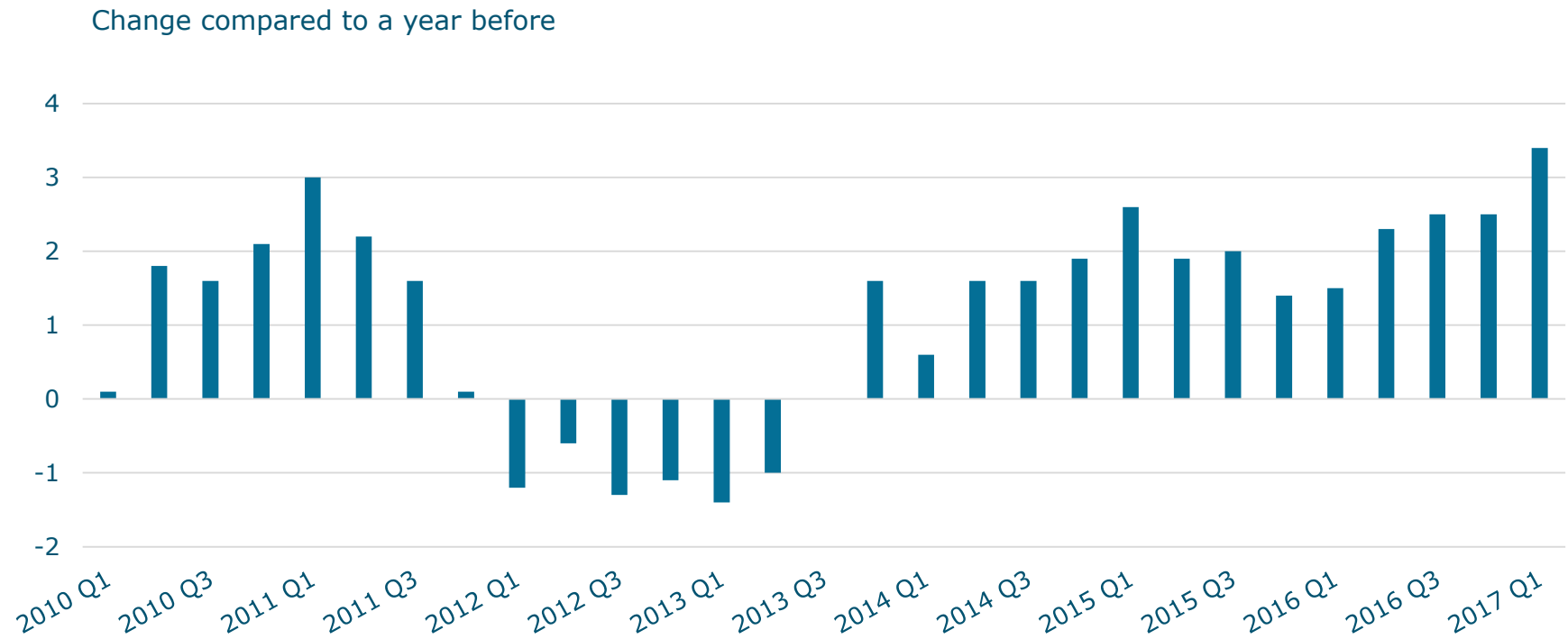
## Projections: strong economic performance

<b>Key economic figures 2015-2017 (% change, y-o-y)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
GDP growth	2.0	2.1	2.1	1.8
Household consumption	1.8	1.8	2.0	1.4
Capital formation	6.2	4.3	3.6	2.8
Government consumption	0.2	0.7	0.8	1.0
Export	5.0	3.7	3.5	3.9
Import	5.8	3.9	3.6	3.9
Unemployment (% of labour force)	6.9	6.0	4.9	4.7
Inflation (HICP)	0.2	0.1	1.6	1.4

