Dutch State Treasury Agency
Ministry of Finance

Outlook 2017

The DSTA's core values of transparency, liquidity and consistency have always been deeply imprinted in every decision, new policy and action taken by the DSTA. This was true in a period of turbulent and challenging market circumstances, such as during the financial crisis. It remains just as important today as stability is returning and the Dutch funding requirement has decreased. In the coming years, new circumstances and insights might demand flexibility and necessitate change. Even so, our core values will remain at the heart of our policies, strategies and operations at all times.

We have chosen to illustrate these core values in the Outlook 2017. *Transparency* in the form of architecture: from airy greenhouses to bright and modern glass buildings, including our own Ministry of Finance. *Liquidity* in the obvious and abundant presence of water in the Netherlands: from rivers and streams to small waterfalls and the North sea. Finally, we see *consistency* in seemingly endless repeating patterns: in highly organised Dutch agriculture, in a line of identical beach cabines, in large amounts of neatly parked bicycles and in rows of cheese wheels waiting to be sold.

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Preface

The times they are a changin'. Following the financial crisis, 2016 has been a solid year for the Dutch economy. GDP growth strengthened, unemployment dropped further, and investments accelerated back towards the long-term average. As a result, and profiting from earlier reform measures taken, the budget is also set to improve steadily. In cash terms, we even expect a surplus for 2017.

A highly encouraging trend which, ironically, implies important challenges for the DSTA. Favourable budget dynamics lower the funding need and thereby limit the DSTA in the number and type of debt instruments it can issue. While it has never been cheaper to borrow, our funding need is simply not that high anymore.

To illustrate, in 2016 favourable cash inflows have forced the DSTA to lower its issuance on the money market by around € 12 bn relative to the original estimate. We also had to settle for issuance on the capital market at the lower end of the announced range. Looking forward, a lower funding requirement will sometimes necessitate tough funding choices.

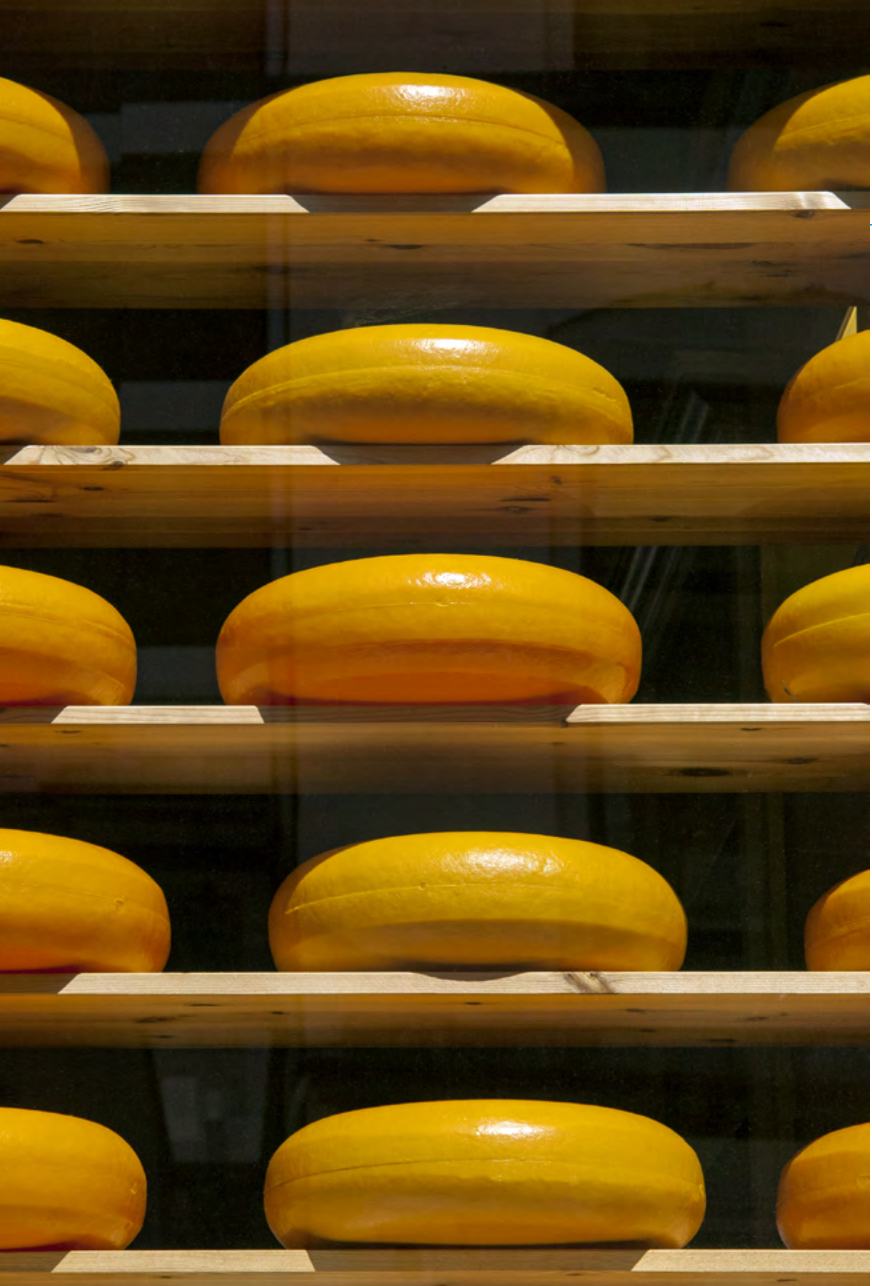
At the same time, fluctuations in the funding need persist. In fact, despite the improving trend in the budget, next year's funding is expected to be higher due to an increase in capital market redemptions. Right now we estimate a funding requirement of € 59.4 bn in 2017, whereas the comparable number for 2016 was only € 45.5 bn. As uncertainty remains relatively high, however, we will retain a certain amount of flexiblity in our issuance. In particular we will continue to make use of a range rather than a point estimate for our capital market issuance in order to be flexible on the capital as well as on the money market.

