



Ministry of Finance

Dutch State Treasury Agency

Investor presentation

10-year DDA
on 13 March 2018

Dutch State Loan 2028

Latest update: 6 March 2018

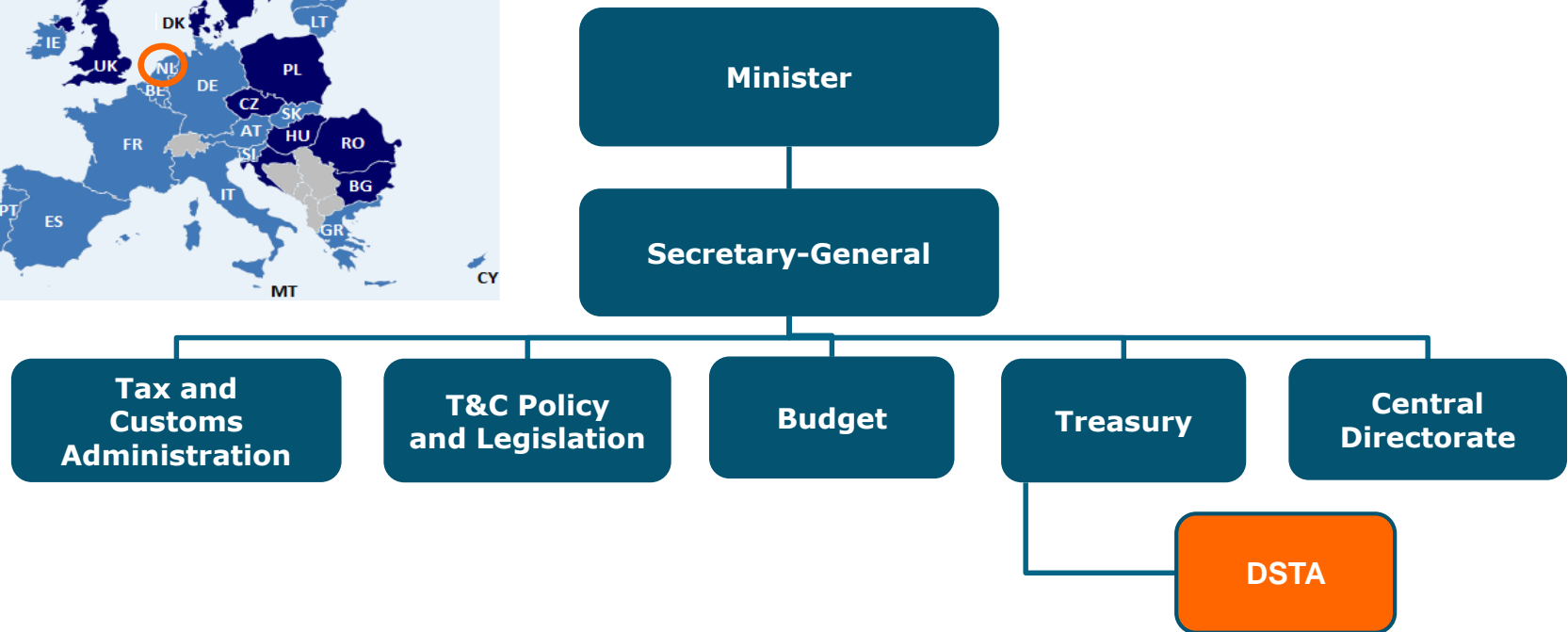
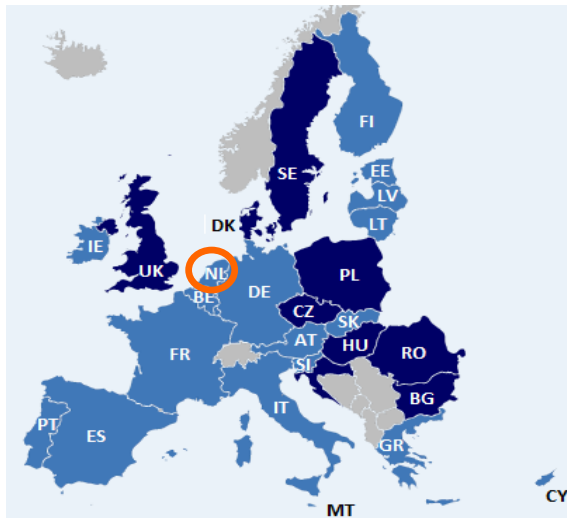


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The Dutch Ministry of Finance





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 10-year Dutch State Loan

Details new DSL 2028

DDA date	Tuesday 13 March 2018
Maturity date	15 July 2028 (short first coupon)
Reference bond	DBR 0.50% 15 February 2028
Target volume	€ 4 - 6 bn
Pricing	Aim to price on the auction day, but no later than 12:00 CET on 14 March 2018
Settlement date	Two days after pricing
Coupon	To be announced on Friday 9 March 2018
Initial spread guidance	To be announced on Monday 12 March 2018
Country ratings	Aaa/AAA/AAA
Total fees	€ 6.5 mn (incl. advisory fee)



Time schedule 10-year DDA

- Book opens 10:00 CET on Tuesday 13 March 2018
- Final spread guidance will be announced no later than 15:00 CET on the auction day
- Book closes at the latest 17:00 CET 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 CET the following morning
- Pricing from 30 minutes after allocation and preferably on the auction day itself; but no later than 12:00 CET the following day



Economic Outlook



Projections: strong economic performance

Key economic figures 2017-2019 (% change, y-o-y)

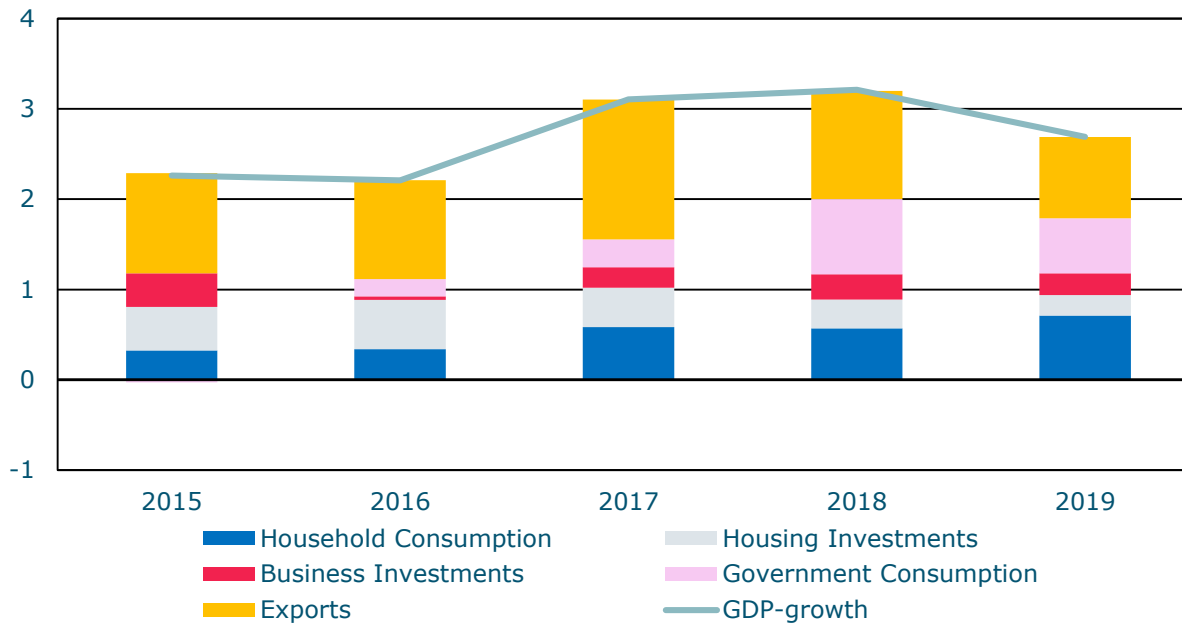
	2017	2018	2019
GDP growth	3.1	3.2	2.7
Household consumption	1.8	2.1	2.5
Government consumption	0.9	3.0	2.4
Investments (incl. inventories)	5.0	6.0	4.2
Exports	5.5	4.9	4.6
Imports	4.9	5.1	5.2
Unemployment (% of labour force)	4.9	3.9	3.5
Inflation (HICP)	1.3	1.6	2.3

Source: CPB (Netherlands Bureau for Economic Policy Analysis), 6 March 2018
concept-CEP 2018 (www.cpb.nl)



Broad-based economic growth

GDP growth composition in % (2015-2019)

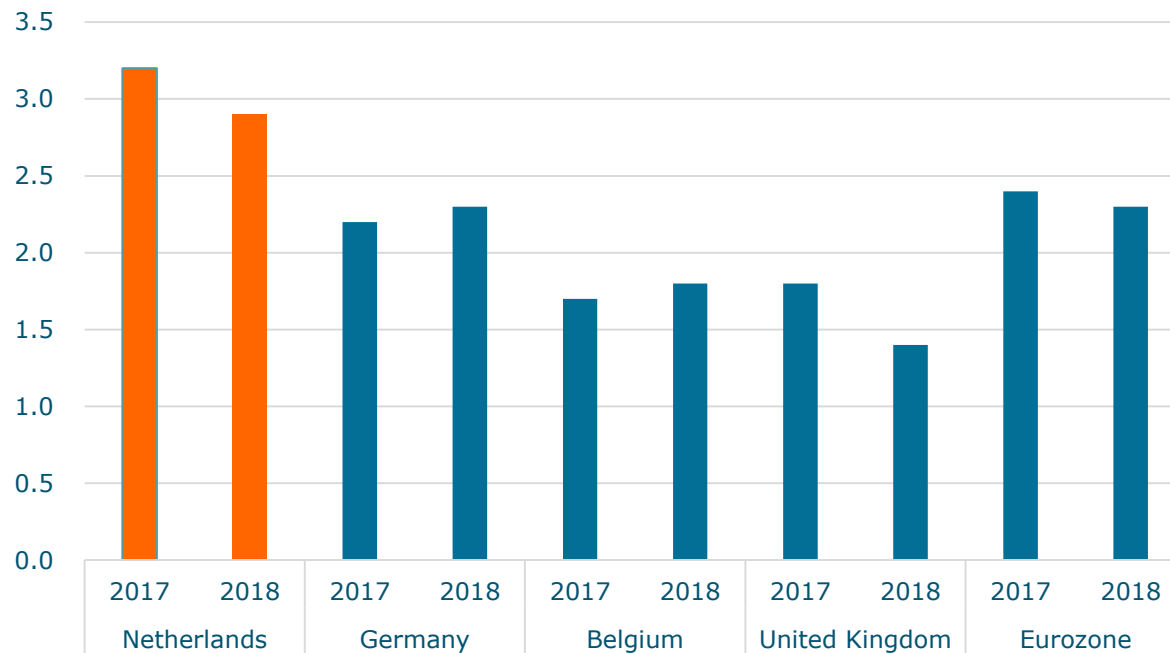


Source: CPB, 6 March 2018



Dutch GDP growth stands positively out

GDP growth (% y-o-y)

