



Ministry of Finance

# Dutch State Treasury Agency

Investor presentation  
Global Commercial Paper  
programme

Latest update: 4 July 2017



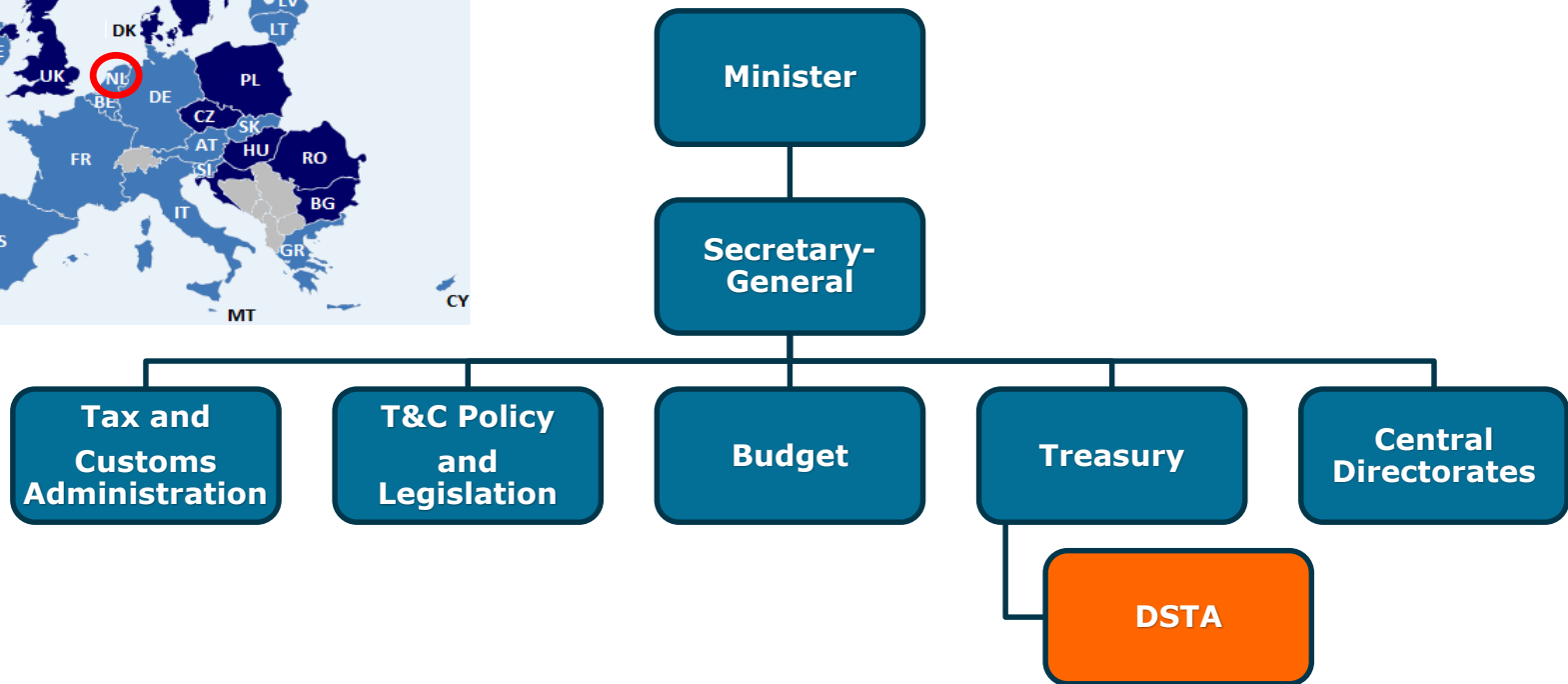
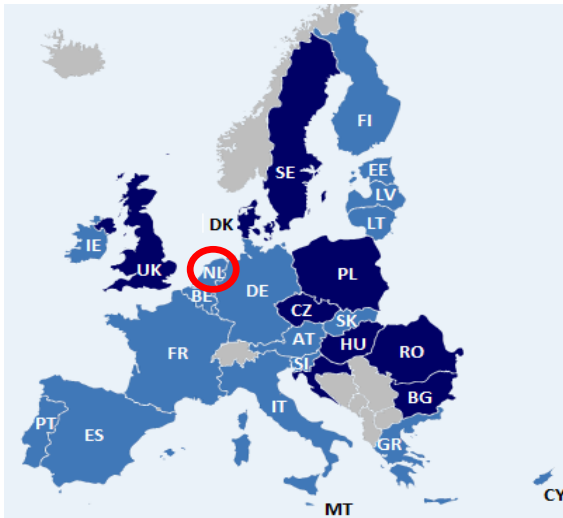


# Contents

1.	Introduction	3
2.	Global Commercial Paper Programme	5
3.	The economy and the budget	8
4.	The Netherlands: fundamentally strong	14
5.	The debt position	19
6.	Funding plan 2017	23
Supplement I	Current status after the elections	31
Supplement II	Trade, housing, labour and pensions	34
Supplement III	Interest risk framework 2016-2019	46
Supplement IV	Funding instruments	48



# 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*

# Global Commercial Paper programme





# Global Commercial Paper

	<b>USCP</b>	<b>ECP</b>
<b>Currencies</b>	USD	EUR, USD, CHF, GBP, NOK
<b>Maturities</b>	Up to 364 days	Up to 364 days
<b>Bloomberg Ticker:</b>	DSTACP	DSTACP
<b>Programme size:</b>	Unlimited	Unlimited
<b>Settlement system</b>	DTCC	Euroclear Bank or Clearstream
<b>Legal format</b>	'33 Act Exemption: 4(a)(2) / 144A	



# Global Commercial Paper dealers 2017

USCP dealers	ECP dealers
Barclays	ABN Amro
NatWest Markets	Barclays
Citigroup	Commerzbank
Rabobank	ING
	NatWest Markets
	Citigroup
	Rabobank



The economy  
and the budget





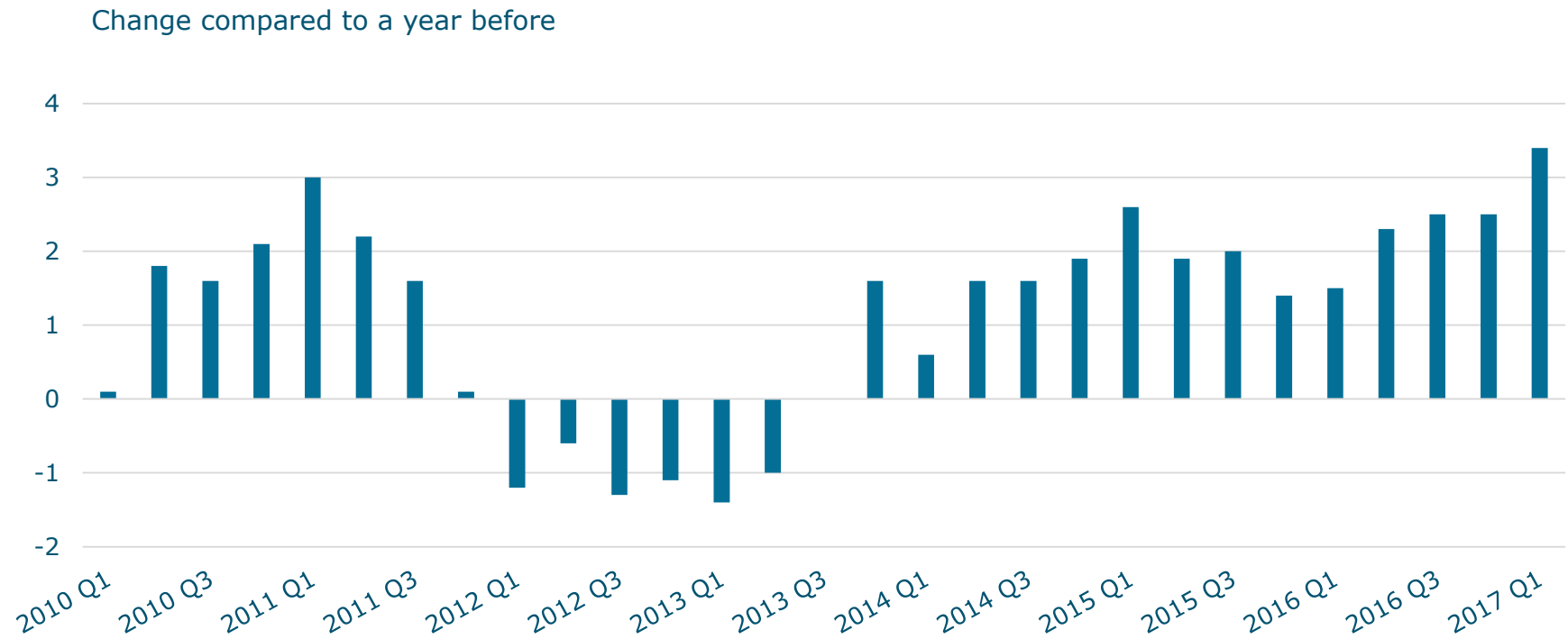
## Projections: strong economic performance

<b>Key economic figures 2015-2018 (% change, y-o-y)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
GDP growth	2.0	2.2	2.4	2.0
Household consumption	1.8	1.7	1.8	2.0
Capital formation	6.2	5.4	5.5	2.7
Government consumption	0.2	1.0	1.1	1.3
Export	5.0	3.4	3.9	4.1
Import	5.8	3.7	4.2	4.3
Unemployment (% of labour force)	6.9	6.0	4.9	4.7
Inflation (HICP)	0.2	0.1	1.4	1.4

