



Ministry of Finance

Dutch State Treasury Agency

7-year DDA
Investor presentation

Latest update: 2 October 2017

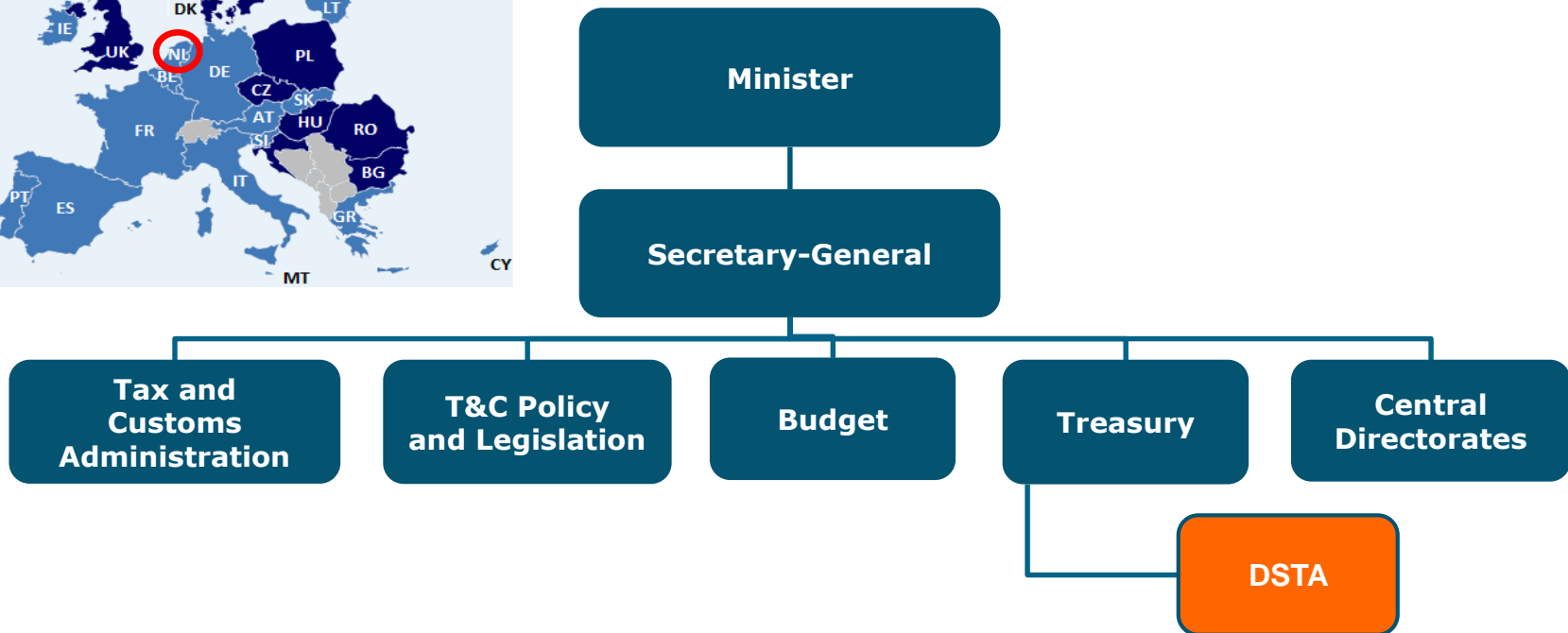
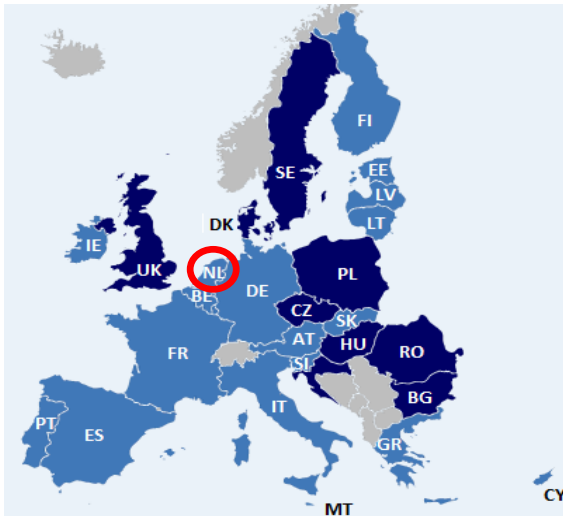


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The Dutch Ministry of Finance





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*



Details new 7-year Dutch State Loan

Details new DSL 2024

| | |
|--------------------------------|---|
| DDA date | Wednesday 11 October 2017 |
| Maturity date | 15 January 2024 (short first coupon) |
| Reference bond | DBR 1.75% 15 February 2024 |
| Target volume | € 5 - € 7 billion |
| Pricing | From 30 minutes after allocation; no later than Thursday 12 October 2017 12:00 CEST |
| Settlement date | Two days after pricing |
| Coupon | To be announced on Monday 9 October 2017 |
| Initial spread guidance | To be announced on Tuesday 10 October 2017 |
| Country ratings | Aaa/AAA/AAA |



Time schedule 7-year DDA

- Book opens 10:00 CEST on Wednesday 11 October 2017
- Final spread guidance will be announced no later than 15:00 CEST on the auction day
- Book closes 17:00 CEST on the auction day
- Allocation communicated as soon as possible after closing the book; preferably on the day of auction but no later than 09:00 CEST the following morning
- Pricing from 30 minutes after allocation and preferably on the auction day itself; but no later than 12:00 CEST the following day



The economy
and the budget



Projections: strong economic performance

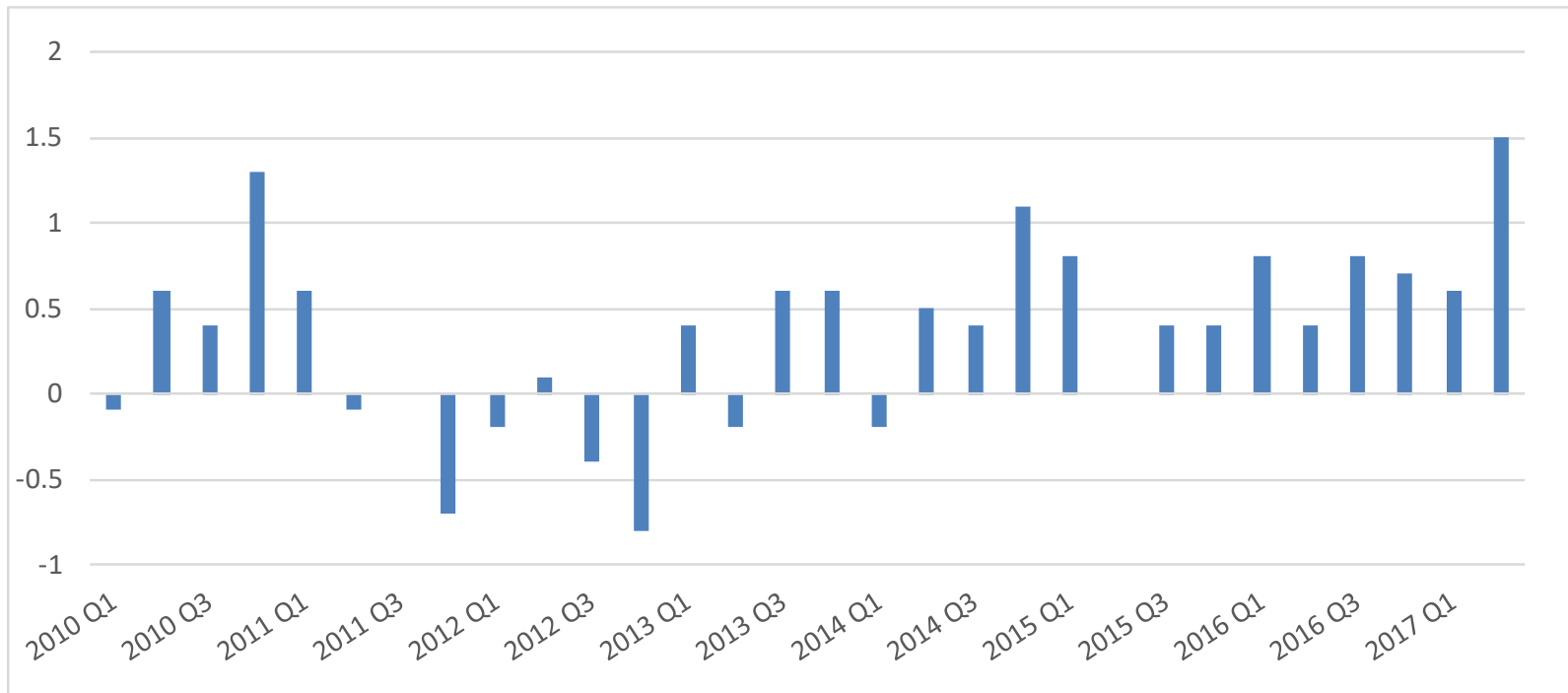
| Key economic figures 2016-2018 (% change, y-o-y) | 2016 | 2017 | 2018 |
|--|-------------|-------------|-------------|
| GDP growth | 2.2 | 3.3 | 2.5 |
| Household consumption | 1.6 | 2.2 | 2.4 |
| Government consumption | 1.2 | 0.6 | 1.6 |
| Investments (incl. inventories) | 3.1 | 6.3 | 4.8 |
| Exports | 4.3 | 4.9 | 4.5 |
| Imports | 4.1 | 4.5 | 5.1 |
| Unemployment (% of labour force) | 6.0 | 4.9 | 4.3 |
| Inflation (HICP) | 0.1 | 1.3 | 1.3 |

Source: CPB (Netherlands Bureau for Economic Policy Analysis), 19 September 2017
Detailed Macro-economic Outlook available on CPB website (www.cpb.nl)