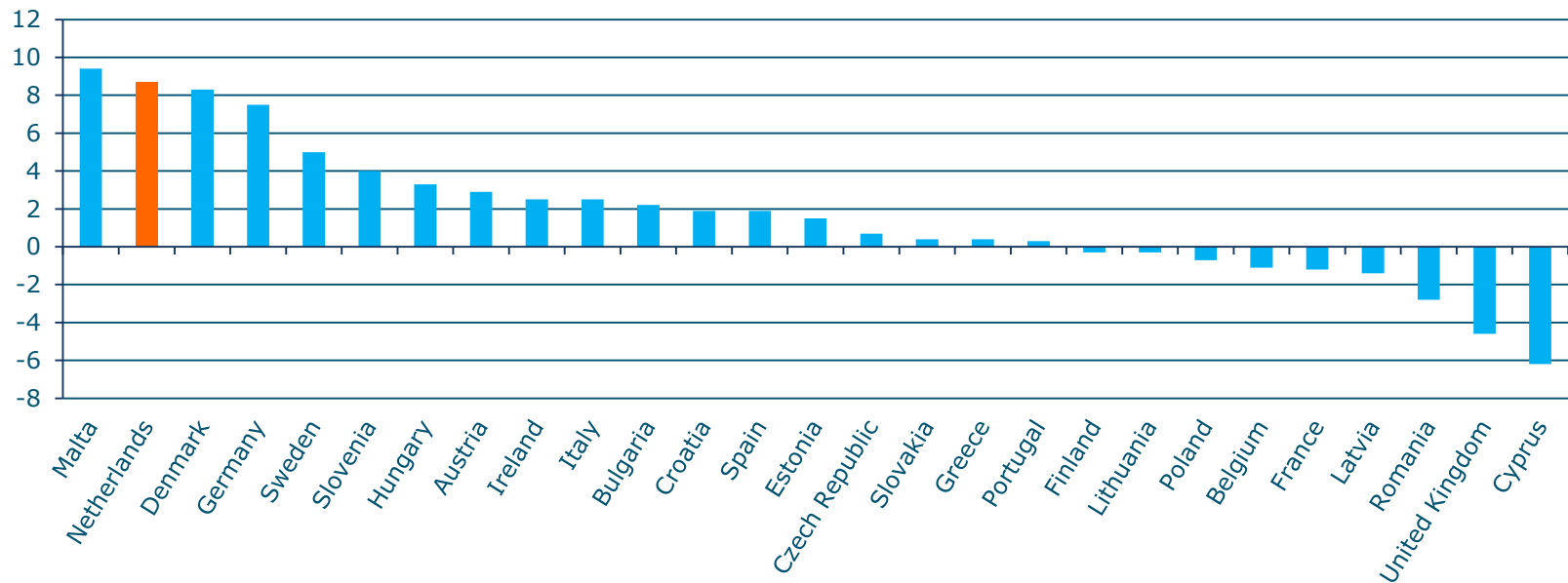


Source: European Commission (EC) economic forecast winter 2018 (interim), February 2018



Strong current account surplus

Current account balance 2018 (% of GDP)



Source: EC economic forecast autumn 2017, November 2017



PITA PIZZA JACKET POTATO

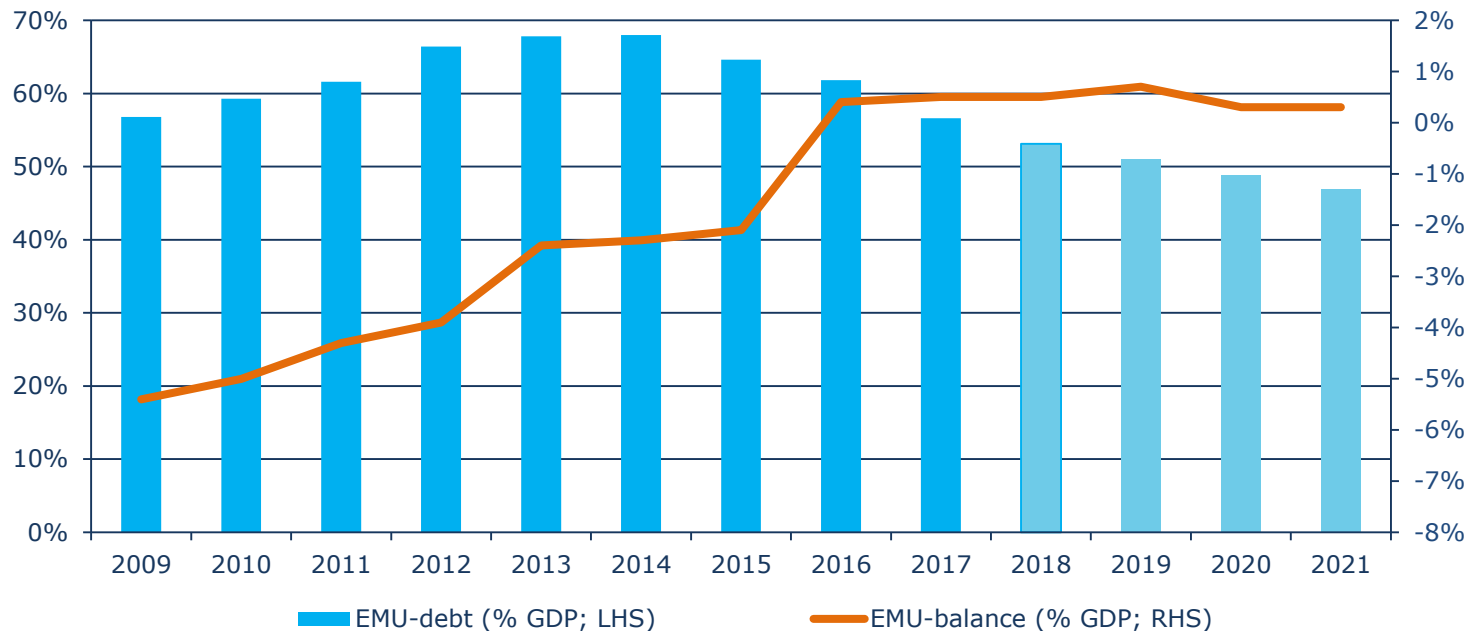
ACTIVE SPORT

Budgetary Outlook



Public finances show strong improvement

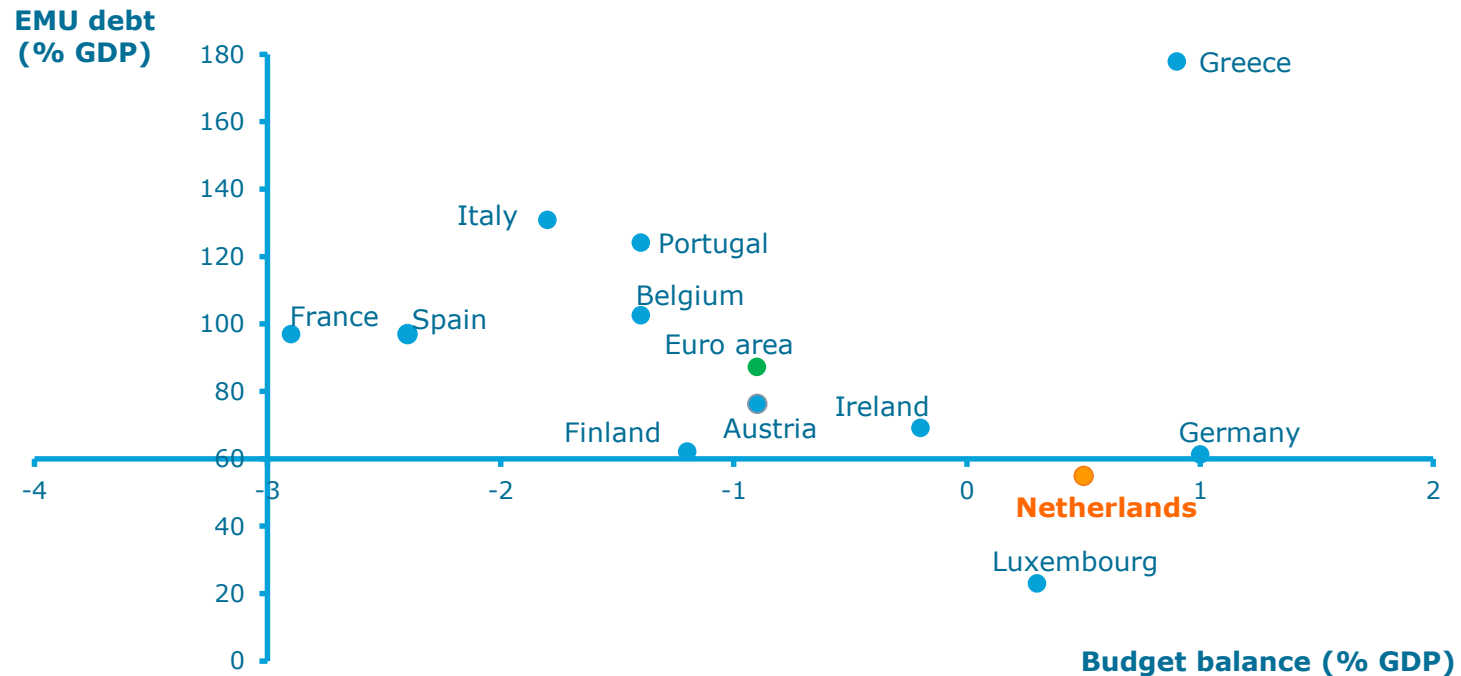
EMU-debt and EMU-balance over 2009-2018 and projections



Source: CBS, December 2017 (up to 2016); Ministry of finance, November (2017 and beyond)



Dutch fiscal position relative to its peers (2017)