**Source:** CPB, Netherlands Bureau for Economic Policy Analysis, 24 March 2017



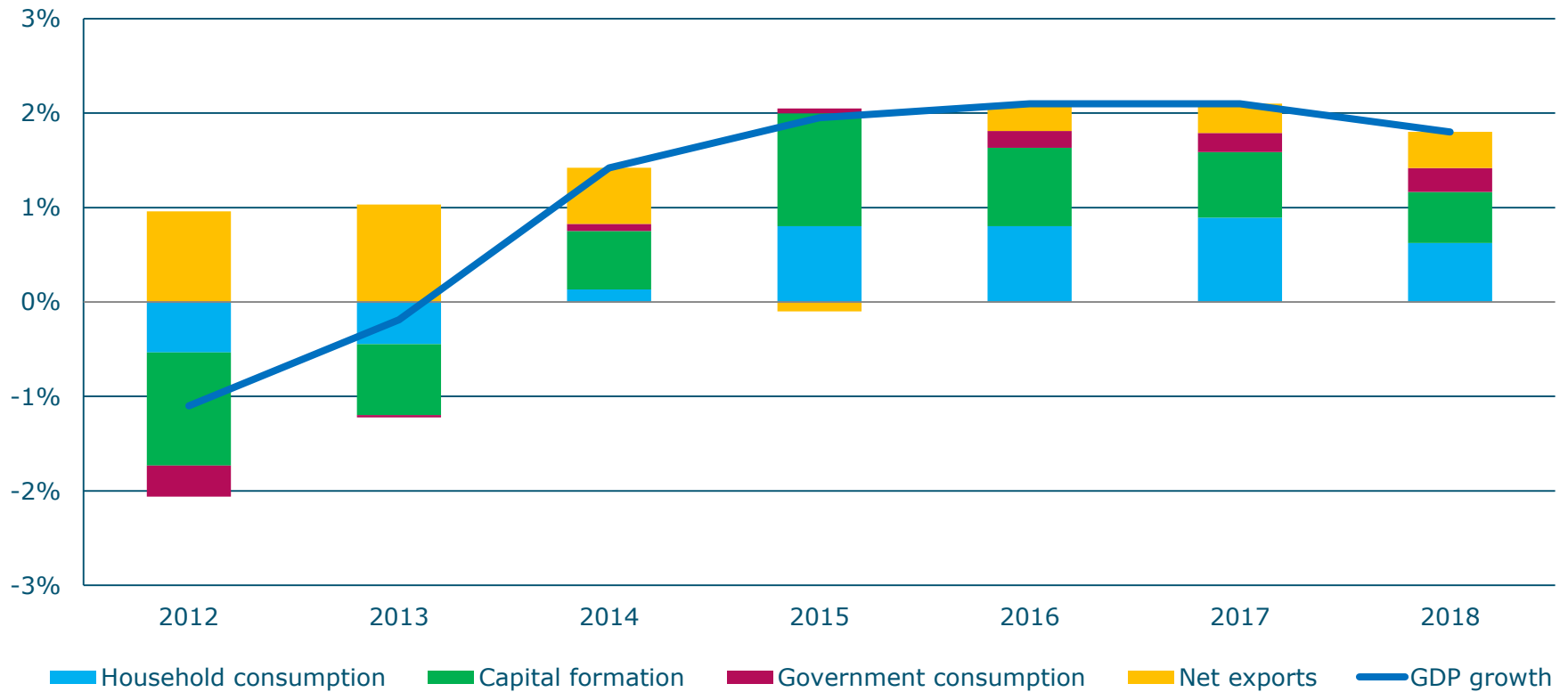
# GDP steadily increasing



Source: Statistics Netherlands (CBS), May 2017



# Broad basis underlying growth

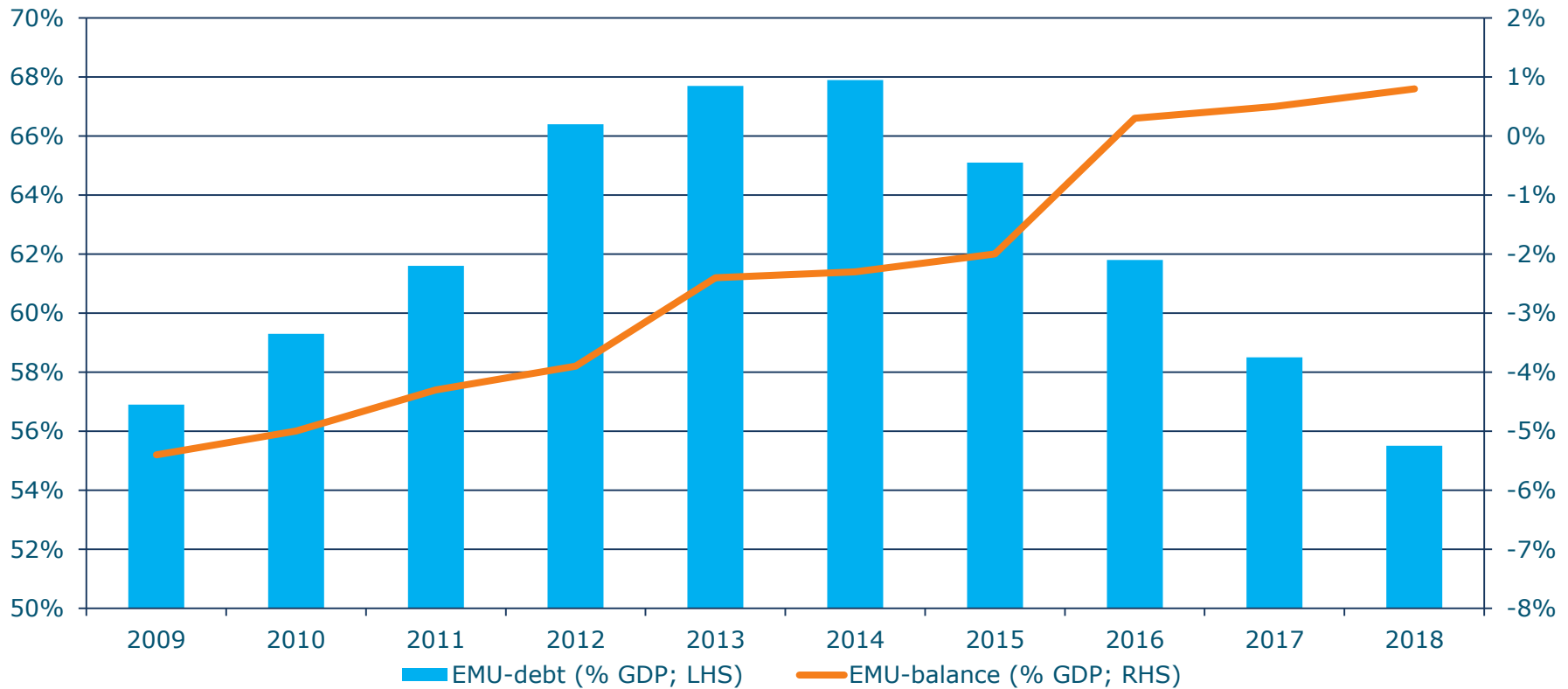


Source: Calculations based on CPB projections, 24 March 2017





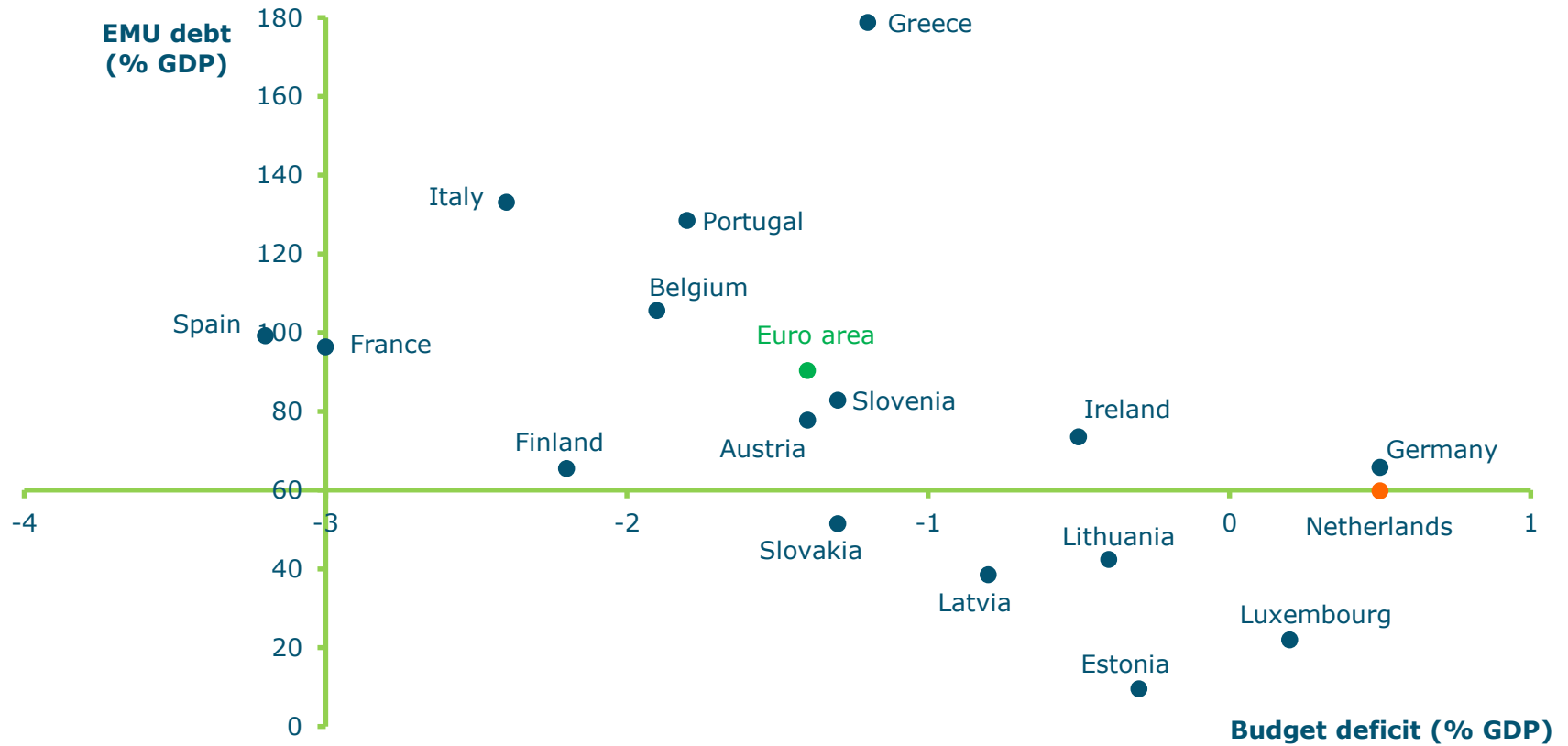
# Moving towards 60% debt and a balanced budget



**Source:** Statistics Netherlands (CBS; for the year up to and including 2016), CPB (2017 - 2018)



# Dutch fiscal position compares very well (2017)



Source: European Commission Spring forecast, March 2017



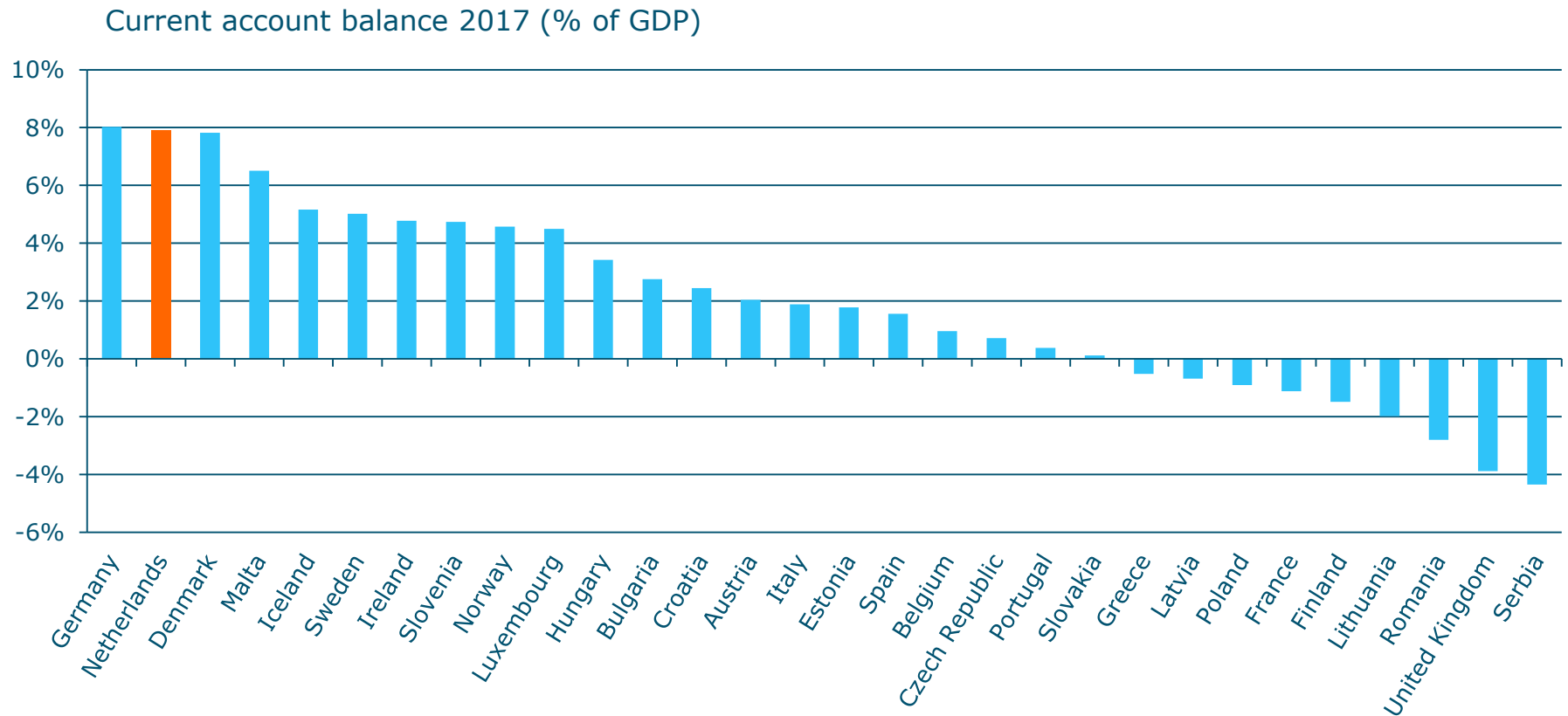
A coastal landscape featuring a row of weathered wooden posts in the foreground, a shallow pool of water reflecting them, and a larger wooden structure in the background. The scene is captured in warm, golden light, likely during sunset or sunrise. The foreground shows sandy ground with tire tracks. The middle ground is dominated by a row of vertical wooden posts, some showing signs of decay and moss. The background shows a larger wooden structure extending across the water, possibly a breakwater or a pier. The overall atmosphere is serene and evokes a sense of resilience and history.

# The Netherlands: fundamentally strong





# Strong current account surplus



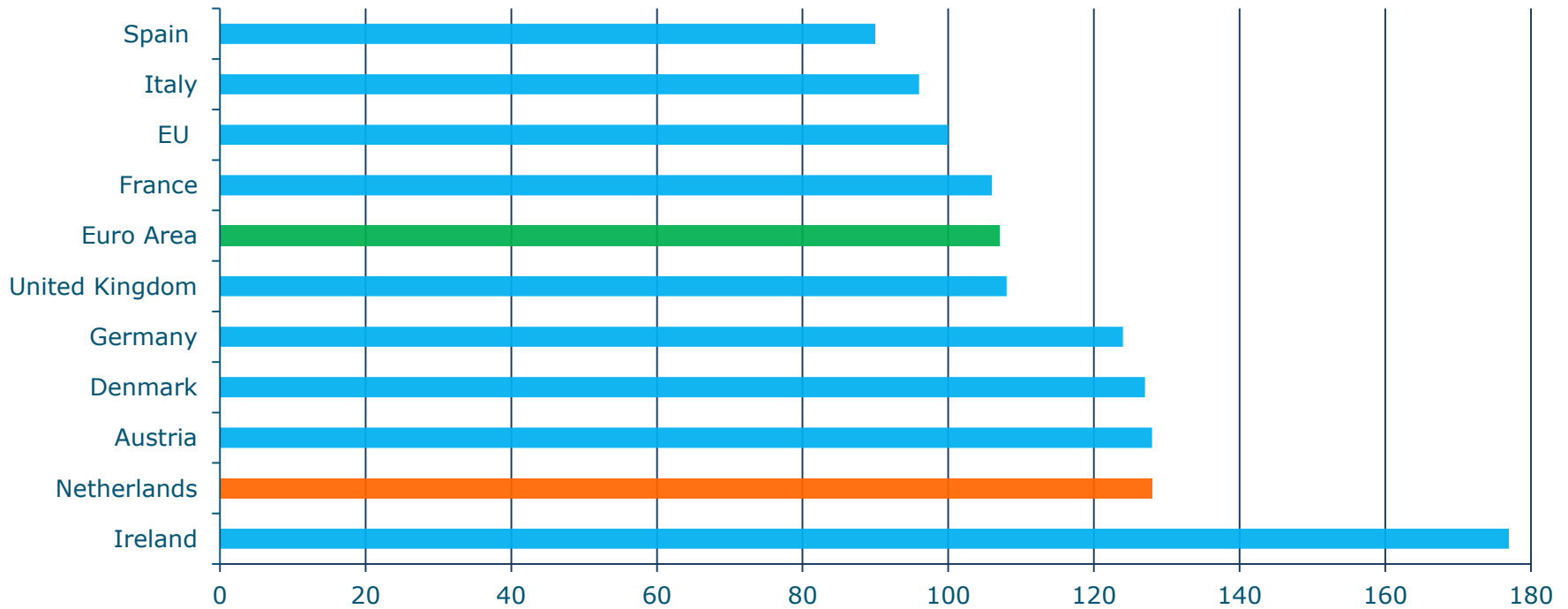
Source: European Commission Spring Forecast 2017, March 2017