GDP on the rise

% change quarter-on-quarter

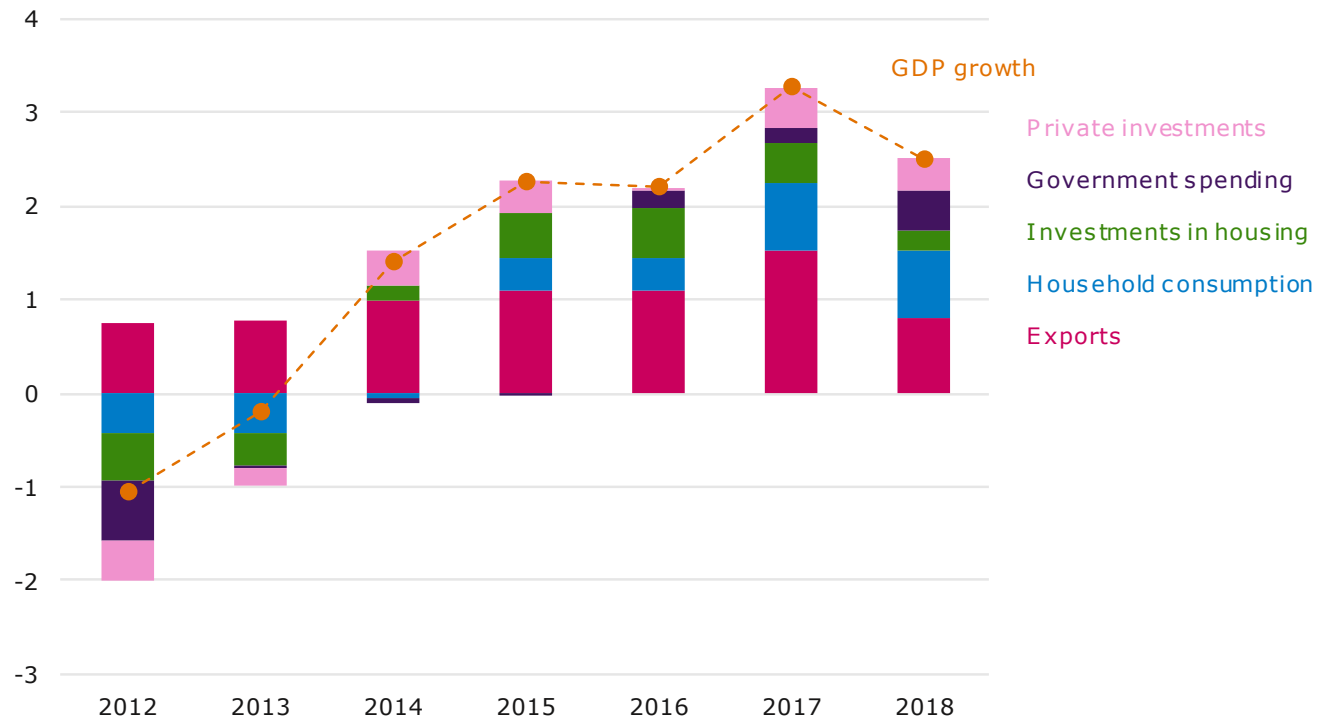


Source: Statistics Netherlands (CBS), September 2017



Broad-based economic growth

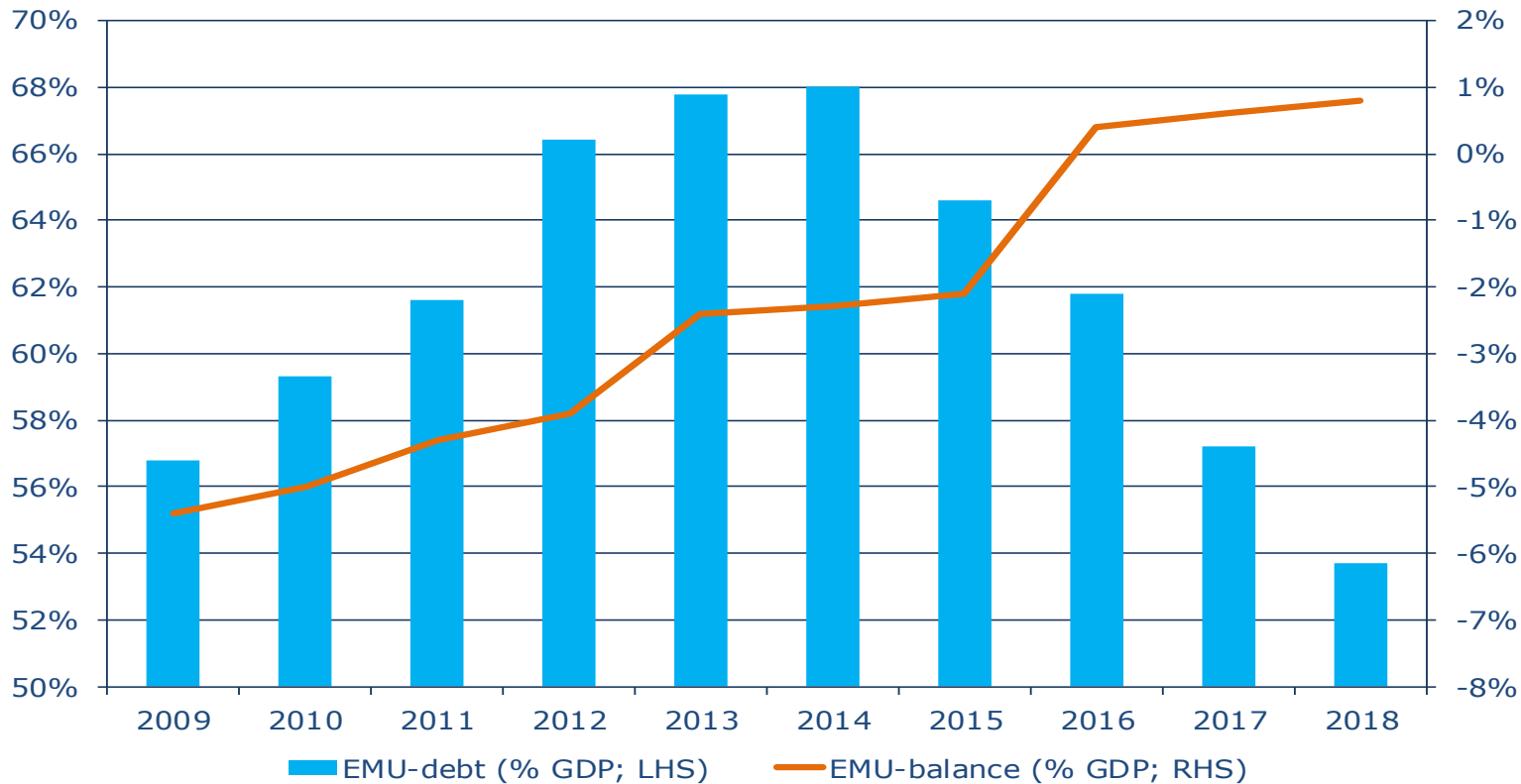
GDP growth composition in %



Source: CPB (Netherlands Bureau for Economic Policy Analysis), 19 September 2017



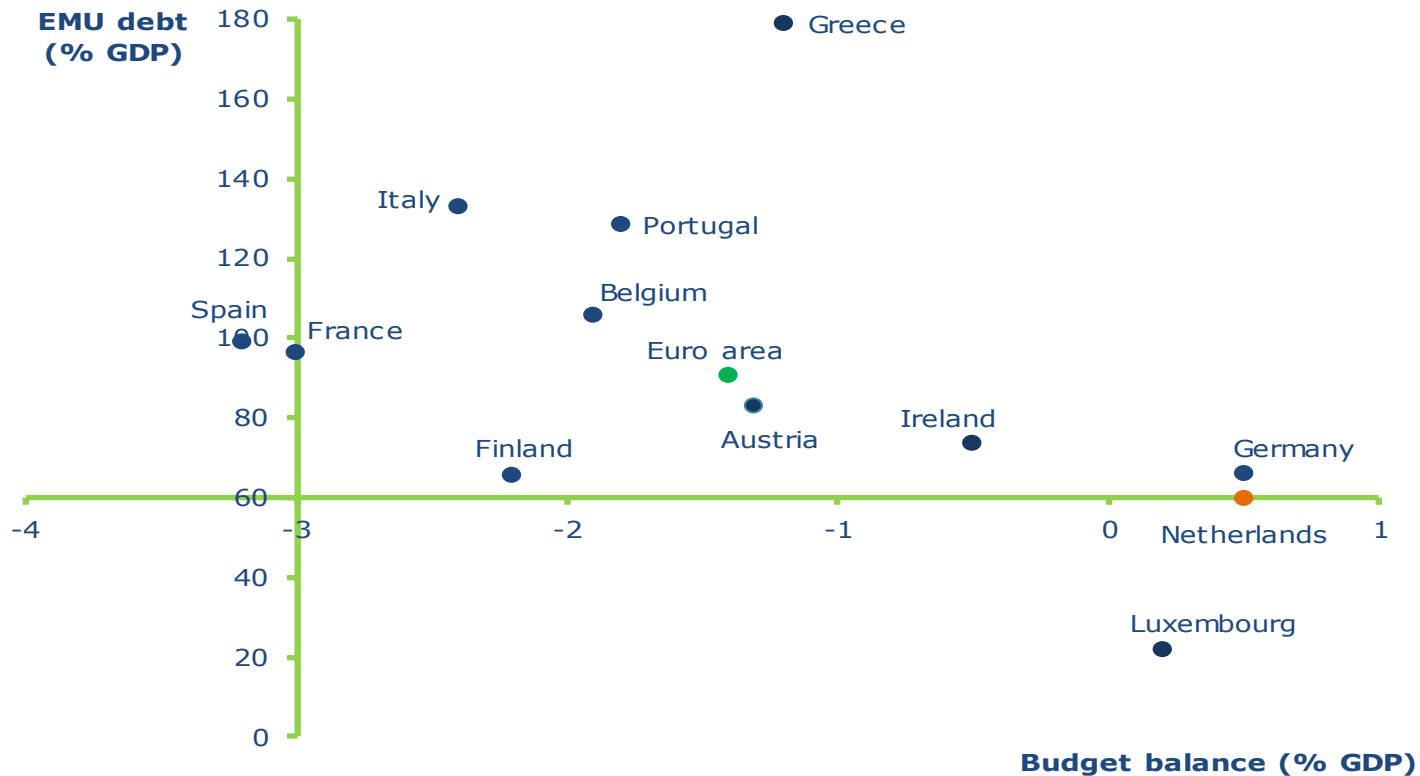
Public finances show strong improvement



Source: CPB (Netherlands Bureau for Economic Policy Analysis), 19 September 2017



Dutch fiscal position relative to its peers (2017)



