



Ministry of Finance

Dutch State Treasury Agency

5-year DDA
Investor presentation

Latest update: 3 June 2016

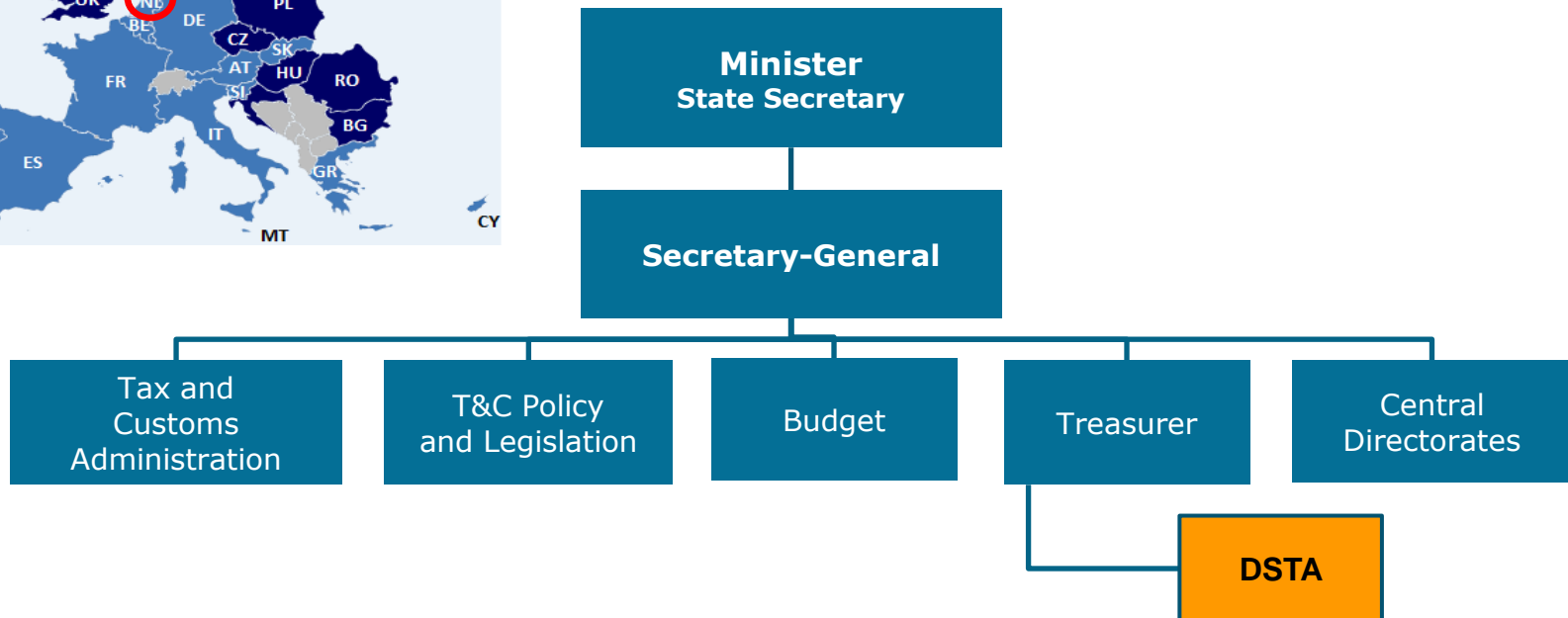
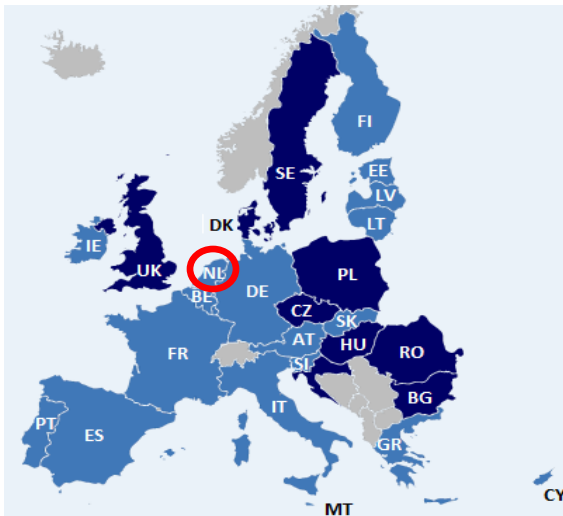


Content

1. Introduction	3
2. The economy and the budget	7
3. The Netherlands: fundamentally strong	13
4. The debt position	18
5. Funding plan 2016	25
Supplement I: Trade, housing, labour, pensions, financial sector	32
Supplement II: DDA explained	42
Supplement III: Funding instruments	49
Supplement IV: Risk framework 2016-2019	54



The Dutch Ministry of Finance





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*



Details new 5-year Dutch State Loan

DDA date	Tuesday 7 June 2016
Maturity date	15 January 2022 (short first coupon)
Reference bond	DBR 2% 4 January 2022
Target volume	€ 4 - € 6 bn
Pricing	From 30 minutes after allocation; no later than Wednesday 8 June 12:00 CET
Settlement date	2 days after pricing
Coupon	To be announced on Friday 3 June
Initial spread guidance	To be announced on Monday 6 June
Country ratings	Aaa/ AAA/ AAA



Time schedule 5-year DSL

- Book opens at 10:00 CET on 7 June
- Final spread guidance will be announced no later than 15:00 CET on 7 June
- Book closes at the latest 17:00 CET on 7 June
- Allocation communicated as soon as possible after closing the book; no later than 9:00 CET on 8 June
- Pricing from 30 minutes after allocation and no later than 12:00 CET on 8 June; preferably on the auction day itself



The economy and the budget



Projections: strong economic performance

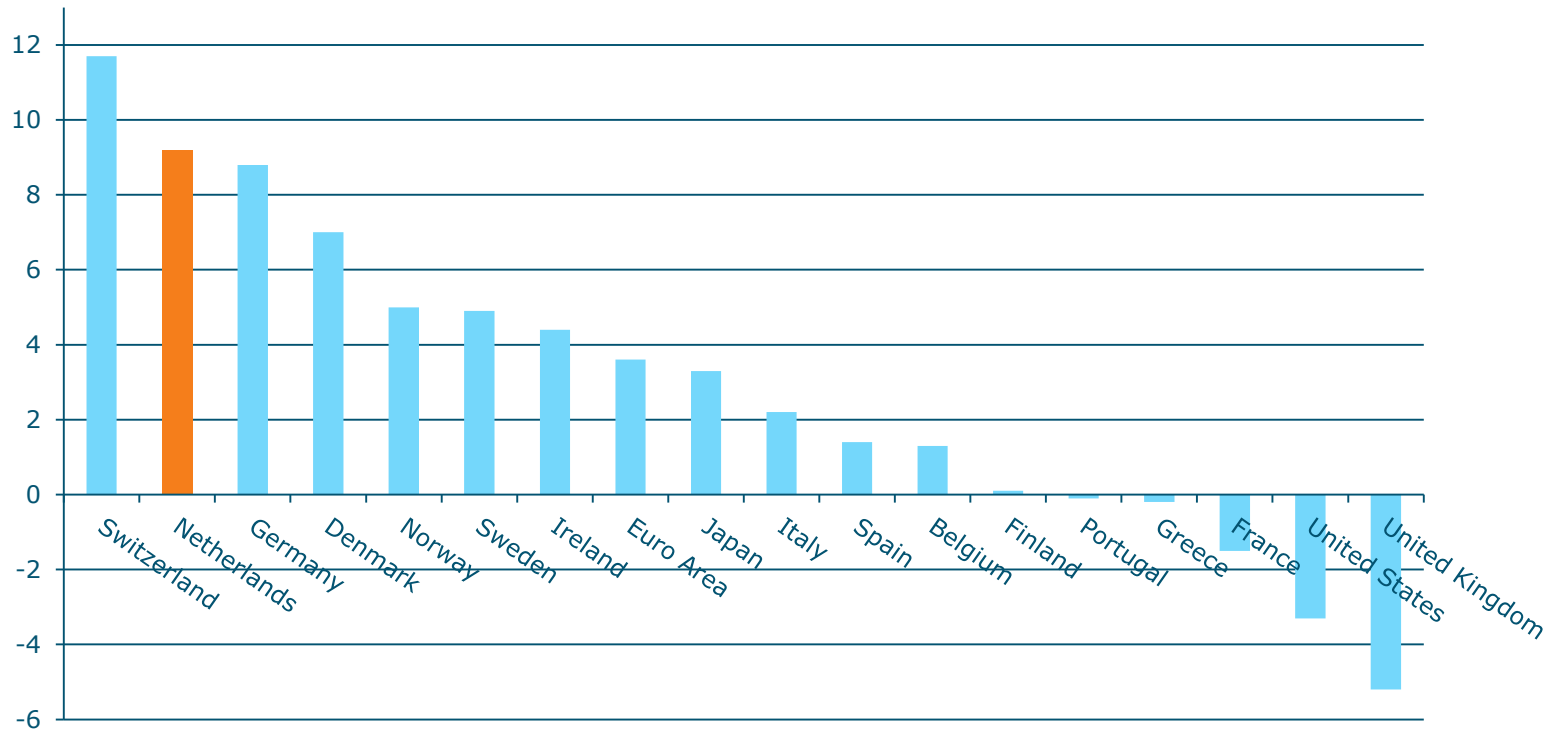
Key economic figures (% change, y-o-y)	2014	2015	2016	2017
GDP	1.0	2.0	1.8	2.1
Household consumption	0.0	1.5	1.5	2.1
Capital formation (including inventories)	2.7	8.2	6.0	3.9
Government consumption	0.3	0.1	1.1	0.2
Exports	4.0	5.3	5.1	4.5
Imports	4.0	6.4	6.3	4.7
Unemployment (% of labour force)	7.4	6.9	6.4	6.2
Labour productivity	1.4	1.0	0.9	1.4
Inflation (HICP)	0.3	0.2	0.1	0.9