# GDP per capita among the highest in Europe

Real GDP per capita (PPS, 2015, index)

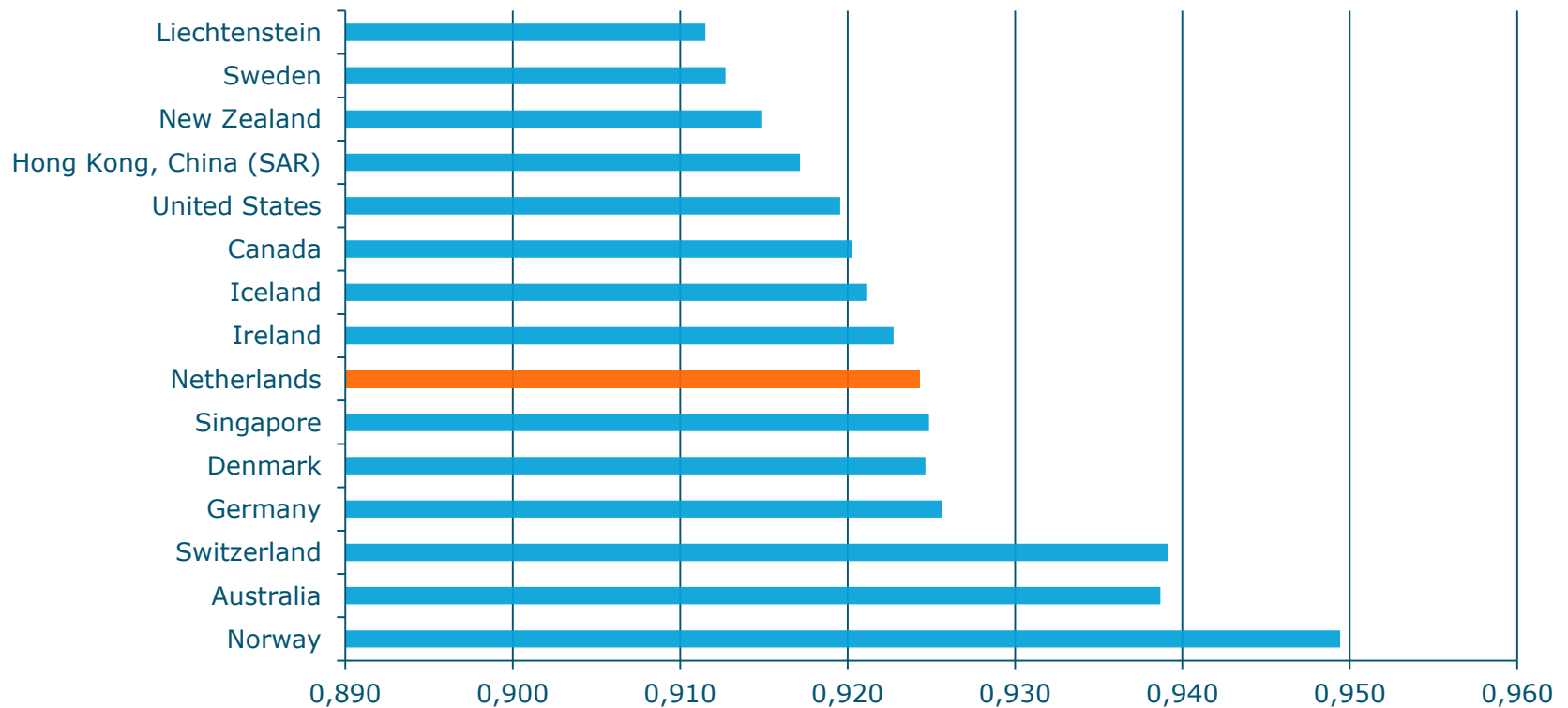


Source: Eurostat



# Among the most developed countries worldwide

Top 15 countries in the Human Development Index (2015)



**Source:** United Nations Human Development Index 2016



# Among the most competitive countries worldwide

Top 12 countries on the WEF Competitiveness Index

Rank	Country
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, 28 September 2016





The debt position





# Debt outstanding

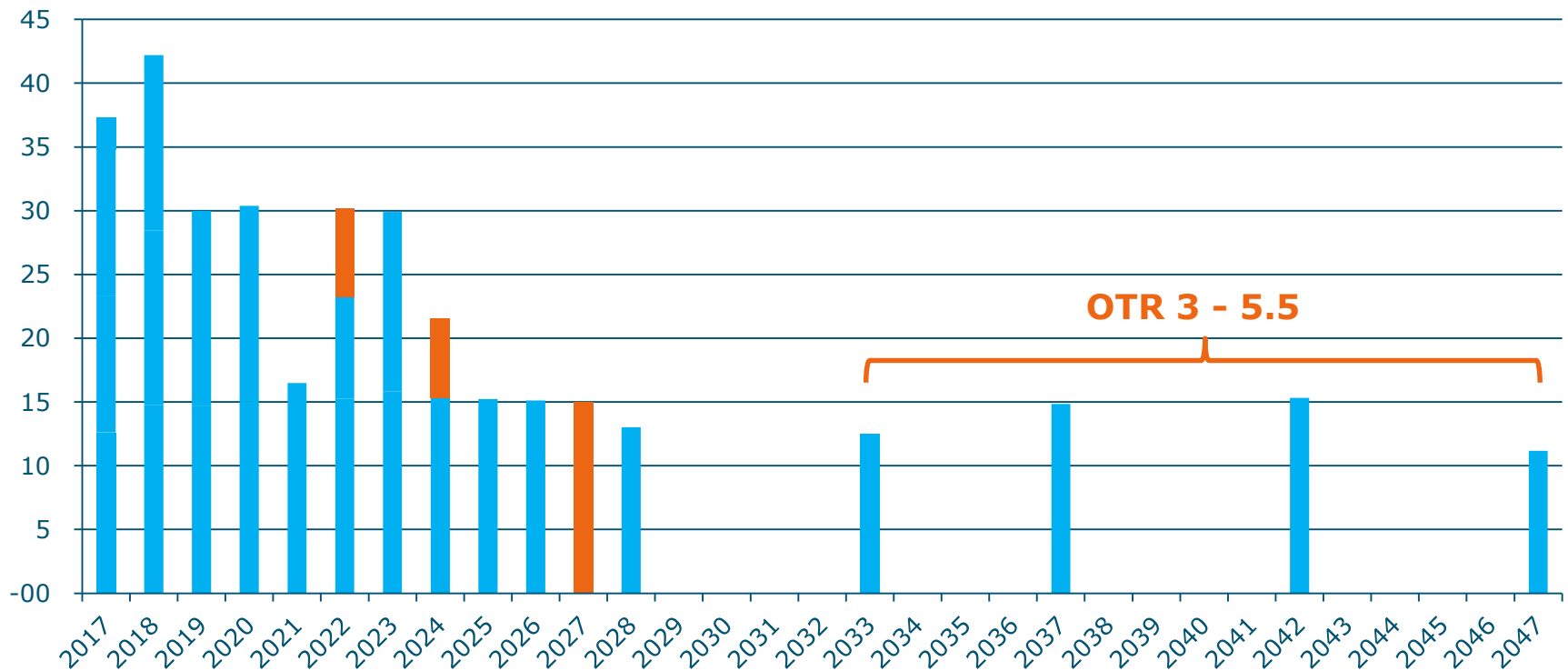
Key figures at the end of April 2017

<b>Instrument</b>	<b>(€ mn)</b>
DSL (T-bonds)	310.223
DSL in foreign currency	-
DTC (T-bills)	14.810
ECP outstanding	-
Private loans	4.060
Private loans in foreign currency*	590
Cash	1.334
Cash collateral	14.345
<b>Total debt outstanding</b>	<b>345.362</b>

\* Debt of the Netherlands Antilles acquired by the Netherlands



## Financing Dutch State debt in 2017 (€ billion)





## QE and DSLs

- Three Dutch institutions are eligible for the public sector purchase programme (PSPP)
  - Bank Nederlandse Gemeenten N.V. (BNG)
  - Nederlandse Waterschapsbank N.V. (NWB)
  - Nederlandse Financieringsmaatschappij voor Onwikkelingslanden N.V. (FMO)
- ECB buys approx. € 2.6 bn. per month of Dutch debt securities (from 1 April 2017 until at least 31 December 2017; before: € 3.8 bn)
- Average maturity of debt holdings is approx. 7.75 years (May 2017 data)
- DNB has a securities lending facility
- DSTA has a repo facility for PDs (lender of last resort)

# Funding plan 2017







## Borrowing requirement 2017

<b>Borrowing requirement</b>	<b>(€ bn)</b>
Capital market redemptions 2017	42.5
Money market ultimo 2016 (excl. cash collateral)	18.2
Cash balance (- = surplus)	-2.0
Cash collateral change during 2017 (+ = decline)	---
<b>Total borrowing requirement 2017</b>	<b>58.7</b>

**Source:** DSTA Quarterly outlook Q2, March 2017.  
Next update: 31 May 2017



# Funding in 2017

<b>Funding</b>	<b>(€ bn)</b>
Capital market	30 - 35
Money market ultimo 2017 excl cash collateral	23.7 - 28.7
<b>Total funding requirement 2017</b>	<b>58.7</b>

**Source:** DSTA Quarterly outlook Q2, March 2017.  
Next update: 31 May 2017

- Money market is the primary buffer
- Some flexibility on the capital market (target range)



## Issuance in 2017

<b>DSL</b>	<b>Indicative amount (€ bn)</b>	<b>Realized amount (€ bn)</b>
New 10-year DSL (2027)	15.0	8.0
On-the-run 5-year DSL (2022)	7.0	7.4
New 7-year DSL (2024)	5 - 7.5*	0
Reopening longer dated off-the-run DSLS	3 - 5.5	2.1
<b>Total DSL funding</b>	<b>30 - 35</b>	<b>17.5</b>