**Source:** CPB, Netherlands Bureau for Economic Policy Analysis, 14 June 2017



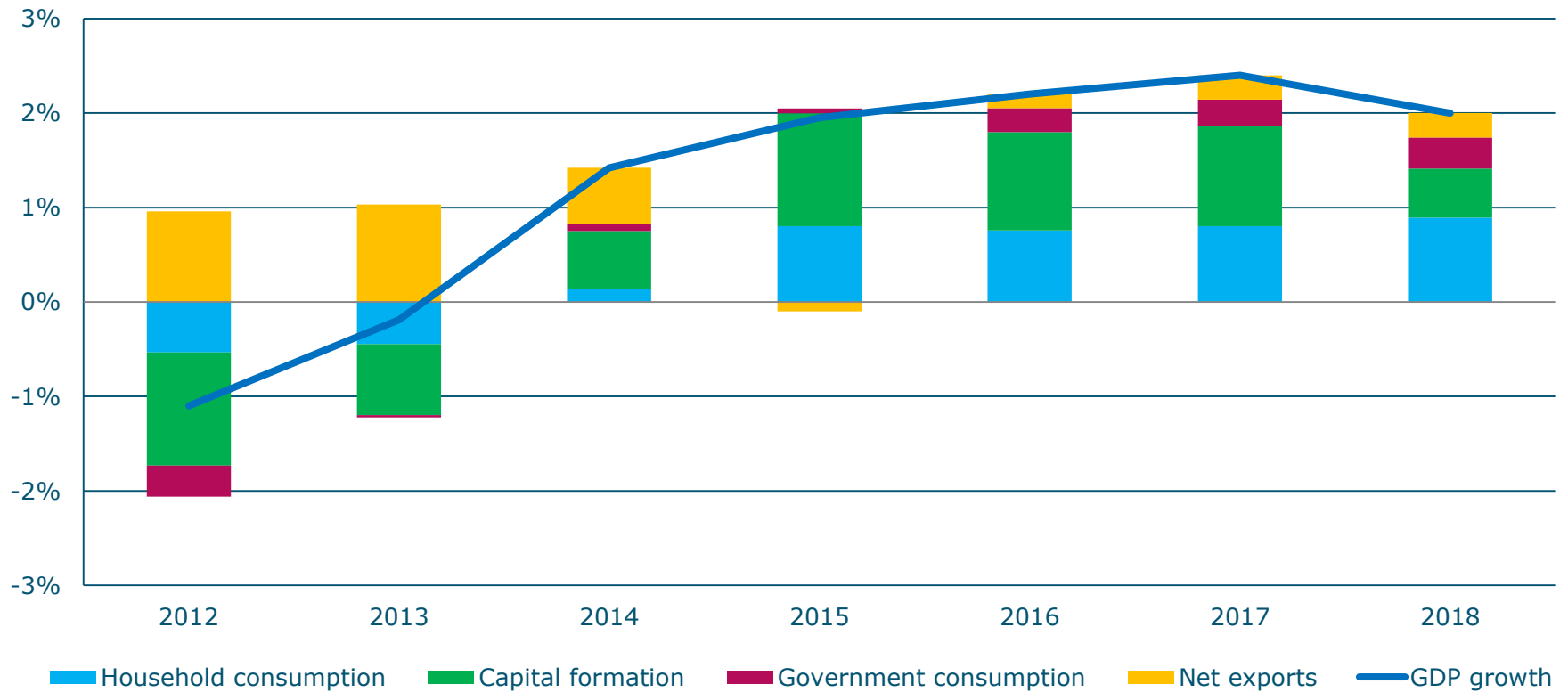
# GDP steadily increasing



Source: Statistics Netherlands (CBS), May 2017



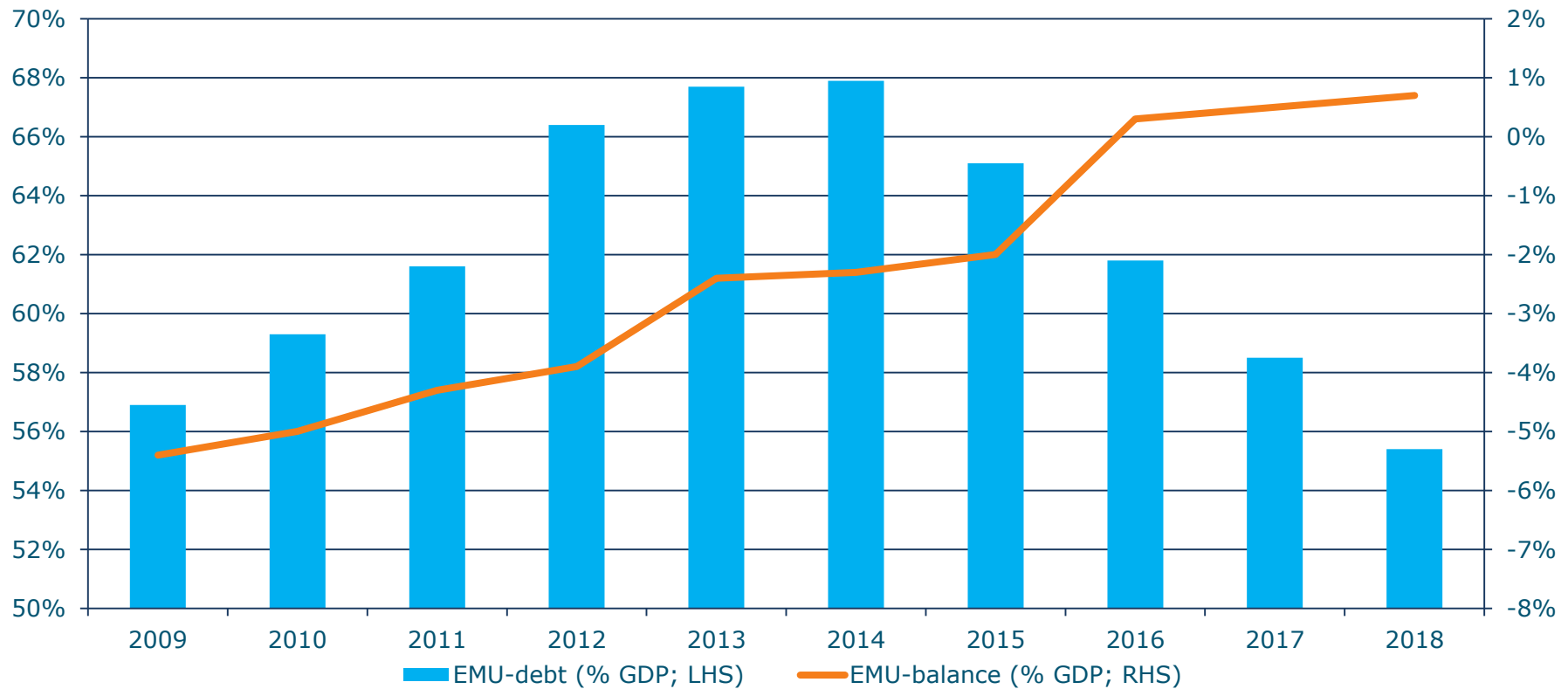
# Broad basis underlying growth



Source: Calculations based on CPB projections, 1 June 2017



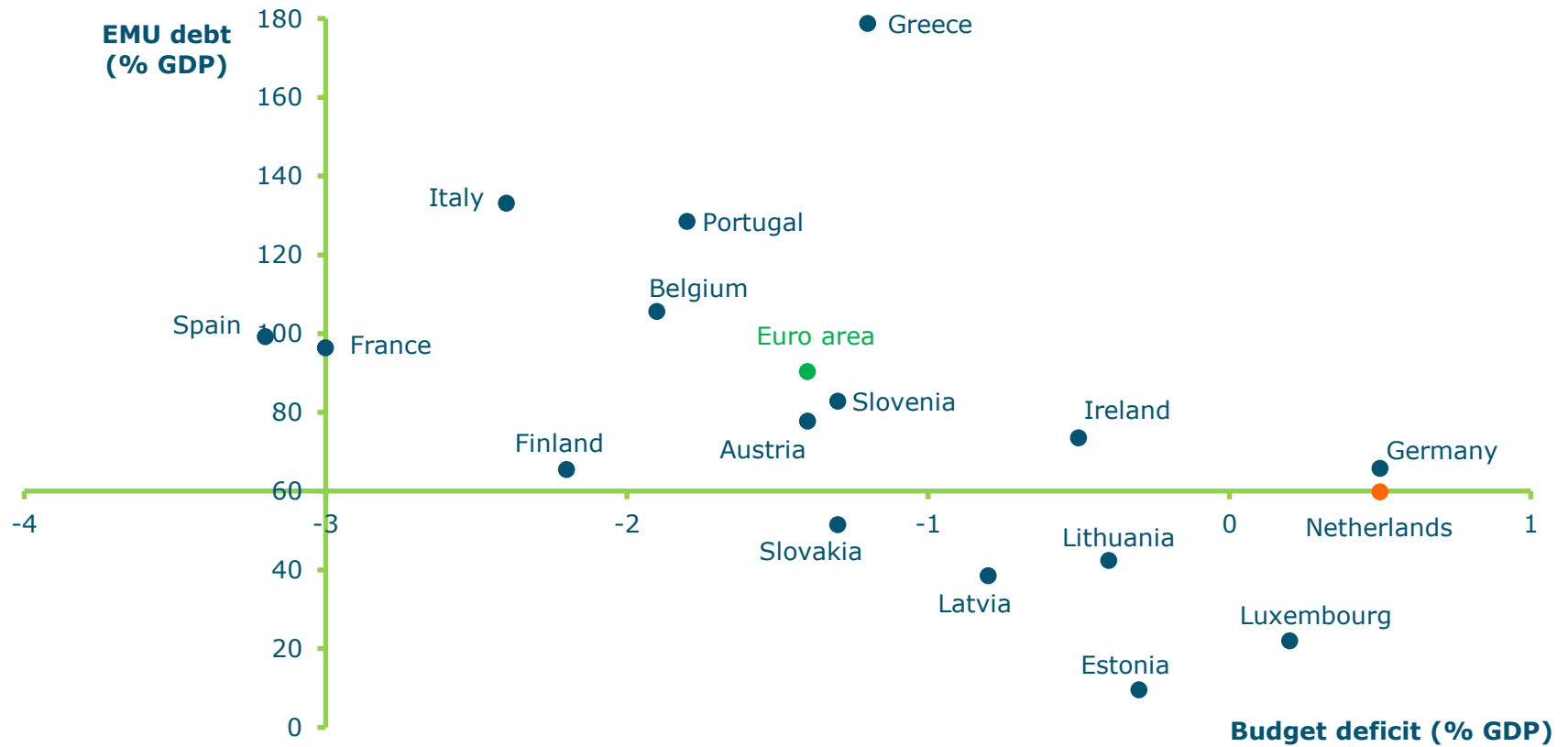
# Moving towards 60% debt and a balanced budget