The DSTA's policies and operations will continue to be guided by our core values of transparency, consistency and liquidity. These remain as crucial as ever and have for that reason been chosen as the photo theme of this year's Outlook. Through our values of transparency and consistency we strive to provide the market with as much clarity and predictability as possible. Through our commitment to liquidity we strive to have as healthy a secondary market as possible.

In 2017 we will of course be issuing a new 10-year DSL and increase last year's new 5-year DSL to our benchmark volume of € 15 bn. In addition, we decided to issue a new 7-year DSL rather than a 3- or 5-year DSL and we will again reopen long-dated off-the-run bonds, starting with the 2047 DSL in January. These choices not only reflect market demand, but also correspond well to our new interest risk framework in which we aim to extent the average maturity of our portfolio.

I look forward to 2017!

Niek Nahuis
Agent of the DSTA



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1 The economy and the budget

1.1 Economic outlook

The latest economic forecasts show continuing growth for the Dutch economy into 2017. More specifically, the independent Netherlands Bureau for Economic Policy Analysis (CPB) predicts Dutch GDP to grow at 2.1% this year and next. The forecast for 2017 includes the effects of Brexit and additional restrictions imposed on domestic gas production. Domestic demand remains an important driver of economic growth in the Netherlands throughout 2016 and 2017. The housing market recovery continues, with a positive effect on consumption and GDP growth. Inflation remains historically low in 2016, but is expected to rise again in 2017, mainly as a result of increasing import prices. Unemployment is expected to fall sharply both this year and in 2017. The economic performance in recent years and the positive outlook for 2017 are strong signs that the Dutch economy is now on a more stable and sustainable growth path.

Exports rise despite global uncertainty

The Dutch export sector remains highly competitive this year and next. More specifically, the CPB estimates exports to grow by 3.4% and 3.2% in 2016 and 2017 respectively, thereby outpacing projected GDP growth. However, these numbers are down from 5.0% in 2015. There are several reasons for the expected slowdown. Firstly, as a result of lower global economic growth, international trade increases less rapidly than in previous years. Secondly, Brexit is expected to have a negative impact on trade with the UK. Finally, a lower government-imposed ceiling on gas production will lead to a net reduction in energy exports.

Table 1.1 – Key economic figures for the Netherlands (% change y-o-y)

	2015	2016	2017
GDP	2.0	2.1	2.1
Household consumption	1.8	1.6	2.1
Government consumption	0.2	1.2	0.8
Investments (including inventories)	6.2	5.5	5.3
Exports	5.0	3.4	3.2
Imports	5.8	3.8	3.8
Market sector employment (in hours)	1.2	1.9	1.4
Unemployment (% labour force)	6.9	6.0	5.3
Inflation (HICP)	0.2	0.1	0.9