\* Will be reopened again in 2018 to reach at least € 15 bn

**Source:** [www.dsta.nl](http://www.dsta.nl)



# Ensuring sufficient liquidity in secondary markets

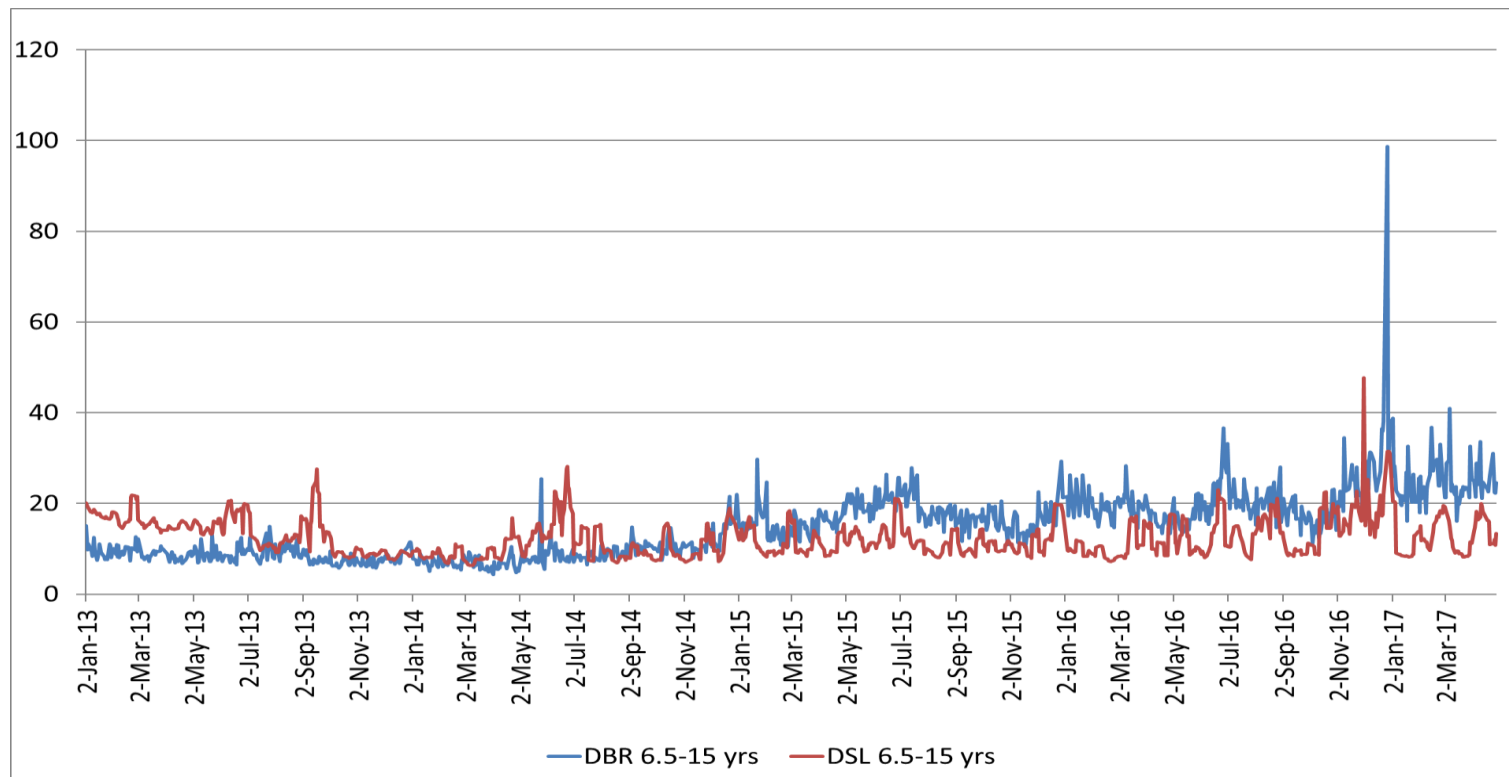
- Annual issuance of a new 10-year bond and a shorter dated bond (usually a 3- or 5-year bond); in 2017 a new 7-year bond
- Raising the outstanding amounts of bonds up to and including 10-year bonds to at least € 15 bn within 1 year of issuance
- Quotation obligation for Primary Dealers to ensure tradable prices to be available at all times
- Repo facility available to Primary Dealers ('lender of last resort')





# Dutch B/O spreads relatively tight

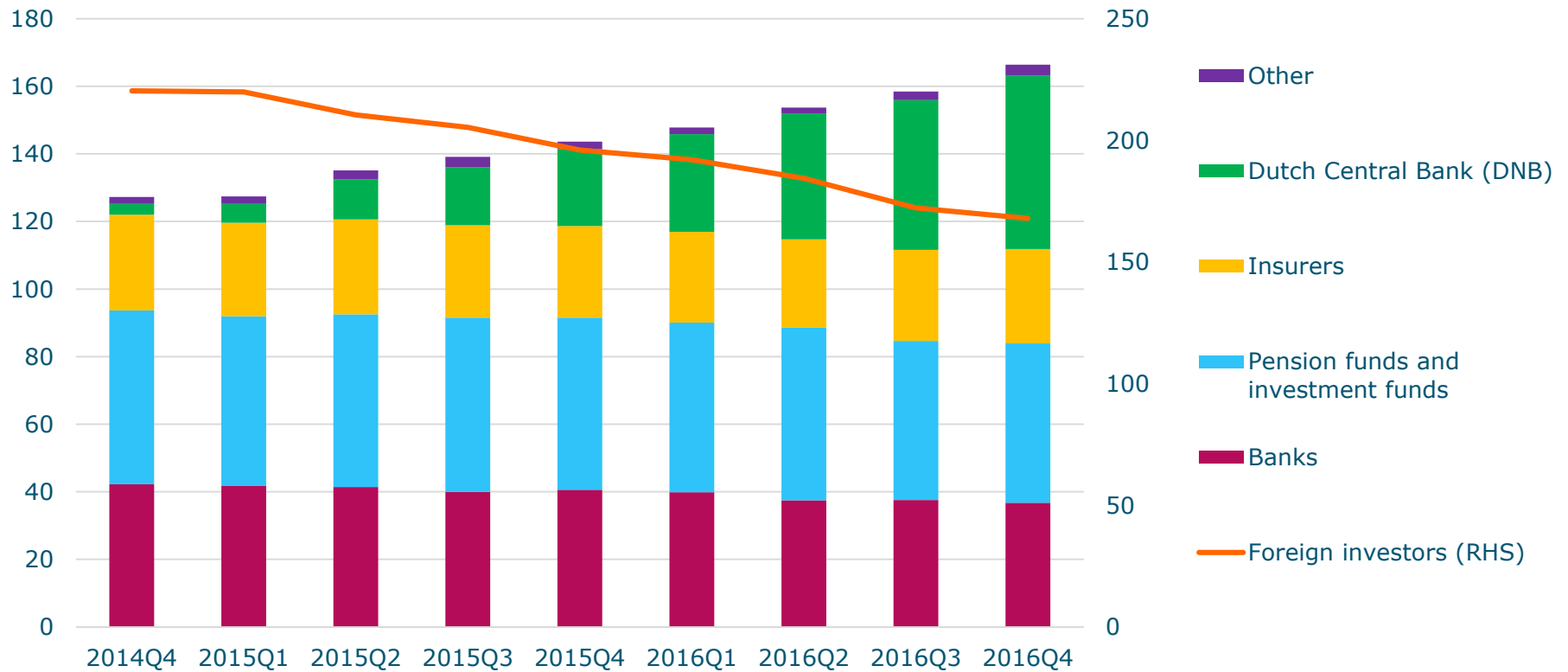
B/O spreads for German Bunds and Dutch State Loans (eurocents)



Source: MTS, April 2017



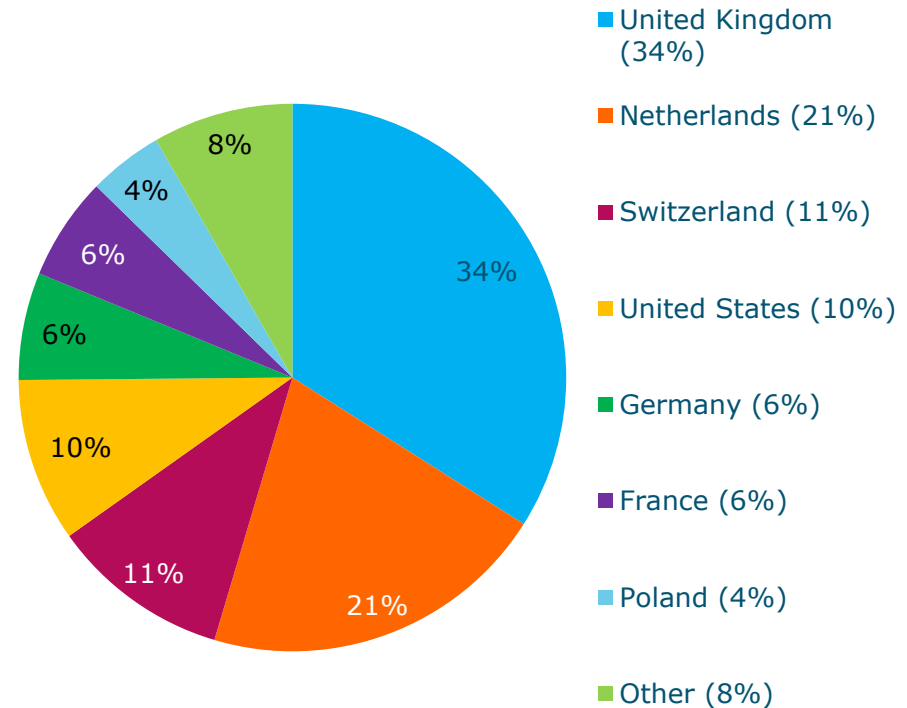
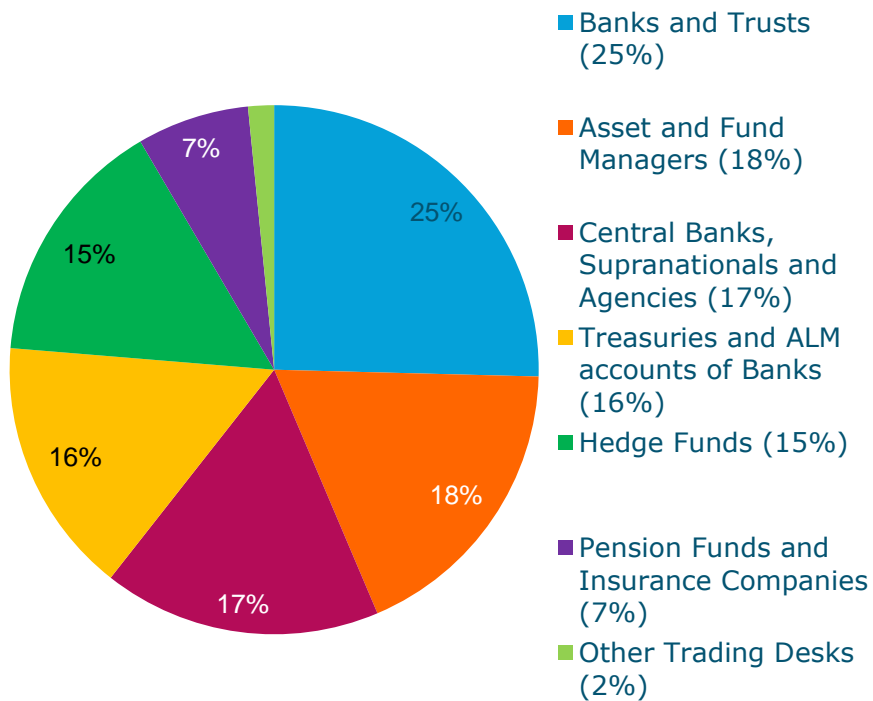
# Holdings of DSLs (€ bn)