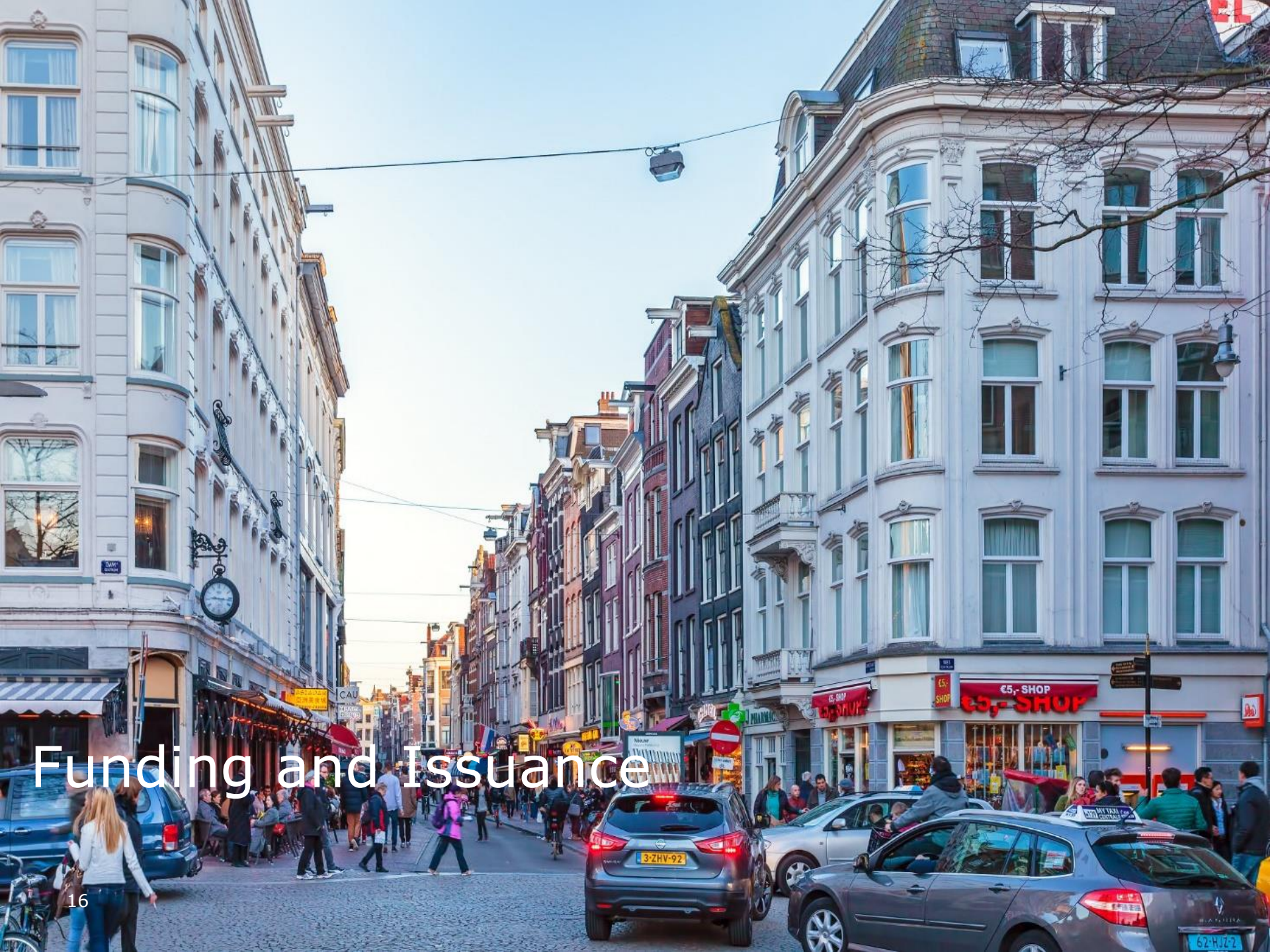


Source: EC economic forecast autumn 2017, November 2017



Financial sector interventions

- During the credit crisis in 2008 the State had to intervene in the financial sector to maintain financial stability of our economy. As a result, several financial institutions have been nationalized of which ABN Amro Bank and insurer ASR (2008) and later on bank-insurer SNS REAAL (2013).
- In the past few years, the Dutch State gradually reduced its stakes in these financial institutions. This resulted in privatization of the insurance and real estate part of SNS REAAL (respect. in July 2015 and September 2016), and a completed privatization of ASR (ended in September 2017).
- The remaining stakes are:
 - ABN Amro Bank: remaining 56% stake (market value \approx € 11.6 bn) will be sold in coming years
 - Volksbank (former banking part of SNS REAAL) – no decision yet on privatization



Funding and Issuance



Debt outstanding

Key figures at the end of February 2018

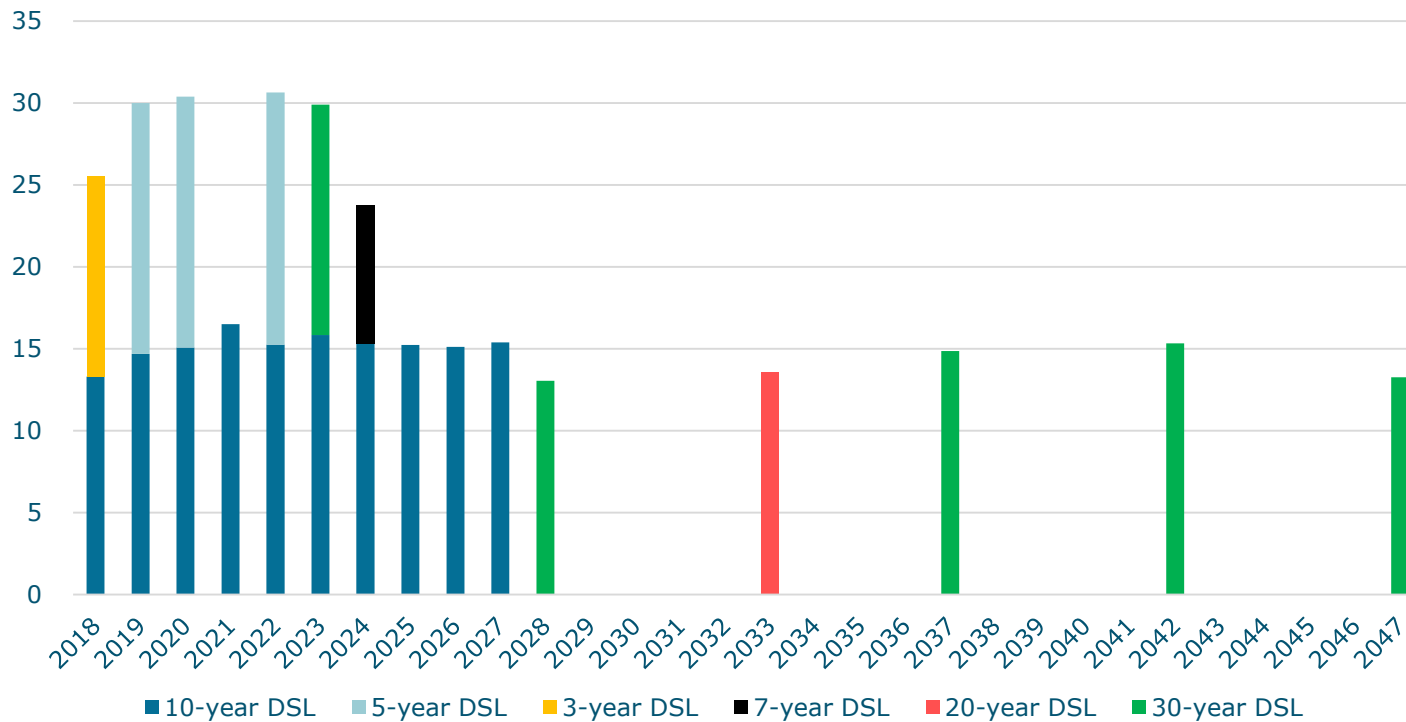
Instrument	(€ bn)
DSL (T-bonds)	301.8
DTC (T-bills)	16.0
Commercial Paper	0
Private loans	1.2
Cash	1.1
Cash collateral	11.2
Total debt outstanding	331.3

Source: DSTA, Monthly Report



DSL redemption profile

Redemptions of DSLs, position at the end of February 2018 (€ bn)





Borrowing requirement 2018

Borrowing requirement 2018	(€ bn)
Capital market redemptions 2018	38.4
Money market ultimo 2017 (excl. cash collateral)	15.7
Cash balance 2018*	-3.6
Total	50.5

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

Source: DSTA, Update borrowing requirement for 2018, January 2018



Funding in 2018

Funding 2018	(€ bn)
Capital market issuance (DSLs) in nominal terms	23-29
Money market ultimo 2018	21.5-27.5
Total	50.5

- Money market is primary buffer
- Some flexibility on capital market (target range as announced in Outlook 2018)

Source: DSTA, Update borrowing requirement for 2018, January 2018



Issuance in 2018

Total DSL funding amounts (€ bn)

DSL	Indicative	Realised
New 10-year DSL 2028	12 - 15	-
On-the-run DSL 2024	9	1.9
Longer dated DSL(s)*	2 - 5	-
Total DSL funding	23 - 29	1.9

* This will be either through launching a new longer dated DSL (in the 15- to 30-year segment) or through reopening longer dated off-the run DSL(s)

Source: DSTA



Liquidity and investor base



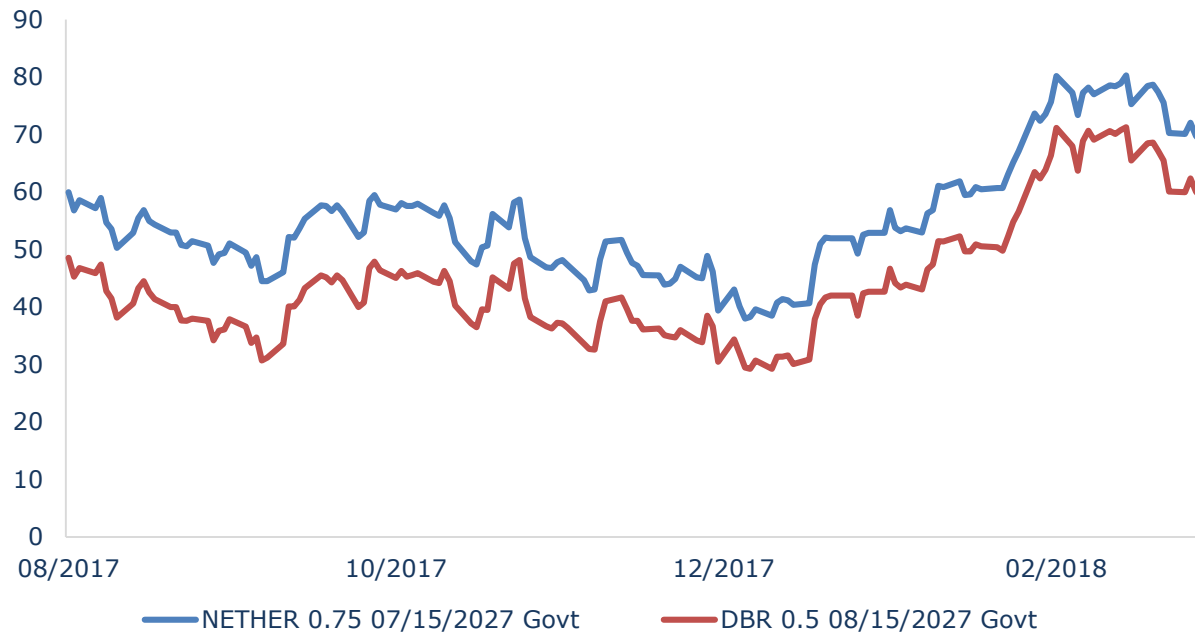
Ensuring sufficient liquidity in secondary markets

