



Dutch State Treasury Agency
Ministry of Finance

Dutch State Treasury Agency

Investor presentation
Dutch State Loan 2032
DDA of 10-year DSL
15 February 2022

Latest update: 7 February 2022



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Contents

- 3** Introduction and DDA details
- 5** Economic Outlook
- 12** Budgetary Outlook
- 16** Climate Outlook
- 21** Funding and Issuance
- 29** Auction details
- 31** Supplement
I. DDA explained





Details new 10-year Dutch State Loan

Details new DSL 2032	
Auction date	Tuesday 15 February 2022, start 10:00 CET
Maturity date	15 July 2032
Reference bond	DBR 0.00% 15 February 2032
Target volume	€ 4 - € 6 billion
Pricing	Aim to price on the auction date, but no later than 12:00 CET on 16 February 2022
Settlement date	Two days after the issuance price is set
Coupon	To be announced on Friday 11 February 2022
Initial spread guidance	To be announced on Monday 14 February 2022
Country ratings	Aaa/AAA/AAA



Time schedule DDA of 10-year DSL

- › Book opens **10:00 CET on Tuesday 15 February 2022**
- › 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 auction day but no later than 09:00 CET the following business day**
- › Pricing from 30 minutes after allocation and preferably on the auction day itself; **but no later than 12:00 CET the following business day**
- › By the end of 2022 a minimum of € 12 billion is expected to be raised in the DSL 15 July 2032



Economic Outlook



Key economic figures for the Netherlands

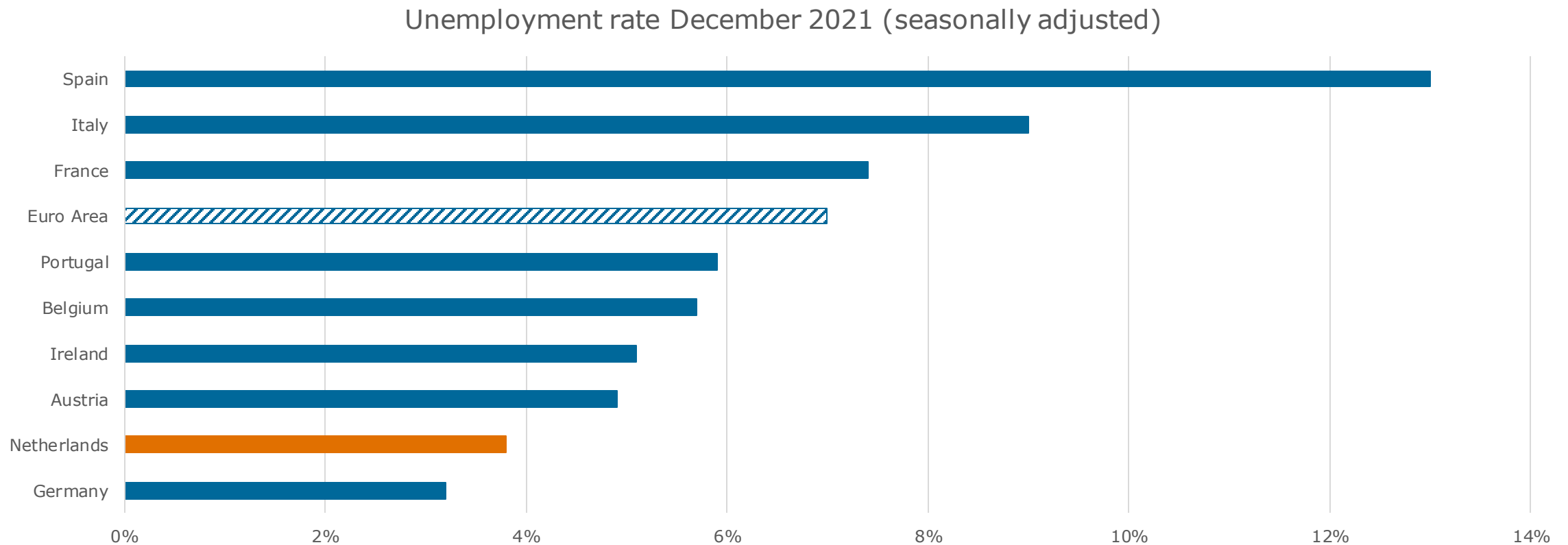
% change, compared to same period last year	2019	2020	2021Q1	2021Q2	2021Q3	2022*
GDP	2.5	-4.5	-2.6	10.6	6.2	3.5
Consumption (households)	0.9	-6.6	-8.2	10	5.7	5.8
Consumption (government)	2.8	1.0	1.3	8.7	3.1	1.5
Investments	6.2	-4.1	-0.4	9.6	2.7	3.6
Import	3.2	-5.5	-2.9	10.8	7.6	6.4
Export	2.0	-4.8	-1.6	14.1	8.1	5.4