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



# Dutch fiscal position compares very well (2017)



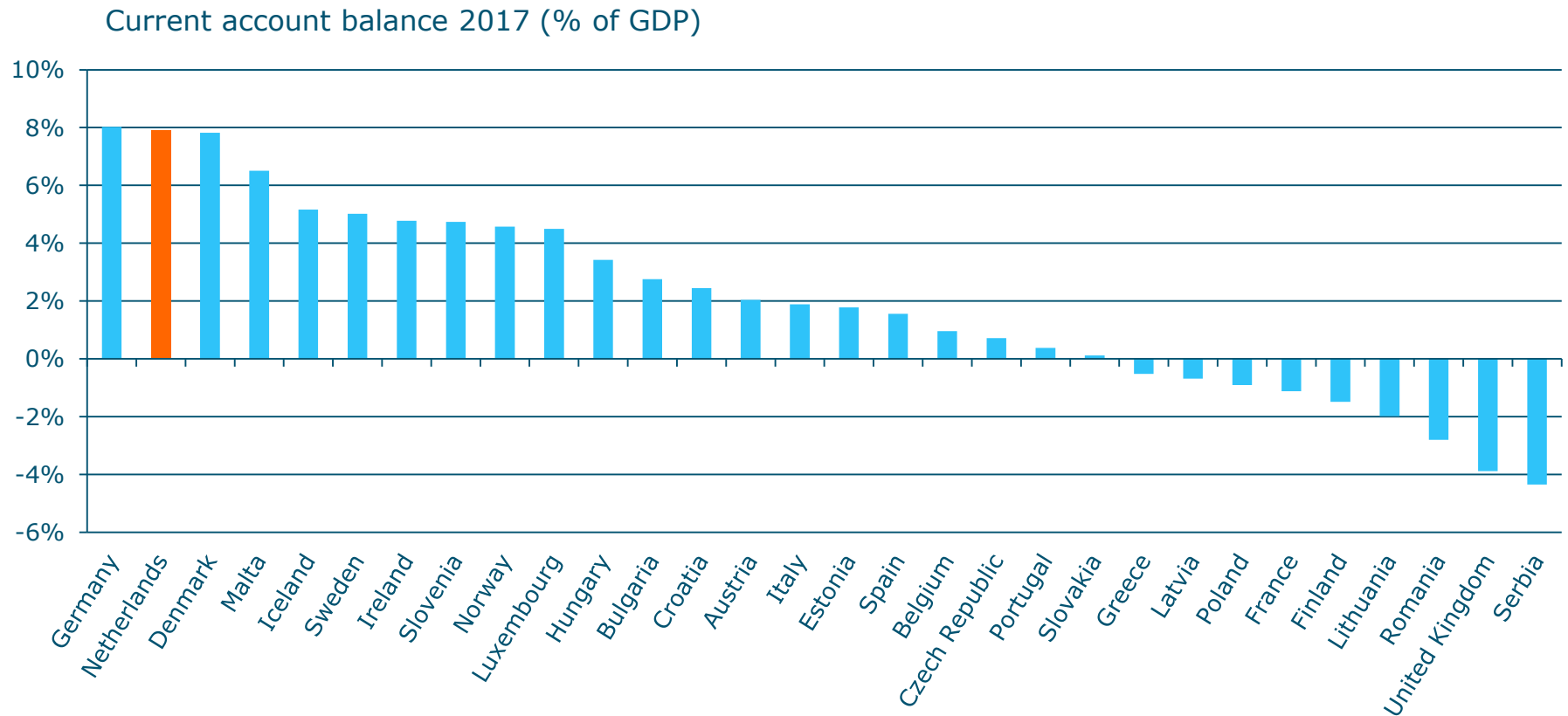
Source: European Commission Spring forecast, March 2017



The Netherlands: fundamentally strong



# Strong current account surplus

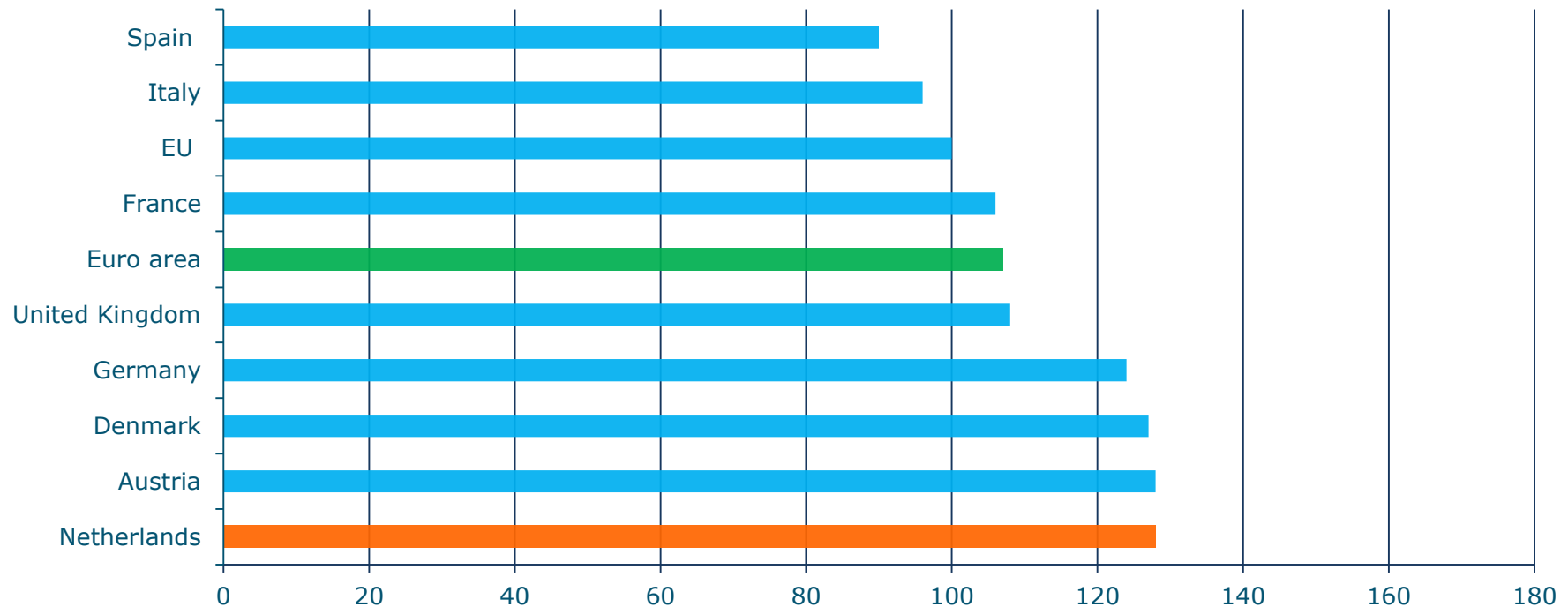


**Source:** European Commission Spring Forecast 2017, March 2017



# GDP per capita among the highest in Europe

Real GDP per capita, selected countries (PPS, 2015, index)