Source: CPB, 13 December 2016

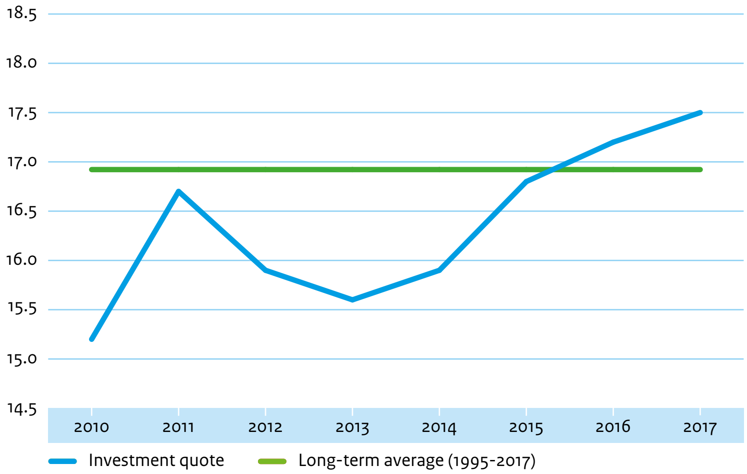
Household consumption growing steadily

After a few years of negative growth, disposable income has risen steadily again since 2014. The CPB expects this upward trend to persist throughout 2016 and 2017. In 2016, the sharp increase in disposable income is caused primarily by a decline in unemployment, an increase in real wage income, and a tax relief package of € 5 bn. However, households allocate a significant part of the increase in disposable income in 2016 and 2017 to savings, partly due to uncertainty about future economic growth and net negative household savings in previous years. As a result, household consumption rises by 1.6% in 2016. For 2017, household consumption growth is estimated at 2.1%, despite a lower disposable income growth rate. The continued recovery of the housing market and its positive effect on the net asset position of households provides an explanation for this phenomenon.

Gradual slowdown investment growth

While investments have been growing steadily since 2014, annual growth rates are gradually slowing down. More specifically, investments are expected to grow by 5.5% and 5.3% this year and next, down from 6.2% in 2015. The two main components that make up these headline figures, housing and business investments, move in opposite directions. After a peak in 2015, growth in housing investments will be somewhat lower in 2016 and 2017. However, growth in business investments will pick up in 2017 and is sufficient to keep production capacity in line with demand. Moreover, the catch-up growth of business investments in recent years will push the investment quote above its long-term average value in both 2016 and 2017.

Figure 1.1 – Business investment quote above long-term average (% GDP)

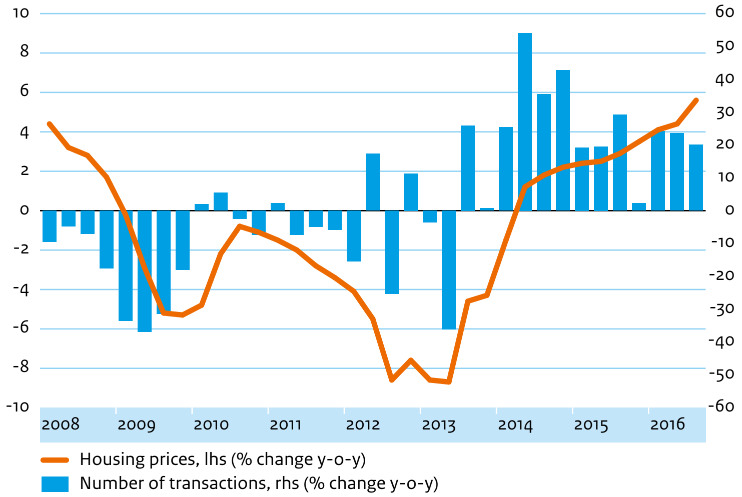


Source: CPB, 13 December 2016

Housing market recovery in full swing

The housing market continues to recover strongly in 2016 and 2017. Housing prices have been growing steadily again since the beginning of 2014. This upward trend is expected to continue. The number of transactions is expected to grow even more rapidly, reaching pre-crisis levels in 2016. These effects are most visible in the four largest cities. Low interest rates, demographic developments and a decrease in the property transfer tax play an important role in driving up demand for private property. Combined with limited construction of homes in the near future, demand is increasing more rapidly than the market's available supply. As a result, the number of homes for sale has decreased by approximately 33% between 2012 and 2016.