Source: CPB, Netherlands Bureau for Economic Policy Analysis, 3 June 2016.
Detailed Macro-economic Outlook available on CPB website



Strong current account surplus

Current account balance 2016 (% of GDP)



Source: European Commission Spring Forecast 2016, May 2016



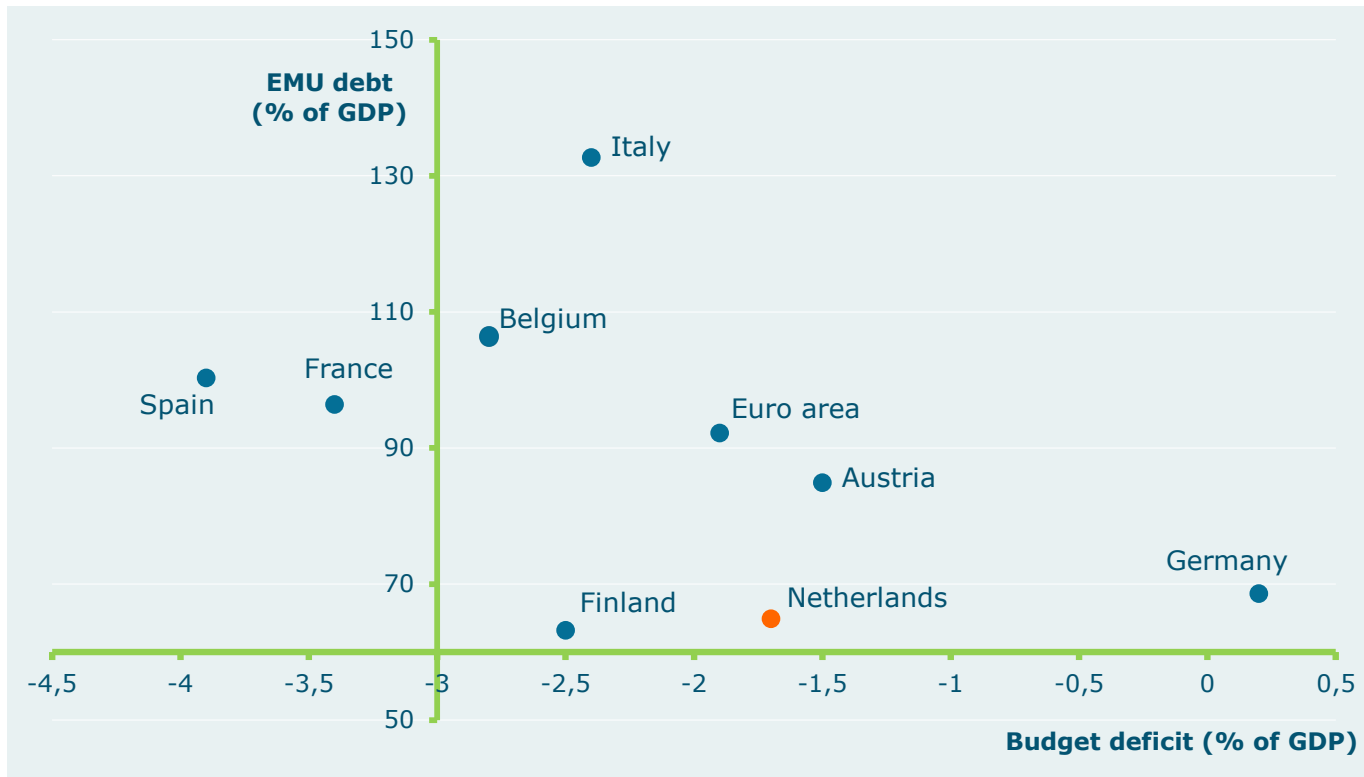
Government finances

Key budgetary figures (% GDP)	2012	2013	2014	2015	2016	2017
EMU-balance	-3.9	-2.4	-2.4	-1.8	-1.6	-1.0
EMU-debt	66.4	67.9	68.2	65.1	64.5	63.1

Source: CBS (Statistics Netherlands; for the year up to and including 2013), CPB (Netherlands Bureau for Economic Policy Analysis; 2014, 2015, 2016, 2017).



Government finances compared (2016)



Source: European Commission Spring Forecast, May 2016

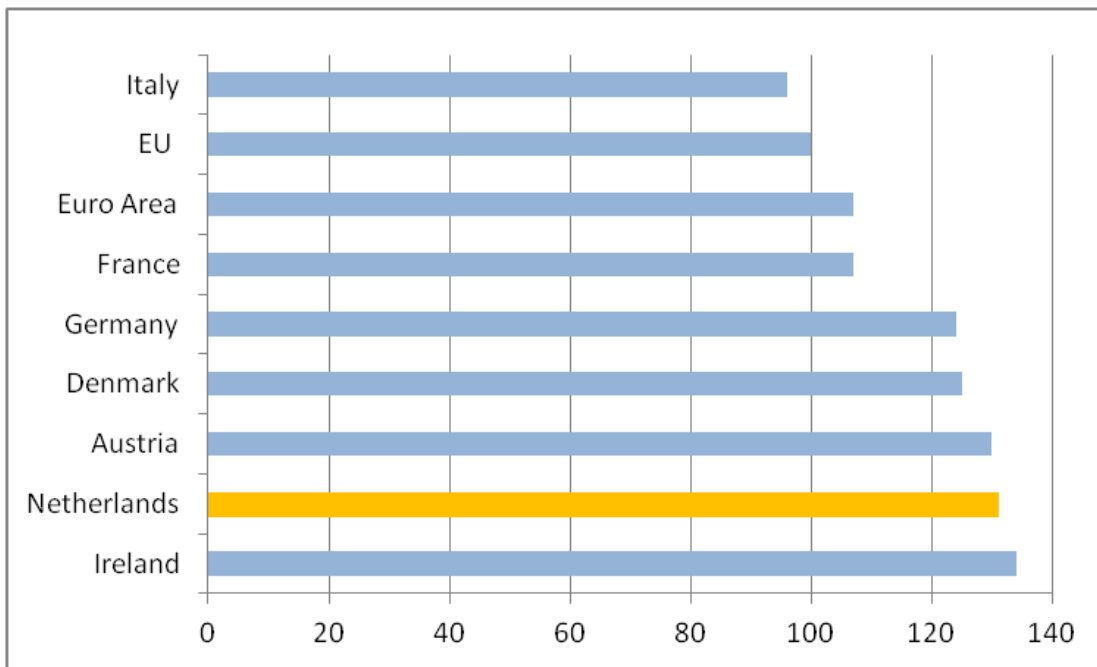


Fundamentally
strong



Among the richest countries in Europe

Real GDP per capita (PPS, 2014, index)