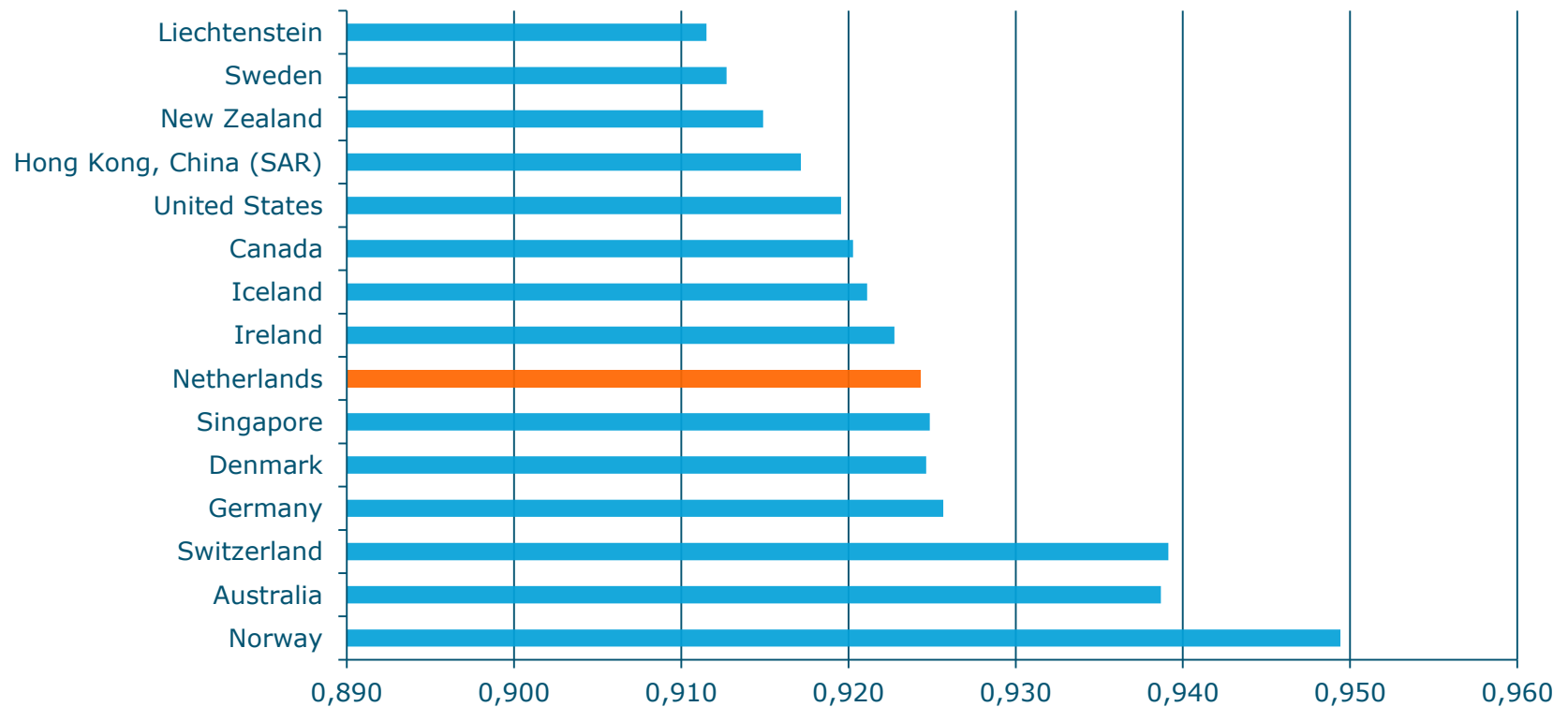
Source: Eurostat





# 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 June 2017

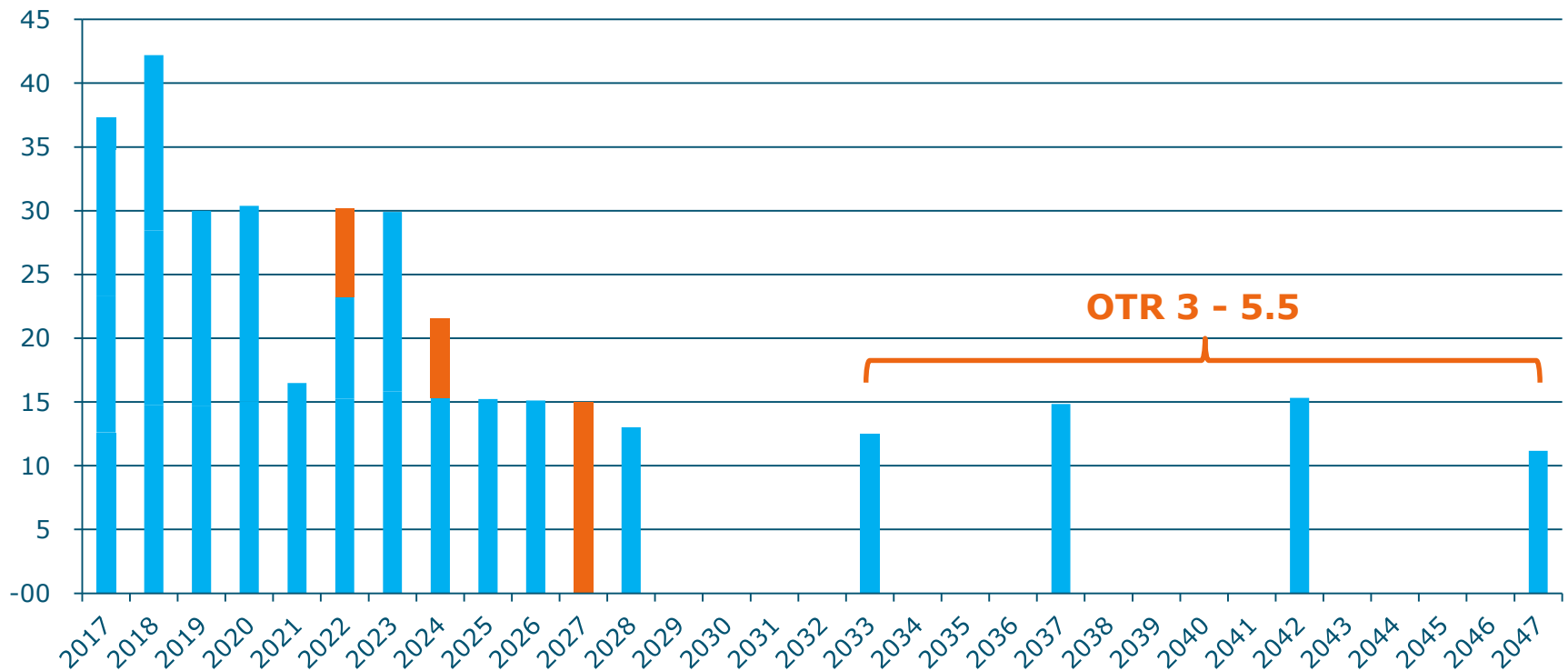
<b>Instrument</b>	<b>(€ mn)</b>
DSL (T-bonds)	314.432
DSL in foreign currency	-
DTC (T-bills)	15.370
ECP outstanding	2.685
Private loans	4.044
Private loans in foreign currency*	531
Cash	2.250
Cash collateral	13.812
<b>Total debt outstanding**</b>	<b>353.123</b>

\* Debt of the Netherlands Antilles acquired by the Netherlands

\*\* Due to rounding, total may not correspond to the sum of the separate figures



## 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 Ontwikkelingslanden 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*	-7.6
Change in cash collateral change 2017** (Jan-May)	1.6
Buy-backs DSLs 2018 and 2019 (Jan-May)	2.1
<b>Total borrowing requirement 2017</b>	<b>56.8</b>

**Source:** DSTA Quarterly outlook Q3, June 2017.

\* A cash surplus is shown as a negative number because it decreases the total borrowing requirement.

\*\* A decrease in cash collateral is shown as a positive number because it increases the total borrowing requirement.





# Funding in 2017

<b>Funding</b>	<b>(€ bn)</b>
Capital market	30 - 35
Money market ultimo 2017 excl cash collateral	21.8 - 26.8
<b>Total funding requirement 2017</b>	<b>56.8</b>

**Source:** DSTA Quarterly outlook Q3, June 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	10.3
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>19.8</b>

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

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



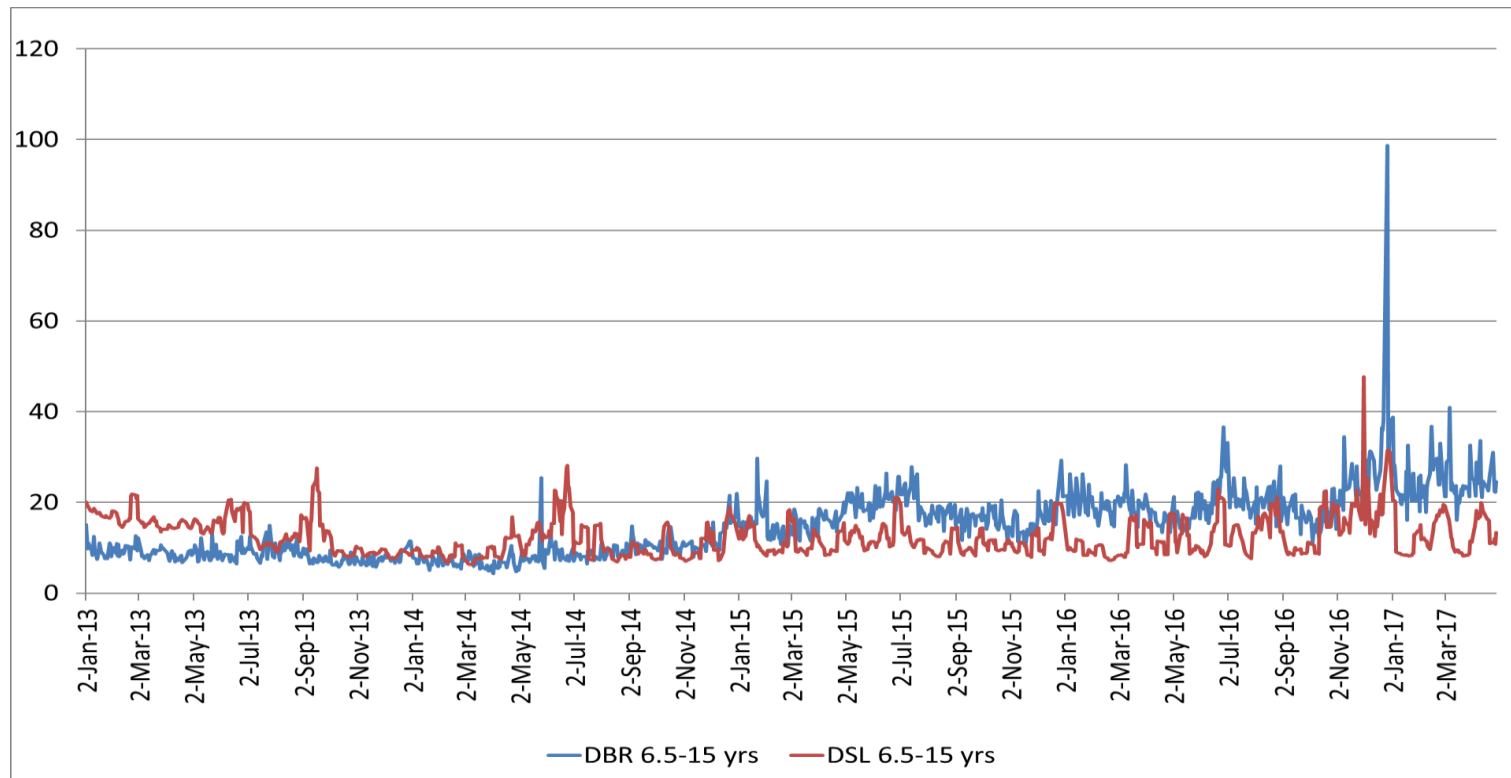
# Ensuring sufficient liquidity in secondary markets

- 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 the 10-year 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