Figure 1.2 – Strong recovery housing market continues

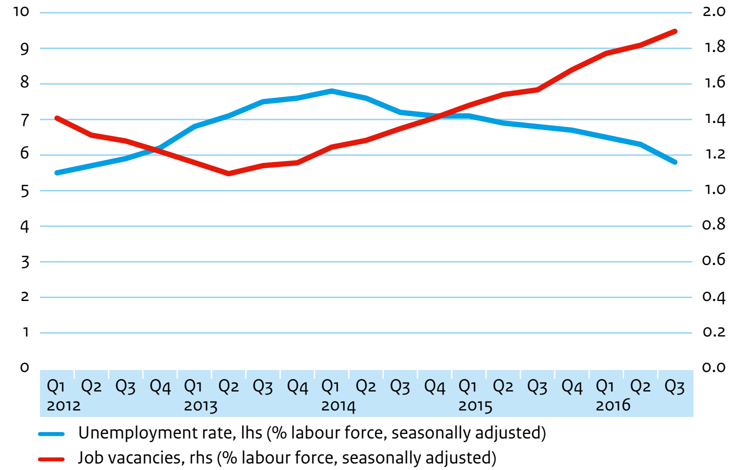


Source: Statistics Netherlands (CBS), 7 December 2016

Lower unemployment

Following the economic recovery of recent years, the CPB estimates average unemployment rates in 2016 and 2017 at respectively 6.0% and 5.3% of the labour force. These numbers are down from 2015, despite a continued increase in the labour supply. The reduction of unemployment in 2016 and 2017 can be largely contributed to more demand for labour in the market sector. Combined with a growing number of job vacancies, this could result in a further tightening of the labour market. In a European perspective, the Dutch labour market also performs exceptionally well. More specifically, the 2016 European Commission Autumn forecast estimates that unemployment in the Netherlands will be approximately 4%-points lower than the euro area average.

Figure 1.3 – Labour market tightens



Source: Statistics Netherlands (CBS), 7 December 2016

Box 1.1 – Brexit

On 23 June 2016 the UK voted in favour of a Brexit. Up until now, it is unclear when the UK will actually leave the EU and in what way. In the short run, Brexit is expected to decrease UK consumption and investments, while weakening the British pound. As a result, Dutch exports to the UK are negatively affected. In addition, there is uncertainty on the new relation between the EU and the UK. In its September forecast, the CPB, the independent Netherlands Bureau for Economic Policy Analysis, expected these effects of Brexit to reduce Dutch GDP growth by 0.4%-points in 2017. However, in its December forecast, the CPB estimates a reduced effect, indicating that the actual short-term impact of Brexit is hard to predict.

The long-term effects of Brexit are largely dependent on the characteristics of the future relation between the EU and the UK, though forecasts vary both between and within institutions. Estimates by the CPB show that the net negative effect of Brexit can vary between 0.9% and 2.0% of GDP in 2030, resulting primarily from costs associated with tariffs, non-tariff trade barriers and lower levels of trade-induced innovation.

The long-term effects of Brexit are not uniform throughout the EU or within the Netherlands. Compared to the rest of the EU, the Dutch economy is hit relatively hard due to strong trade interdependencies with the UK. Within the Netherlands, sectors with a high level of interdependency with the UK are expected to experience the greatest loss in production. However, a free-trade agreement between the EU and UK could significantly reduce production losses related to Brexit.

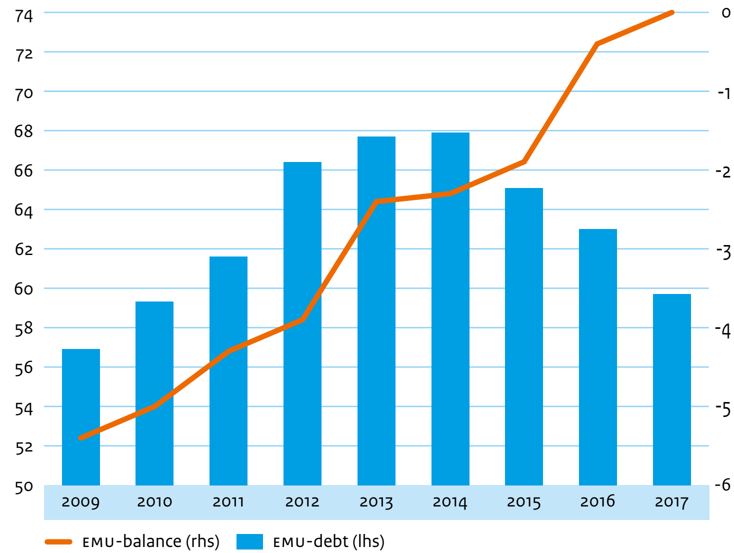
1.2 Budgetary outlook

Continuing improvement of budget

The Dutch fiscal position improved consistently in the years after the financial crisis. At the start of the current cabinet in 2012, the budget deficit was 3.9% of GDP. On 25 November, the Ministry of Finance published its most recent update of the budget for 2016. The EMU-deficit is expected to be 0.4% in 2016; overall an improvement of 3.5%-points in four years. The reduction in the deficit is particularly strong this year and largely related to sustained economic growth, which led to increased revenues from corporate, income and value added taxes. The improvement in tax revenues is even more striking given this year's tax relief package amounting to € 5 bn. The largest budgetary setback was related to gas exploration: revenues decreased by 0.4%-points of GDP in 2016 due to both lower production volumes and prices.