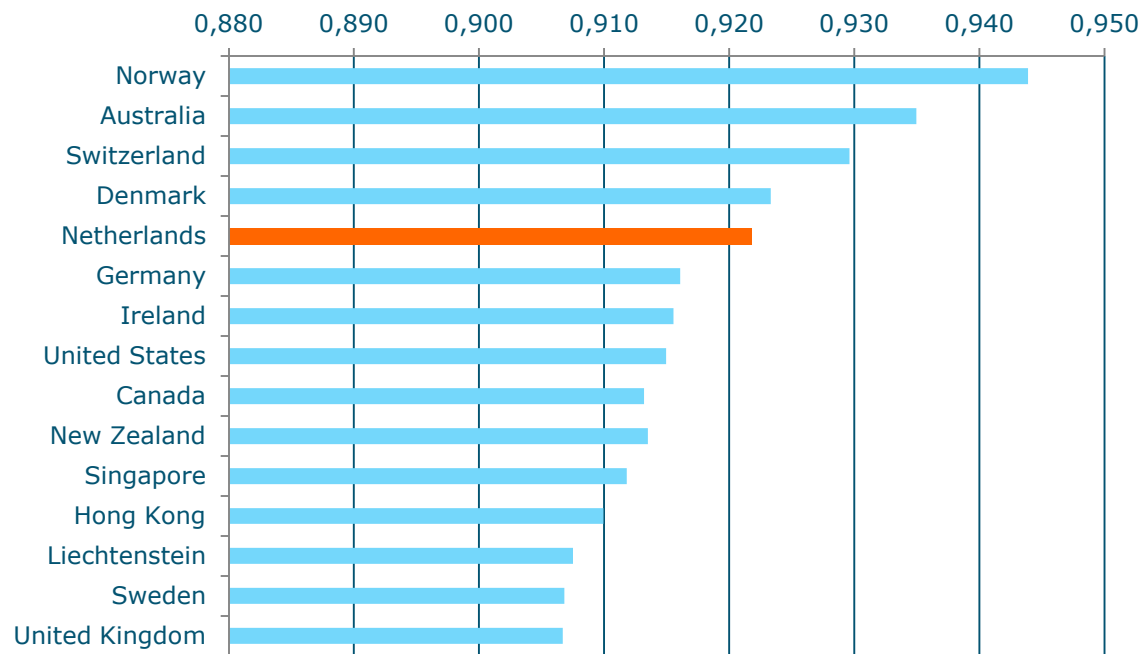
Source: Eurostat

<http://ec.europa.eu/eurostat/web/purchasing-power-parities/data/main-tables>



Among the most developed countries worldwide

Top 15 countries on the Human Development Index (2015)



Source: United Nations Human Development Index

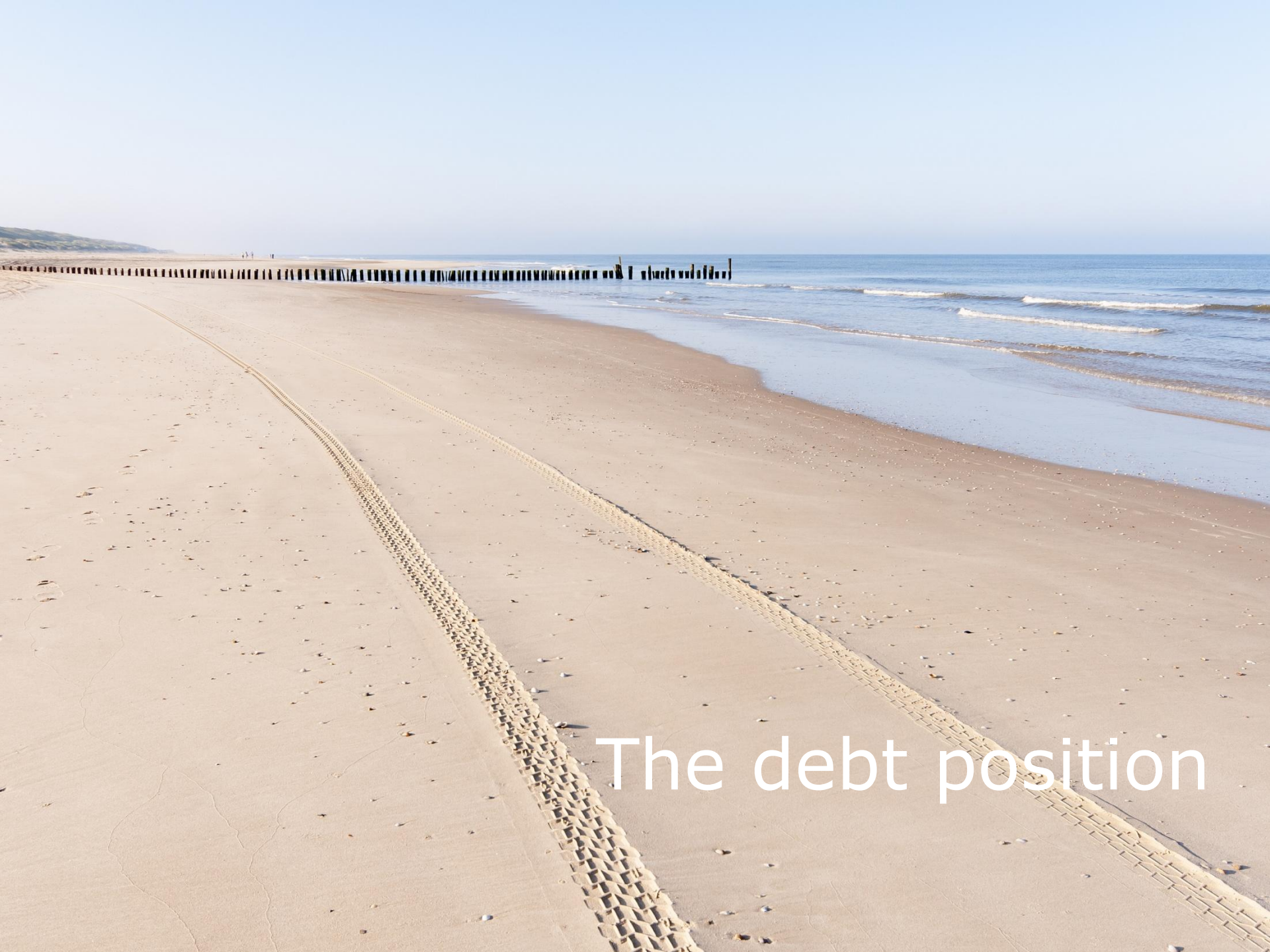


Among the most competitive countries worldwide

Top 12 countries on the WEF Competitiveness Index

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

Source: World Economic Forum, 15 February 2016



The debt position



Debt Outstanding

Key figures at the end of May 2016

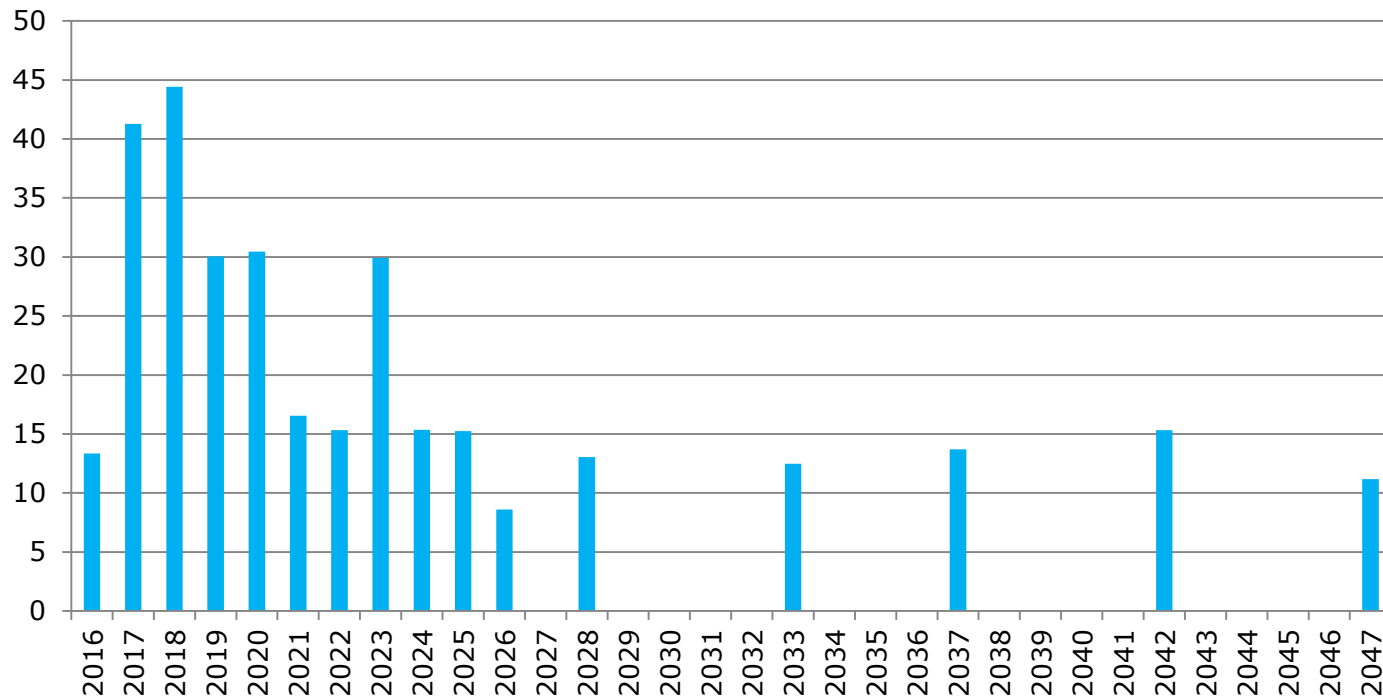
Instrument	(€ mn)
DSL (T-bonds)	319,627
DSL in foreign currency	2,512
DTC (T-bills)	15,660
ECP in foreign currency	2,260
Private loans	3,568
Private loans in foreign currency	634
Cash	1,254
Total debt outstanding*	345,514