- 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

Yields of Nether Jul2027 versus DBR Aug2027 (in bps)

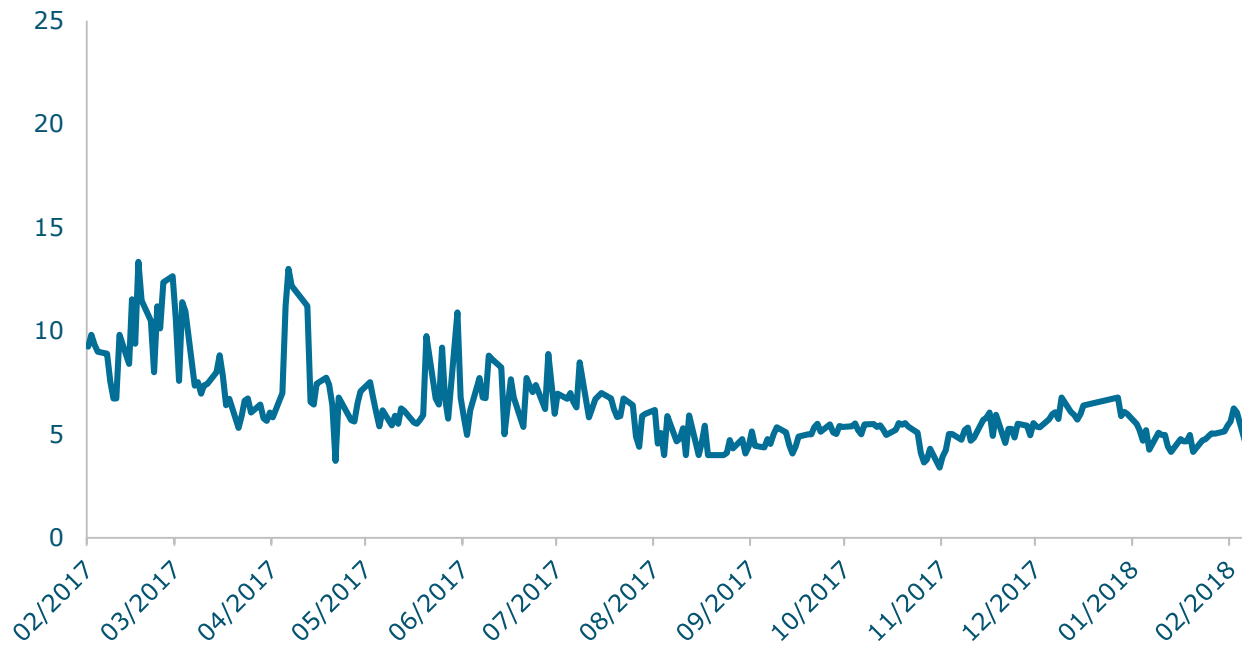


Source: Bloomberg



Tight bid/offer spreads

Tightest bid/offer spreads of Nether Jul2027 (in cents)



Source: DSTA



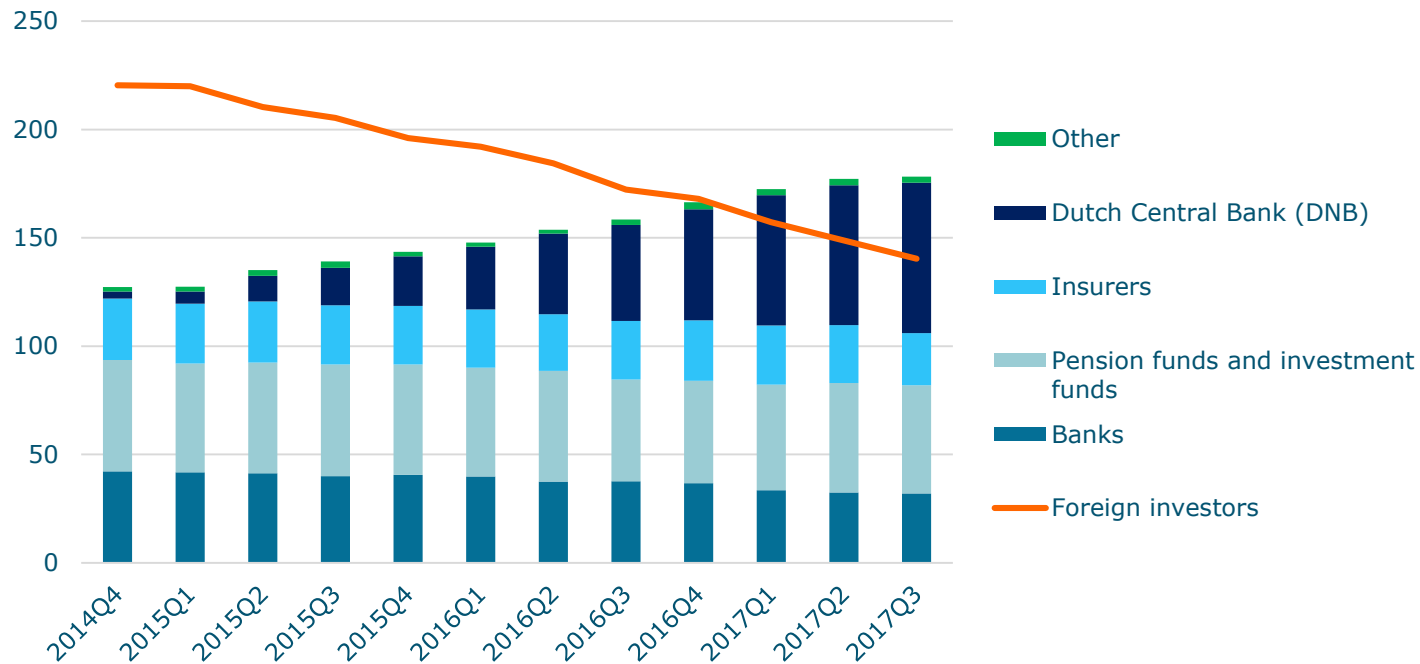
QE and DSLs

- ECB bought approx. € 1.1 bn of Dutch debt securities in January 2018 (and from 1 April 2017 until 31 December 2017 on average € 2.6 bn)
- Next to DSLs, ECB can buy bonds from three other Dutch agencies:
 - Bank Nederlandse Gemeenten N.V. (BNG)
 - Nederlandse Waterschapsbank N.V. (NWB)
 - Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO)
- Average maturity of Dutch debt held by ECB was 7.5 years at end of January 2018
- DNB has a securities lending facility



Holdings of DSLs

Holdings of Dutch government securities (€ bn), Q3 2017

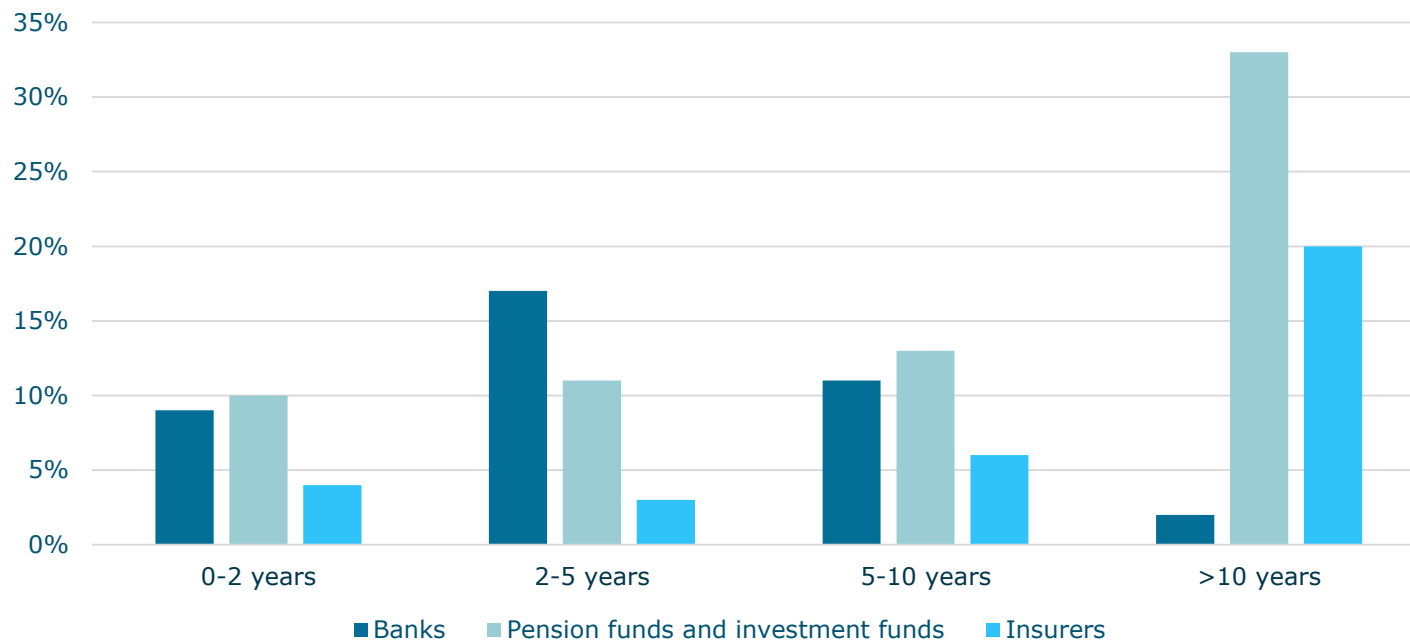


Source: Dutch Central Bank (DNB), January 2018



Holdings of DSLs per maturity segment

Domestic sector holdings (% of outstanding debt in the specific segments), Q3 2017