Source: CBS, December 2021

* Forecast 2022, source: CPB, September 2021



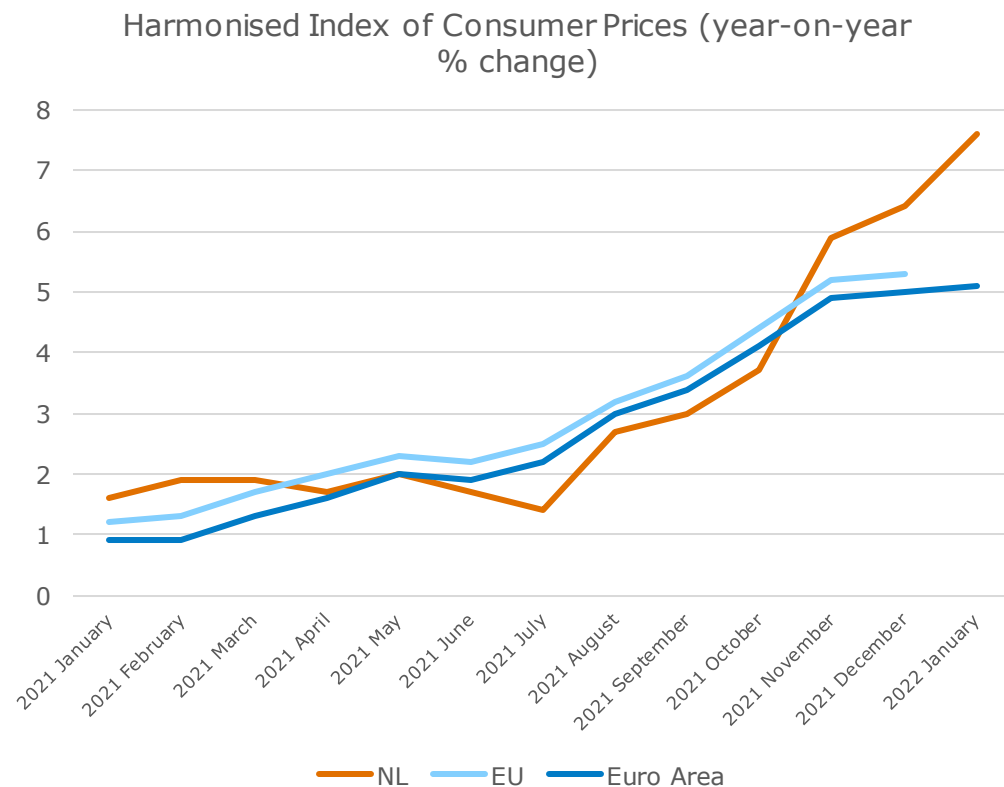
Unemployment is low compared to peers



Source: Eurostat, February 2022 ([link](#))



High levels of inflation



- > High levels of inflation at end of 2021, mainly caused by **high energy prices**.
- > Current monthly inflation rate is above Euro Area & EU average.
- > On average Dutch inflation rate in 2021 is **2.8%** (Euro Area 2.6%) ([CBS](#)).
- > Inflation expectation for 2022: **3.0%** ([DNB](#)), which is slightly below Euro Area expectation of 3.2%.