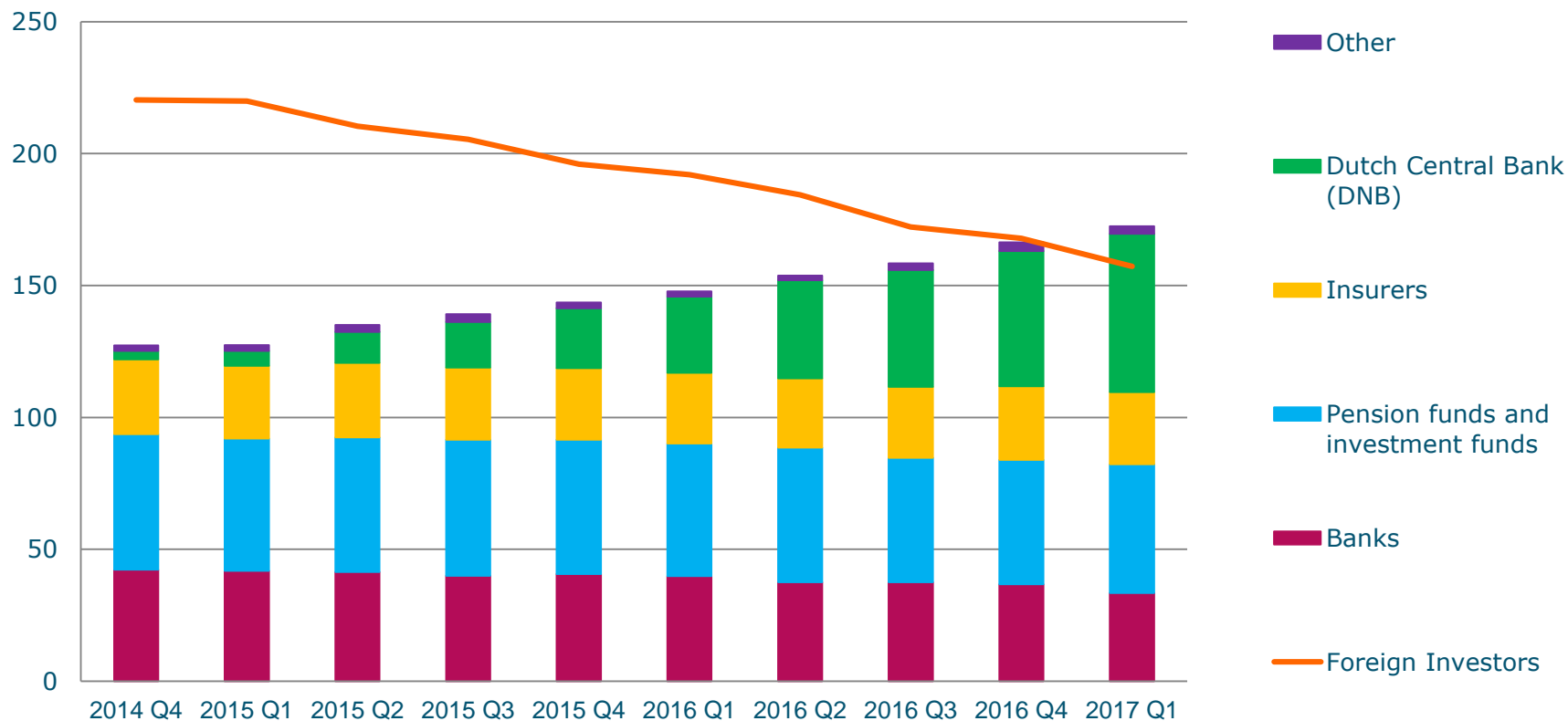
B/O spreads for German Bunds and Dutch State Loans (eurocents)



Source: MTS, April 2017



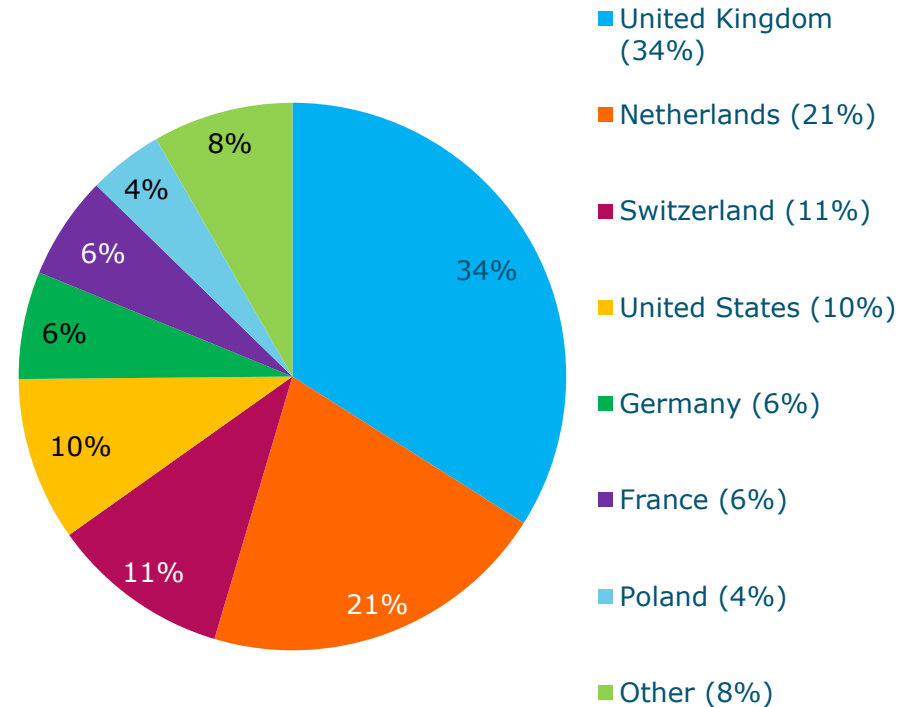
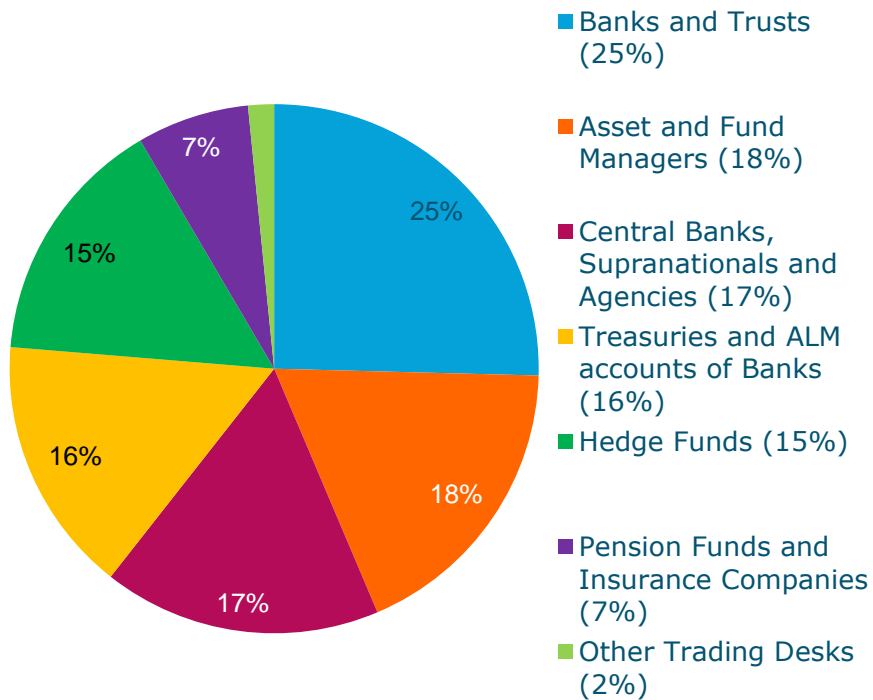
# Holdings of DSLs (€ bn)



Source: DNB, June 2017



# Diversified investor base: most recent 10-year DDA





# 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, and again in June 2017 (total € 2.8 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**

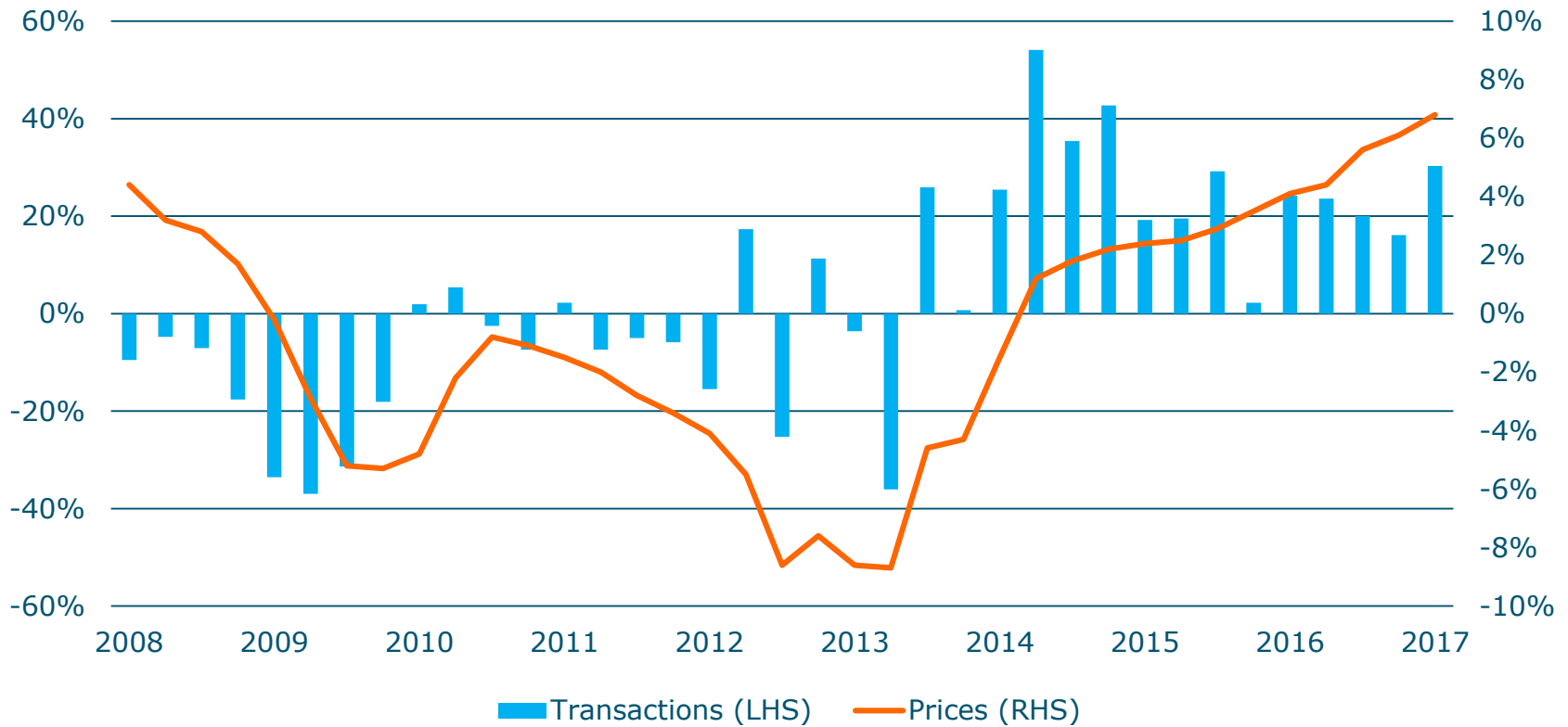
- More long-term care will be provided outside homes for the elderly, by local governments
- More limited health insurance coverage, higher contributions by the insured
- Increased competition in the health care sector