Source: DNB, April 2017



# Diversified investor base: most recent 10-year DDA





## Key transaction facts

Issuer	The State of the Netherlands
Ratings	Aaa / AAA / AAA
Allocated size	€ 5,697,926,000
Total book	€ 13,009,626,000
Bid-to-cover	2.28
Issuance yield	0.707%
Issuance price	100.43
Maturity	15 July 2027
Coupon	0.75 %
Settlement	9 February 2017
Law	Dutch law, CACs
ISIN	NL0012171458
Listing	Euronext AMS

The new 10-year DSL:  
the DSTA issued  
€ 5,697,926,000 billion in the  
DSL 0.75 % 15 July 2027

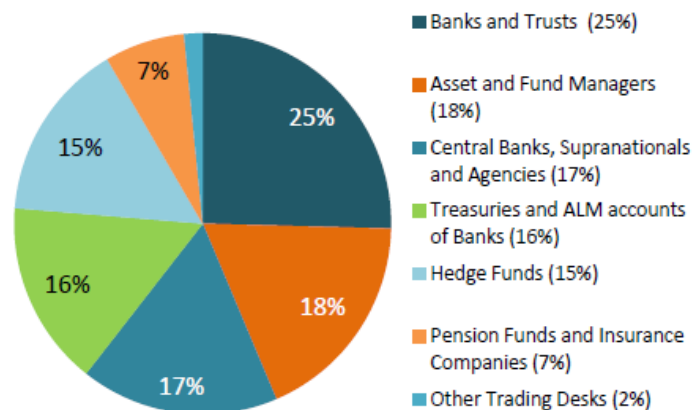
[www.dsta.nl](http://www.dsta.nl)  
+31 70 342 4099  
[dsta@bloomberg.net](mailto:dsta@bloomberg.net)

## Transaction review: DSL 0.75 % 15 July 2027

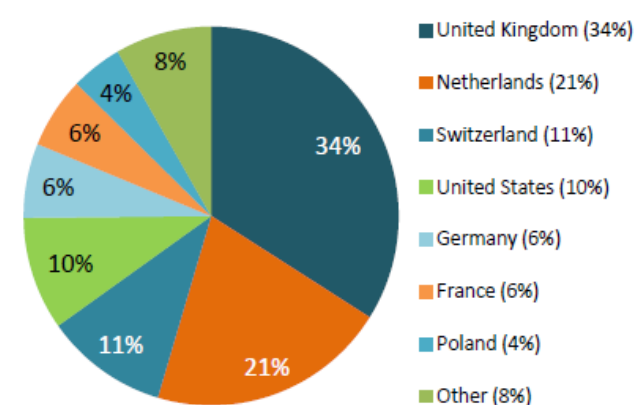
### Overview

- Today the DSTA launched its new 10-year benchmark bond via a Dutch Direct Auction (DDA).
- The book opened at 10.00 CET with an initial spread guidance of +33 to +36 basis points over the German Bund maturing on 15 February 2027.
- Bids came in steadily from the start. After about 15 minutes, the book was already in excess of € 5 billion. Less than an hour after opening the order book reached a volume in excess of € 9 billion. Half an hour later the spread guidance was narrowed to +33 to +34 basis points.
- The order book was closed at 12:00 CET with a total bid volume of € 13 billion. An amount of € 5.7 billion was allocated at a uniform cut-off spread of +33 basis points over the reference bond. Of the allocated amount 58% was allocated towards 'real money' accounts.
- The geographical distribution of the allocation was balanced, a large part of the issuance was allocated to the United Kingdom, The Netherlands, Switzerland and the United States.
- The DSL 0.75 % 15 July 2027 will be reopened several times in order to reach an outstanding amount of at least € 15 billion before the end of 2017. Liquidity will be guaranteed through a repo facility available to Primary Dealers.

### Investor type distribution (%)



### Geographical distribution (%)







## Key transaction facts

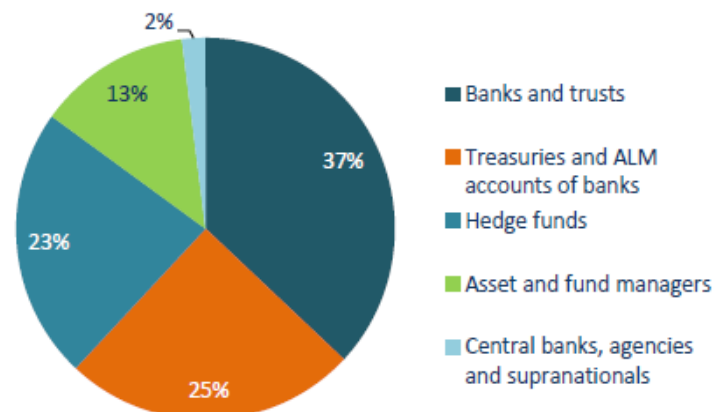
Issuer	The State of the Netherlands
Ratings	Aaa / AAA / AAA
Allocated size	€ 4,812,112,000
Total book	€ 11,709,112,000
Bid-to-cover	2.43
Issuance yield	-0.233%
Issuance price	101.32
Maturity	15 January 2022
Coupon	0%
Settlement	9 June 2016
Law	Dutch law, CACs
ISIN	NL0011896857
Listing	Euronext AMS

## Transaction review: DSL 0 % 15 January 2022

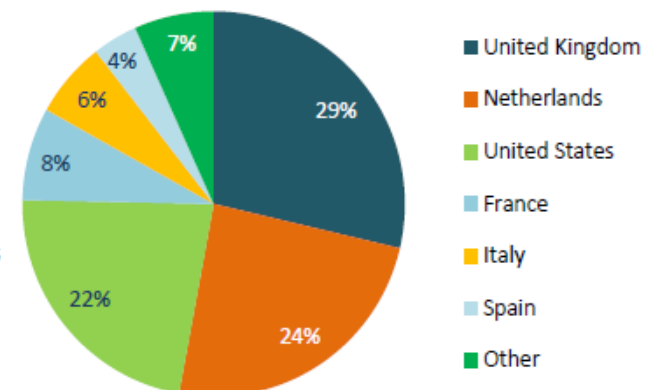
### Overview

- Today the DSTA launched its new 5-year benchmark bond by Dutch Direct Auction (DDA).
- The book opened at 10.00 CET with an initial spread guidance of +11 to +14 basis points over the German Bund maturing on 4 January 2022.
- Bids came in steadily from the start. Around 10:15 CET bids exceeded € 5 billion. At 10:40 CET the DSTA narrowed the spread guidance to +12 to +13 basis points over the reference bond.
- The order book was closed at 11:40 CET with a total bid volume of € 11.7 billion. An amount of € 4.81 billion was allocated at a uniform cut-off spread of +12 basis points over the reference bond. Of the allocated amount, 40% was allocated towards 'real money' accounts.
- The geographical distribution of the allocation was balanced, a large part of the issuance was allocated to the United Kingdom, The Netherlands and the United States. 'Banks and trusts', 'Treasuries and ALM accounts of banks' and 'Hedge funds' were the most important investor types, representing 85% of the allocated amount.
- The DSL 0% 15 January 2022 will be reopened several times in order to reach an outstanding amount of at least € 15 billion within a year after this DDA. Liquidity will be guaranteed through a repo facility available to Primary Dealers.

### Investor type distribution (%)



### Geographical distribution (%)



The new Dutch 5-year DSL: today the DSTA issued € 4.81 billion in the DSL 0 % 15 January 2022

[www.dsta.nl](http://www.dsta.nl)  
 +31 70 342 4082  
[dsta@bloomberg.net](mailto:dsta@bloomberg.net)



# Supplement I

Current status after  
the elections



# Parliamentary elections were held on 15 March 2017

## Elections

- Political parties presented their election programmes
- Most election programmes were assessed by CPB on its economic, budgetary and social effects
- 15 March: elections were held for the House of Representatives (Lower House) for a total of 150 seats (proportional representation)
- Procedures following the elections mainly based on unwritten law

## Consultation Process

- An 'informateur' was appointed by parliament
- The informateur holds talks with political leaders of all parties elected into parliament
- The informateur assesses possible coalition governments, based on election programmes
- Process may take a number of months; process is still ongoing



# Parliamentary elections were held on 15 March 2017

## Coalition agreement

- In principle, an agreement has to be reached between political leaders representing a minimum of 76 seats
- A draft coalition agreement is composed for a 4-year period, including a budgetary paragraph and a set of fiscal rules
- The CPB assesses the economic and budgetary consequences of the coalition agreement
- The draft coalition agreement has to be endorsed by the political parties concerned

## Government Formation

- A so-called “Formateur” is appointed by parliament
- Historically, the formateur is the incoming Prime Minister
- The formateur forms a new government and will approach prospective Ministers
- Prospective ministers pledge their support for the draft coalition agreement
- As soon as the new government takes office, the coalition agreement becomes final





# Supplement II

Trade, housing, labour  
and pensions





# 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; an additional 7% was sold in November 2016 (€ 1.3 bn); remainder will be sold in the coming years
  - ASR – IPO in June 2016; 36% was sold for €1.1 bn; in January and April 2017 13.6% and 13.3% were sold for a total of €1 bn. The remaining 36.8% will be sold in the upcoming years
  - Volksbank (former 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