Source: Eurostat, February 2022 ([link](#))



Risks to the outlook, but mitigating factors exist

High inflation

- Levels of inflation driven by demand and supply shocks.
- Possible impact on household incomes and purchasing power.
- Uncertainty about monetary policy.

Tight labour market

- Due to a mismatch between vacancies and skills of unemployed, multiple sectors are facing labour shortages.

Developments of the COVID-19 pandemic

- Remaining uncertainty about the development of the COVID-19 pandemic.

Resilient financial landscape

- Dutch economy and public finances are relatively robust to interest rate shocks due to long maturity of outstanding loans and mortgages.

Strong fundamentals

- Strong economic recovery shows the resilience of the Dutch economy.
- Current budgetary position leaves room for relevant interventions.

Omicron turned virus into a new phase

- Omicron tends to be less illmaking. Currently in a phase of high contamination rates but low hospital admissions.
- Vaccination rate in combination with high contamination might possibly result in herd immunity.



Political situation

- › In January 2022 a new government was presented. Same four parties forming the coalition.
- › The main points of the coalition agreement:
 - Strong focus on climate;
 - Plans for the challenges on the Dutch housing market;
 - Plans and investments for strengthening the healthcare sector;
 - Investments in public safety and tackling subversive crime;
 - Increasing equality of opportunity and combating discrimination;
 - Tackling imbalances in the labour market;
 - Investing in future prosperity through education and innovation.



Impact of coalition agreement on economy

- › Average **increase in GDP of 2.4%** per year for 2022 – 2025
 - Baseline scenario* 2.0% per year
- › Lowering **unemployment to 3.3%** in 2025
 - Baseline scenario 4.1% in 2025
- › **Maintaining the same level of purchasing power** over years 2022 – 2025
 - Baseline scenario -0.4% per year
- › Improving income inequality, **decreasing the Gini-coefficient with 1.3%**
 - Relative to baseline scenario

** Note that the baseline scenario represents the expected development under unchanged policies*

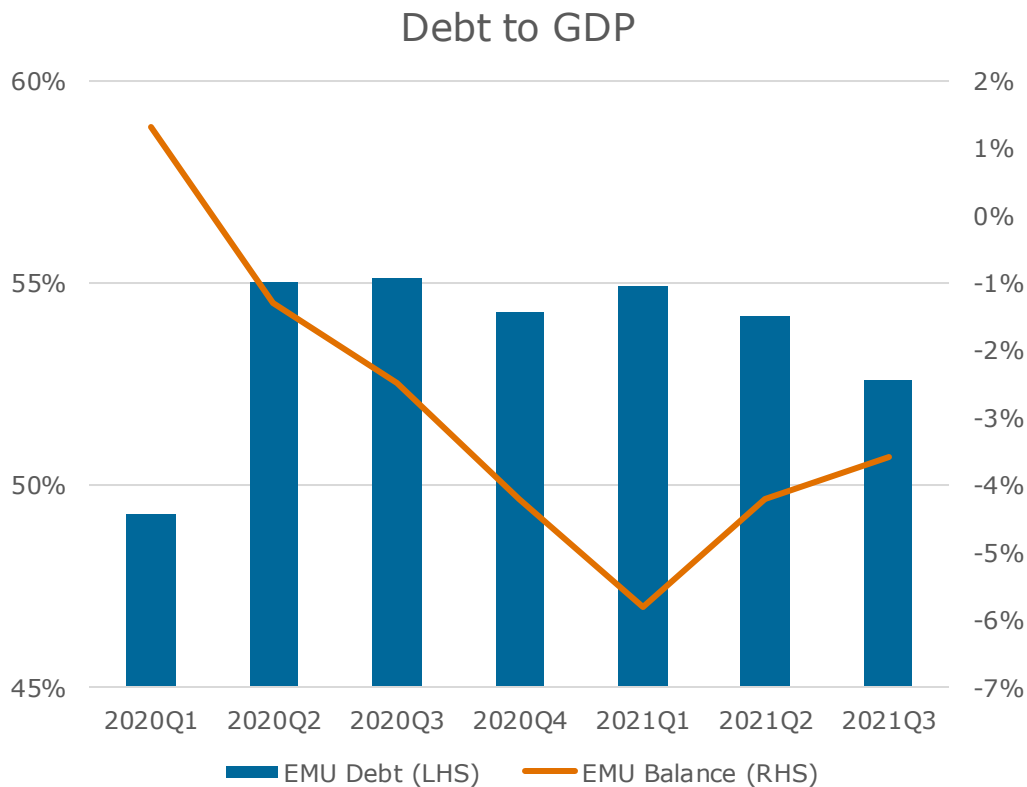
Source: CPB, January 2022 ([link](#))