The CPB forecasts a balanced budget for 2017. The improvement in relation to 2016 is caused by several factors. First, government income will increase strongly due to higher tax revenues and social security contributions as a result of continued economic growth. Lower interest expenses on the State's debt are also expected to contribute to the improvement. Overall, government expenses will grow less than nominal GDP. After falling for a number of years, gas revenues will stabilise next year.

Figure 1.4 – Key budgetary figures for the Netherlands (% GDP)



Source: Ministry of Finance (up to 2016) and CPB (2017)

Trend of decreasing debt ratio sustained

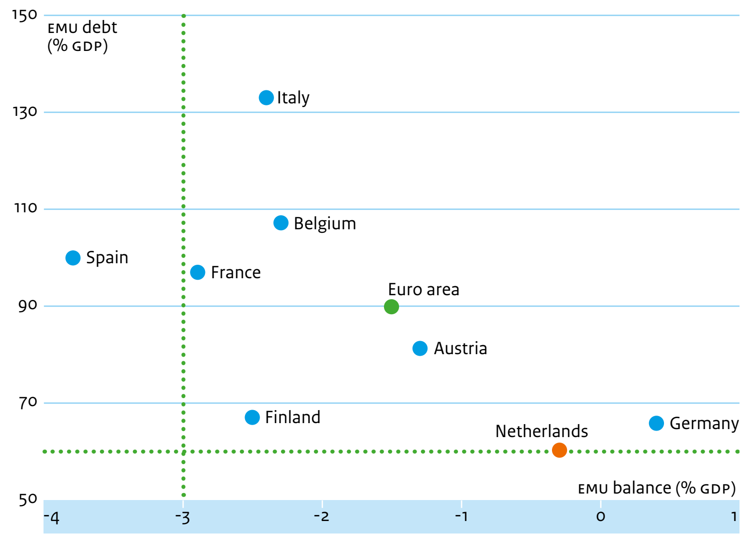
The debt ratio continues to decline, from a level-high of 67.9% of GDP in 2014, to a projected 63.0% at the end of 2016. For 2017, the CPB projects an EMU-debt of 59.7% of GDP, according to their 13 December 2016 projections. An increased level of GDP and a reduced EMU-deficit are two main factors underlying this improvement in both years. Another element impacting the debt ratio for 2016 in particular, is the early termination of part of the swap portfolio, which raised € 4.7 bn. Moreover, multiple financial transactions substantially affected the EMU-debt this year. The sale of 36% of the shares of financial institution ASR generated € 1.1 bn, while the sale of real-estate company Propertize to private investors raised € 0.9 bn. The State also took over Propertize's debt, for which it attained a compensation of € 2.4 bn. In November, another 7% of the government's stake in ABN Amro was sold, which generated € 1.3 bn. The State still holds a share of about 70% in ABN Amro. The combined effect of these financial transactions leads to a 1.1%-point reduction of the EMU-debt in 2016. For 2017 the CPB has made the technical assumption that a further 20% stake in ABN Amro will be sold.

A final factor that lowered the EMU-debt level is the effect of mandatory treasury banking for local governments, which requires local governments to hold their cash balances at an account with the Ministry of Finance. In 2016 and next year, the inflow of cash from local governments will lower EMU-debt by € 1.1 bn, or 0.2%-points. Overall, since the introduction in 2013, mandatory treasury banking has reduced the EMU-debt by more than € 9 bn.

Budgetary position favourable compared to euro area

According to the most recent estimates by the European Commission, the aggregate public deficit in the euro area is forecasted at -1.5% of GDP in 2017, a 0.3%-points reduction compared to 2016. However, budget deficits of Member States are expected to be widely dispersed next year, as can be seen from figure 1.5. The majority of the euro area Member States will have an EMU-deficit below the 3% threshold of the Stability- and Growth Pact (SGP) this year and in 2017. The projected EMU-deficit for the Netherlands is at the lower end of the spectrum. The debt-to-GDP ratio forecast for the euro area is 90.6% in 2017, a 1%-point improvement from 2016. The Dutch debt-to-GDP ratio stands out postively, both relative to its peers and compared to the 60% SGP threshold.

Figure 1.5 – Dutch budgetary position in 2017 significantly better than euro area average



Source: European Commission Autumn forecast, November 2016

Box 1.2 – Economic and budgetary outlook beyond 2017

General elections will be held in the Netherlands on 15 March 2017 as the four-year term of the current government comes to an end. Traditionally, leading up to elections, several important analyses are published that relate to the state of the Dutch economy and budget in the near future.