# 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**

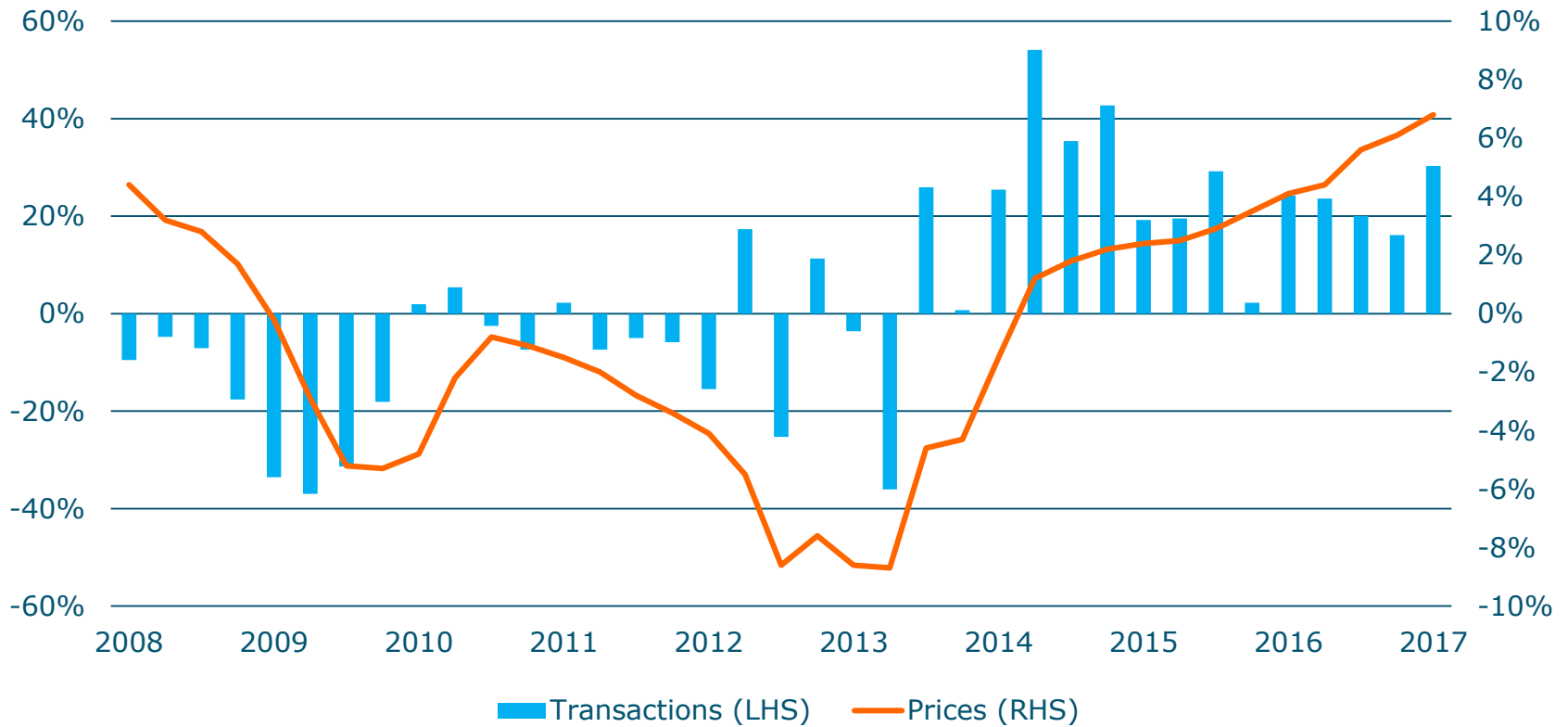
- More long-term care will be provided outside homes for the elderly, by local governments
- More limited health insurance coverage, higher contributions by the insured
- Increased competition in the health care sector

## **Labour market**

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



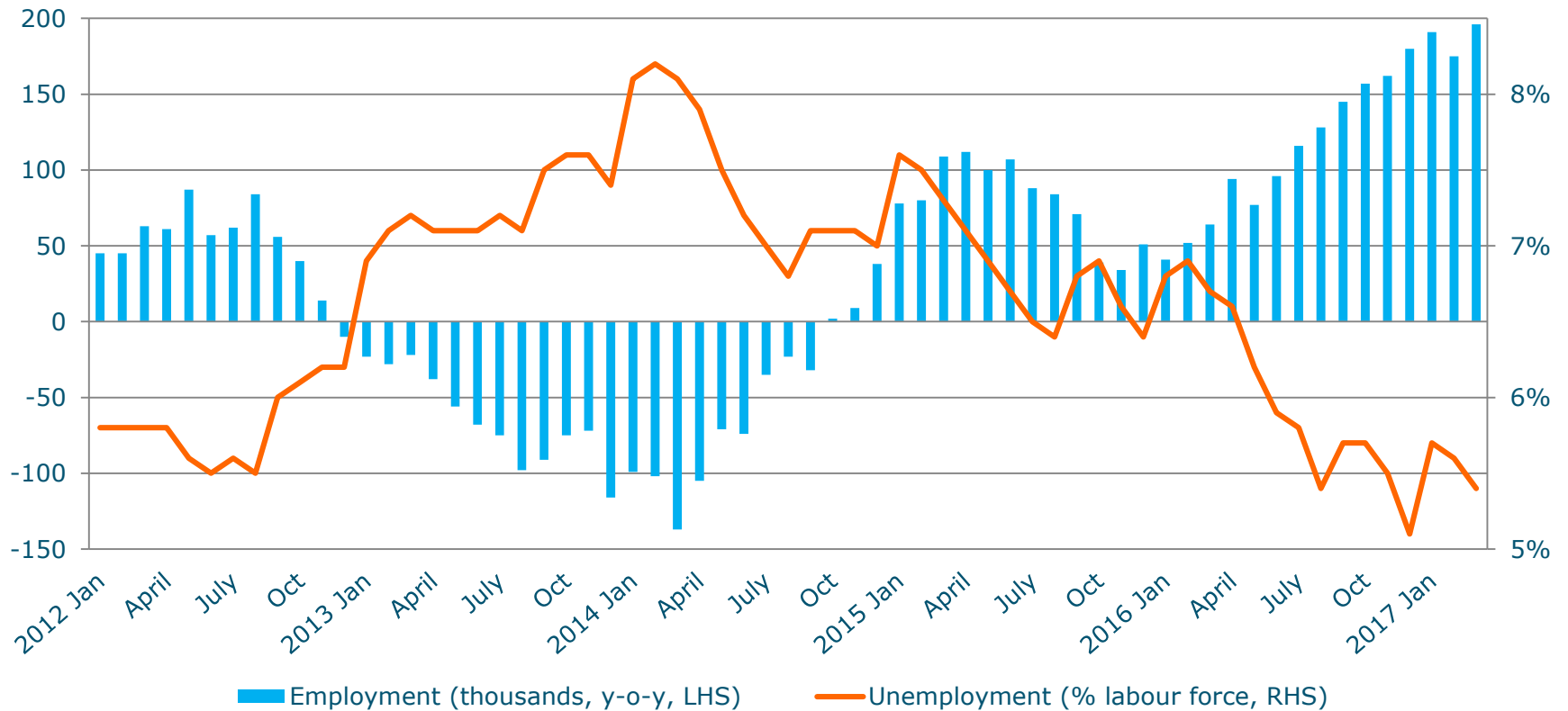
# Housing market recovery



**Source:** Statistics Netherlands (CBS)



# Labour market recovery

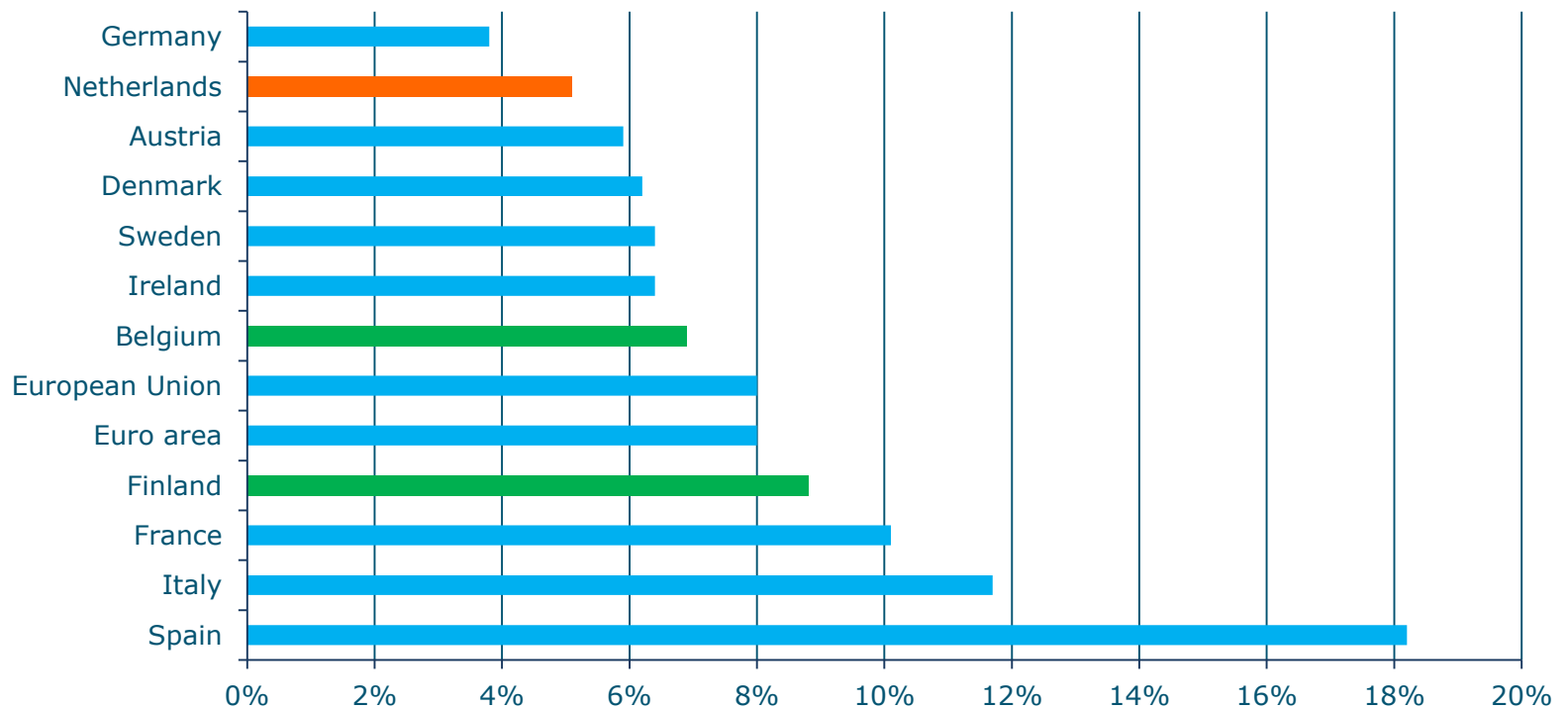


Source: Statistics Netherlands (CBS)



# Unemployment is low and declining further

Unemployment rate (March 2017, % of labour force)