## **Labour market**

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



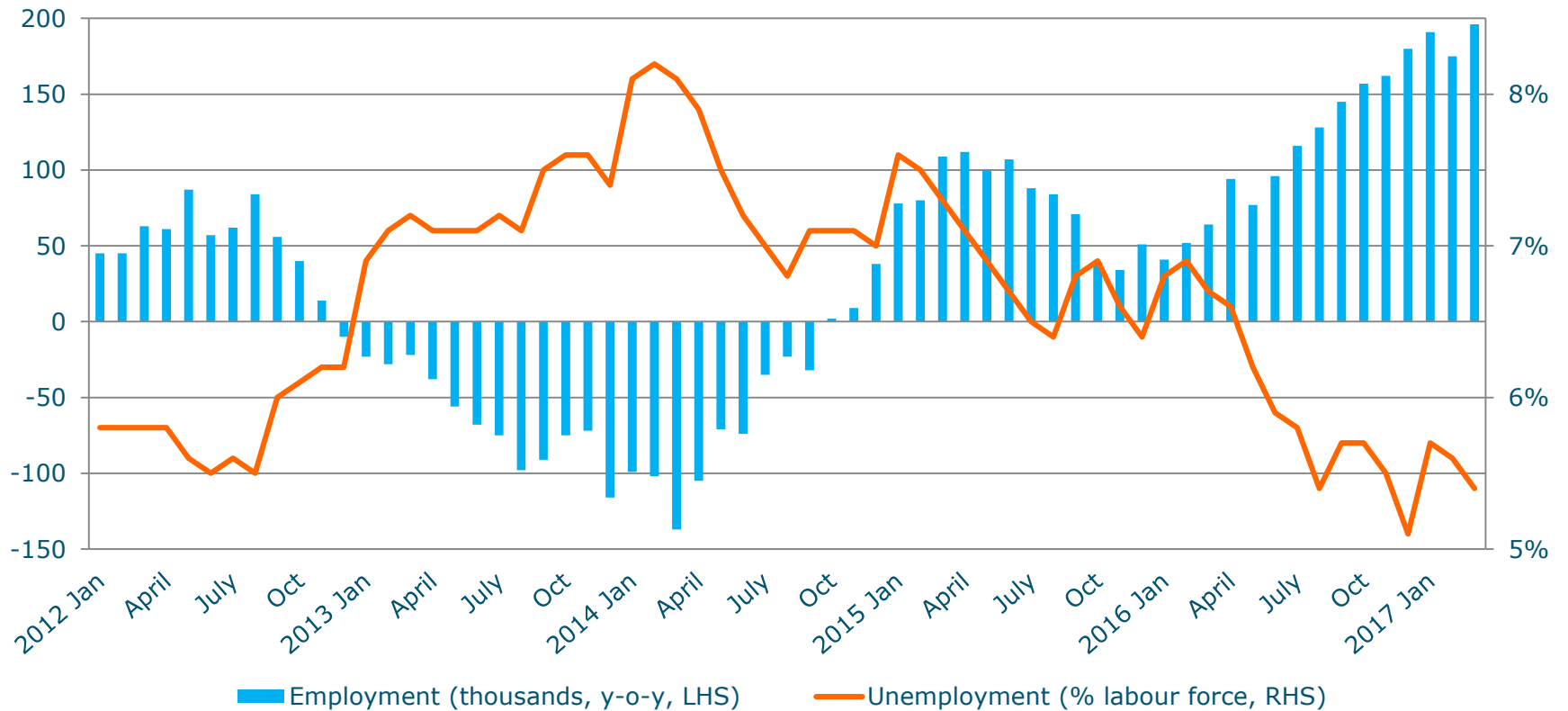
# Housing market recovery



**Source:** Statistics Netherlands (CBS)



# Labour market recovery

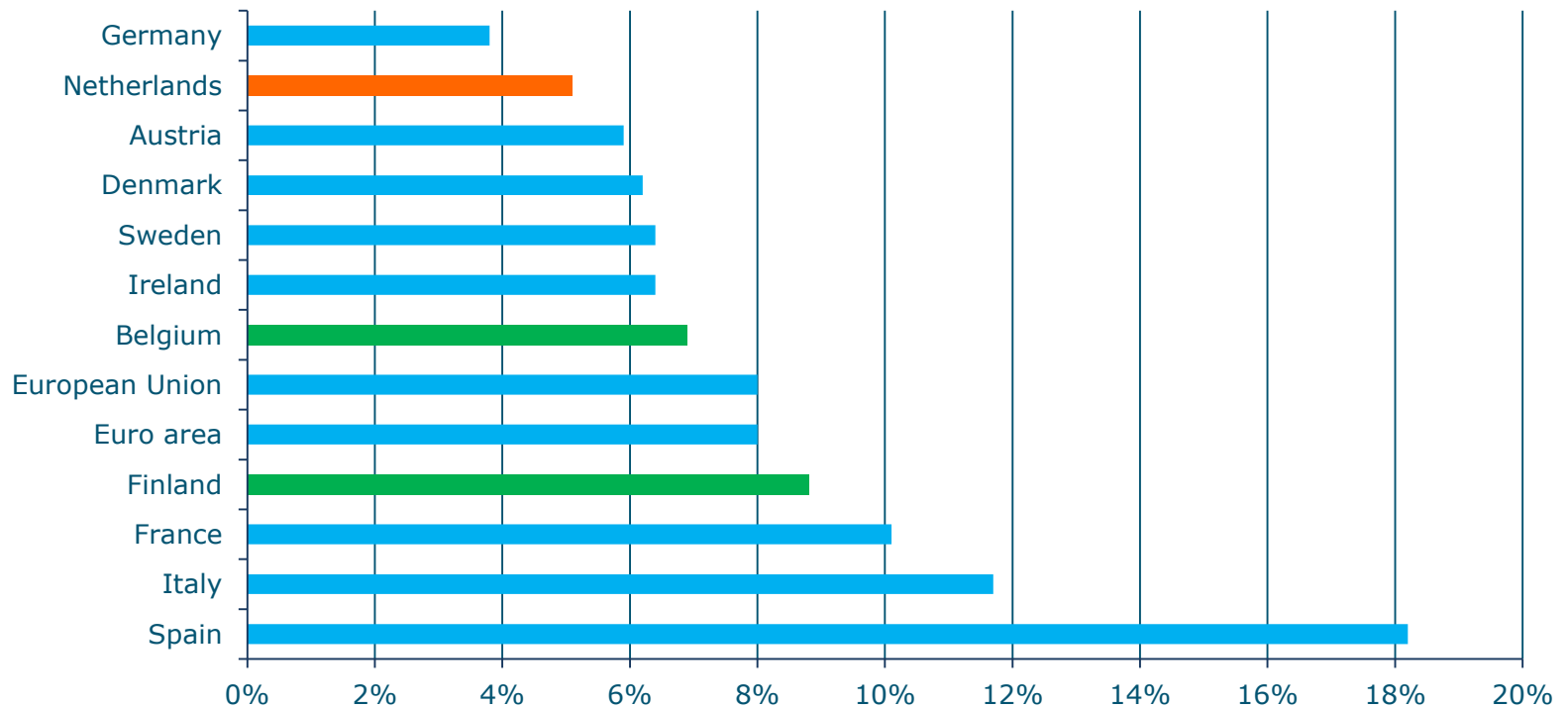


Source: Statistics Netherlands (CBS)



# Unemployment is low and declining further

Unemployment rate (March 2017, % of labour force)

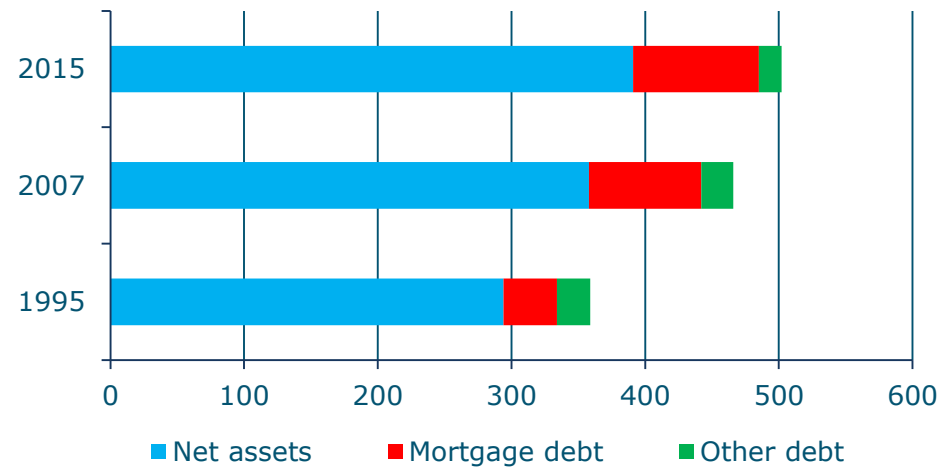
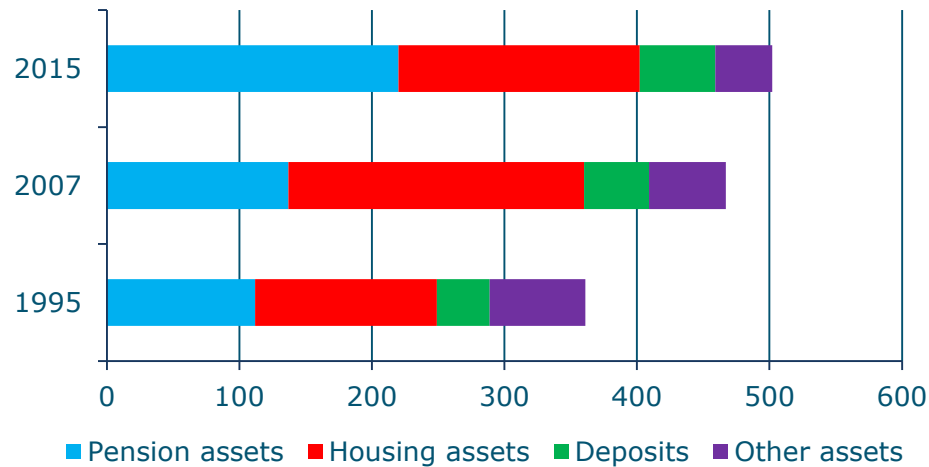