First of all, the Netherlands Bureau for Economic Policy Analysis (CPB) has presented a medium-long term outlook of the Dutch economy. This outlook, which was published in March 2016 and updated in September, incorporates recent policy reforms (e.g. in pensions, the tax system, social security, healthcare and the housing sector), and assumes no further policy changes over the forecast period. Overall it sketches a positive picture, expecting the Dutch economy to grow by 1.7% on average from 2018-2021 and the Dutch debt to GDP ratio to improve by around 10%-points over the same period.

Moreover, based on the medium to long term CPB outlook, a study group of high-level public officials presented several recommendations for the prudent management of the national budget. The advice of this so-called 'National Advisory Group on Budgetary Principles' (SBR) is directed at the next government government to take office.

The SBR points out that public finances have improved significantly as a result of previous reform measures and the economic recovery, and that new austerity measures are therefore no longer necessary. However, it does emphasise that households remain financially vulnerable due to large balance sheets and accordingly advices the government to reform the pension and housing market further. Regarding public finances, it calls for automatic stabilisation to be restored, allowing the budget to move more in line with the economic cycle. This would imply that the government builds up reserves during an upturn, so that additional measures during a downturn can largely be prevented. At the same time, to allow for sufficient leeway for automatic stabilisers to operate in a downturn, the SBR advices the new government to avoid building up a new deficit; extra expenditures in certain areas should be compensated by lower spending elsewhere. Finally, the SBR calls for simpler and more intuitive budgetary rules in order to strengthen political support for the fiscal framework.

2 Funding and issuance

2.1 Looking back on funding in 2016

The total borrowing requirement for 2016 amounts to € 64.8 bn, which is € 14 bn lower than expected at the time of the Outlook 2016. The decreased need for funding was mostly accommodated by reducing the call on the money market. Capital market issuance in 2016 was in line with the DSTA's committed target range. The lower than expected funding requirement reflects the positive economic and budgetary developments in the Netherlands. Furthermore, the sale of Propertize (the real-estate arm of what was known as SNS Reaal), and parts of the insurer ASR and ABN Amro Bank also improved the cash position of the Dutch State.

Capital market issuances

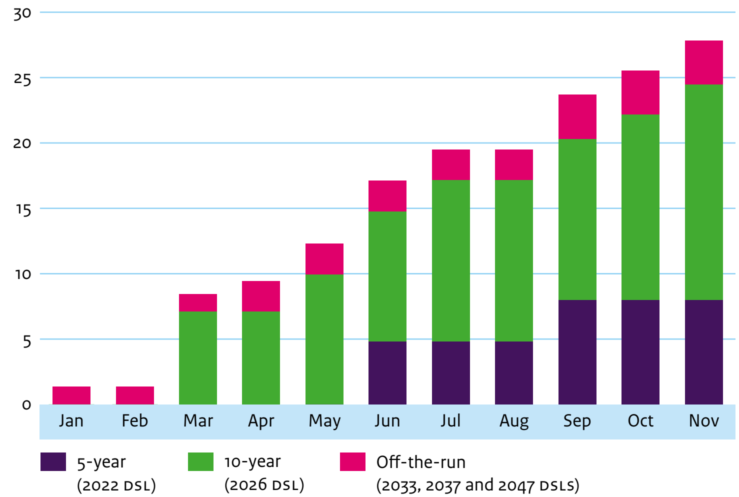
In last year's Outlook the target range for capital market funding via DSLs was set at € 25 to € 30 bn in nominal terms. The actual capital market issuance in 2016 came out well within that range at € 26.6 bn.

On 22 March the DSTA launched a new 10-year bond, the DSL 0.50% 15 July 2026, via a Dutch Direction Auction (DDA). An initial amount of € 5.7 bn was issued at a yield of 0.44%. Both the bid-to-cover ratio of 2.1 and the 63% allocation of the total amount towards real money accounts, were the highest they have been in the last six years. This bond was reopened four times, bringing the outstanding amount to € 15.1 bn.

In June the DSTA launched a new 5-year bond, the DSL 0% 15 January 2022. An initial amount of € 4.8 bn was issued at a yield of -0.23%. This was the first time an initial issuance by means of a DDA took place at a negative yield. Banks and trusts, treasuries and ALM accounts of banks, and hedge funds were the most important investor types, representing 85% of the allocated amount. The reopening of this bond in September 2016 raised an amount of € 3.2 bn at a yield of -0.40%. Reopenings in the first half of 2017 will increase the current outstanding amount of € 8.0 bn to at least € 15 bn.