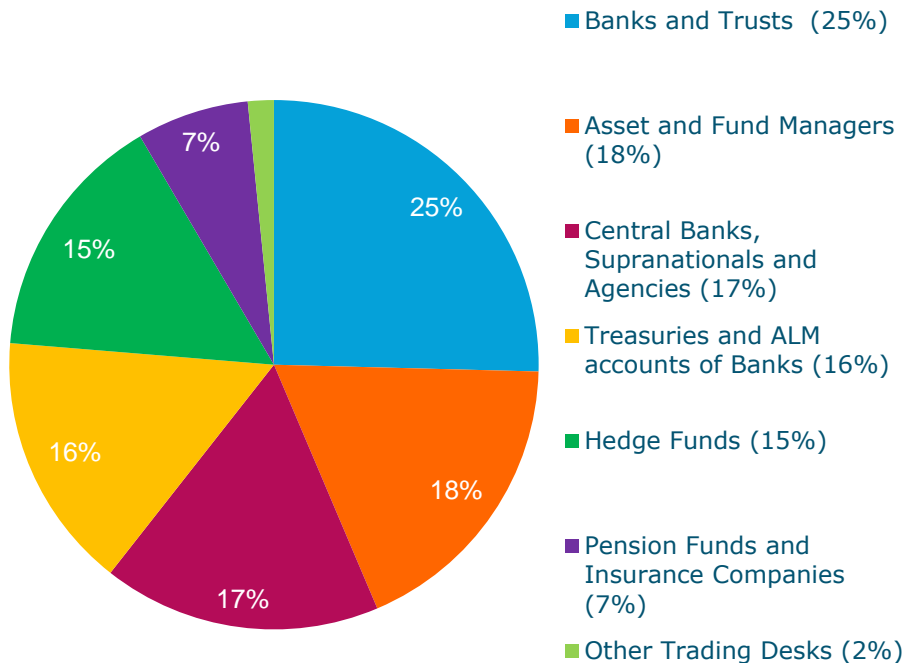


Source: DNB, January 2018

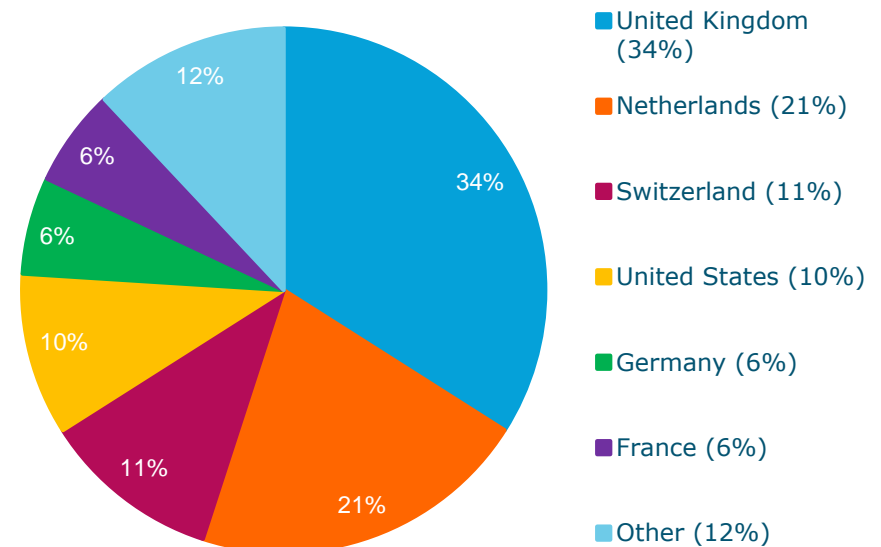


Diversified investor base: previous 10-year DDA

Breakdown of investor base



Geographical breakdown





Reasons to buy DSL 2028

- Strong economy: 3.2% GDP growth projected for 2018, steady growing housing market and declining unemployment
- Solid budget: Budget surplus and EMU-debt level below 60% GDP. Solid reputation of consensus-based fiscal discipline
- Liquidity: commitment to raise outstanding amount of bond to a minimum of €12 bn before the end of the year
- Tradability: Continuous availability of secondary market prices
- Highly rated issuer (Aaa/AAA/AAA): only triple A rated EMU sovereign with an attractive yield compared to Germany



Supplement I

New coalition government



Present political situation

- New government of Rutte (III) took office on 26 October 2017
- Long-standing tradition of 'trend-based' budgetary policy → government expenditure levels are determined at the beginning of the government term, are fixed and cannot be exceeded during the government term.
- Specific investments are in the field of defense, education, security, infrastructure and elderly care.
- The government plans contribute to the continued strong economic outlook for the Netherlands.
- Local elections on 21 March 2018



Governmental plans

Housing market

- There will be an accelerated reduction of the mortgage interest deduction: in steps of 3% to the basic rate
- Maximum LTV for new mortgages remains at 100%

Pensions/retirement

- Retirement age increased to 67+ from 2021 onwards
- The coalition agreement envisages further modernization of the pension system

Health care

- The newly formed government argues there's no need for new reforms, but there is a need for improvements.
- €2.1 bn is being made structurally available for good quality residential care
- General agreements will be concluded again, with savings of €1.9 bn a year

Labour market

- Lower tax rates on labour
- Institutional changes to reduce labour market segmentation



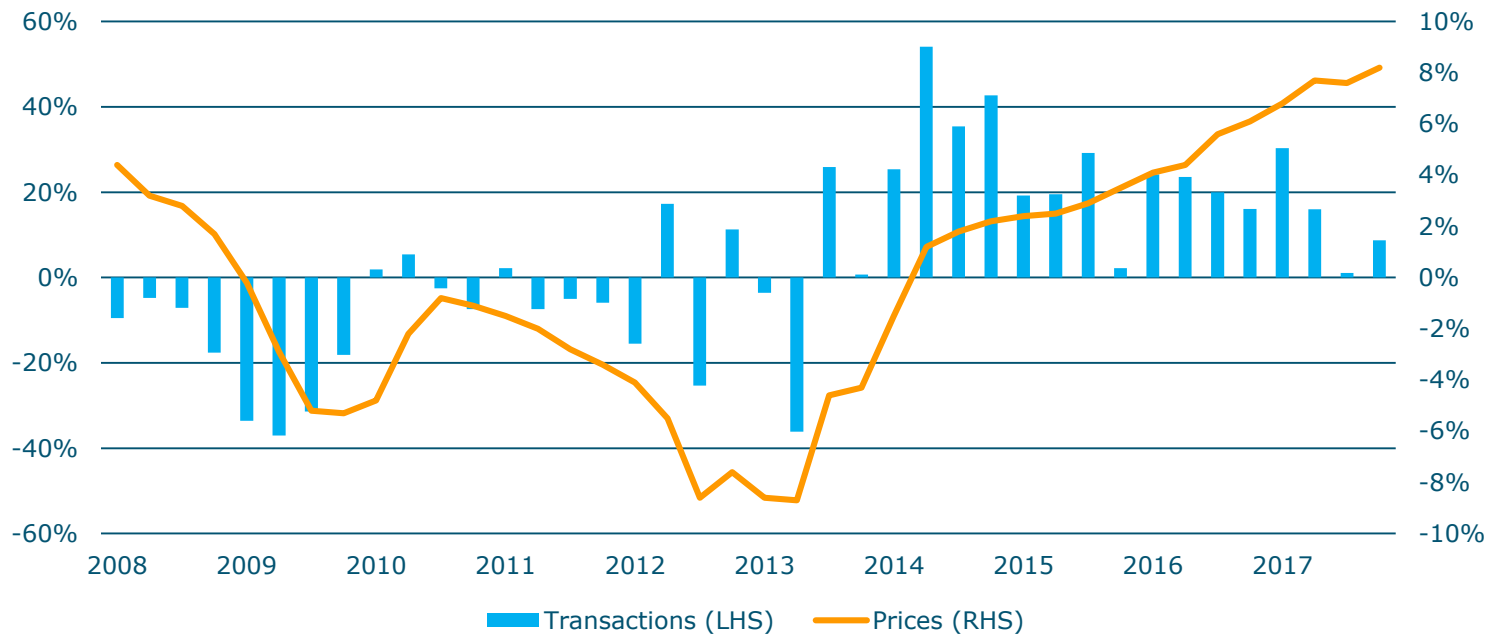
Supplement II

The economy continued



Housing market recovery

Transactions and prices %-change (y-o-y)