Source: European Commission Spring forecast, March 2017

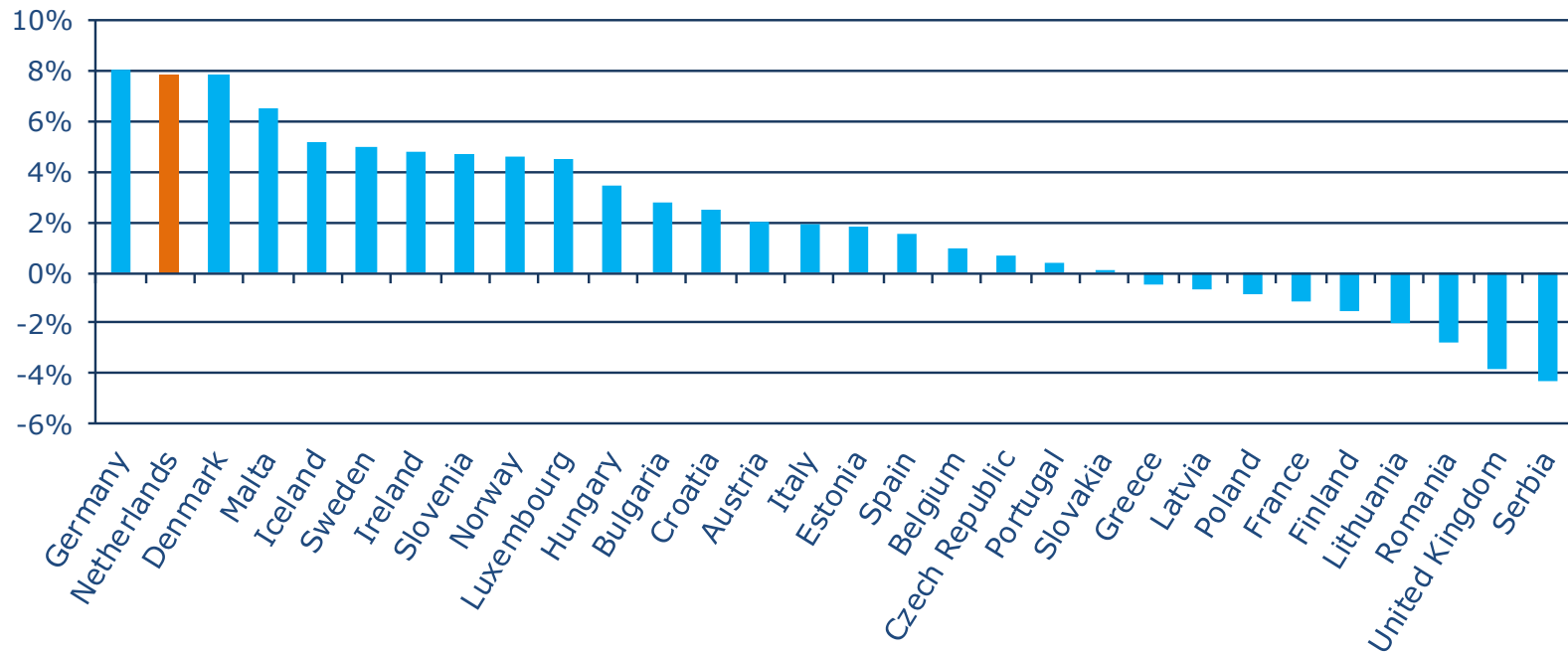


The Netherlands: fundamentally strong



Strong current account surplus

Current account balance 2017 (% of GDP)

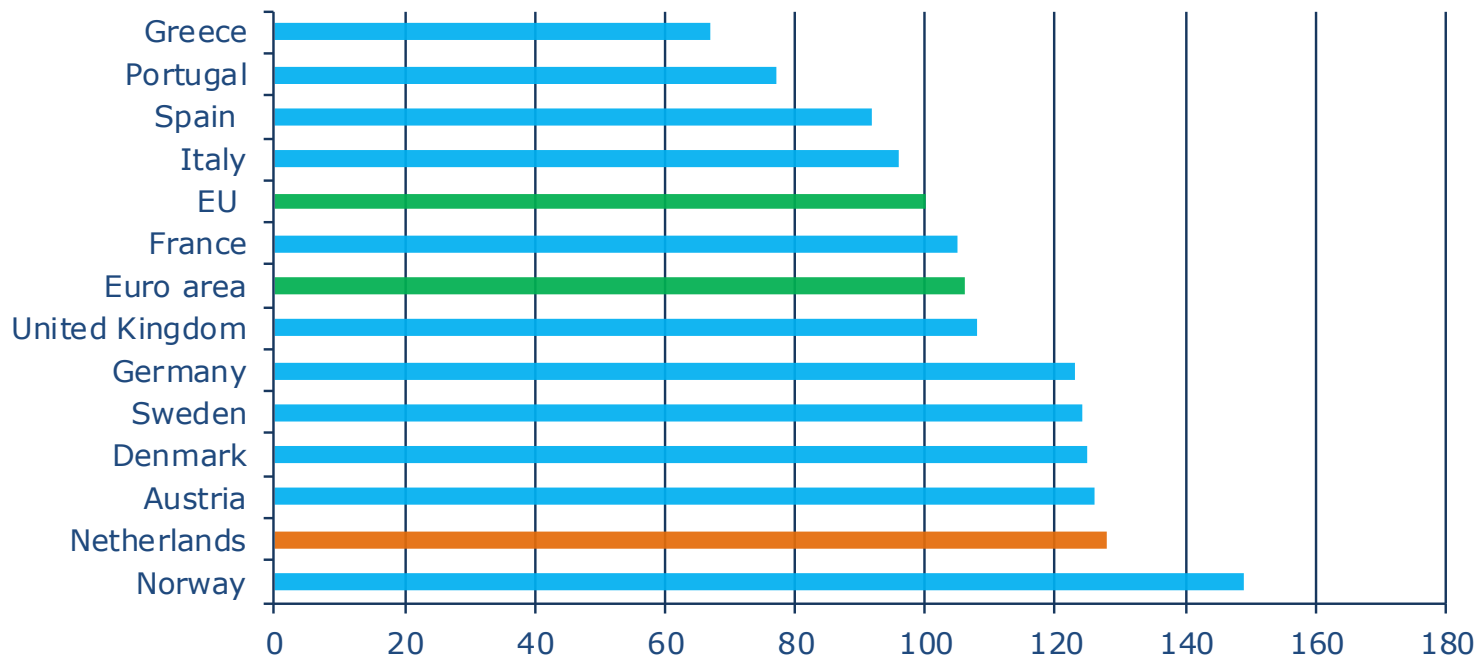


Source: European Commission Spring Forecast 2017, March 2017



GDP per capita among the highest in Europe

Real GDP per capita (PPS, 2016, index)

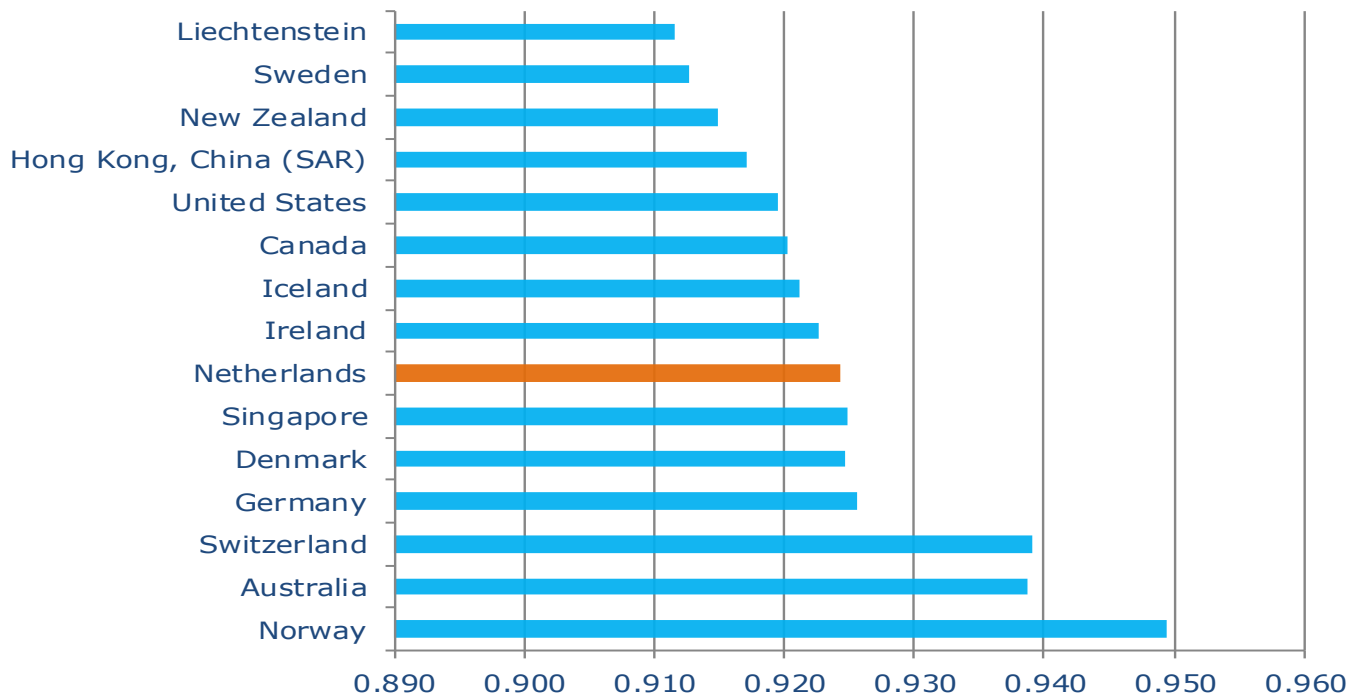


Source: Eurostat, 1 June 2017



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

| Rank | Country |
|------|----------------|
| 1 | Switzerland |
| 2 | United States |
| 3 | Singapore |
| 4 | Netherlands |
| 5 | Germany |
| 6 | Hong Kong SAR |
| 7 | Sweden |
| 8 | United Kingdom |
| 9 | Japan |
| 10 | Finland |
| 11 | Norway |
| 12 | Denmark |
| 13 | New Zealand |
| 14 | Canada |
| 15 | Taiwan, China |