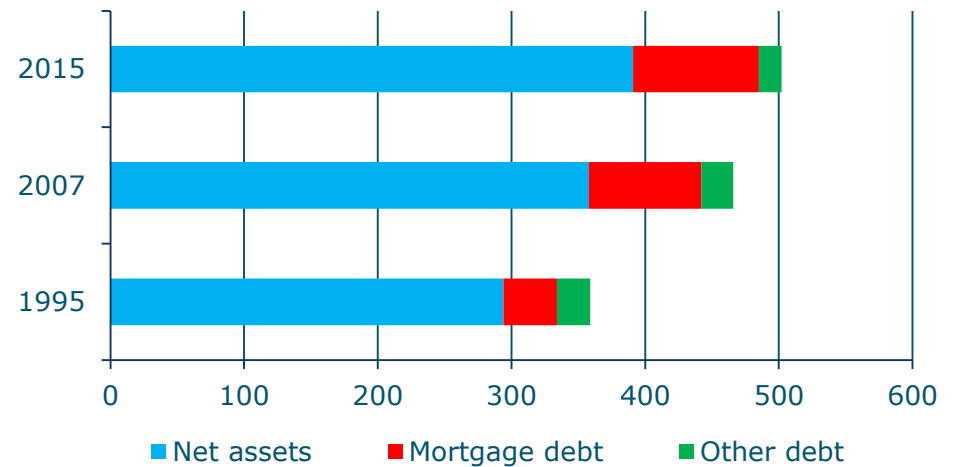
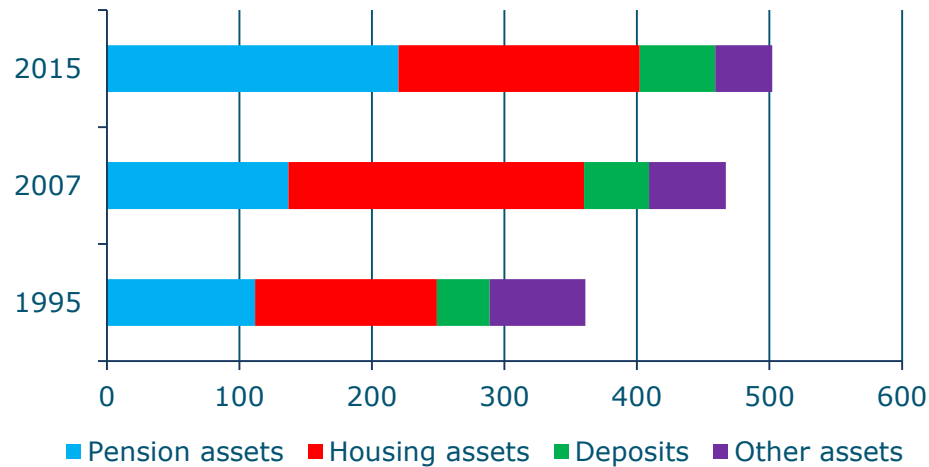
Source: Eurostat





# Households have strong asset position

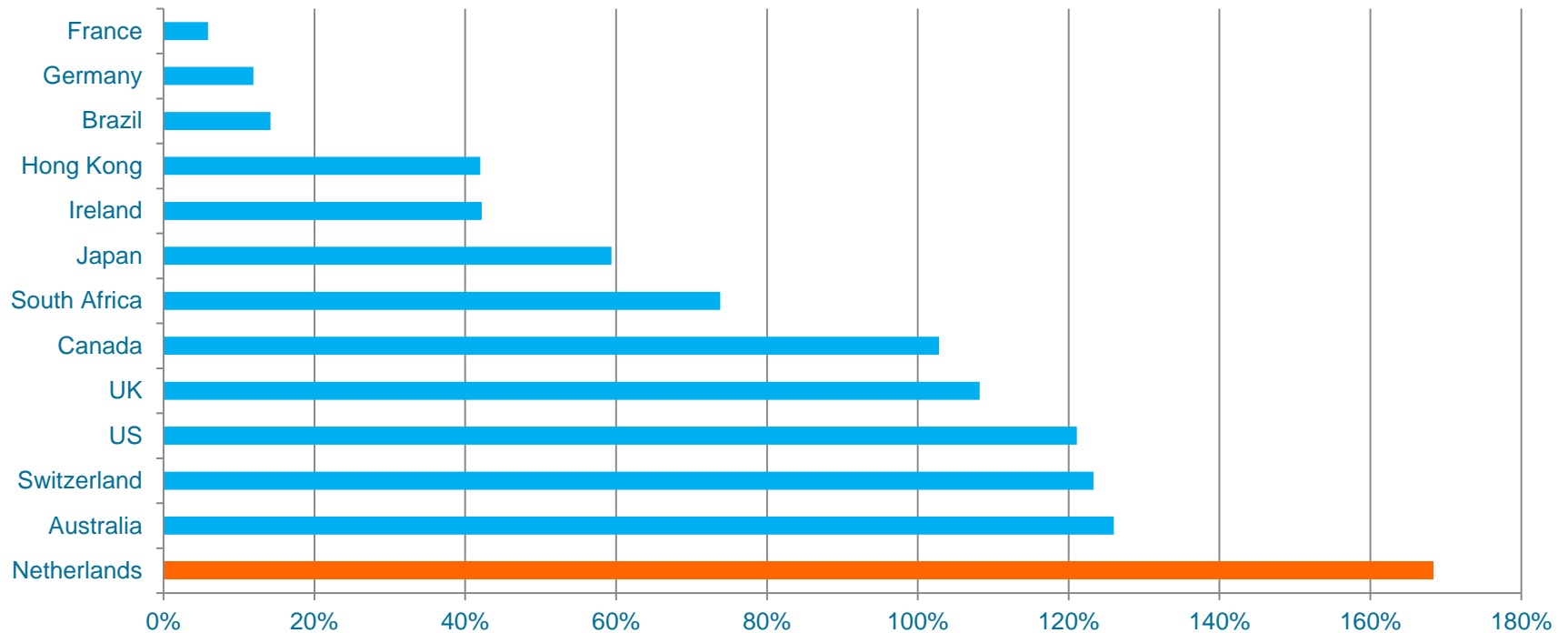
Household assets and liabilities (% of GDP)



Source: Dutch Central Bank (DNB), Budget Memorandum 2017



# Pension assets internationally

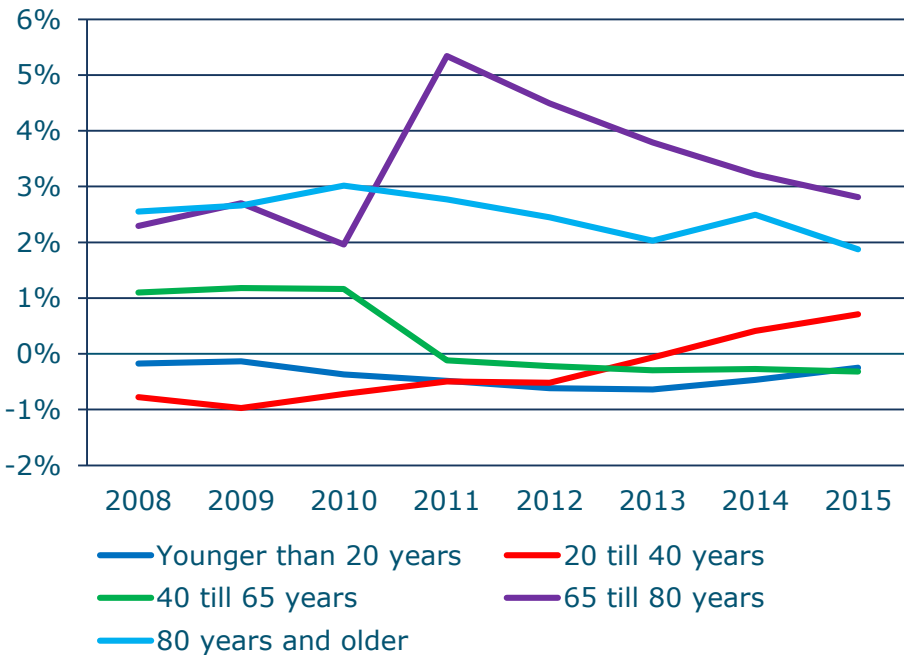


**Source:** Willis Towers Watson, Global Pension Asset Study, 2017



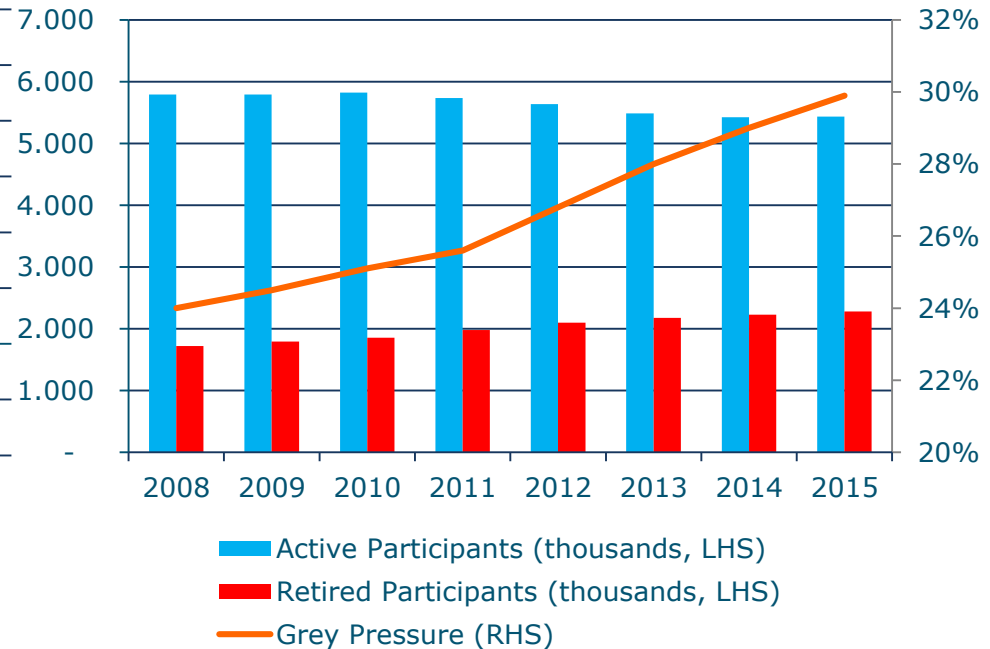
# Ageing Population

Y-o-y change in population



Source: Statistics Netherlands (CBS)

Active and retired participants and 'grey pressure' (people 65 years and older/people between 20-65 years old)

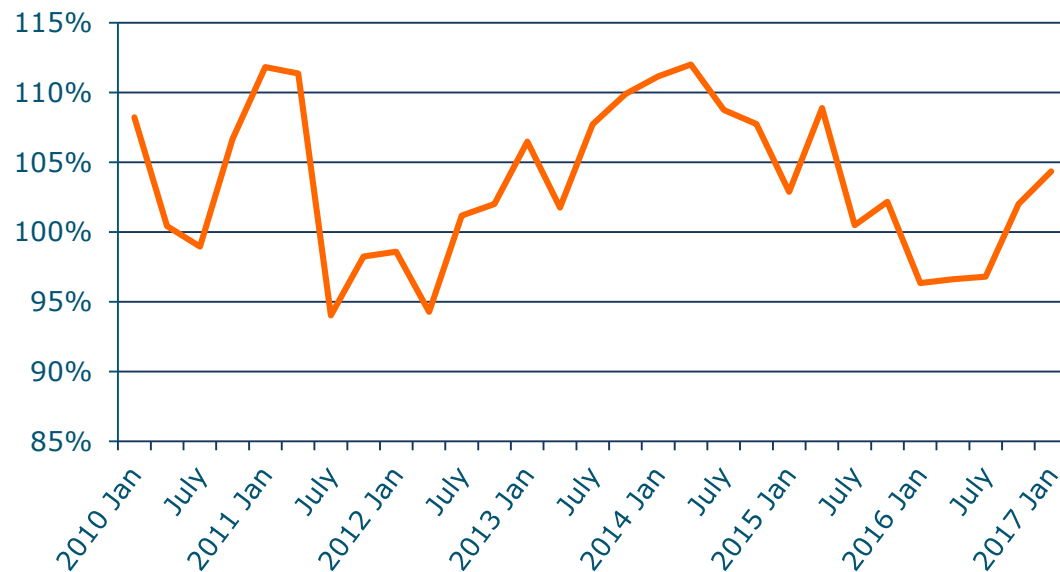


Source: Statistics Netherlands (CBS)