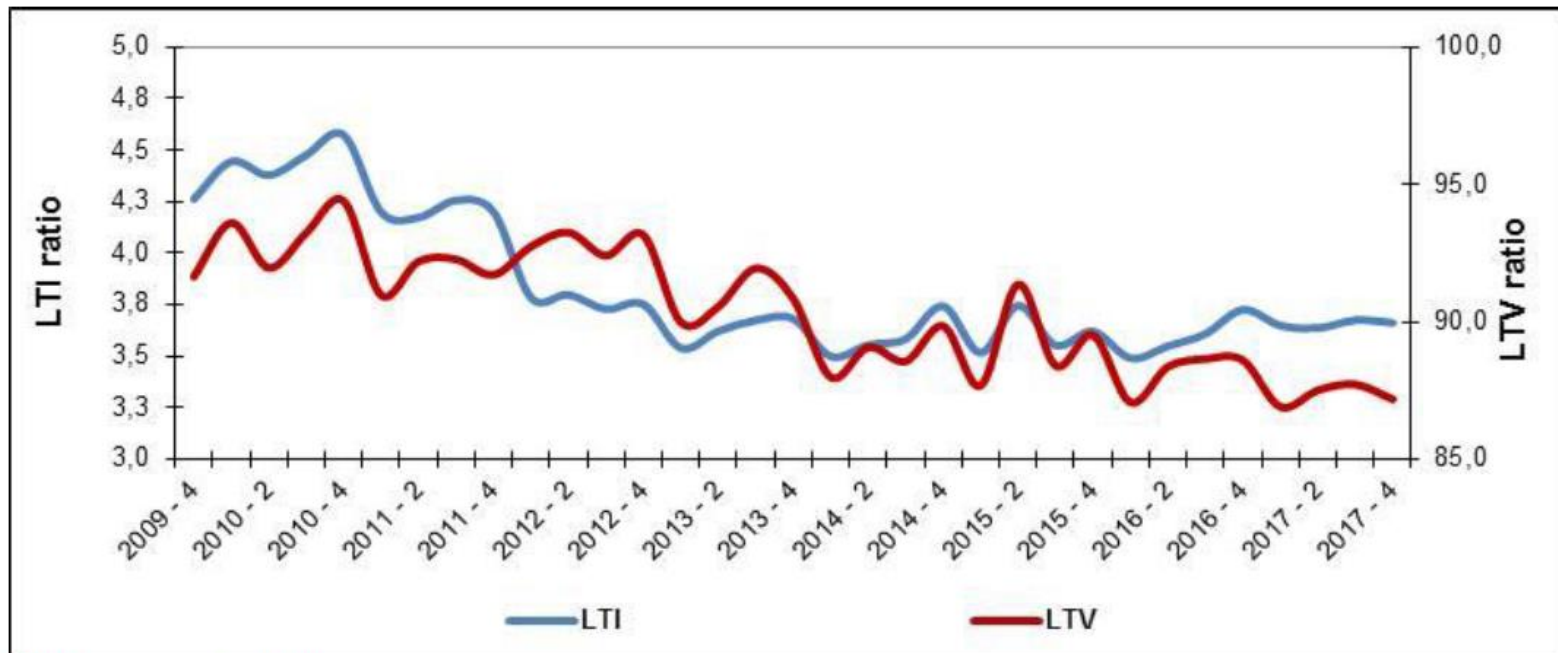


Source: CBS, January 2018



Dutch mortgage market more resilient to shocks

Development of LTV and LTI ratios over 2009-2017

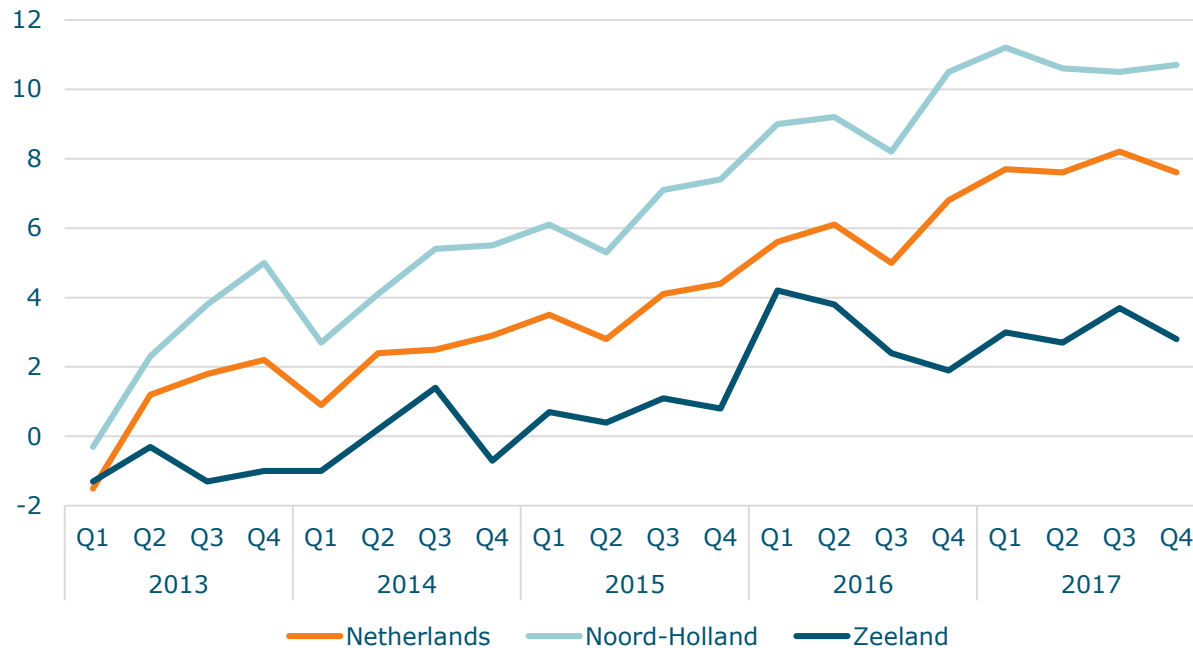


Source: House Prices Expertise Center, February 2018



Regional divergence in housing prices

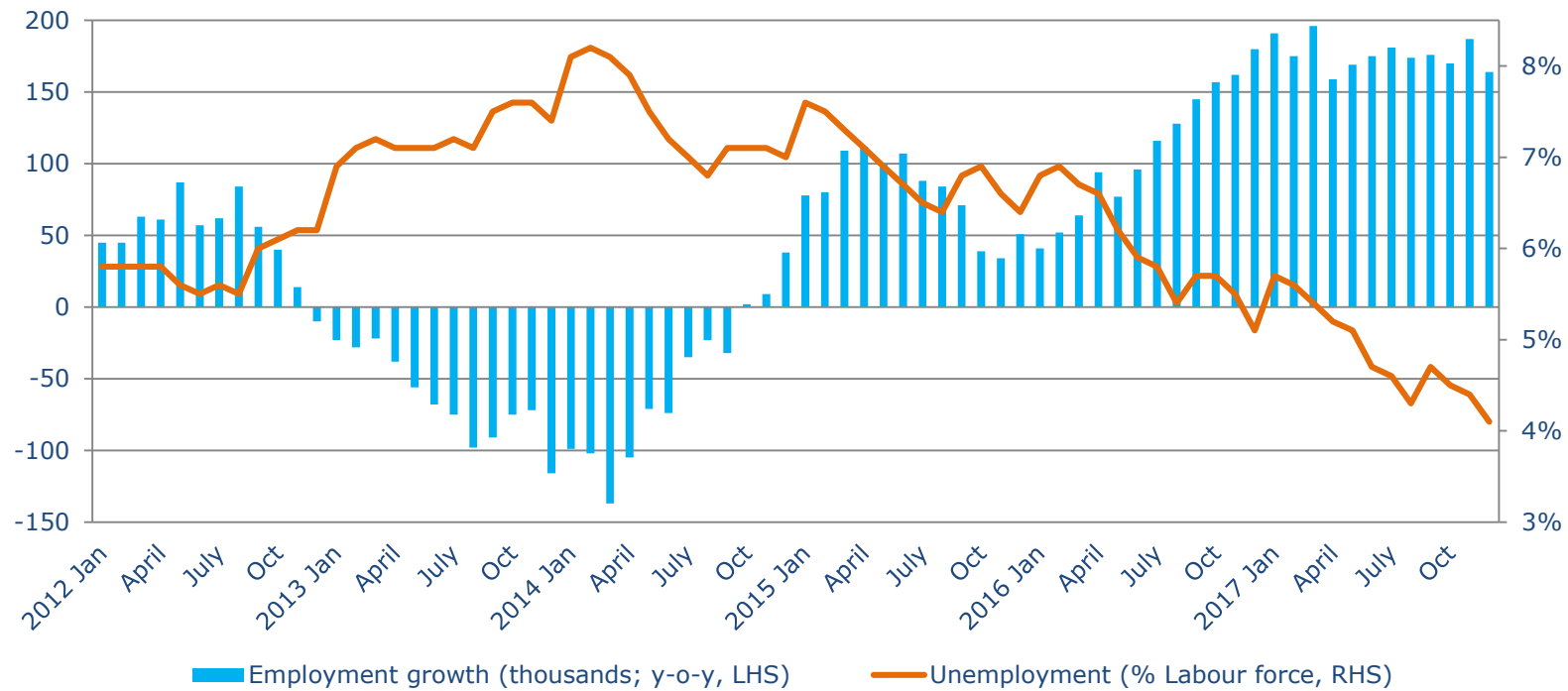
Housing prices in different provinces (%-change y-o-y)



Source: CBS, January 2018



Labour market recovery

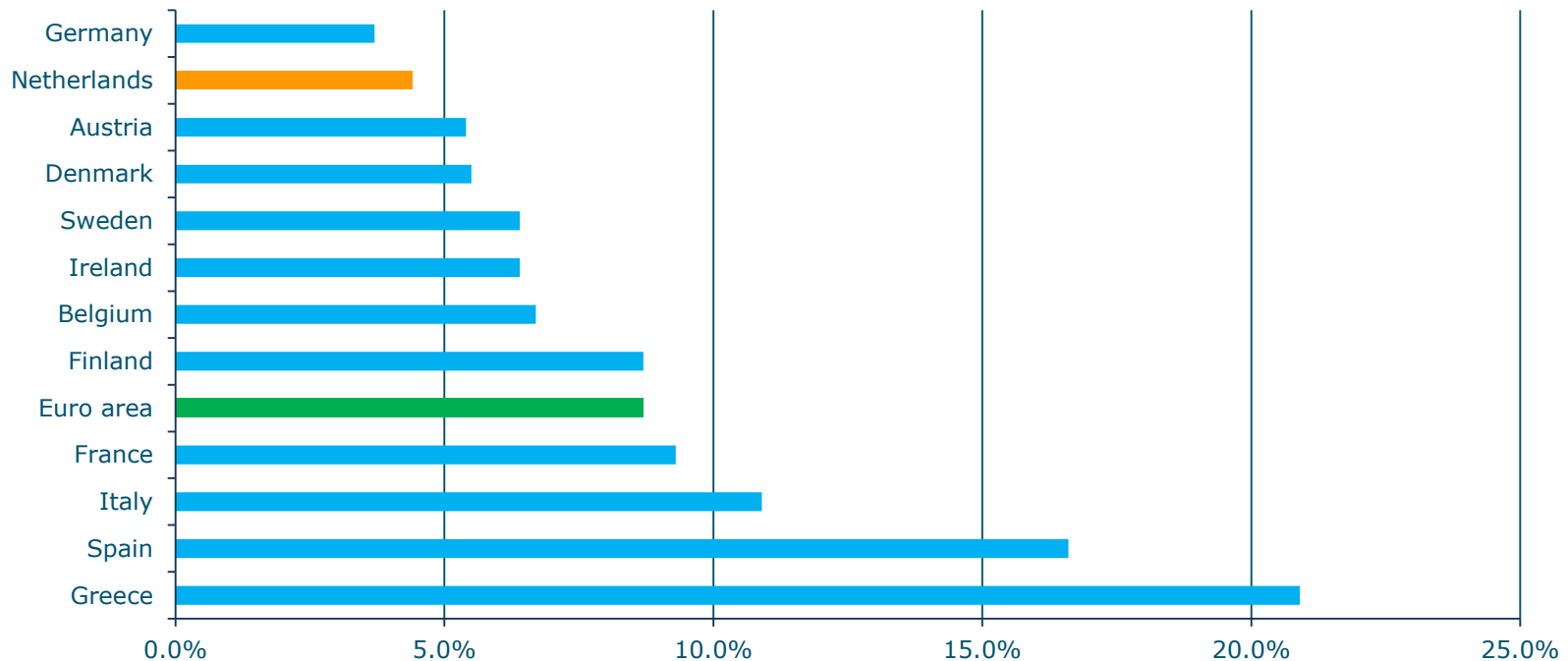


Source: CBS, January 2018



Unemployment is low and declining further

Unemployment rate, seasonally adjusted data (% of labour force)