Source: World Economic Forum, 26 September 2017



The debt position



Debt outstanding

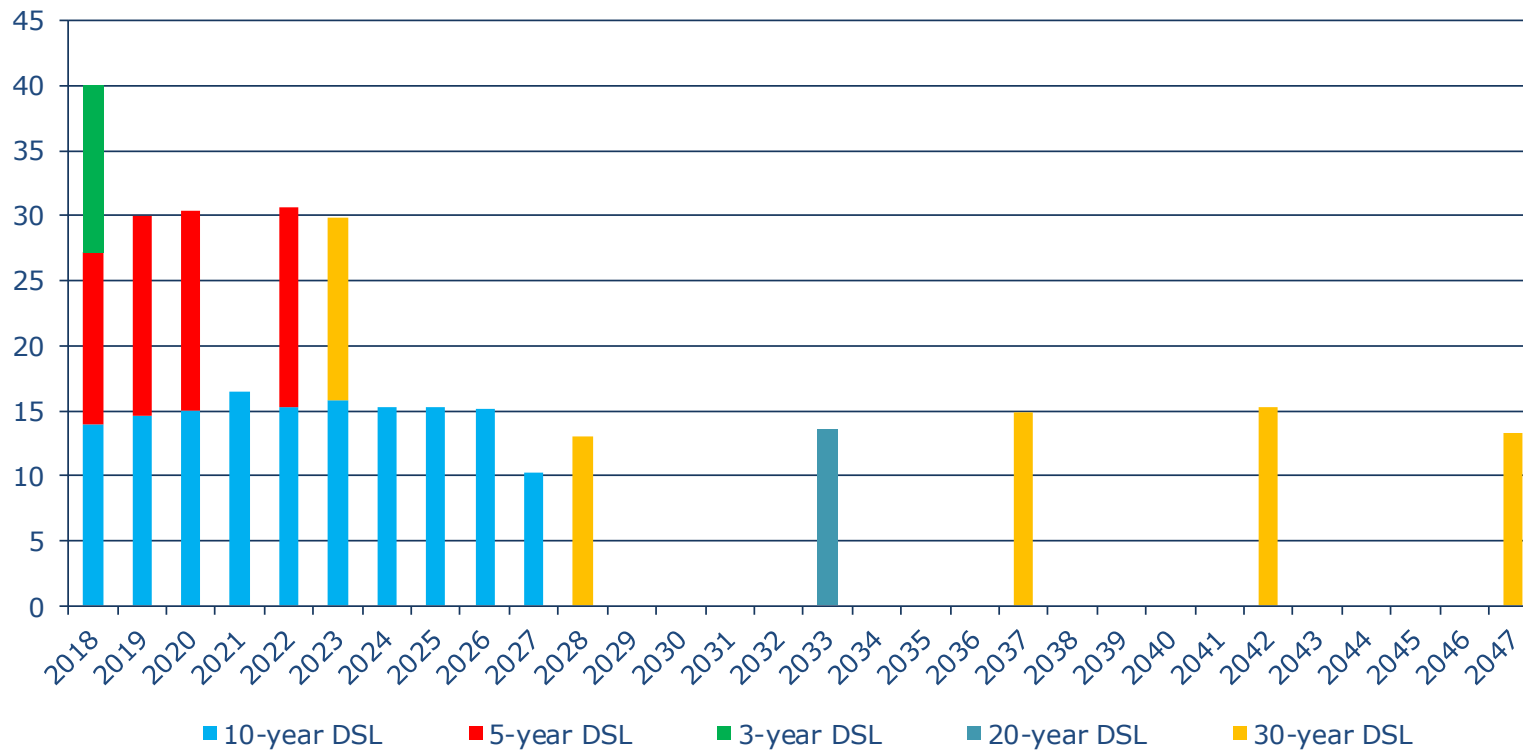
Key figures at the end of August 2017

| Instrument | (€ mn) |
|-------------------------------|----------------|
| DSL (T-bonds) | 303,354 |
| DTC (T-bills) | 14,290 |
| CP outstanding | 6,075 |
| Private loans | 4,550 |
| Cash | 2,085 |
| Cash collateral | 13,625 |
| Total debt outstanding | 343,979 |



DSL redemption profile


Redemptions of DSLs, position at the end of August 2017 in € bn





QE and DSLs

- 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)
- Next to DSL's, ECB can buy bonds from three other Dutch agencies:
 - Bank Nederlandse Gemeenten N.V. (BNG)
 - Nederlandse Waterschapsbank N.V. (NWB)
 - Nederlandse Financieringsmaatschappij voor Onwikkelingslanden N.V. (FMO)
- Average maturity of Dutch debt held by ECB was 7.6 years at end of August 2017
- DNB has a securities lending facility
- DSTA has a repo facility for PDs (lender of last resort)

A coastal scene featuring a red and white lighthouse on a rocky pier. The lighthouse has a red top section and a white bottom section. Several people are gathered on the pier. In the foreground, a surfer is riding a wave, and other people are visible in the water. The sky is blue with some clouds.

Funding plan 2017
and first indication
funding need 2018



Borrowing requirement 2017

| Borrowing requirement 2017 | (€ bn) |
|--|---------------|
| Capital market redemptions 2017 | 42.5 |
| Money market ultimo 2016 (excl. cash collateral) | 18.2 |
| Cash surplus* | -13.8 |
| Sale of shares in ABN Amro and ASR in September 2017 | -2.5 |
| Cash collateral change during 2017 (Jan-Aug)** | 2.2 |
| Buy-backs DSLs 2018 and 2019 (Jan-Aug) | 2.1 |
| Total | 48.7 |

Source: DSTA Quarterly outlook Q4 2017, September 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

| Funding 2017 | (€ bn) |
|---|---------------|
| Capital market issuance (DSLs) in nominal terms | 31.6 |
| Proceeds from DSLs issued above par (Jan-Sep) | 1.3 |
| Money market ultimo 2017 | 15.8 |
| Total | 48.7 |

Source: DSTA Quarterly outlook Q4 2017, September 2017

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



Issuance in 2017

| DSL | Indicative amount (€ bn) | Realised amount (€ bn) |
|---|--------------------------|------------------------|
| New 10-year DSL (2027) | 15.0 | 12.5 |
| 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 | 3.2 |
| Total DSL funding | 30 - 35 | 23.1 |

Source: www.dsta.nl

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



First indication borrowing requirement 2018

| Borrowing requirement 2018, first estimate | (€ bn) |
|---|---------------|
| Capital market redemptions 2018 | 40.2 |
| Money market ultimo 2017 (excl. cash collateral) | 15.8 |
| Cash surplus 2018* | -6.4 |
| Total | 49.6 |

Source: DSTA Quarterly outlook Q4 2017, September 2017

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



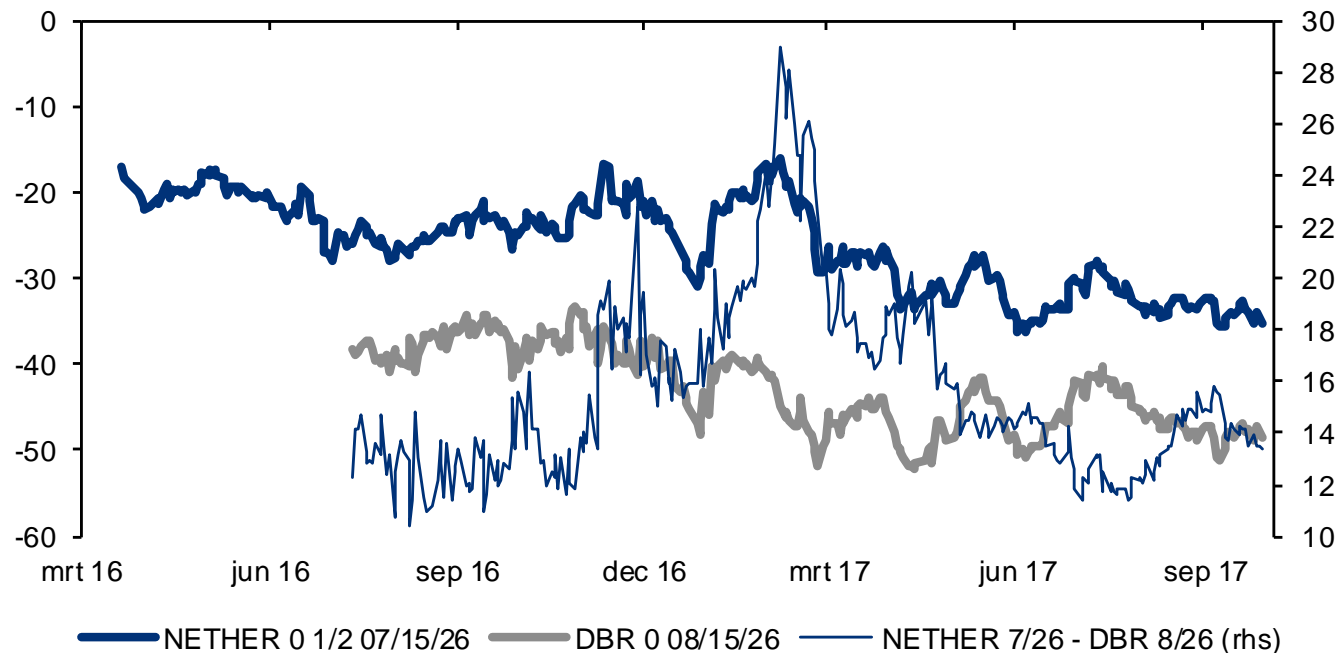
Ensuring sufficient liquidity in secondary markets

- Annual issuance of a new 10-year bond; and clarity at start of the year on other benchmark issuances (shorter-dated bonds, longer-dated bonds)
- Raising the outstanding amounts of bonds to a minimum benchmark size 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 yield spreads attractive vs German bund