* Excluding cash collateral received (€20.3bln)



Long-term debt profile

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





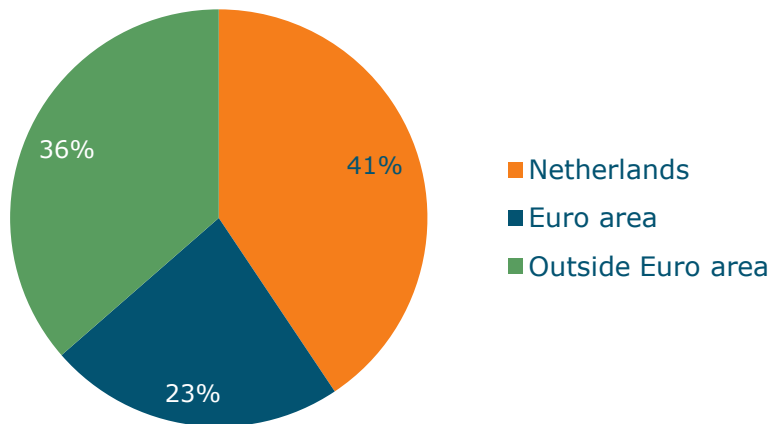
QE and DSL

- Capital key Netherlands for PSPP is 5.7%
- ECB (DNB) buys approx. € 2.75 bn per month of DSLs (from April 2016 onwards)
- Average maturity of DSL holdings is approx. 7.1 years (April 2016 number)
- DNB has a securities lending facility
- DSTA has a repo facility for PDs (lender of last resort)

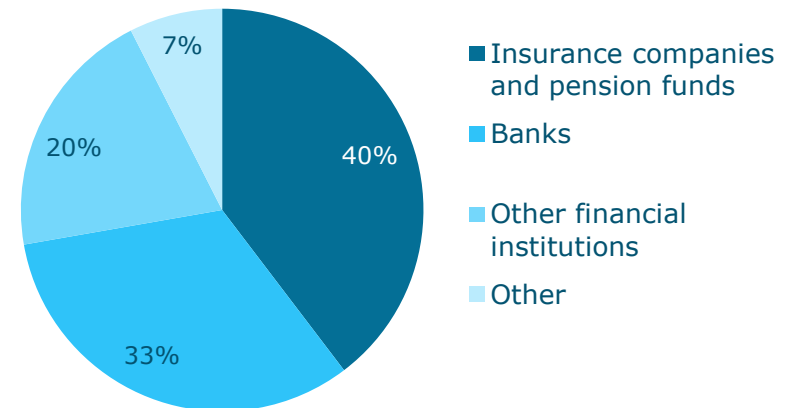


Diversified holdings of debt

Holdings of Dutch government debt by region (sept 2014)



Euro area holdings of Dutch government debt by sector (sept 2014)

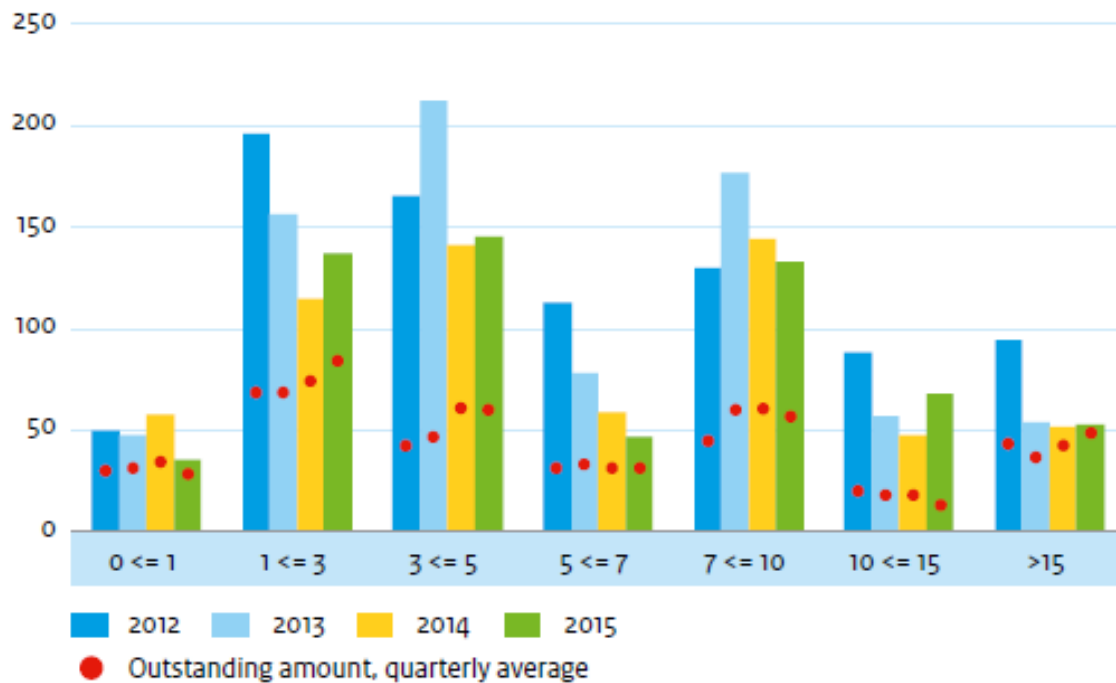


Source: Dutch Central Bank as published in Economische Statistische Berichten (<http://www.economie.nl/artikel/statistiek-216>)



Secondary market

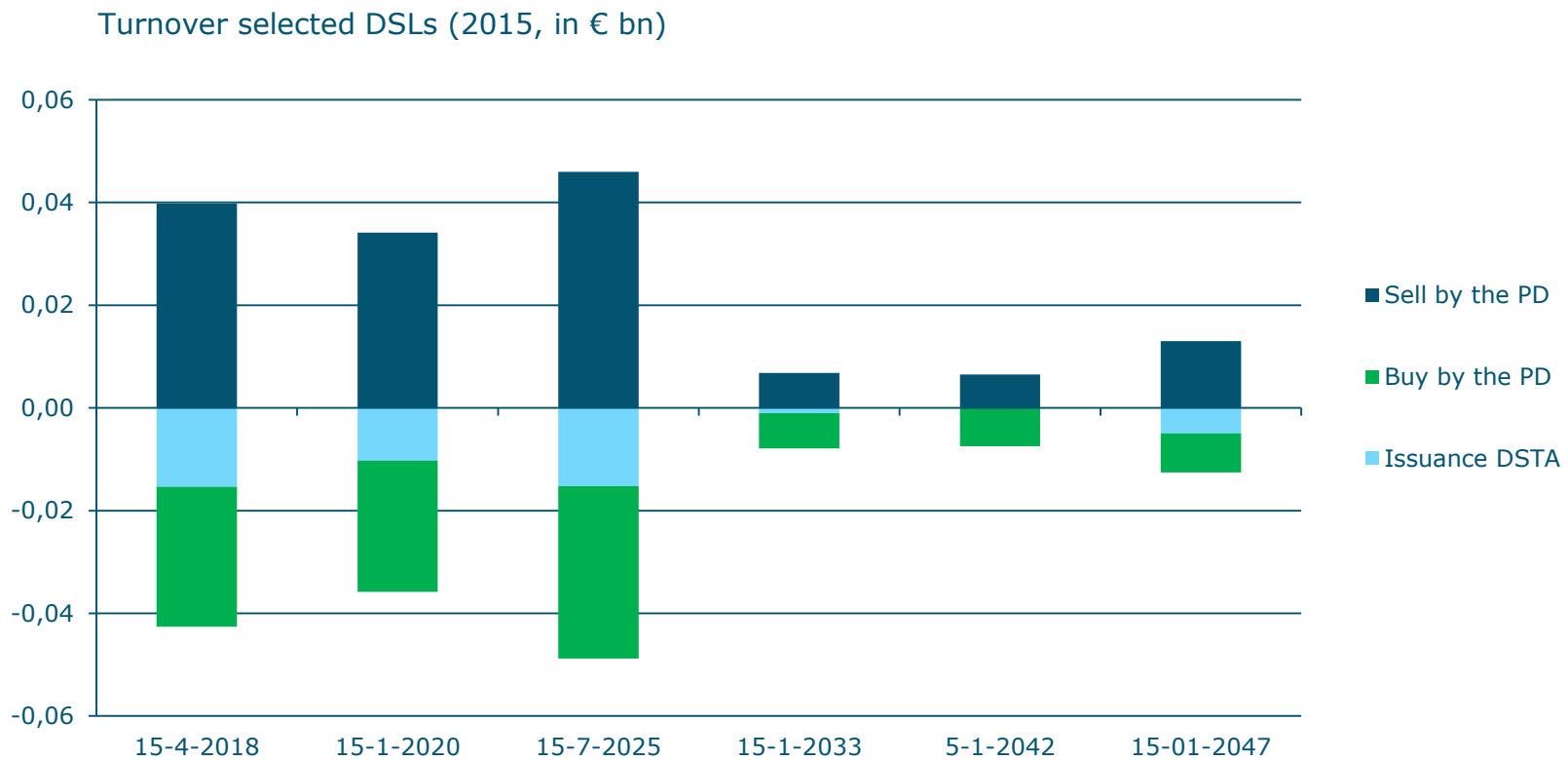
PD reported DSL turnover, 2012-2015 (Q1-Q3), by remaining maturity (in € bn)