Budgetary Outlook



Debt to GDP remained below threshold during crisis



Source: CBS, December 2021 ([link](#))

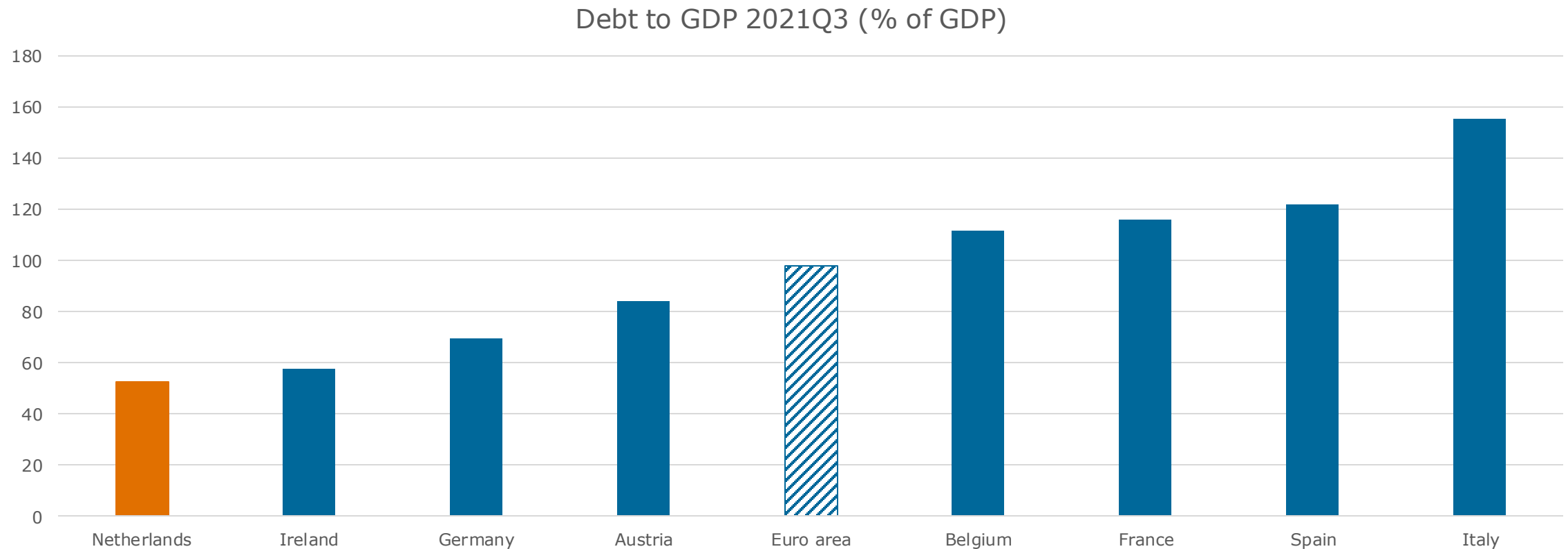
(in % of GDP)	2022	2023	2024	2025
EMU-Balance*	-2.4	-1.2	-0.8	-0.7
EMU-Debt*	57.7	57.1	56.1	55.4