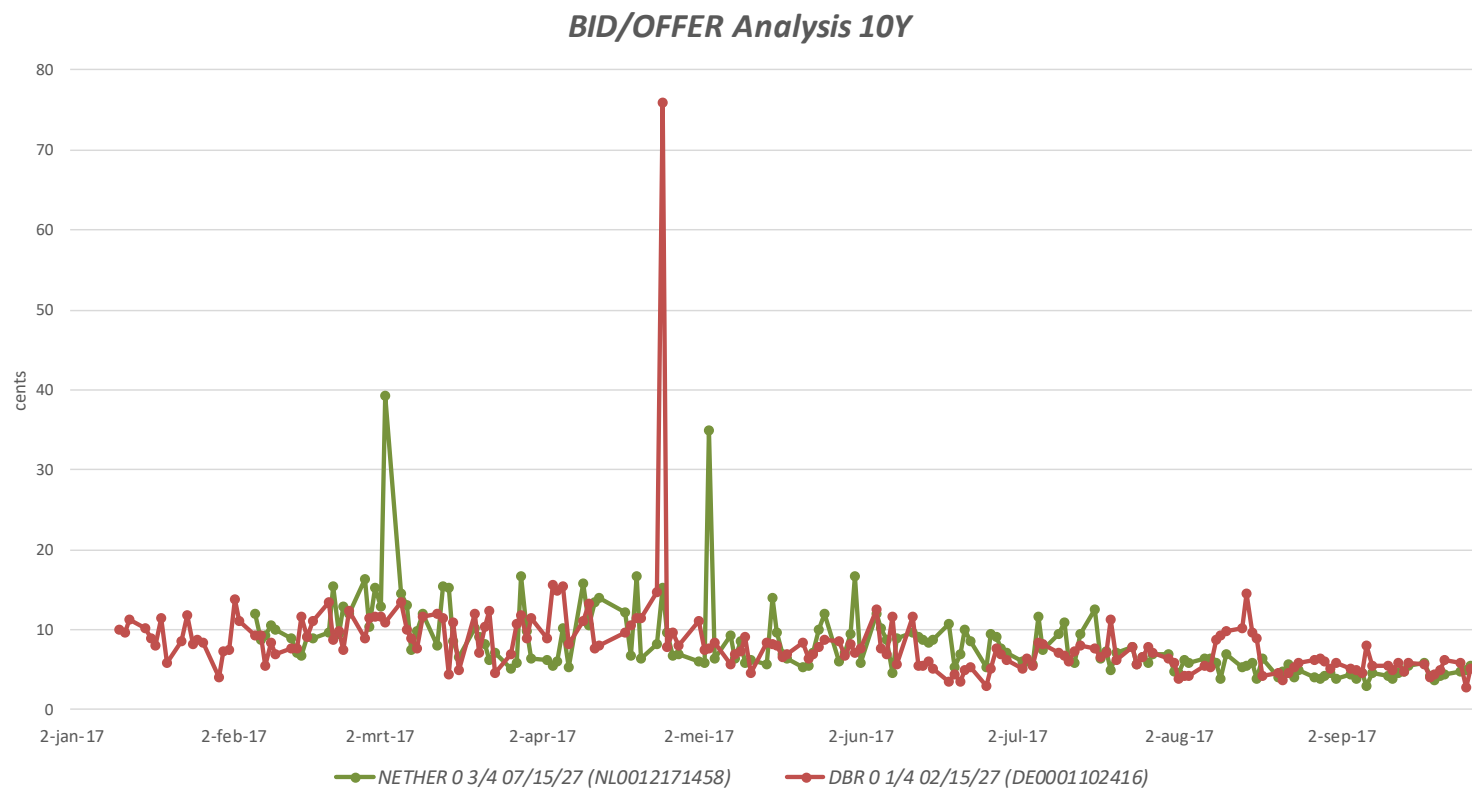
Z-spread in bp (LHS), relative yield in bp (RHS)





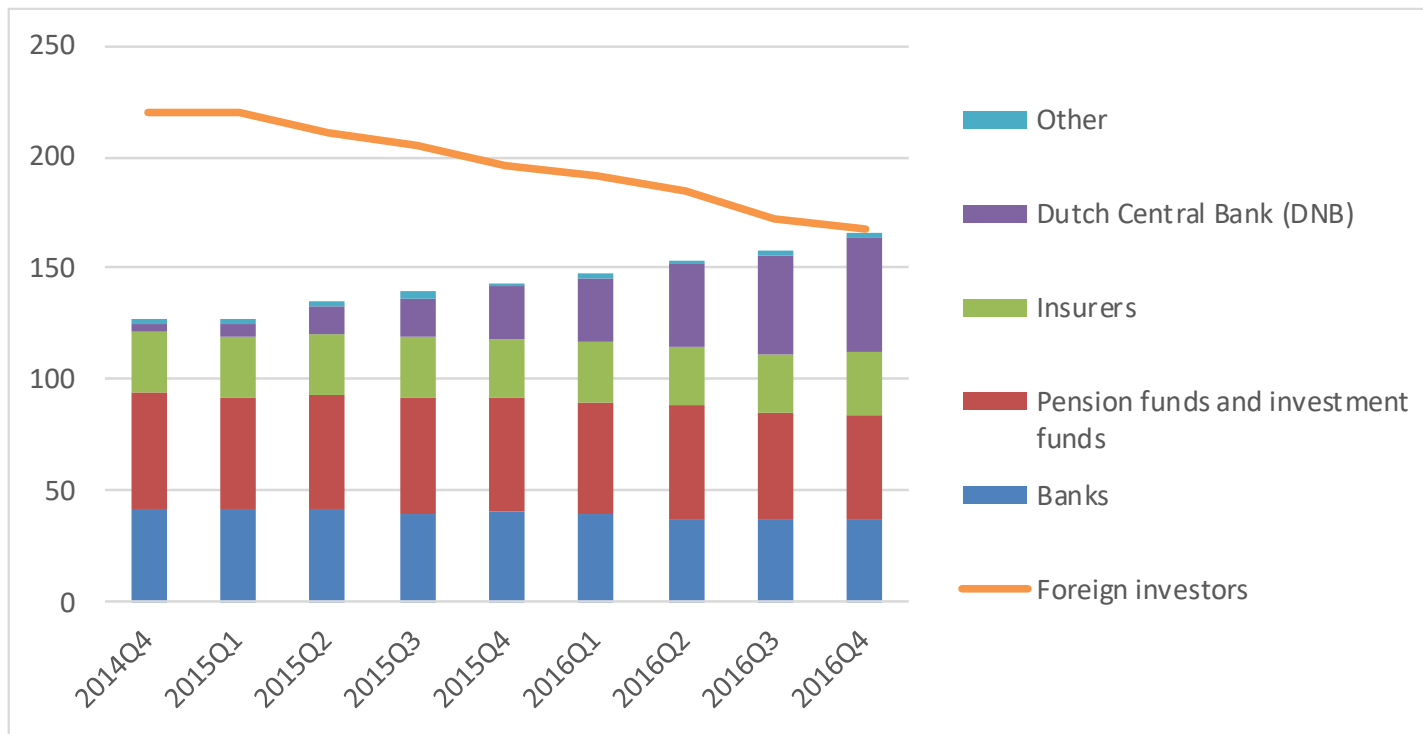
Tight bid/offer spreads, also vis-à-vis Germany

Bid-offer spreads in cents





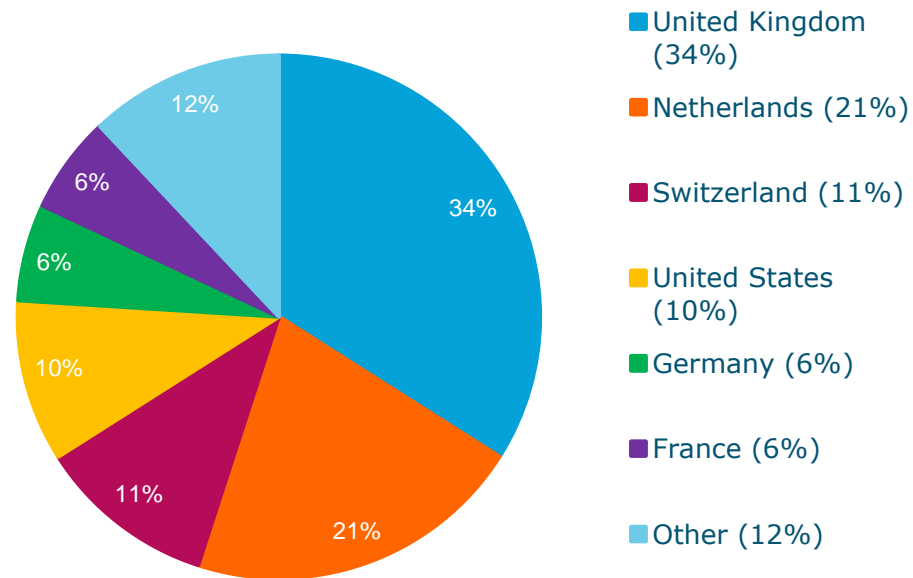
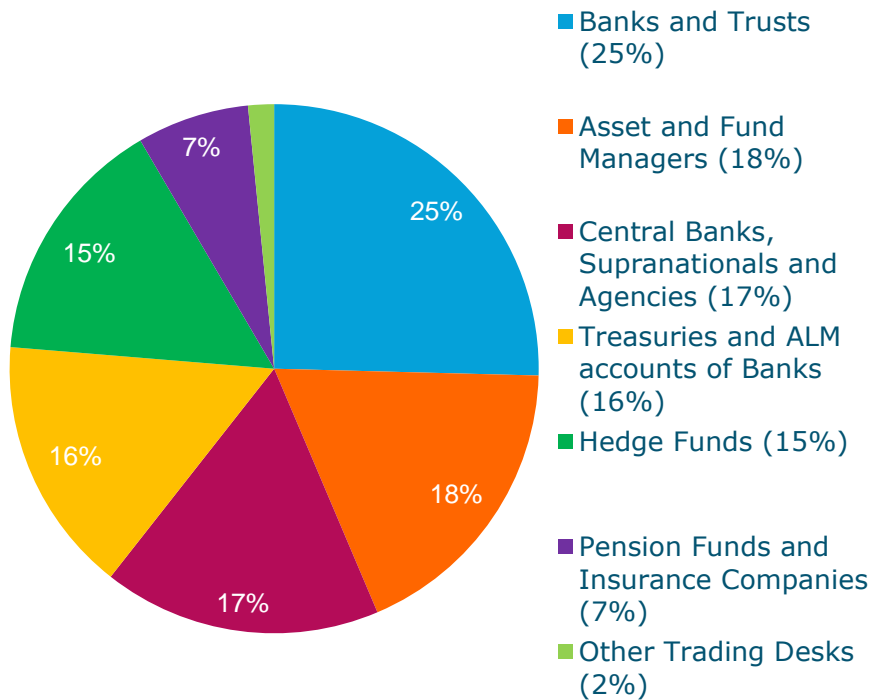
Holdings of DSLs (€ bn)