Source: DSTA SMTR



Secondary market



Funding in 2016





Borrowing requirement 2016

Borrowing requirement	(€ bn)
Capital market redemptions 2016	28.1
Buy-backs DSLs 2017 and 2016 (Jan/Feb)	3.4
Money market ultimo 2015	15.2
Cash collateral ultimo 2015	19.4
Cash deficit*	7.6
Total funding requirement 2016	73.7

Source: DSTA Quarterly Outlook, March 2016



Funding in 2016

Funding	(€ bn)
Capital market	25 - 30
Money market ultimo 2016	43.3 - 48.3
- o/w regular money market instruments	21.1 - 26.1
-o/w cash collateral*	22.2
Total funding requirement 2016	73.7

* Cash collateral at the end of February, assuming it to remain constant

Source: DSTA Quarterly Outlook, March 2016

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



Issuance in 2016

DSL	Indicative amount (€ bn)
New 10-year DSL	15
New 5-year DSL	7.5 – 10*
Reopening longer dated off-the-run DSLs	2.5 - 5
Total DSL funding	25 - 30

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

Source: DSTA Outlook 2016, 11 December 2015



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)
- 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')



5-year DSL: Why to buy

- The Netherlands has a reputation for its consensus-based fiscal discipline
- Structural reforms are in place; both the economy and housing market are picking up
- The DSL 2022 offers an attractive yield versus Germany
- Highly rated issuer (Aaa/AAA/AAA)
- Continuous availability of secondary market prices
- Commitment to raise the outstanding amount of the bond to € 15 bn within a year of first issuance



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

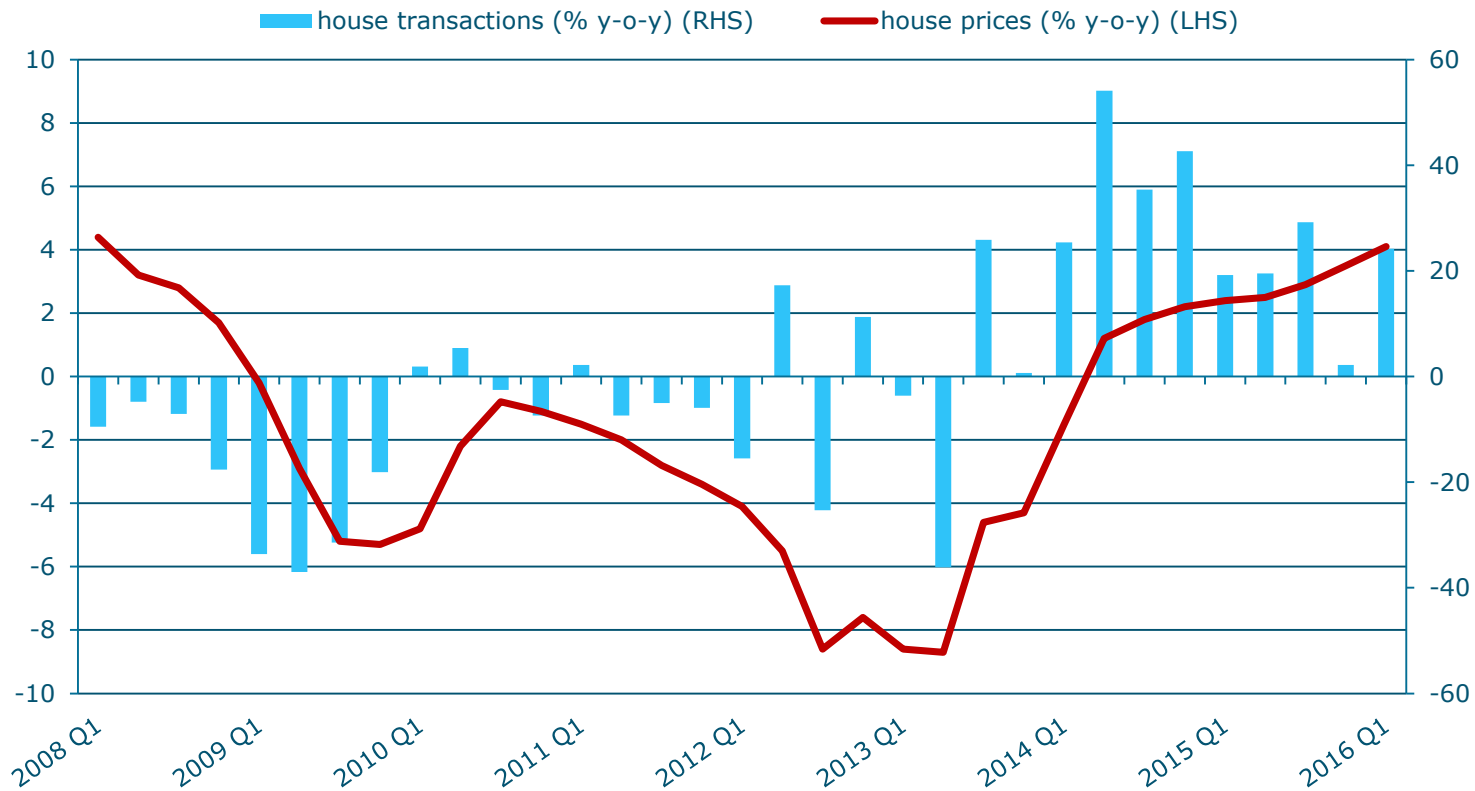
- More long-term care will be provided outside homes for the elderly, by local governments
- More limited health insurance coverage, higher contributions by the insured
- Increased competition in the health care sector

Labour market

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



Housing market has recovered

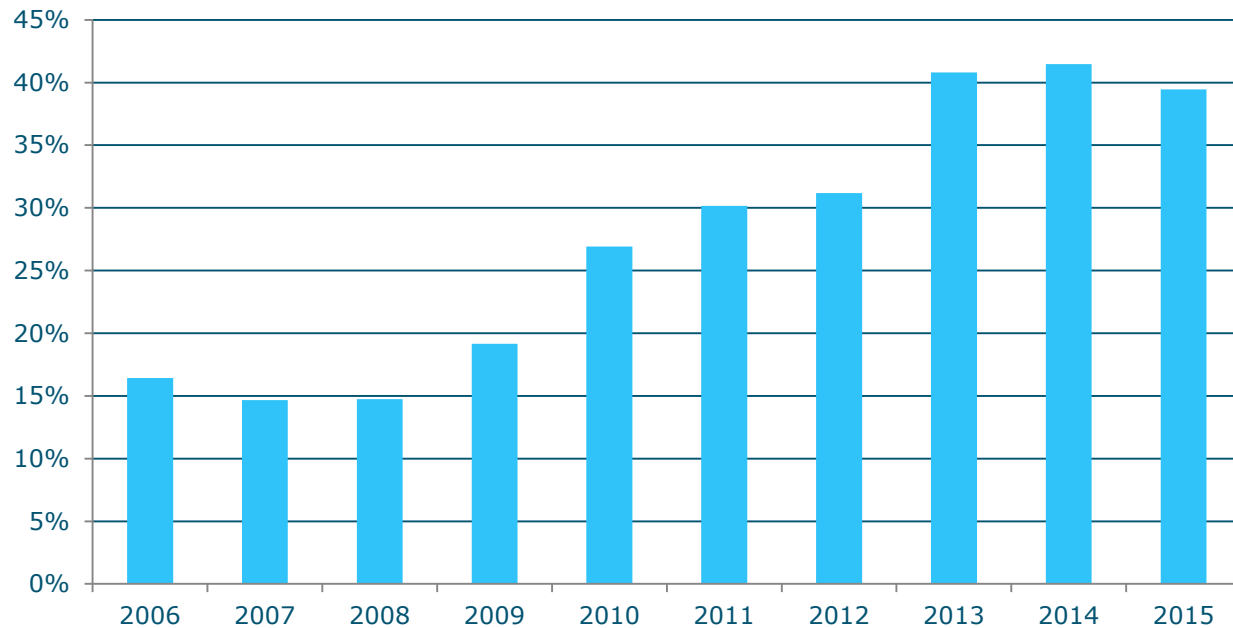


Source: National Statistics Bureau, CBS



Decline in 'underwater mortgages'