In addition to the two new benchmark bonds, the DSTA raised around € 3.5 bn through reopenings of three longer dated off-the-run bonds maturing in 2033, 2037 and 2047.

Figure 2.1 – Cumulative DSL issuance in 2016 by maturity (€ bn)



Money market issuance

The money market has historically been used as a buffer when it comes to changes in funding needs. While this year's capital market target was a range instead of a point estimate, the money market remains the primary source of flexibility. Effectively, the borrowing requirement of the Dutch State has been lower than anticipated at the beginning of the year. Ultimo 2016 the DSTA expects a money market of € 18.6 bn, assuming an unchanged cash collateral position from the end of November. This size is much smaller than the € 28.2 to € 33.2 bn that was expected in the Outlook 2016 (see also box 2.3).

Various instruments are deployed by the DSTA to optimise the management of money market funding. Traditionally, Dutch Treasury Certificates (DTCs) have been the cornerstone of money market issuance for the DSTA. Commercial paper (CP) adds flexibility since maturities, the currency of denomination and the timing of issuance can be tailored to specifically suit both investors and the DSTA. Furthermore, the DSTA may attract deposits for its shortest funding needs. In addition, cash collateral received from counterparties in swap transactions has been an important source of funding in recent years.

Since 2015 the DSTA issues DTCs only in the 3- and 6-month segments. In 2016 the DSTA issued a gross amount of € 53.4 bn in DTCs. Because of the favourable cash position of the Dutch State, the DSTA decided not to auction the March 2017 DTC line that was originally planned for issuance in October. As in 2015, all DTC auctions resulted in negative yields and increasingly widening spreads relative to the ECB deposit rate. The weighted average yield reached in the auctions was -0.59%, and the average bid-to-cover ratio was 2.2.

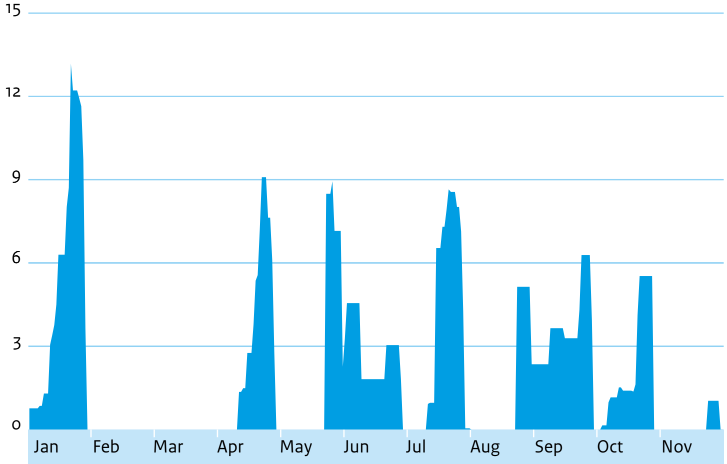
The DSTA fulfils its objective to support liquidity in the market with a repo facility. By doing so, the DSTA has transacted a total amount of € 4.4 bn, against € 5.4 bn in 2015. In 2017, the DSTA is committed to keep the repo facility functional, and will continue to monitor its value added for the market.

Figure 2.2 – 6-month DTC yield consistently below the ECB-deposit rate

Source: Bloomberg

Commercial paper continued to be an important supplement to DTCs in 2016. The DSTA issued a total amount of € 62.0 bn of CP between January and November 2016, up from € 56.5 bn in 2015. Almost all of this has been issued in US dollars due to favourable USD/EUR FX-swap levels. The remainder, a small amount, has been issued in Norwegian kroner. The amount of outstanding CP in 2016 averaged € 2.1 bn a day, whereby the daily levels fluctuate with the DSTA's cash management needs, as can be seen from figure 2.3. The DSTA had positive outstanding amounts of CP for a total of 172 days, in which the average volume was € 4.1 bn. The weighted average yield, in EUR, for that paper was -0.7%.

Figure 2.3 – Outstanding volumes of CP in 2016 (€ bn)



Buybacks of DSLs with a short remaining maturity

In March 2012 the DSTA started with a permanent buyback programme of DSLs. The goal of this programme is to improve the DSTA's cash management. Currently the DSTA can buy back DSLs that mature within a period of up to T+24 months, which enables it to manage its cash position more effectively and to adjust its redemption profile for the current and next two years. Up to November, € 10.9 bn of DSLs was bought back in 2016, which is slightly more than in the previous year.