Source: Budget Memorandum, Ministry of Finance, September 2021 ([link](#))

*Please note that the figures in this table are calculated in September of previous year, new figures of EMU balance and debt will be published in May 2022.



Also, the lowest compared to peers



Source: Eurostat, February 2022 ([link](#))



Impact of coalition agreement on budget

- › Deterioration of **EMU balance to -2.7%** in 2025
 - Baseline scenario* -0.7% in 2025
- › Increasing **EMU debt to 56%** in 2025
 - Baseline scenario 54% in 2025

** Note that the baseline scenario represents the expected development under unchanged policies*

Source: CPB, January 2022 ([link](#))

A scenic landscape of a forest with tall pine trees and a field of purple heather under a bright sun with lens flare.

Climate Outlook



Climate Mitigation

- 2030: new government introduces policies that aim for a **reduction of 60% of green house gas emissions** compared to 1990 levels, in order to reach the 'EU fit- for-55%' target.
- **A Minister responsible for climate and specific climate mitigating measures** were introduced in the coalition agreement such as;
 - Reduction targets per sector;
 - Increase supply of renewable energy;
 - Implementation of relevant legislation and fiscal measures;
 - Climate and transition fund of € 35 billion to 2030 (more information on slide 19).



Climate Adaption

- › **60%** of the Netherlands **is vulnerable to flooding.**
- › The Delta Programme: to make the Netherlands climate-proof before 2050
 - Flood risk management;
 - Fresh water supply;
 - Spatial adaptation.
- › The new government **announced additional investments** in the Delta Programme to eliminate backlogs and accelerate the implementation of the programme.



Climate and transition fund to be established

- › The new government announced the introduction of a **climate and transition fund of € 35 billion** for the **coming 10 years**.
- › Investments in:
 - Energy infrastructure (electricity, hydrogen, geothermal and CO2);
 - Green industrial policy;
 - Developing a more sustainable mobility and urban environment.