Mortgages under water (% of total mortgages)

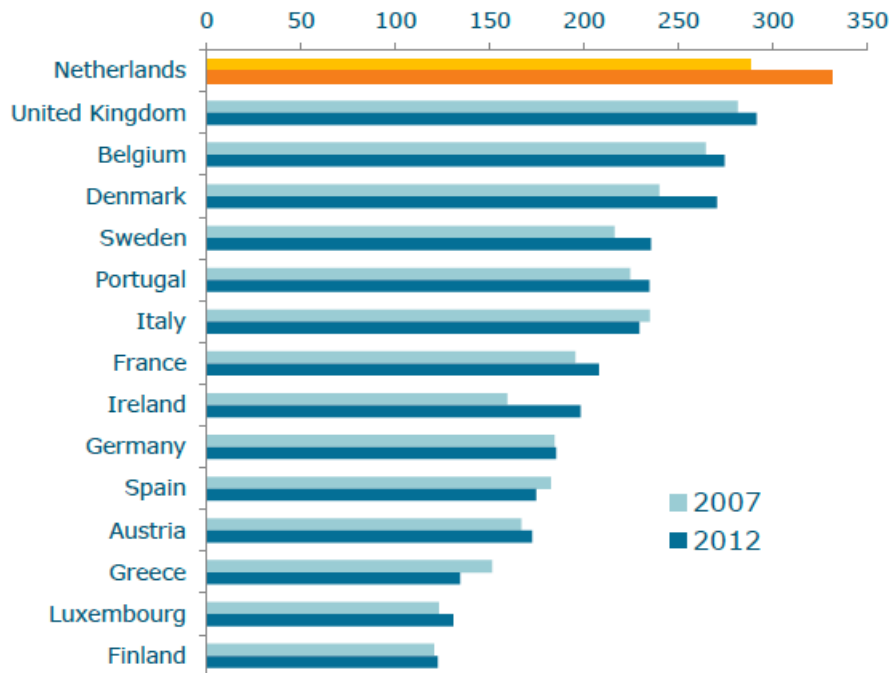


Source: CBS, National Statistics Bureau (2016)



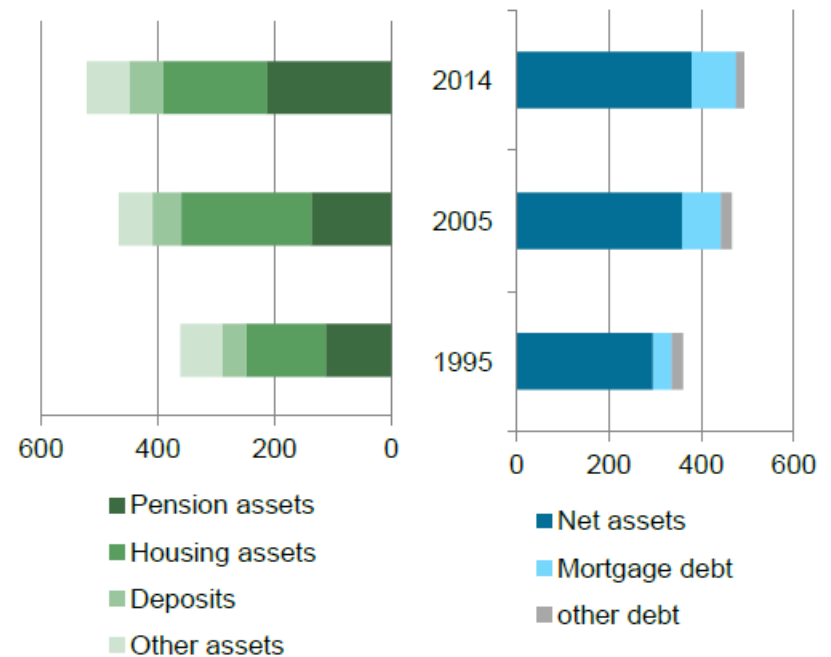
Households have strong asset position

Household financial assets (% GDP)



Source: Eurostat, 2013

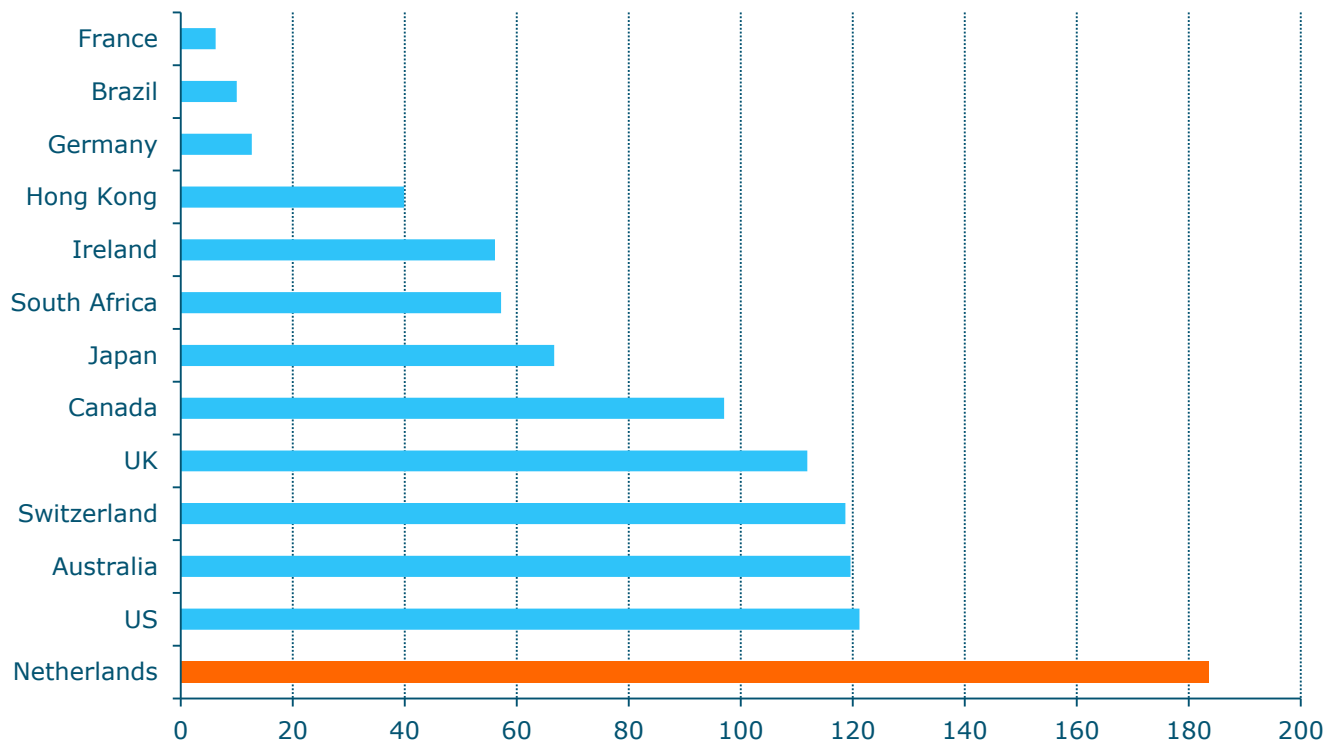
Household assets and liabilities (% GDP)



Source: DNB in the government's Budget Memorandum



Pension assets internationally (% GDP in 2015)



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



Pensions: reforms to achieve sustainability

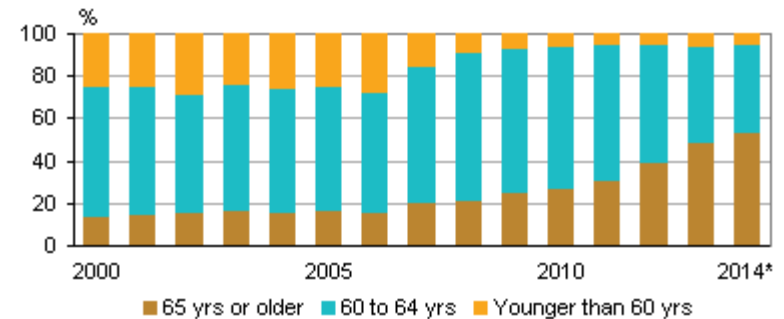
Number of retired employees and average age of retirement