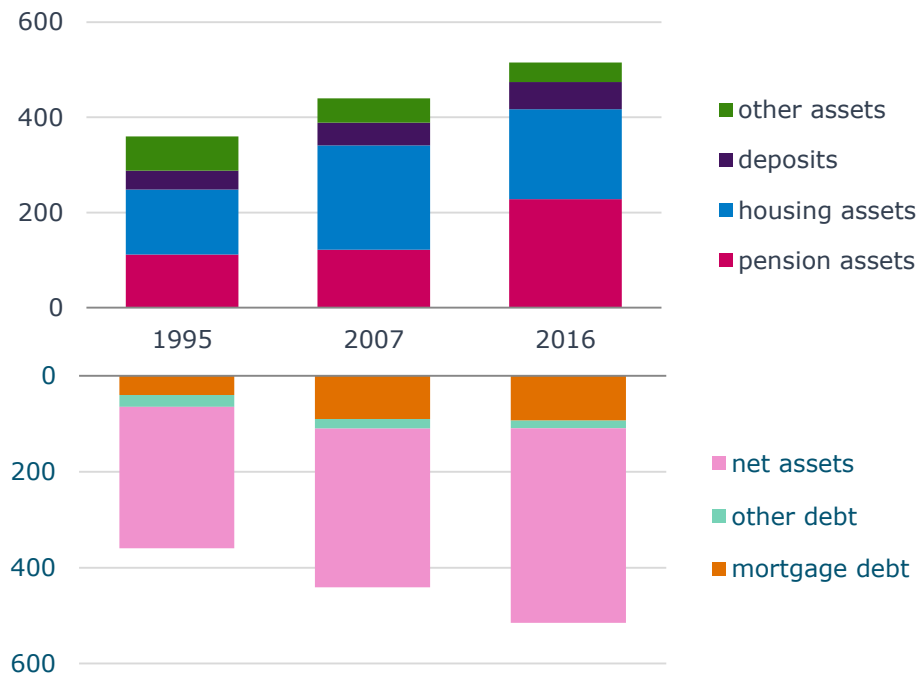


Source: Eurostat, November 2017



Households have strong asset position

Households assets and liabilities (% of GDP)

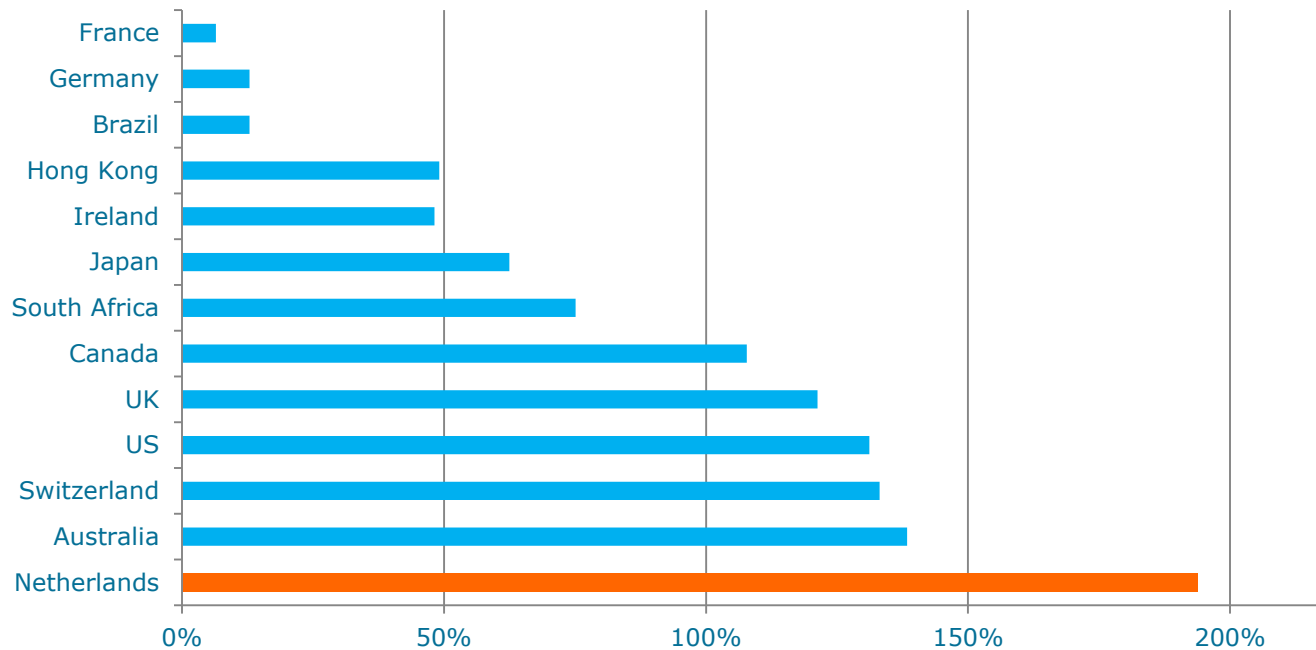


Source: DNB, September 2017



Pension assets internationally

International pension assets in 2017 (% of GDP)