Source: Dutch Central Bank (DNB), June 2017



Diversified investor base: most recent 10-year DDA





Reasons to buy DSL 2024

- Strong economy: 3.3% GDP growth projected for 2017, recovering housing market and declining unemployment
- Structural reforms implemented
- Solid budget: Budget surplus and EMU-debt level below 60% GDP (and a “sustainability surplus” of 0.2% of GDP)
- Solid reputation of consensus-based fiscal discipline
- Liquidity: commitment to raise outstanding amount of bond to € 15 bn within one year of issuance
- Tradability: Continuous availability of secondary market prices
- Highly rated issuer (Aaa/AAA/AAA): only triple A rated EMU sovereign with a more attractive yield than German Bund



Supplement I

Government negotiation
process



Present political situation

- Negotiations between VVD (Liberals), CDA (Christian Democrats), D66 (Social Liberals), and Christen Unie (Christian Social Democrats) on forming a coalition government
- According to press talks are in final stages
- Process taking long, but hasn't hindered the economy or budget
 - GDP growth of 3.3% ! predicted for this year
 - Budget surpluses and debt now below 60%
- Present government is a "caretaker government"
 - Recently published its Budget Memorandum 2018; few surprises (largely continuation of current policies)
- No indication that new government will lead to a large change in policy direction as regards to public finances; positive economic trend expected to continue



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' is 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

The economy continued



Financial sector interventions

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

Financial institutions which have been privatised:

- REAAL (the former insurance part of SNS REAAL) was sold in early 2015
- Propertize (the former real estate part of SNS Bank) was sold on 27 September 2016 for € 0.9 bn
- ASR – privatised; IPO in June 2016; 36.3% was sold for € 1.1 bn; an additional 13.6% was sold in January 2017 (€ 0.5 bn), 13.3% in April 2017 (€ 0.5 bn); 16,7% in June 2017 (€ 0.7 bn) and the remaining 20.5% in September 2017 (€ 1.0 bn)

Financial institutions which have not yet been completely privatised:

- ABN Amro – IPO in November 2015; 23% was sold for € 3.8 bn; an additional 7% was sold in November 2016 (€ 1.3 bn), in June 2017 (€ 1.5 bn.) and in September 2017 (€ 1.5 bn); remaining 56% stake (market value ≈ € 12 bn) will be sold in coming years
- Volksbank (former SNS bank; the former banking part of SNS REAAL) – privatisation in due time