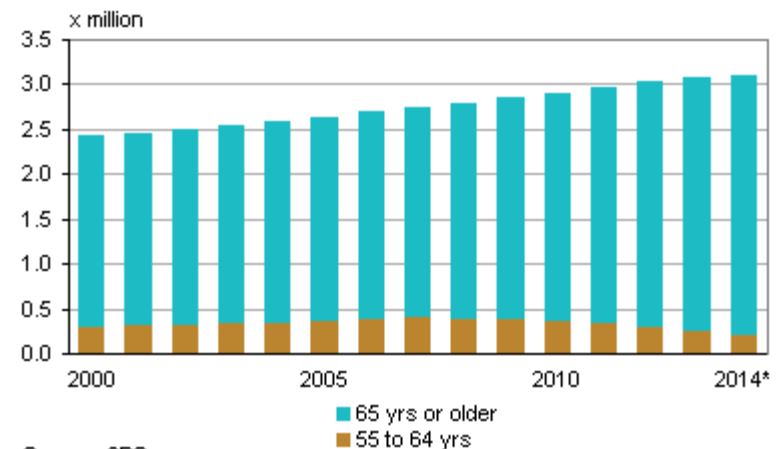
- Increase in retirement age to 67 in 2021
- Tied to life expectancy after 2021

Source: CBS, National Statistics Bureau, 2014

Retirement age employees



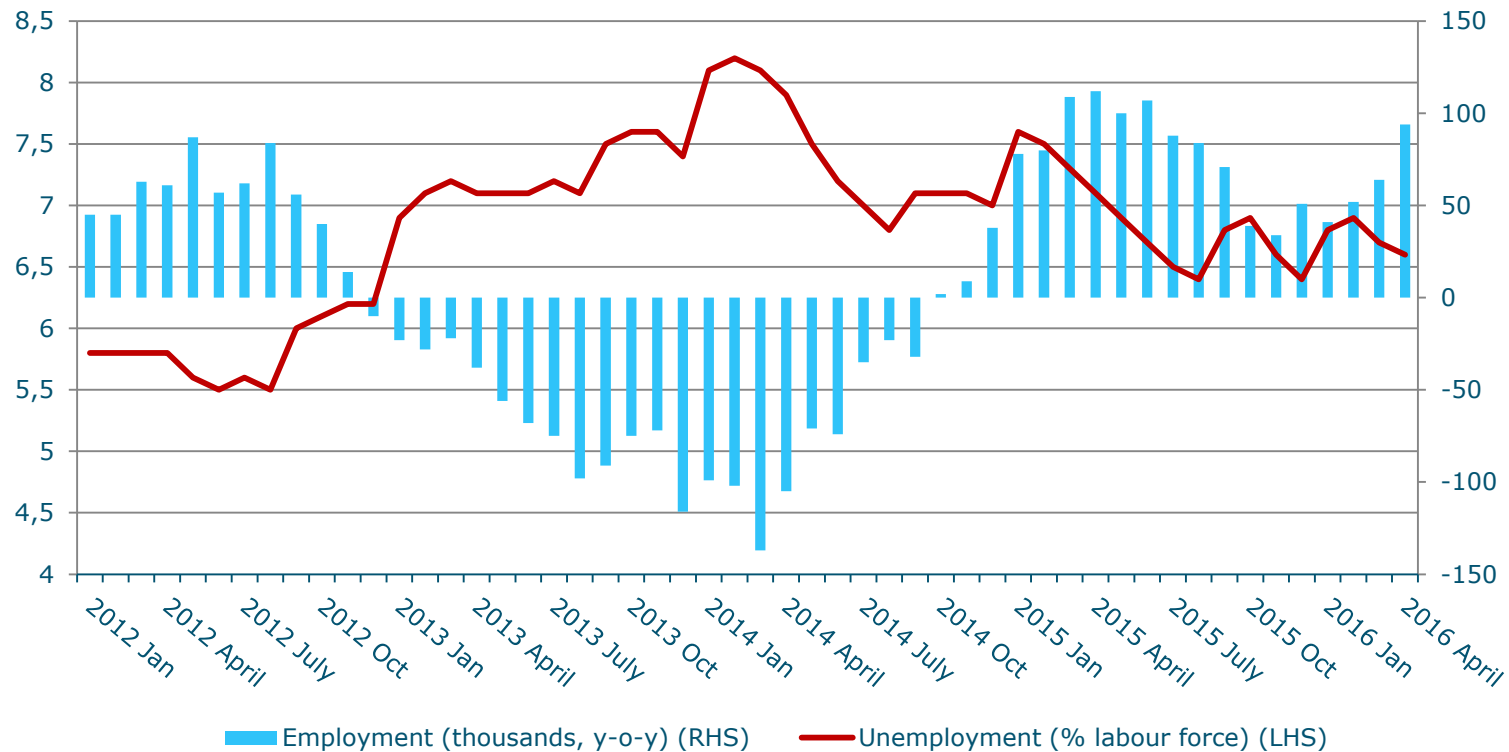
Retired people by age



Source: CBS



Labour market recovery

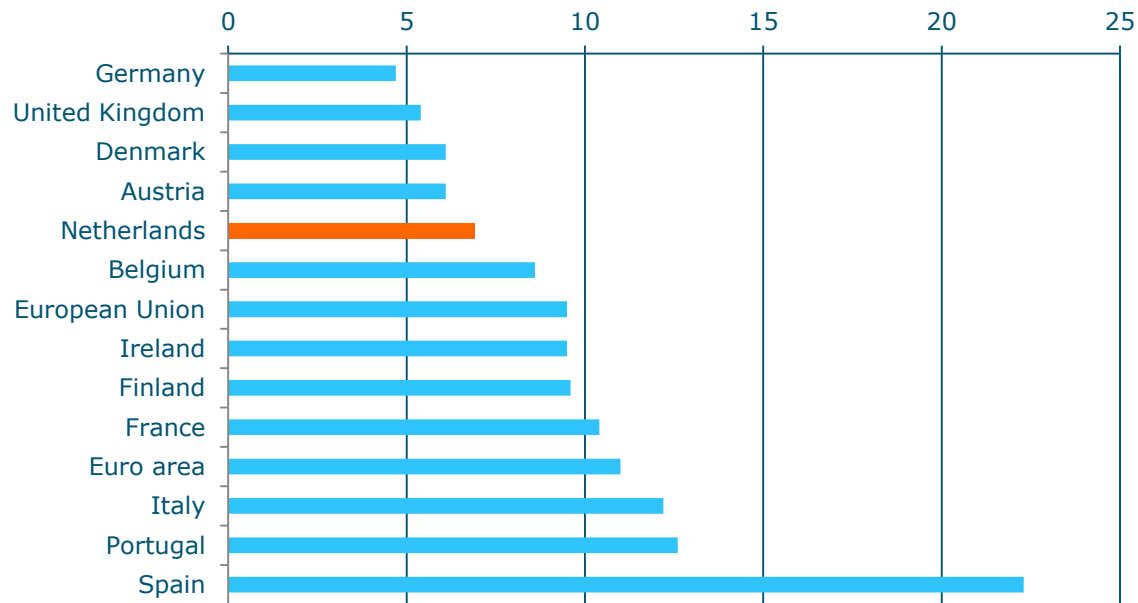


Source: CBS, National Statistics Bureau (2016)



Unemployment remains low in European context

Unemployment rate (2015, % of labour force)