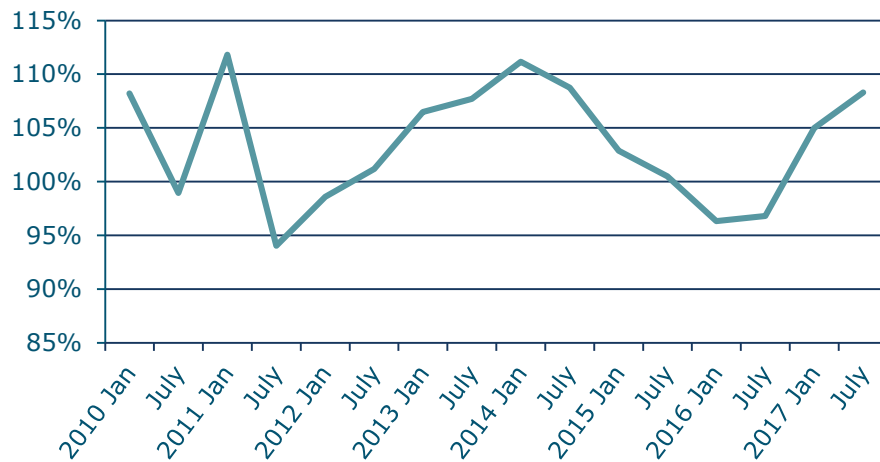


Source: Willis Towers Watson, Global Pension Asset Study, February 2018



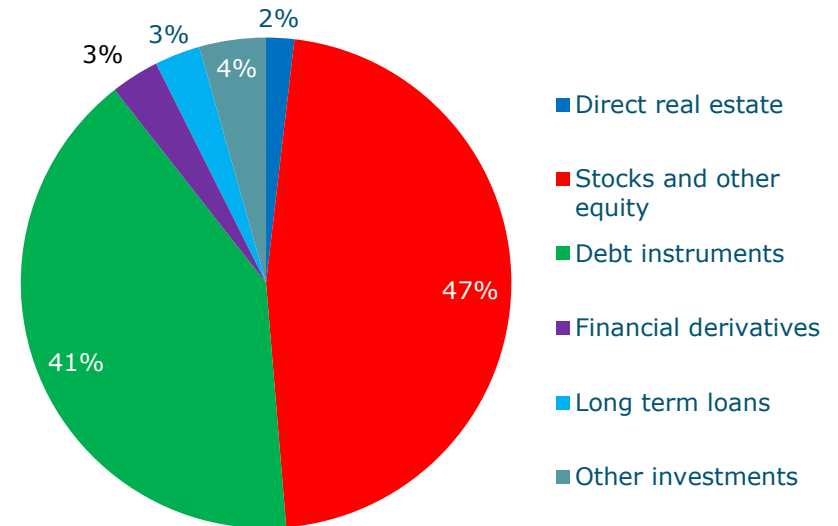
Pension funds

Pension fund coverage ratios



Source: DNB, December 2017

Pension fund holdings at the end of 2016

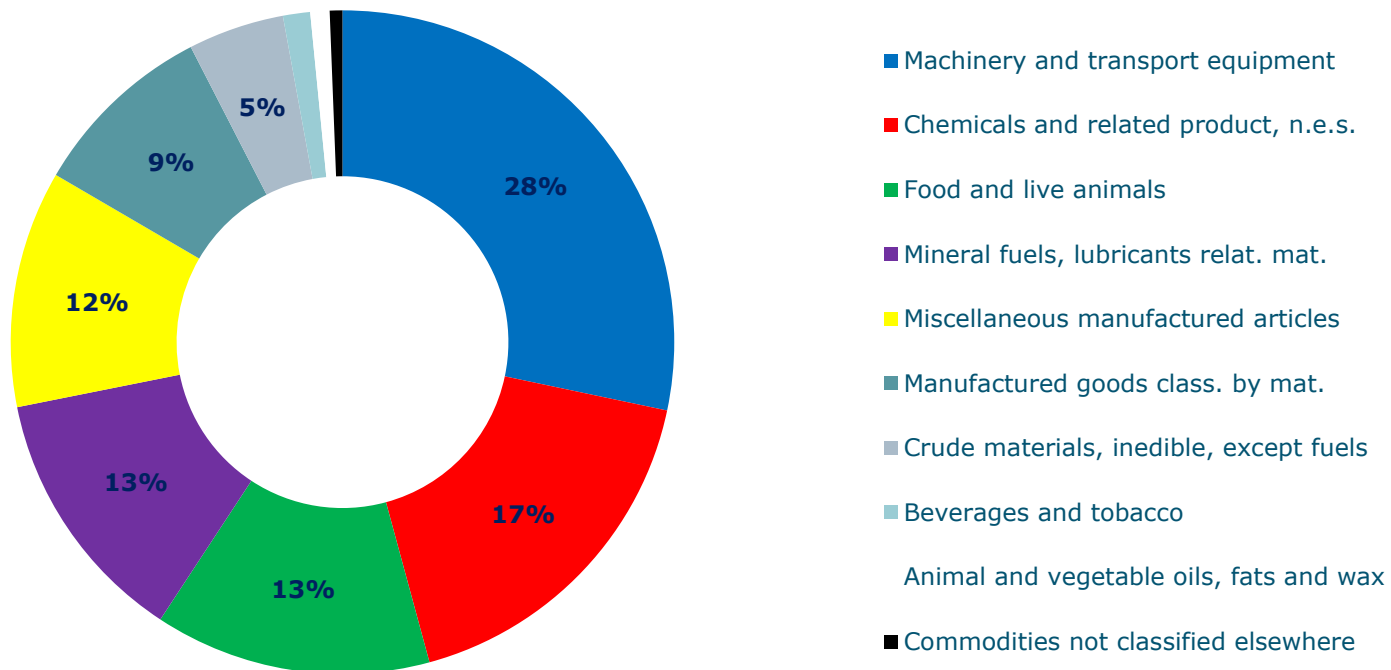


Source: CBS, July 2017



Export performance by product category

Export performance by product category, January - November 2017



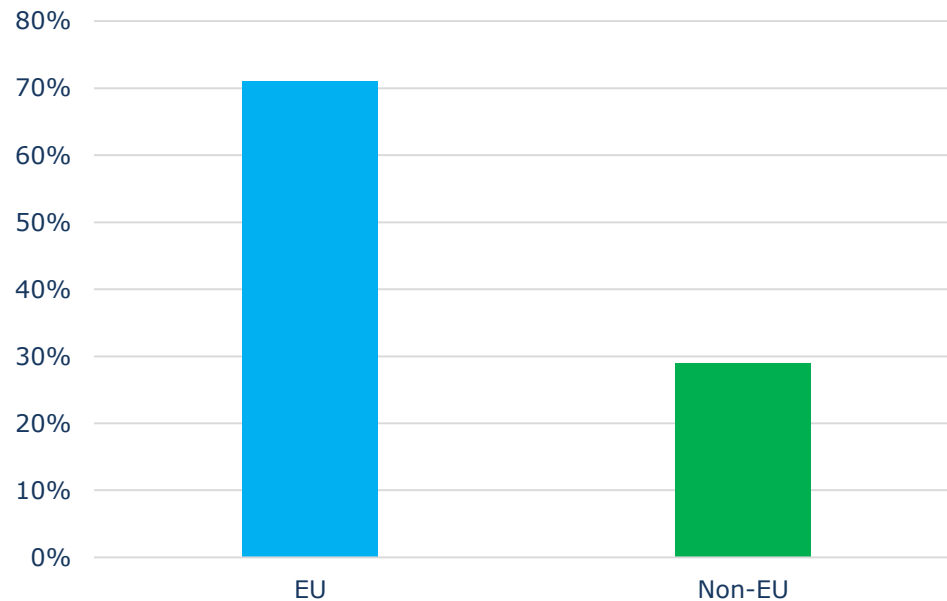
Source: CBS, February 2018



Export performance by country

Share of exports: EU and non EU (% of total), January – November 2017

Rank	Country	Share
1	Germany	22,9%
2	Belgium	10,1%
3	United Kingdom	8,3%
4	France	8,0%
5	USA	4,3%
6	Italy	4,0%
7	Spain	3,0%
8	Poland	2,5%
9	China	2,4%
10	Sweden	2,1%



Source: CBS, February 2018



Among the most competitive countries worldwide

Top 15 countries on the WEF Competitiveness Index

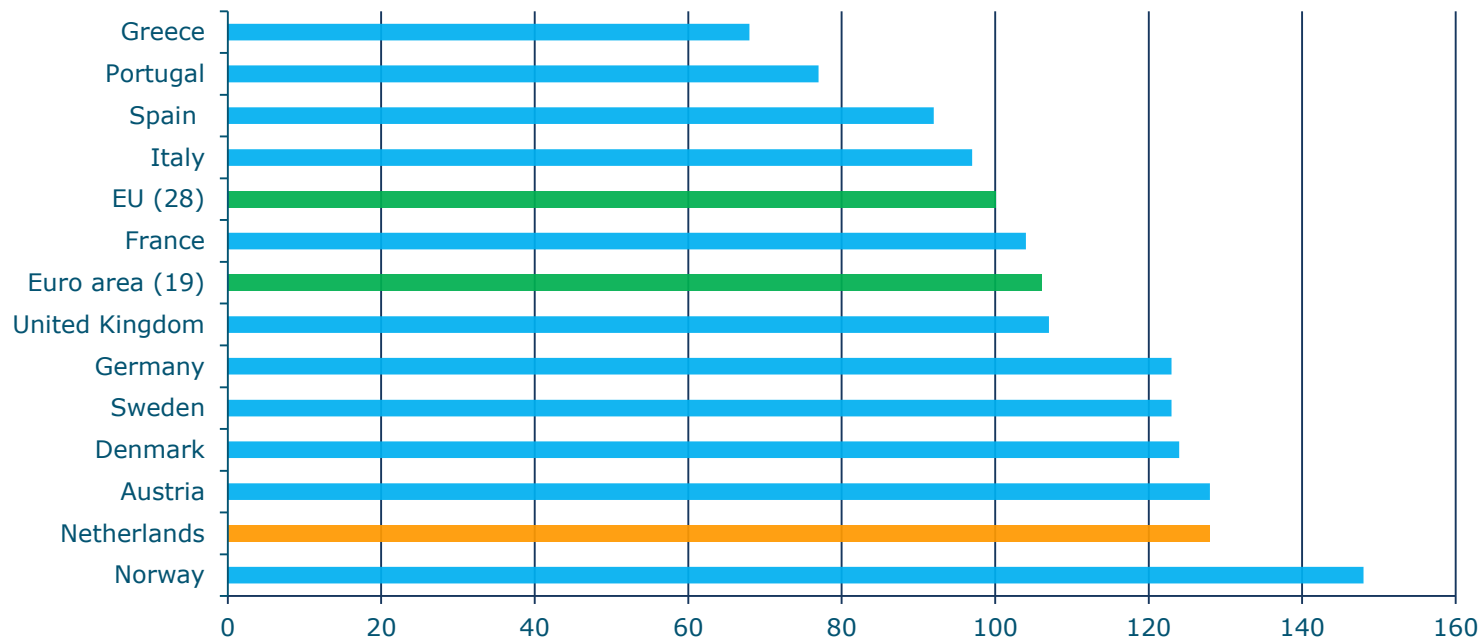
Rank	Country
1	Switzerland
2	United States
3	Singapore
4	Netherlands
5	Germany
6	Hong Kong SAR
7	Sweden
8	United Kingdom
9	Japan
10	Finland
11	Norway
12	Denmark
13	New Zealand
14	Canada
15	Taiwan, China

Source: World Economic Forum, September 2017



GDP per capita among the highest in Europe

Real GDP per capita (PPS, 2016, index)

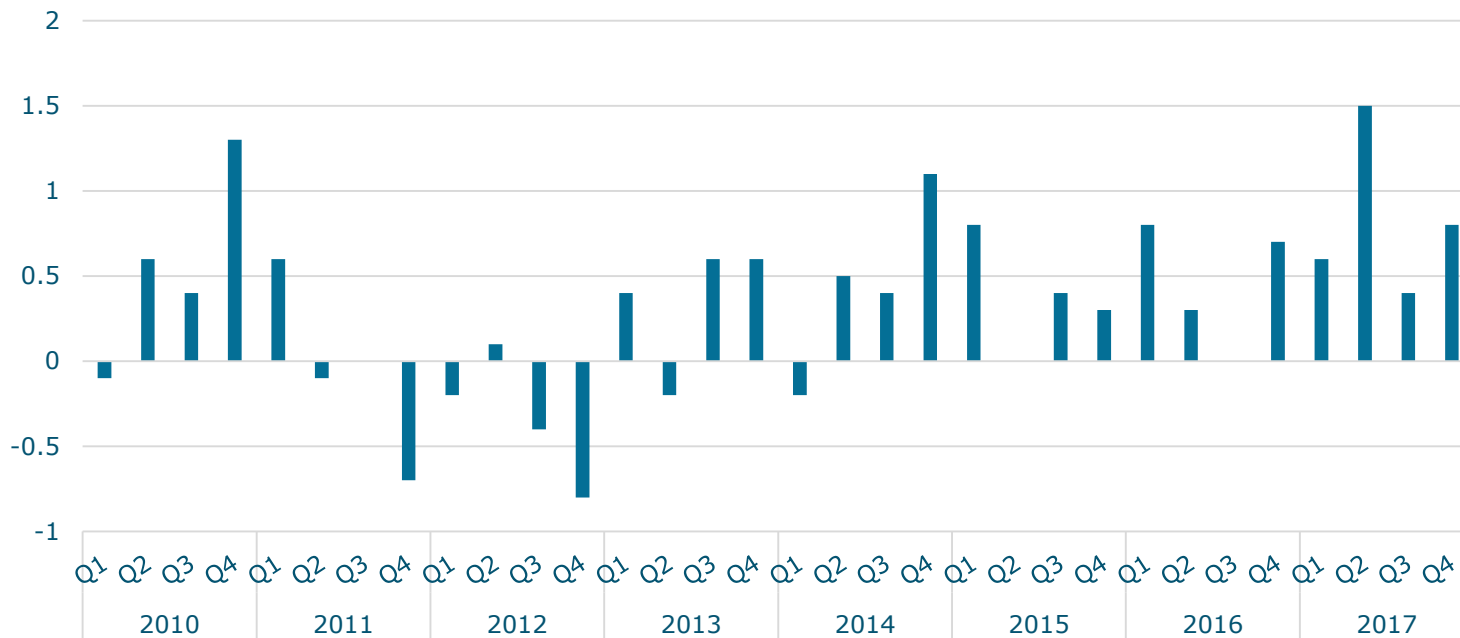


Source: Eurostat, December 2017



GDP on the rise

%-change, quarter-on-quarter



Source: CBS, February 2018



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 (<https://english.dsta.nl/subjects/d/dealers>)

The DDA rules can be found on our website: english.dsta.nl/ddarules



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 receive a total of € 6,500,000 including advisory fees for their performance in the DDA
- 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

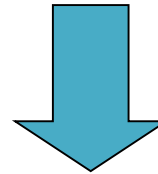


Mechanics of allocation – scenario 1

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	

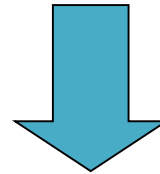


Mechanics of allocation – scenario 2

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 if needed on 4th Tuesday of the month
- Quarterly issuance calendars (Q1 2018, released 15 December 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)



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 (SEC Rule 144A compliant) and ECP
- Maturities up to 1 year (focus on 3-28 days segment)
- 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 2018

ABN AMRO Bank	Barclays	Citibank
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
- 2017 results
 - Year end duration of 6.0 years (target 6.0)
 - Average monthly refixing amount of 15.4% of debt
- 2018 targets
 - Year end duration target of 6.3 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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- Bloomberg: [DSTA07 <GO>](#)