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

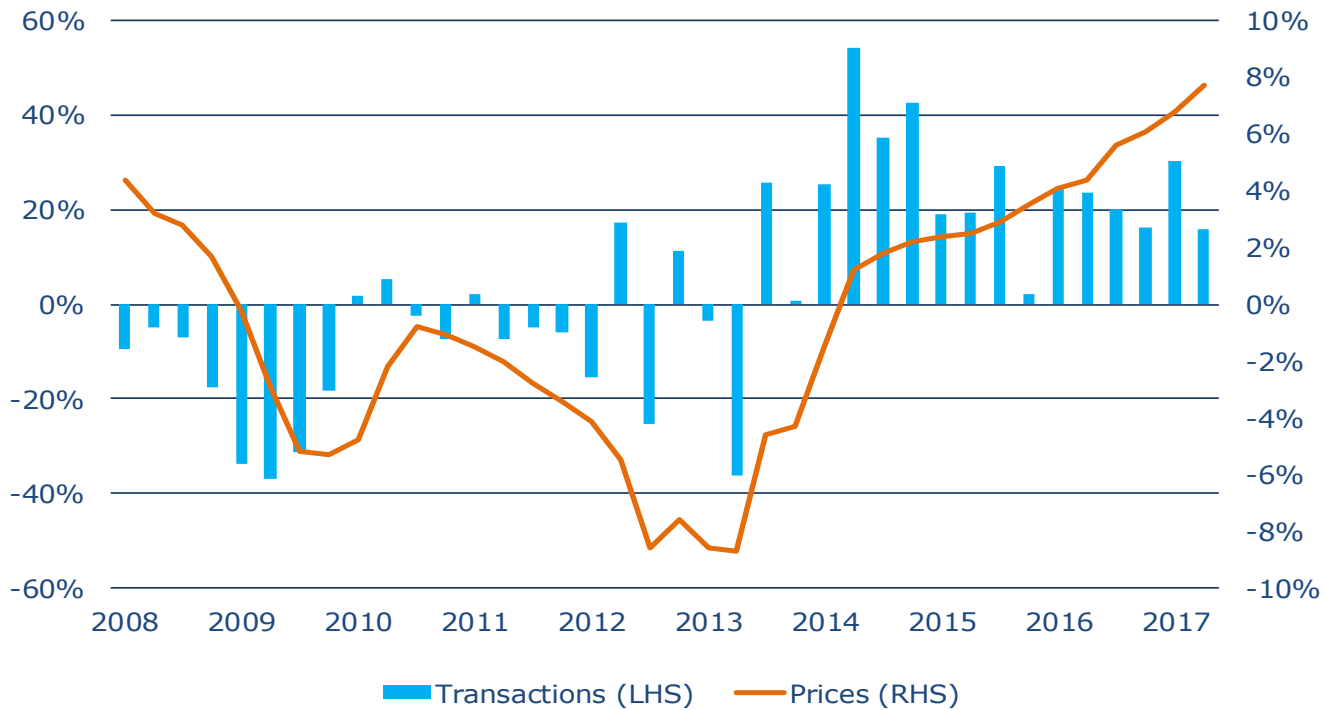
Labour market

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



Housing market recovery

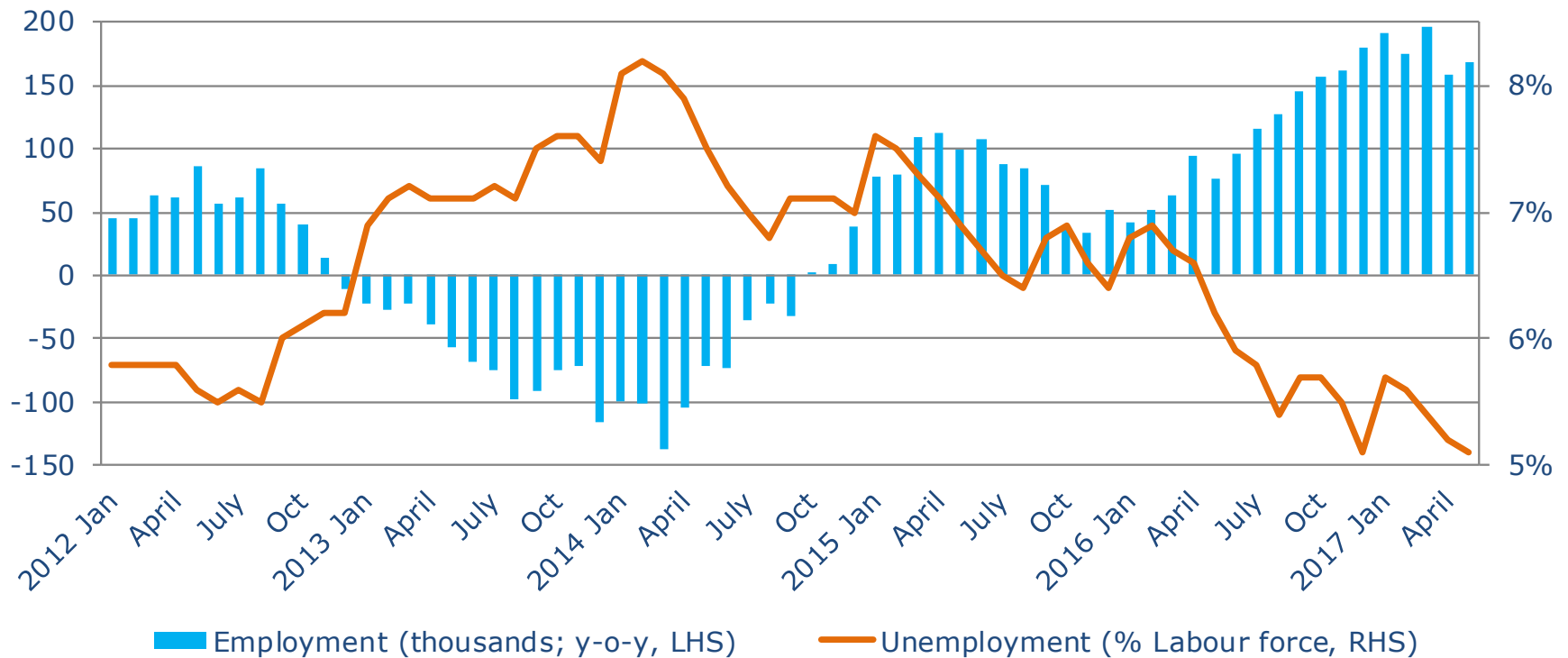
%-change y-o-y



Source: Statistics Netherlands (CBS), September 2017



Labour market recovery

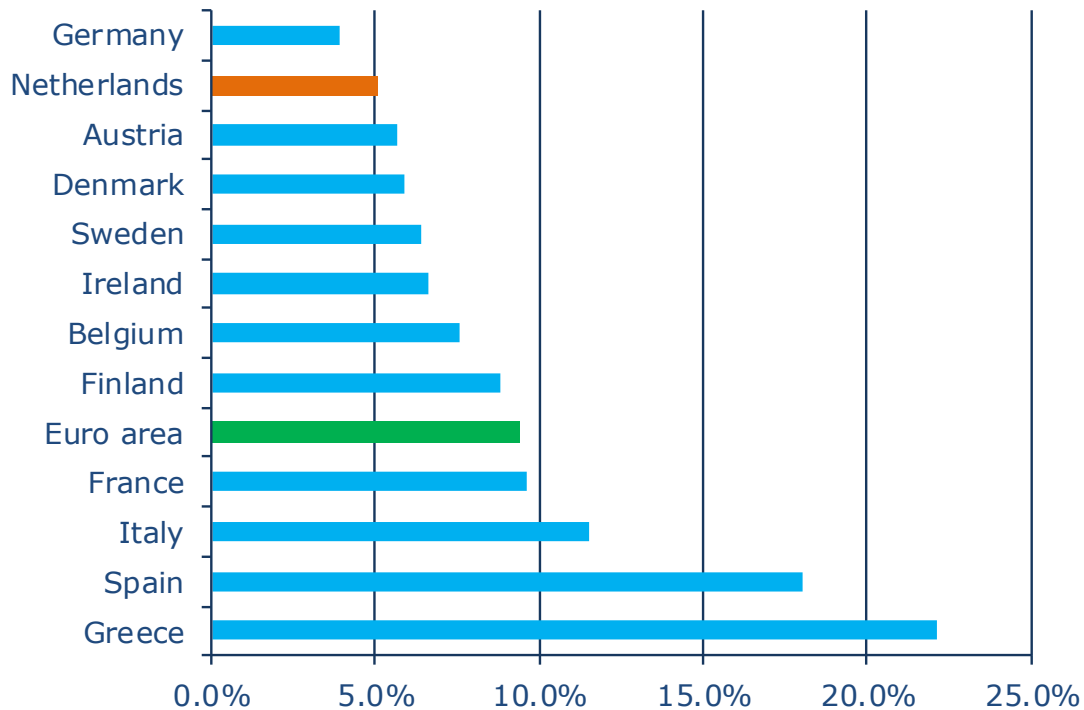


Source: Statistics Netherlands (CBS), September 2017



Unemployment is low and declining further

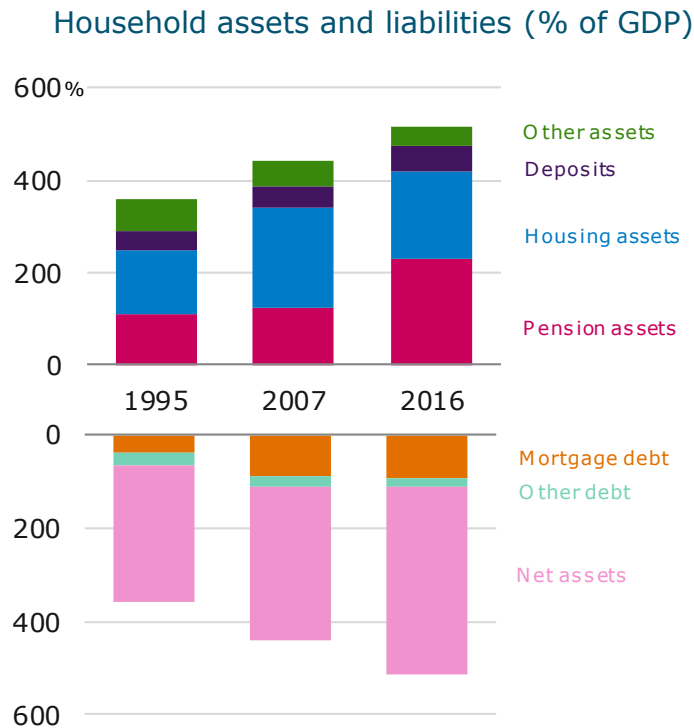
Unemployment rate (March 2017, % of labour force)



Source: Eurostat



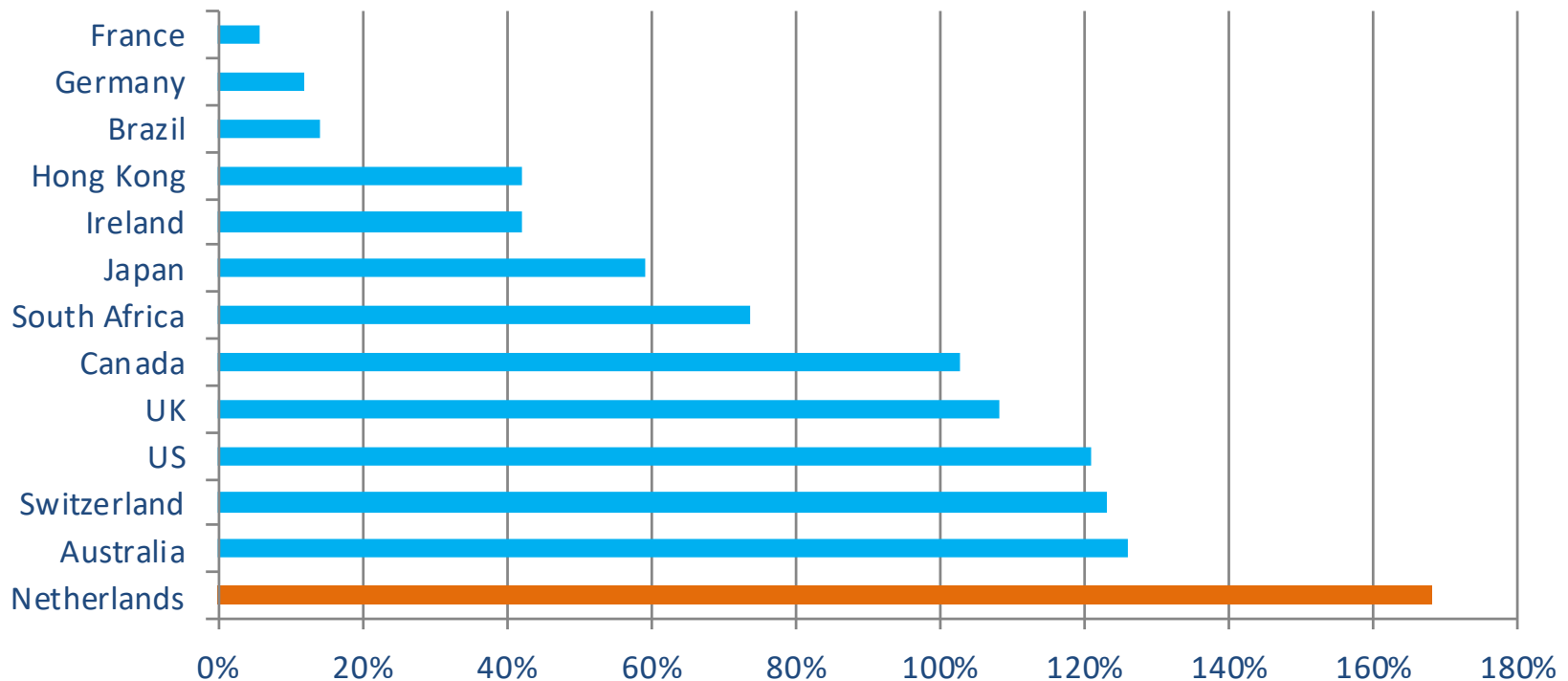
Households have strong asset position



Source: Dutch Central Bank (DNB), September 2017



Pension assets internationally

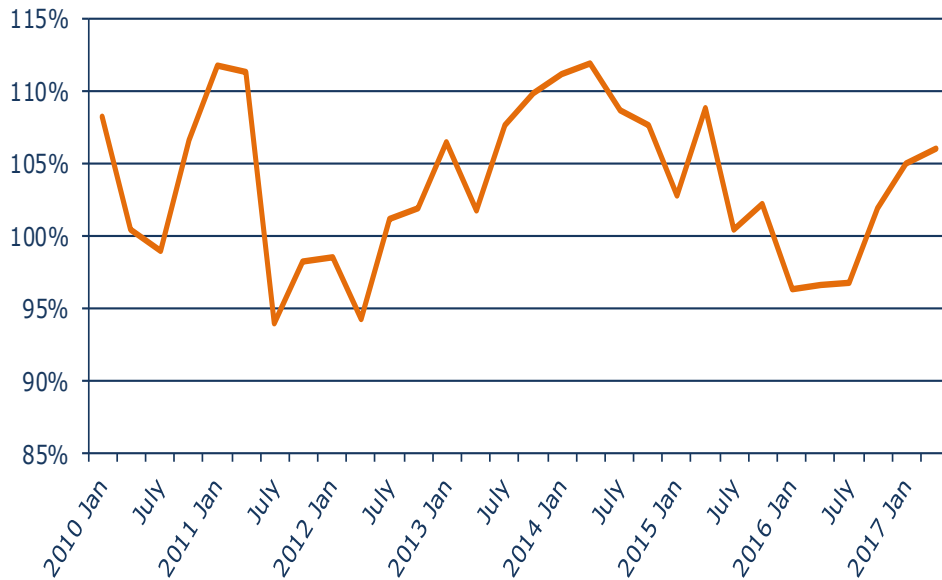


Source: Willis Towers Watson, Global Pension Asset Study, 2017



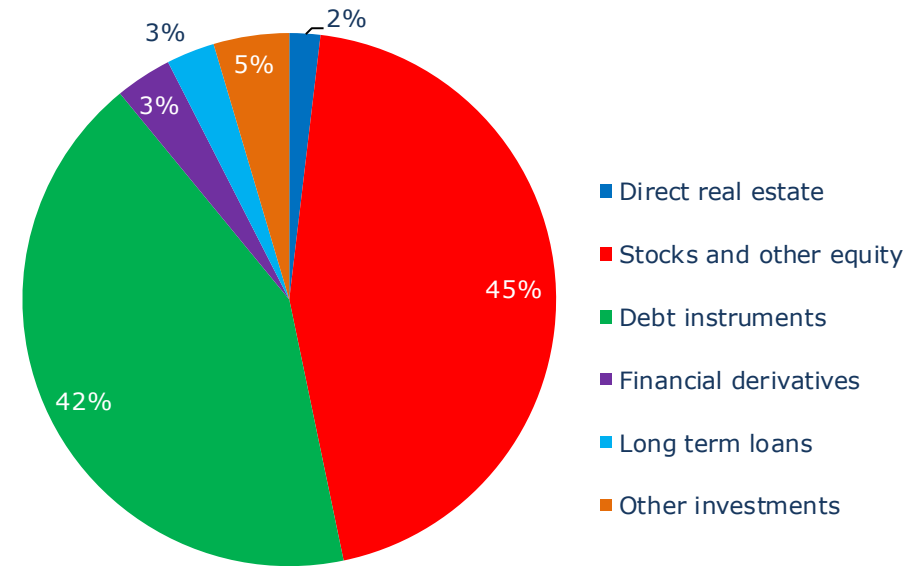
Pension funds

Pension fund coverage ratios



Source: Dutch Central Bank (DNB)