Developments in the Green, Sustainability and Social bond market

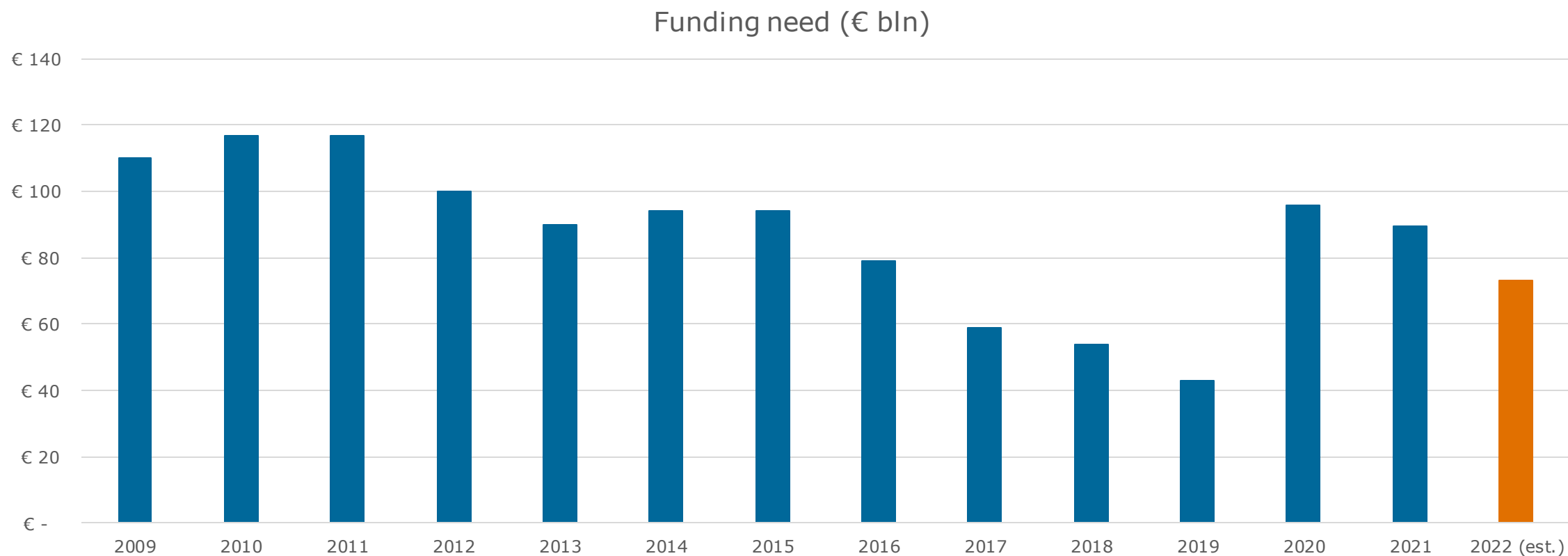
- › ESG-bond market shown a significant growth over the past few years.
- › The DSTA has been **part of the sustainable bond space** since the launch of its inaugural Green bond back in May 2019. Furthermore, the DSTA has the ambition to further develop its presence in the green bond market.
- › The DSTA has decided to increase the outstanding amount of the Green DSL 2040 in 2022 with **around € 5 billion to assure liquidity of the green DSL**. More information about the current allocation and impact of the Green DSL 2040 can be found in the [Green bond report](#). The proposed increase of € 5 billion will be done based on an adjusted green bond framework in line with the EU taxonomy.
- › For the future, the DSTA would like to remain active within the Green bond space and will therefore **look into possibilities to further expand its Green bond issuances with a possible new Green Bond based on a more detailed government plans and investments**.



Funding and issuance



Funding need 2022 lower than previous two years





A closer look at the funding need

Funding need	Amounts (in € bn)
Capital market redemptions 2022	30.7
Money market ultimo 2021	19.3
Cash deficit*	23.3
Total funding need 2022	73.3

* A cash deficit is shown as a positive number because it increases the total borrowing requirement



Impact of coalition agreement on funding

- › Additional government expenditures related to the coalition agreement are expected to amount to **€ 6.5 billion** for 2022. In the meantime also more expenditures are envisaged due to amongst others COVID-19 support measures. An update of our funding plan based on latest estimates will be presented in May (shortly after publication of the Spring Budget Memorandum).
- › The potential increase in funding need can be absorbed by **higher volumes issued on either the capital or the money market.**
- › The establishment and execution of **multiple investment funds** needs further work and will probably gradually increase the funding need in the period from 2023 onwards.

Note that the presented plans are still surrounded by a high degree of uncertainty.



DSL Issuance in 2022

- › Around **€45 billion** of capital market issuance in 2022
- › Consisting of:
 - Launch of a new 10-year benchmark bond
 - Launch of a new 30-year benchmark bond
 - Launch of a new DSL 15 January 2026 (*launched on 11 January*)
 - Tap auctions in on-the-run and off-the-run DSLs, including significant increase in Green DSL 2040
- › So far the total amount raised on the capital markets is **€7.4 billion**



DSL Issuance calendar Q1 2022

Auction Date	Details	Target volume (in € bn)	Realisation (in € bn)
11 January 2022	New DSL 15 January 2026	3 – 5	5.4
25 January 2022	Reopening DSL 15 January 2052	1 – 2	2
15 February 2022	New 10-year bond: DSL 15 July 2032	4 – 6	
8 March 2022	Reopening DSL 15 January 2029	1.5 – 2.5	
22 March 2022	Reopening of an existing DSL	To be announced*	

* Target volume and other details will be announced at a later stage.