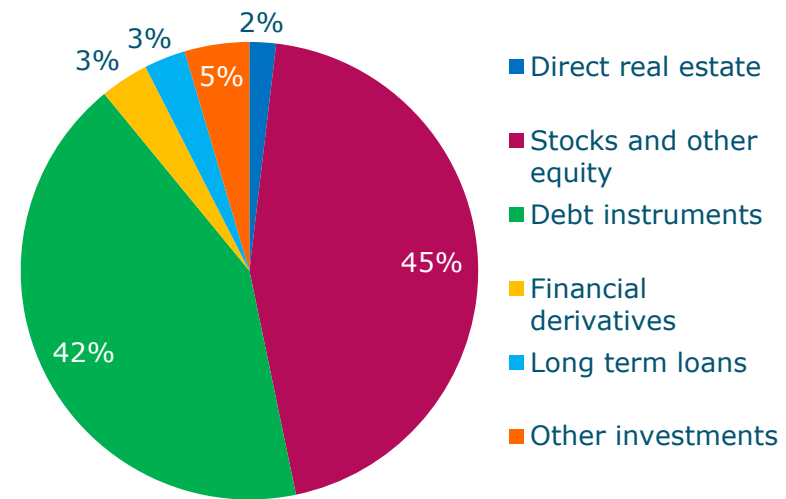
# Pension funds

Pension fund cover ratios



Source: Dutch Central Bank (DNB)

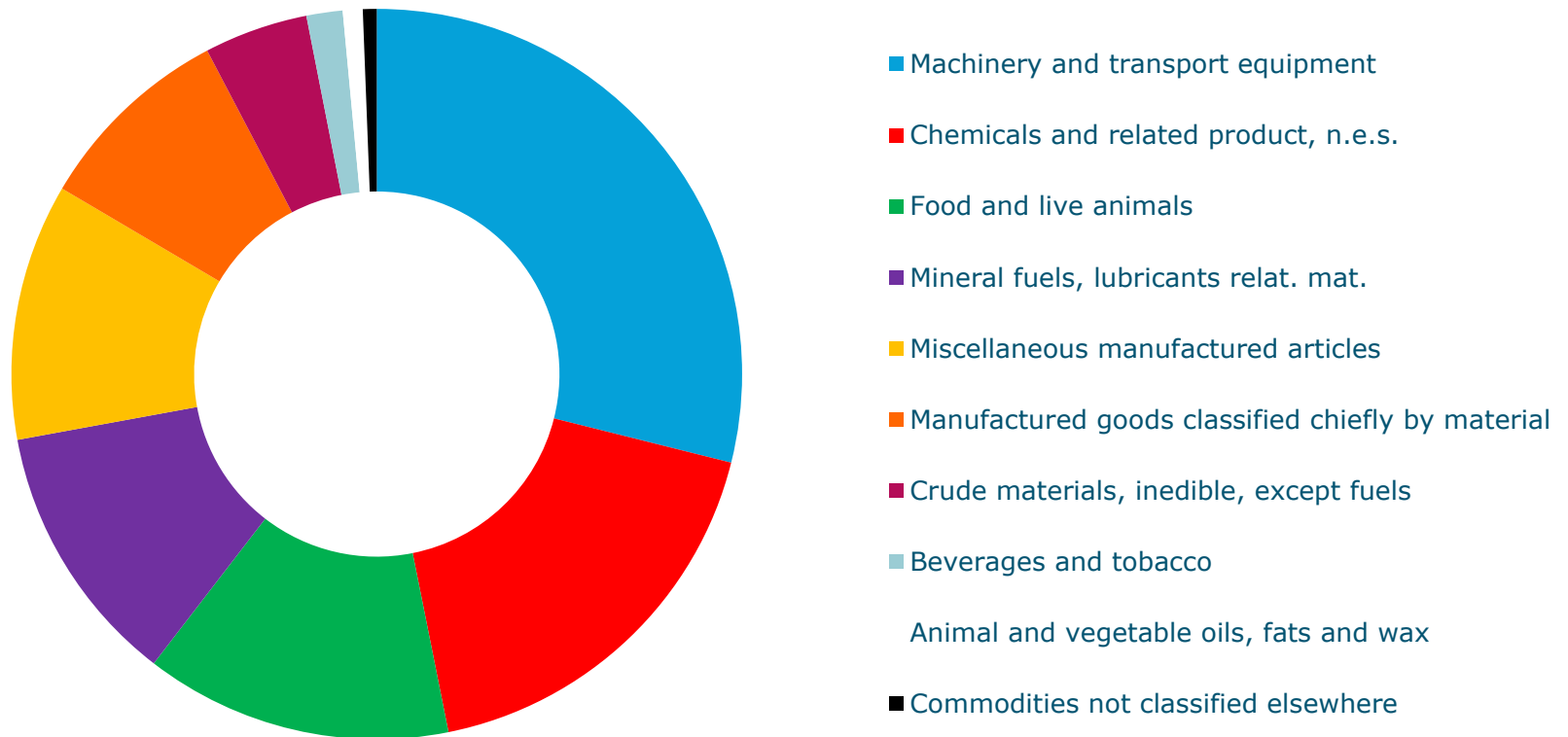
Pension fund holdings at the end of 2015



Source: Statistics Netherlands (CBS)



## Export performance by product category (2016)



Source: Statistics Netherlands (CBS)

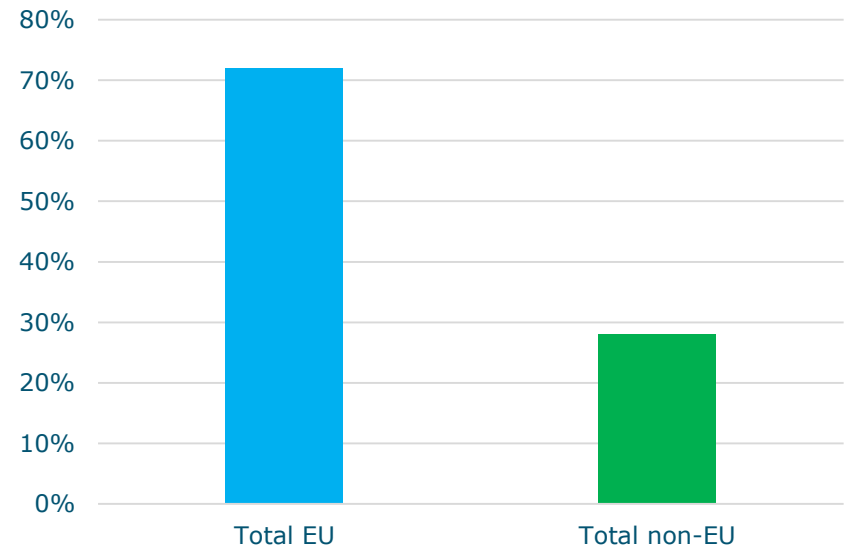




# Export performance by country

Rank	Country	Share 2016
1	Germany	22,7%
2	Belgium	10,1%
3	United Kingdom	9,1%
4	France	8,2%
5	Italy	4,2%
6	USA	4,1%
7	Spain	3,0%
8	Poland	2,5%
9	China	2,3%
10	Sweden	2,0%
11	Czech Republic	1,6%
12	Denmark	1,4%
13	Switzerland	1,4%
14	Turkey	1,2%
15	Austria	1,2%

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



Source: Statistics Netherlands (CBS)



# Supplement III

Interest risk  
framework  
2016 - 2019



# Interest rate risk framework 2016 - 2019

- Framework based on two measures of risk
  - Long term risk measure: duration (i.c. weighted average maturity)
  - Short term risk measure: 12-month forward looking refixing amount
- Duration goal of 6.4 years at the end of 2019 within a margin of  $\pm 0.25$  years
- 12-month forward looking refixing amount end of year needs to stay below 18% debt
- 2016 results
  - Year end duration of 5.60 years
  - Year end refixing amount of 17.0% of debt
- 2017 targets
  - Year end duration goal of 6.0 years
  - Year end refixing amount below 18% of debt



# Consequences

- Funding strategy remains unchanged from before
- Swaps are a fine tuning instrument
- Issuance more important in interest risk management
- Option to revise strategy



# Supplement IV

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; in 2017: 7-year DSL
- Commitment to the long end of the curve (up to 30-year segment)
- Auctions on fixed dates: 2<sup>nd</sup> (and if needed 4<sup>th</sup>) Tuesday of the month
- Quarterly issuance calendars (Q3 release: 23 June 2017)
- 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 months
- Auctions: twice a month on the first and third 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)
- Also in USD (borrowing and lending)



# Funding strategy

- Transparency: calendars, press releases, website
- Continuity / predictability: no surprises, consistency in policies and operations, live up to commitments
- Tradability / liquidity:
  - Quotation obligations for PDs
  - Repo facility for PDs
  - Minimum outstanding volumes of bonds



## Primary Dealer group 2017

ABN AMRO Bank	Barclays	Citibank
Commerzbank	Deutsche Bank	Goldman Sachs
HSBC France	ING Bank	Jefferies
Natixis	NatWest Markets	Nomura
Nordea	Rabobank	Société Générale



# Supplement V

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](http://www.dsta.nl/english/Subjects/Primary_Dealers))

The DDA rules can be found on our website: [www.dsta.nl](http://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



# Investor classification

Real money clients	Other clients
Asset and Fund managers	Hedge funds
- Central banks - Agencies - Supranationals	All accounts of banks, except: - 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

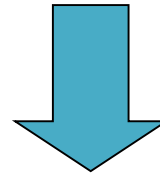


## Mechanics of allocation – scenario 1

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	

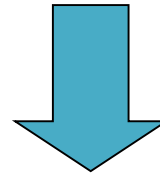


## Mechanics of allocation – scenario 2

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		



## Contact Details

- Website: [www.dsta.nl](http://www.dsta.nl)
- E-mail: [dsta@bloomberg.net](mailto:dsta@bloomberg.net)
- Twitter: [@dsta\\_nl](https://twitter.com/dsta_nl)
- Bloomberg: [DSTA <GO>](#)