Source: Eurostat



# Households have strong asset position

Household assets and liabilities (% of GDP)

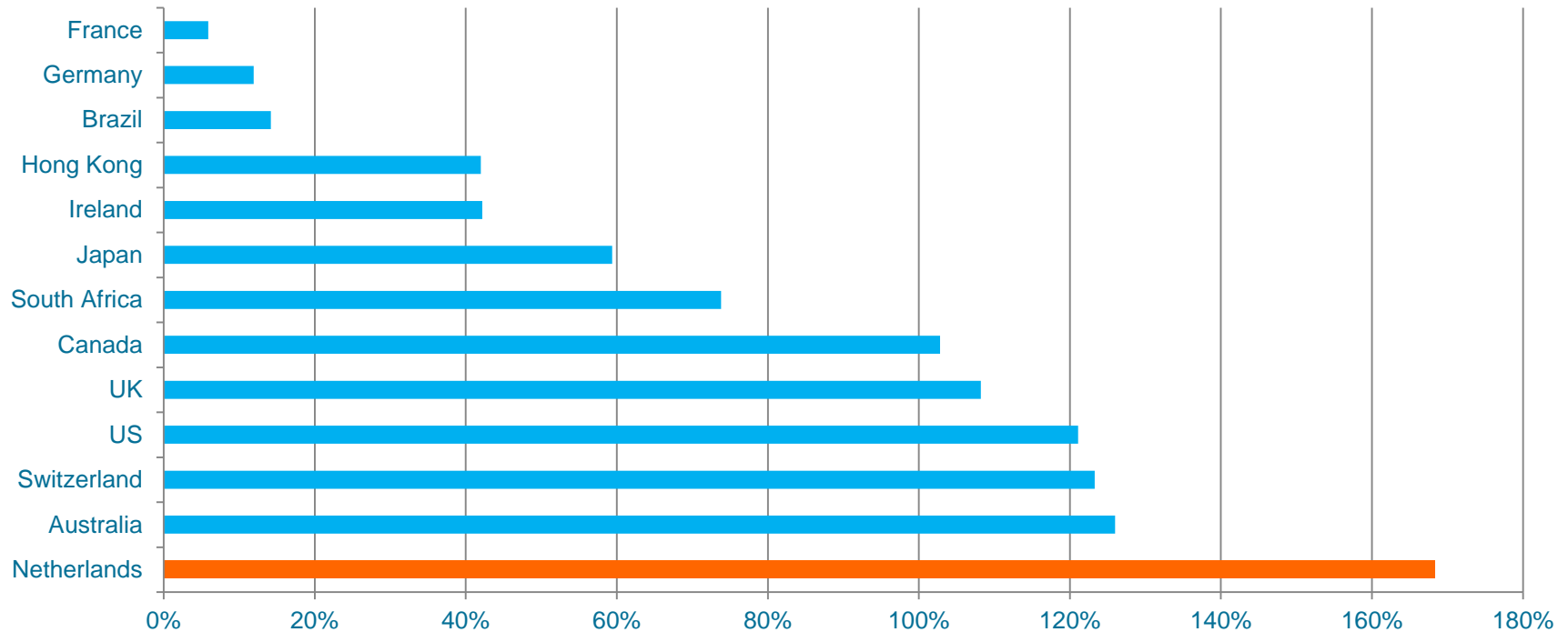


Source: Dutch Central Bank (DNB), Budget Memorandum 2017





# Pension assets internationally

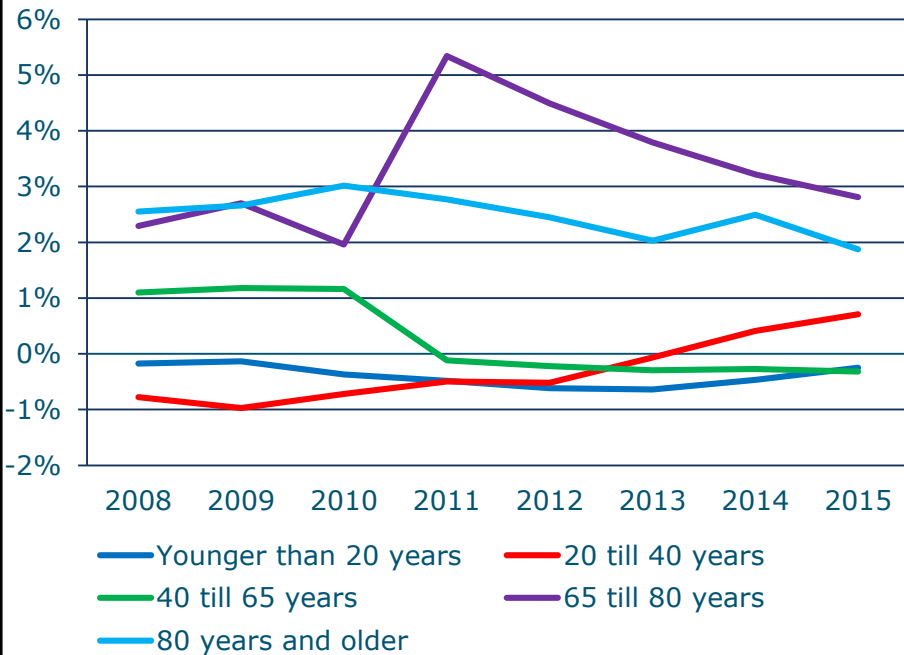


**Source:** Willis Towers Watson, Global Pension Asset Study, 2017



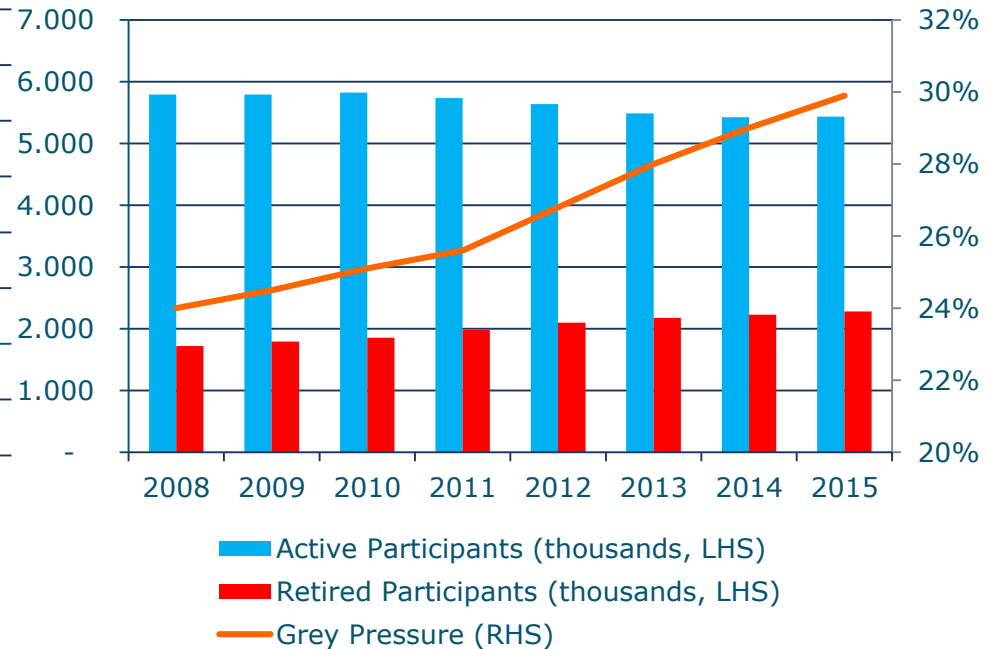
# Ageing Population

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)

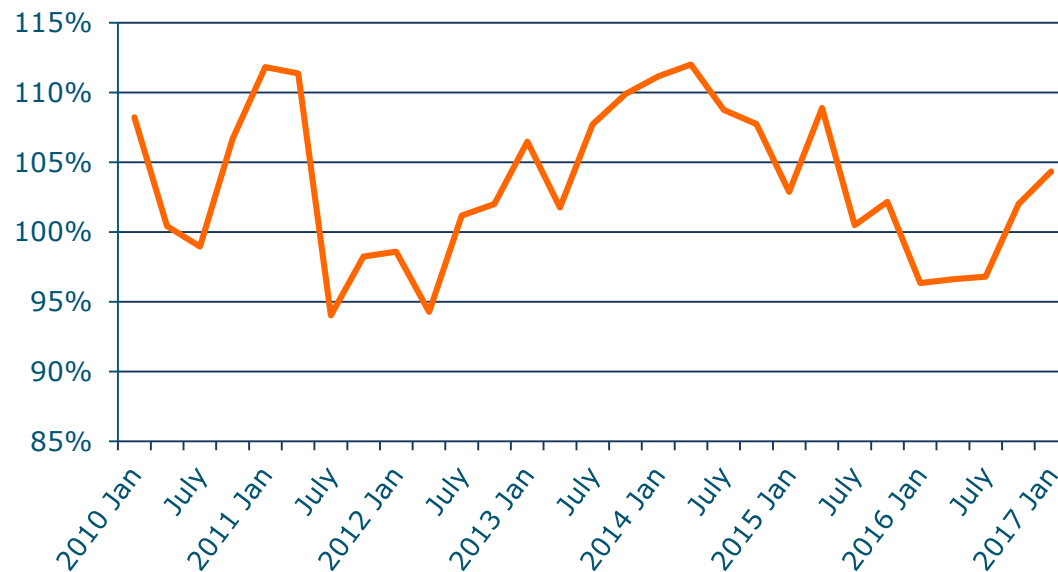


Source: Statistics Netherlands (CBS)