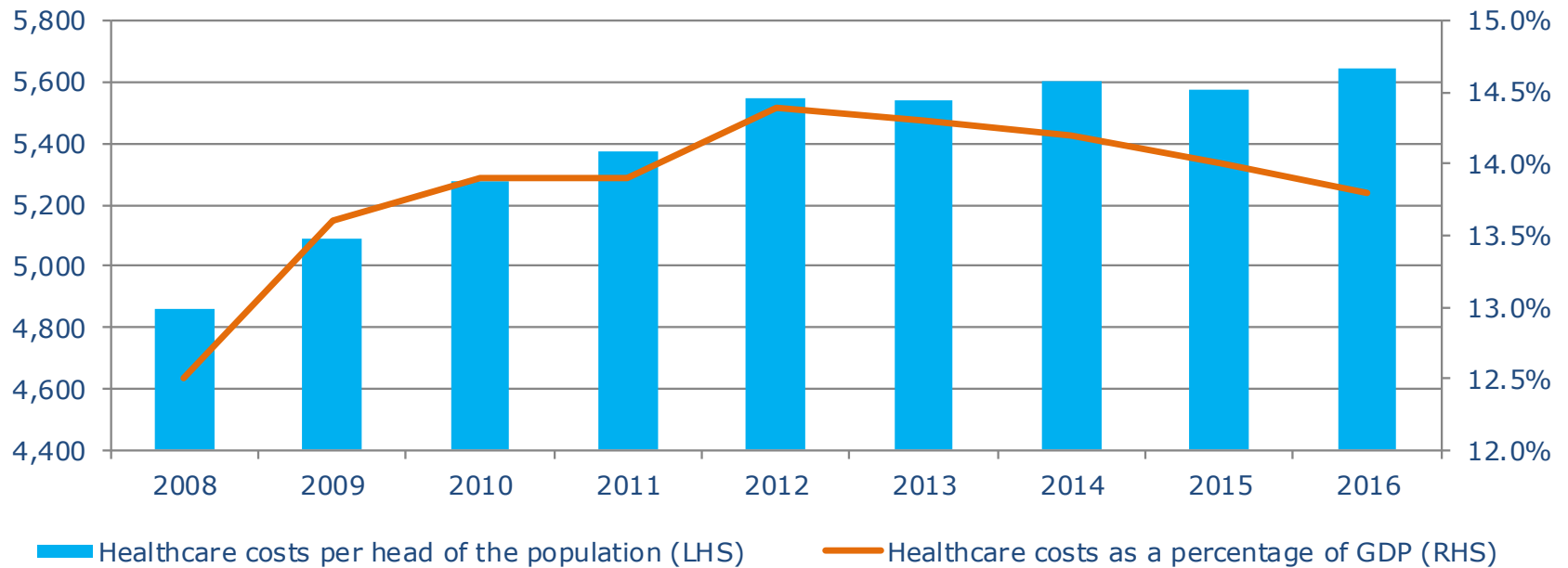
Pension fund holdings at the end of 2015



Source: Statistics Netherlands (CBS)



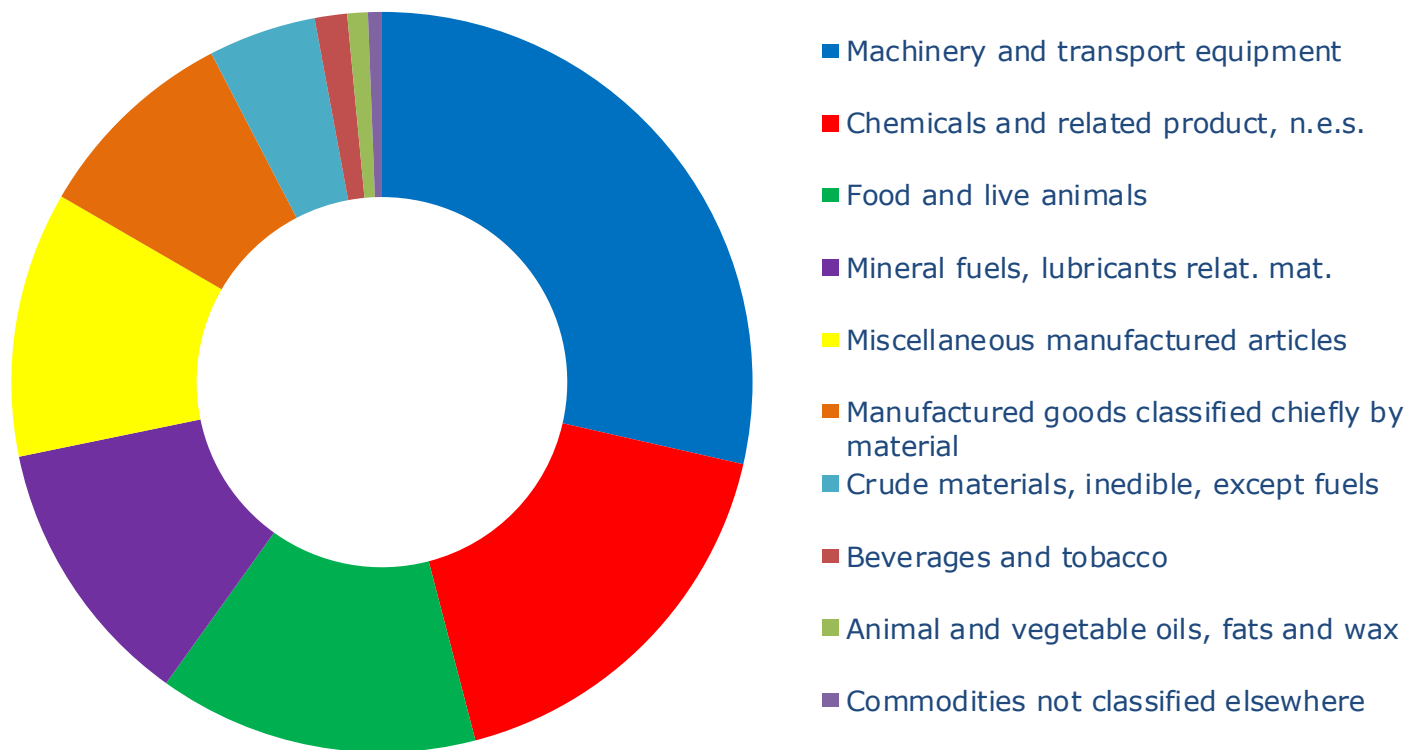
Healthcare costs



Source: Statistics Netherlands (CBS)



Export performance by product category (2016)



Source: Statistics Netherlands (CBS), September 2017

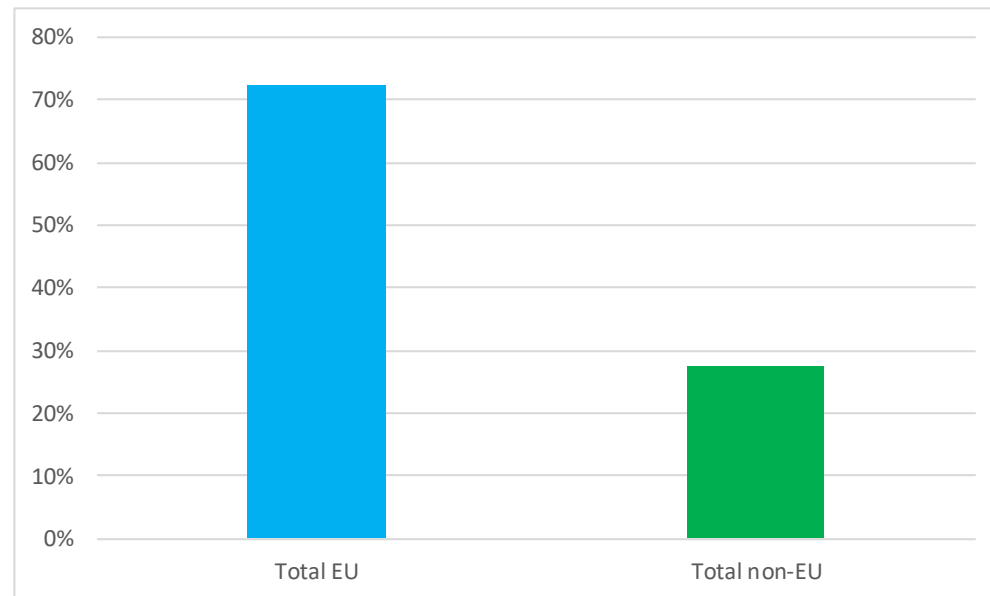


Export performance by country

| Rank | Country | Share 2016 |
|------|----------------|------------|
| 1 | Germany | 23.1% |
| 2 | Belgium | 10.1% |
| 3 | United Kingdom | 9.2% |
| 4 | France | 8.1% |
| 5 | USA | 4.2% |
| 6 | Italy | 4.1% |
| 7 | Spain | 3.0% |
| 8 | Poland | 2.4% |
| 9 | China | 2.3% |
| 10 | Sweden | 2.0% |
| 11 | Czech Republic | 1.6% |
| 12 | Denmark | 1.4% |
| 13 | Switzerland | 1.3% |
| 14 | Austria | 1.2% |
| 15 | Turkey | 1.2% |

Source: Statistics Netherlands (CBS)

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





Supplement III

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 our 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



Investor classification

| Real money clients | Other clients |
|---|---|
| Asset and Fund managers | Hedge funds |
| Central banks, agencies, and supranationals | All accounts of banks, except treasury / ALM accounts and 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 |

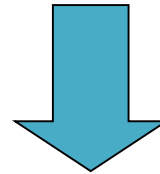


Mechanics of allocation – scenario 1

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 %**
Other **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 | |

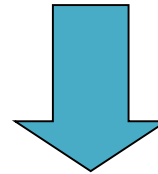


Mechanics of allocation – scenario 2

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 %**
Other **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 IV

Funding instruments



Funding instruments: the capital market

Dutch State Loans (T-bonds)

- Focus on issuance in EUR
- Maturities: annual issuance of 10-year DSL; additional focus on shorter end (3, 5 and this time 7-year) and longer end of the curve (up to 30 year segment)
- Auctions on fixed dates: 2nd and 4th Tuesday of the month
- Quarterly issuance calendars (Q4 released 22 September 2017)
- Dutch Direct Auctions for new medium and longer-dated DSLs
- Minimum benchmark sizes to ensure liquidity
- Buy-backs for cash management purposes (up to 24 months remaining maturity)
- Possibility to issue USD DSLs



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)

- 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, dependent on cash needs
- 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)



Funding strategy

- Transparency: calendars, press releases, website
- Consistency: no surprises, live up to commitments
- Liquidity:
 - Minimum outstanding volumes of bonds
 - Quotation obligations for PDs
 - Repo facility for PDs



Primary Dealer group for 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

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 ± 0.25 years
- 12-month forward looking refixing amount needs to stay below 18% debt
- 2016 results
 - Year end duration of 5.62 years (target 5.6)
 - Average monthly refixing amount of 15.3% of debt
- 2017 targets
 - Year end duration target of 6.0 years
 - Average monthly refixing amount below 18% of debt



Consequences

- No major changes in funding strategy
- Reduced dependency on new interest rate swaps
- Option to revise strategy depending on market developments



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