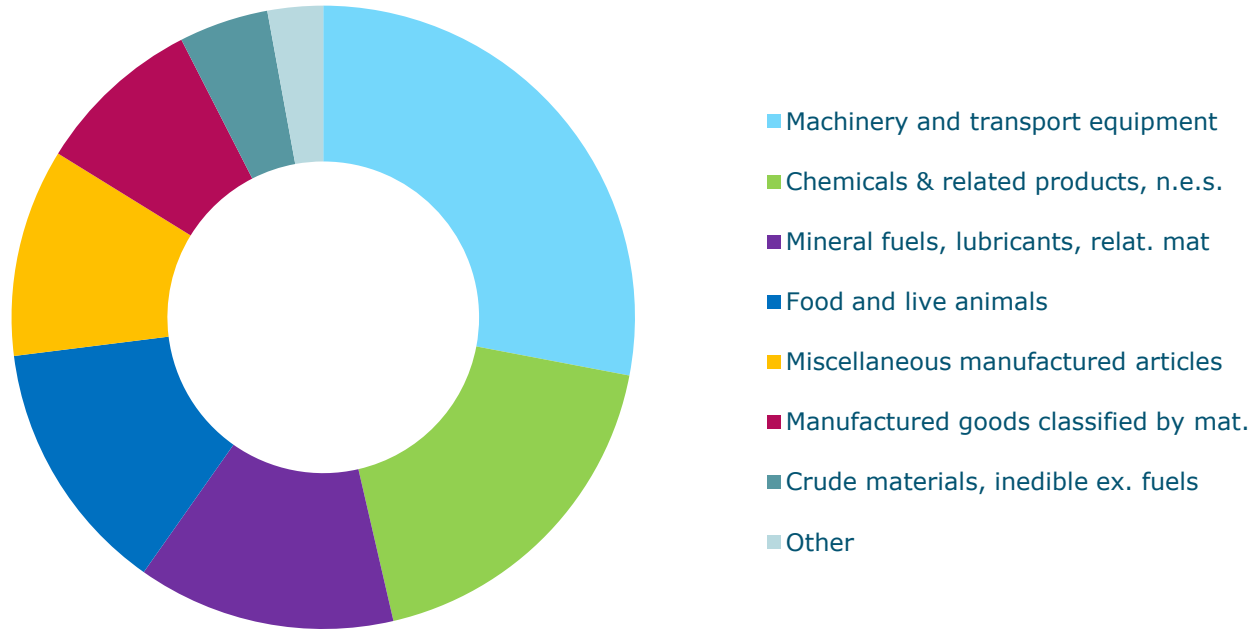


Source: Eurostat



Export performance by product category

Exports by product category (% of total)



Source: CBS, National Statistics Bureau (2015)

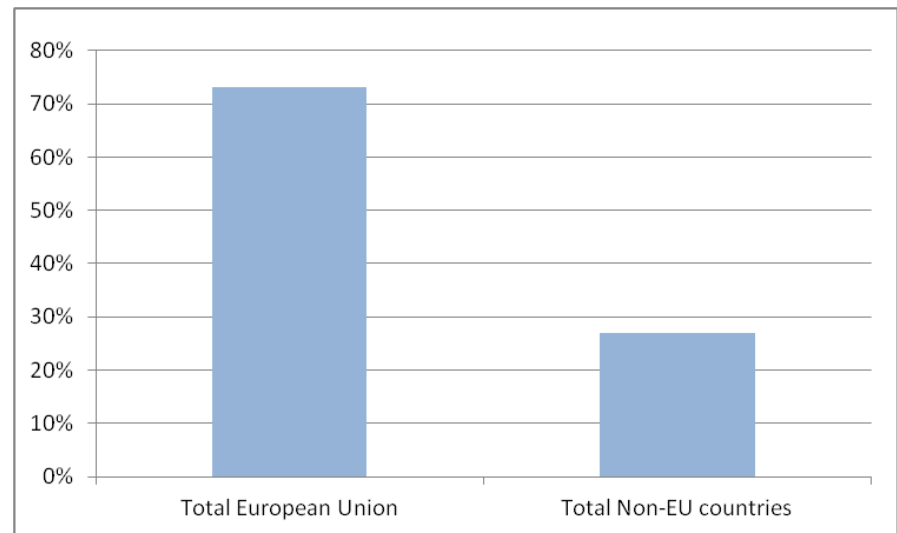


Export performance by country destination

Rank	Country	Share
1	Germany	24.1 %
2	Belgium	11.0 %
3	United Kingdom	8.5 %
4	France	8.2 %
5	United States of America	4.4 %
6	Italy	4.3 %
7	Spain	2.8 %
8	Poland	2.2 %
9	China	1.8 %
10	Sweden	1.8 %
11	Czech Republic	1.5 %
12	Russian Federation	1.5 %
13	Switzerland	1.3 %
14	Denmark	1.3 %
15	Austria	1.2 %

Source: CBS, National Statistics Bureau (2014)

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; remainder will be sold in the coming years
 - ASR – IPO is expected on 10 June 2016
 - SNS Bank (the former banking part of SNS REAAL) - decision about the future is expected in 2016
 - Propertize (the former real estate part of SNS Bank) – a sale process is currently underway, which is expected to result in a sale in 2016
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. Outstanding guarantees: € 2.6 bn for Propertize (former SNS REAAL)
 5. 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 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 at 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

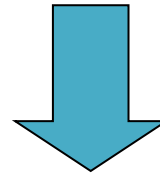


Mechanics of allocation – scenario 1

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	

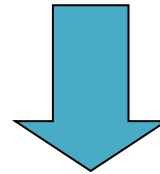


Mechanics of allocation – scenario 2

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



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 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*	Santander GB&M	Société Générale

* Also Commercial Paper Dealer

5 Single Market Specialists

BBVA	Crédit Agricole	DZ Bank
Nordea	UBS*	



Supplement IV

Risk framework
2016-2019

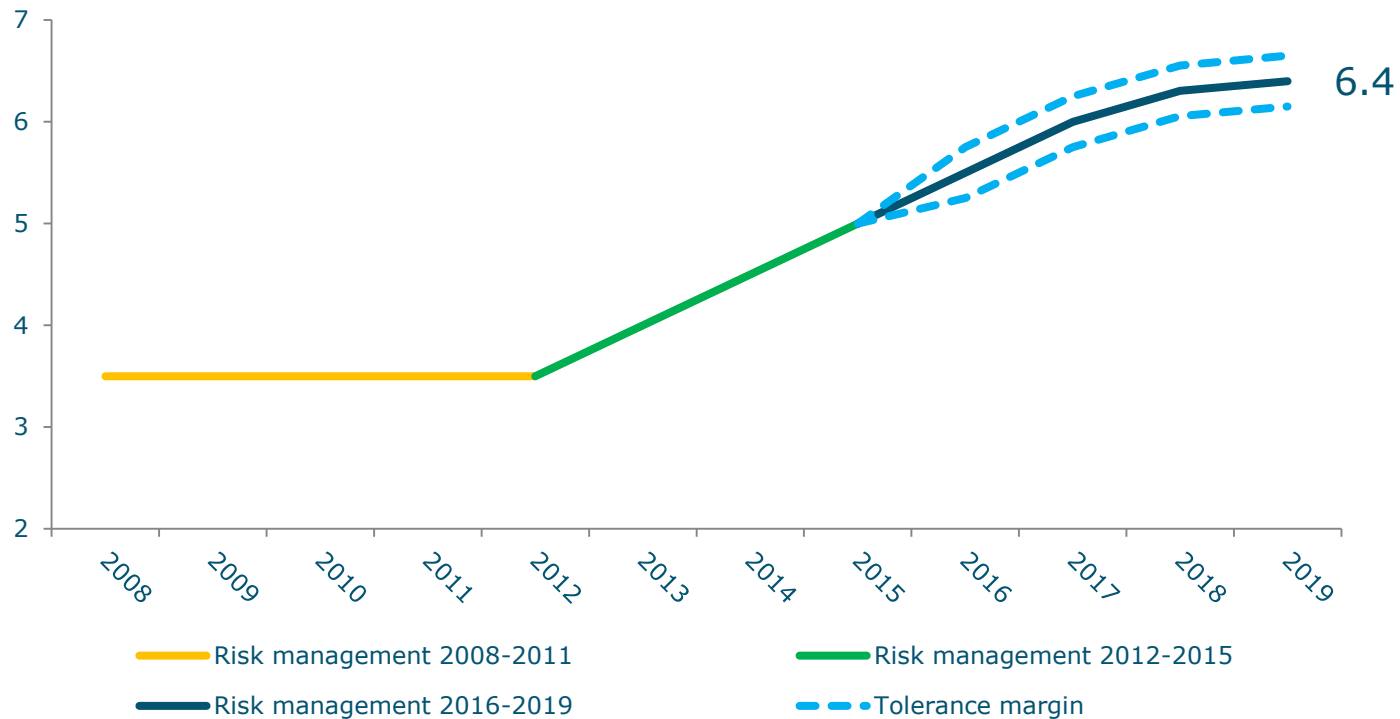


Interest rate risk framework 2008 - 2015

- 7-year benchmark as the core of our risk framework
- Interest rate risk management and funding policy fully separated
- Deviations from the benchmark since 2012 led to an increased average maturity
- Recommendations evaluation 2015:
 - increase maturity
 - introduce clear risk indicators
 - and reduce dependency on swaps



Average maturity debt portfolio 2008-2019





Consequences

- Introduction of maximum refixing amount
- Funding strategy remains unchanged
- Swaps become a fine tuning instrument
- Issuance more important in risk management
- Option to revise strategy



Contact Details

- Website: www.dsta.nl
- E-mail: dsta@bloomberg.net
- Twitter: [@dsta_nl](https://twitter.com/dsta_nl)
- Bloomberg: [DSTA <GO>](#)
- Dutch State Treasury Agency
Ministry of Finance
Korte Voorhout 7
PO Box 20201
2500 EE The Hague
The Netherlands