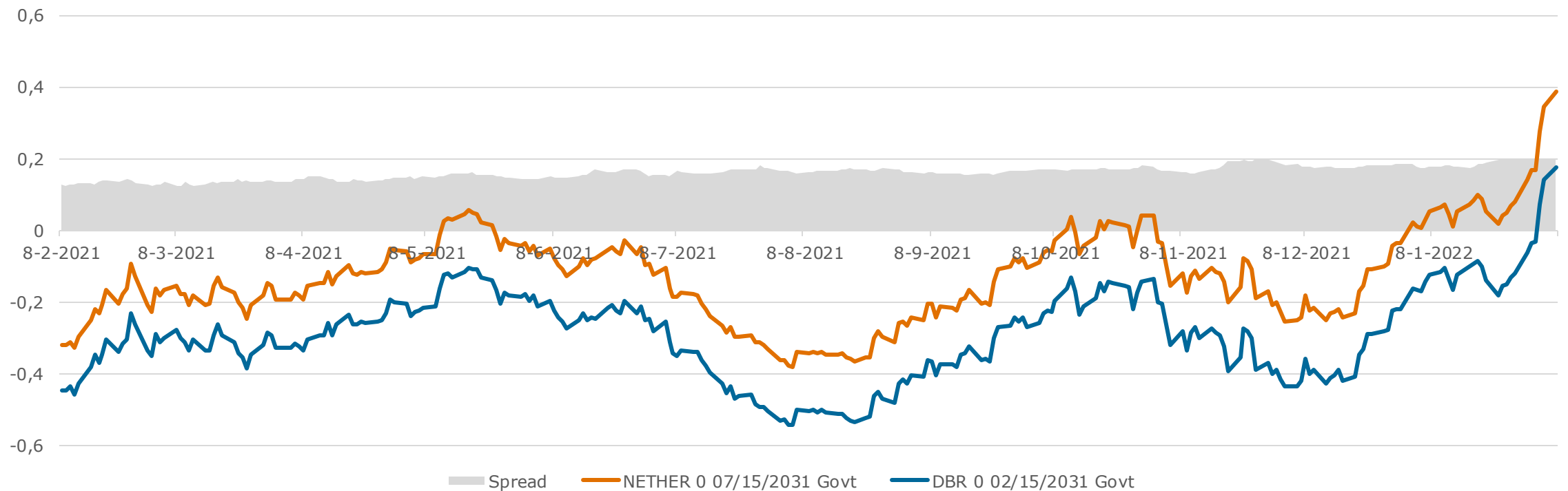
Ensuring liquidity in secondary markets

- › Clarity at start of the year on new benchmark issuances (published in December Outlook)
- › Annual issuance of a new 10-year bond
 - Outstanding amount of new 10-year bond raised to at least €12 billion within calendar year
 - Outstanding amount of new maturity less than 10-years DSLs raised to at least €12 billion within 12 months
 - Longer dated DSLs raised to at least €10 billion within several years
- › Re-opening existing DSL lines after market consultation
- › Quotation obligation for Primary Dealers to ensure tradable prices at all times
- › Repo facility available to Primary Dealers ('lender of last resort')



Dutch yield spreads attractive vs German bund

Yield of DSL2031 vs DBR2031 (in bps)





Auction Details



Recap: Details new 10-year Dutch State Loan

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Supplement I

The DDA explained



A short overview of the DDA

- › 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
- › Primary Dealers receive a total of € 17,000,000 including advisory fees for their performance during the launch of the 10 years, 30 years and the reopening of the Green DSL 2040
- › 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](#)

The proces of the DDA is also set out in this short [video clip](#)