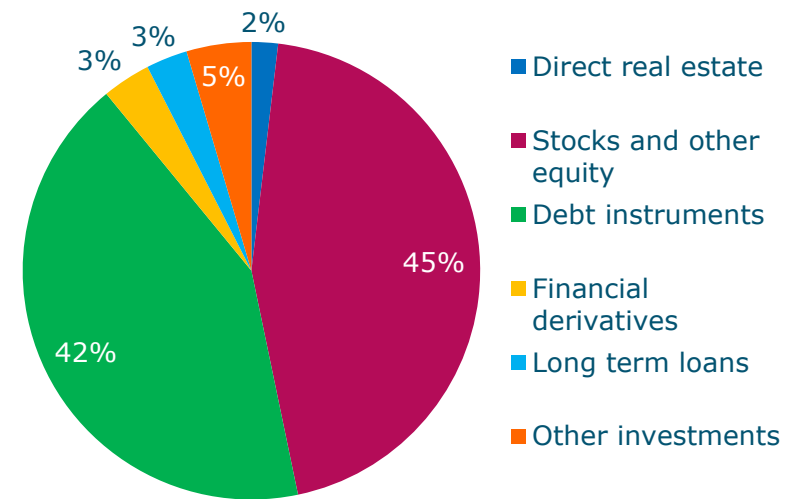
# Pension funds

### Pension fund cover ratios



Source: Dutch Central Bank (DNB)

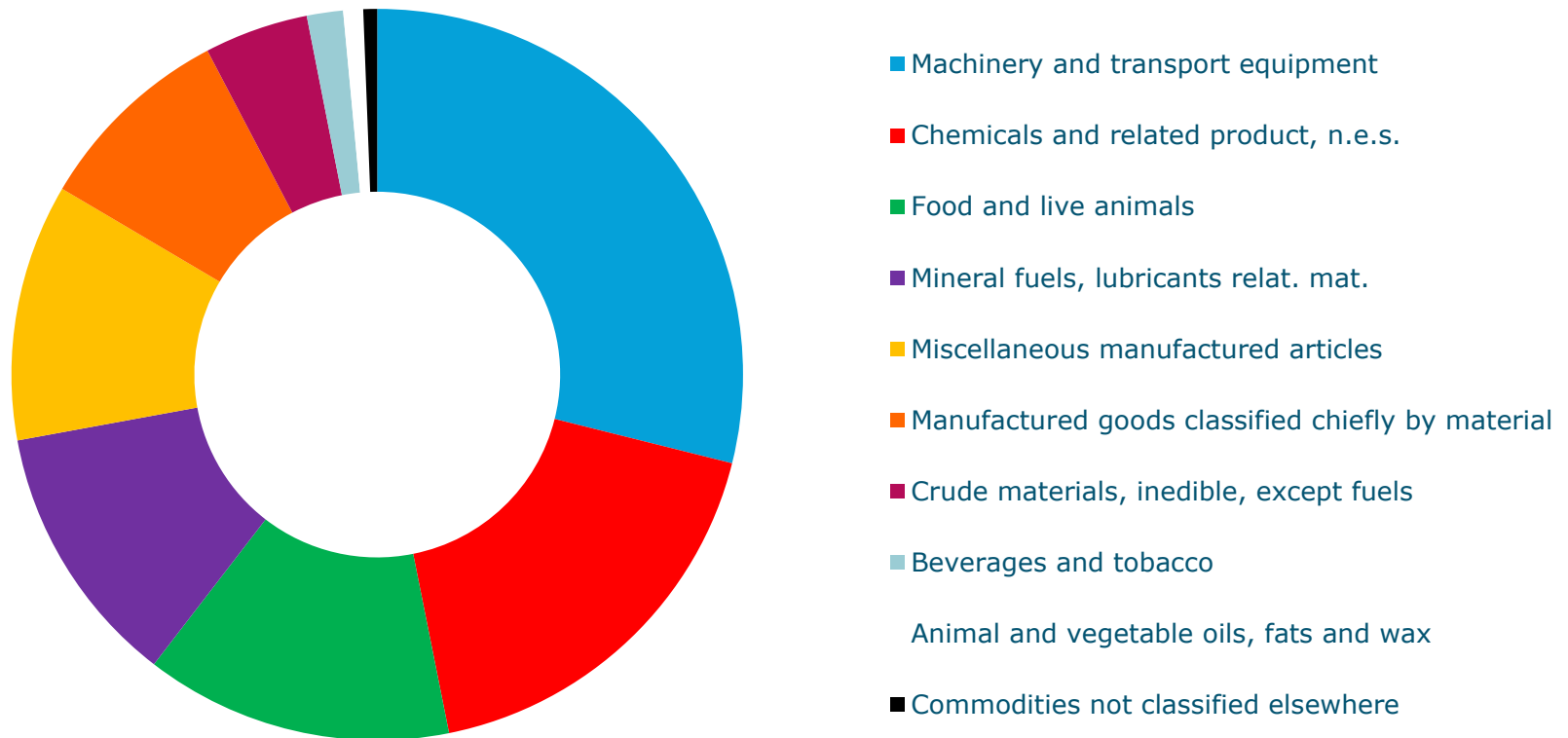
### Pension fund holdings at the end of 2015



Source: Statistics Netherlands (CBS)



## Export performance by product category (2016)



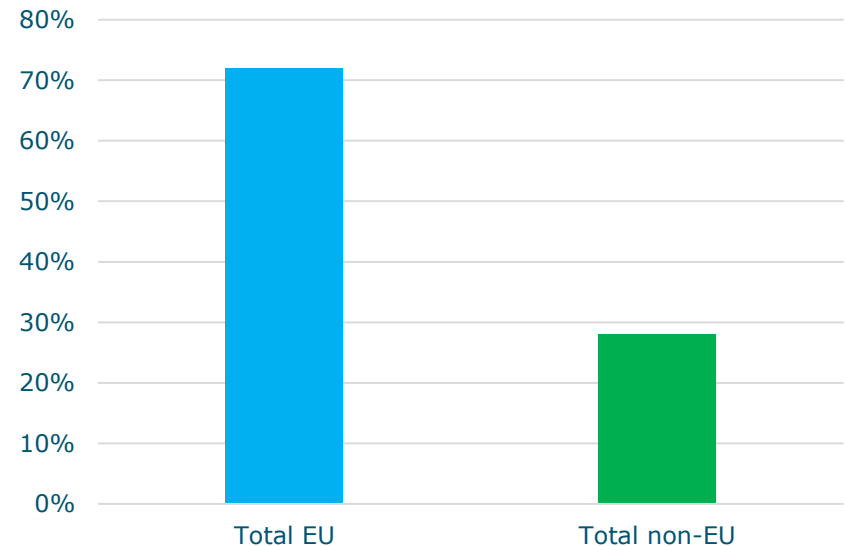
Source: Statistics Netherlands (CBS)



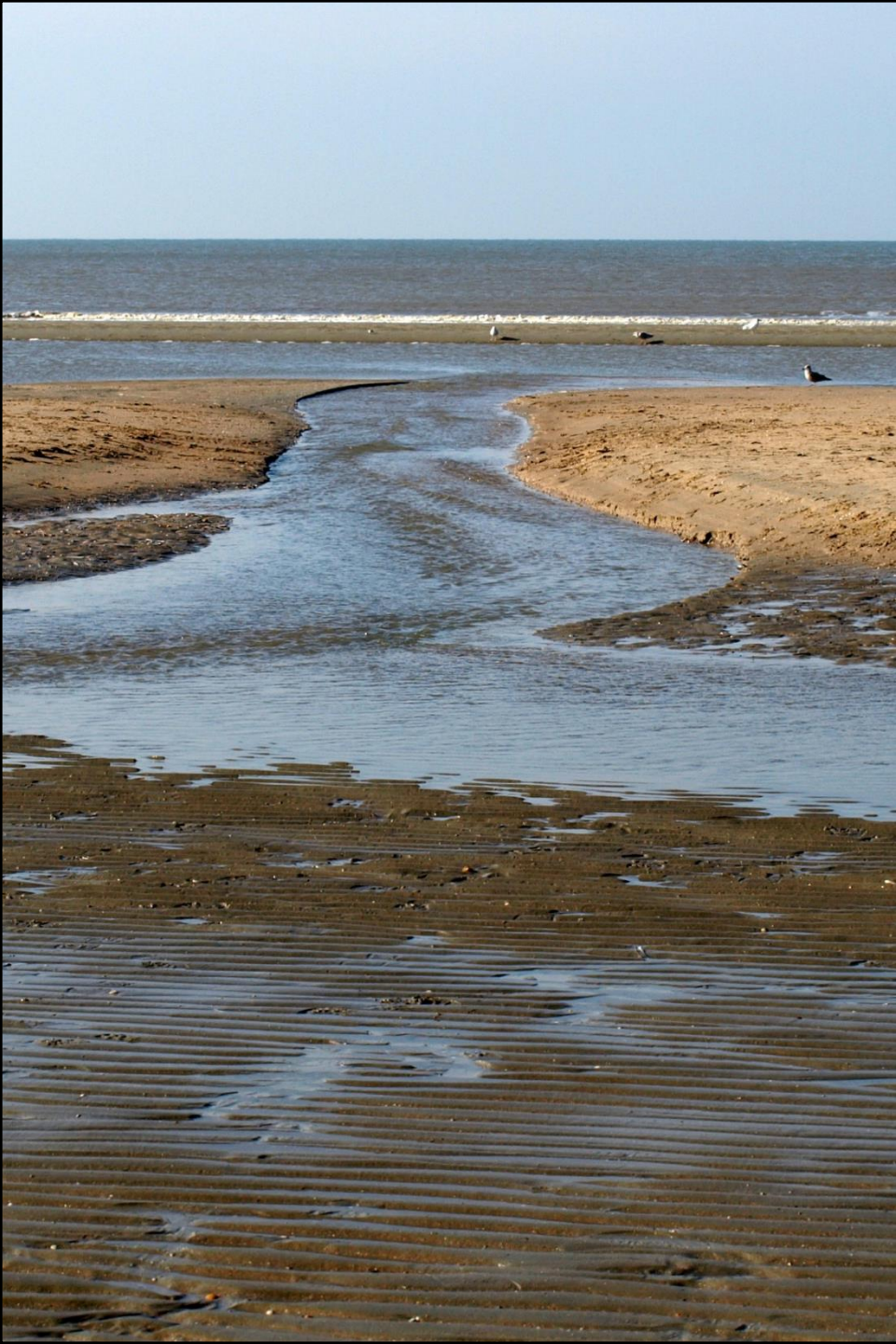
# Export performance by country

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 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



# 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

## **Global Commercial Paper (CP)**

- USCP which is 144A compliant, and ECP
- Maturities up to 1 year (focus on up to 3 months)
- In EUR, USD, GBP, CHF and NOK
- No auctions
- 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



## Contact Details

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