Buybacks are done bilaterally with PDs; the extent to which the secondary market is entered is determined on a day-by-day basis. To ensure liquidity of the eligible bonds, the DSTA continues to commit itself to a minimum outstanding volume of every DSL of at least € 10 bn. DSLs that have been bought back are cancelled immediately. The DSTA will continue this policy into 2017.

Table 2.1 – Overview of DSLs bought back up to 30 November 2016

Instrument	Amount (€ bn)	Remaining (€ bn)
DSL 0.00% 15 April 2016	2.2	-
DSL 4.00% 15 July 2016	1.0	-
DSL 2.50% 15 January 2017	1.5	10.7
DSL 0.50% 15 April 2017	1.5	11.5
DSL 4.50% 15 July 2017	1.0	12.6
DSL 1.25% 15 January 2018	1.8	13.7
DSL 0.00% 15 April 2018	1.6	13.8
DSL 4.00% 15 July 2018	0.3	14.8
Total	**10.9**	**77.1**

Box 2.1 – ECB Asset Purchase Programme

The ECB Asset Purchase Programme (APP) started in March 2015. This makes 2016 the first year in which the programme was active the entire year. Starting in March 2015, € 60 bn of euro area bonds per month was bought (which transalated into approximately € 2.6 bn per month in Dutch bonds), and this was enlarged to € 80 bn per month in April 2016 (which translated into approximately € 3.8 bn per month in Dutch bonds). Recently the ECB announced to extent the APP until the end of 2017, but to reduce the size of the programme back to € 60 bn per month starting in April 2017.

The scope of bonds that the ECB was able to buy changed continuously throughout the year. This is because Dutch State bonds hovered around the deposit rate, while the ECB was not allowed to buy bonds below this rate. In the beginning of 2016, when the deposit rate was -0.3%, the ECB could buy DSLs maturing in 2020 and beyond. In March, the deposit rate was lowered to -0.4% and rates started decreasing across the curve. From the end of June onwards all DSLs up to 2022 were outside the scope of ECB purchases. As a result, the ECB was forced to go longer on the Dutch curve. The scope for purchases increased again at the end of October, when interest rates started to rise. Moreover,in its recent announcement, the ECB mentioned it will now also be allowed to buy bonds that trade below the deposit rate.

At the start of 2016 the average maturity of all Dutch bonds bought by the ECB through the APP was 6.5 years. However, following the reduced eligibility of bonds, the average maturity increased to 8 years. As a result of the new measures recently announced, the average maturity could potentially drop again in the future.

Over the past year the DSTA has issued € 26.6 bn in DSLs in nominal terms. As the redemptions for 2016 were € 28 bn, this gives a nominal net issuance of € 1.4 bn. Taking into account the purchases of the ECB, net issuance moves into negative territory. Since the start of APP the ECB has bought a total of € 64.8 bn in Dutch bonds in cash terms, of which € 39.3 bn between January and November 2016.

2.2 Funding plan 2017

Borrowing requirement

At the start of the year, the DSTA's funding need in any year is the sum of the capital market redemptions, the outstanding volume on the money market at the close of the preceding year and the expected budget balance in cash terms. Altogether, this results in a preliminary borrowing requirement for 2017 of € 59.4 bn.

Table 2.2 – Estimated borrowing requirement for 2017 (€ bn)

	Current estimate (Dec 16)	Previous estimate (Sep 16)
Capital market redemptions 2017	42.5	43.0
Money market estimate ultimo 2016 (excluding cash collateral)	18.9	16.1
Cash balance (- = surplus)	-2.0	0.7
Cash collateral estimate ultimo 2016		20.9
Cash collateral change during 2017	0	
Total borrowing requirement 2017	**59.4**	**80.7**

The current estimate of the funding need is lower than the previous estimate as communicated in the Quarterly outlook of September 2016. The main reason for the large difference is a technical one. Whereas previously the total amount of cash collateral was included in the funding need, now only the change in cash collateral is included; see box 2.2 for more details. Since future changes in cash collateral are uncertain, they are not forecasted and therefore the estimate for 2017 has been put at zero.

The rest of the difference in the funding need between the current and the previous estimate can be explained by contemporary developments. These include an improvement of the cash balance, lower capital market redemptions due to buy-backs in the fourth quarter of 2016 of DSLs maturing in 2017, and a somewhat reduced amount of cash collateral (which stood at € 17.3 bn ultimo November). The latter had an opposing impact on the funding need as it necessitated the DSTA to step up money market funding, resulting in a higher money market volume at the end of 2016.

Like last year, uncertainties regarding the borrowing requirement in 2017 are relatively large. Important uncertainties concern the expected cash balance and the development of the amount of cash collateral. First, changing economic conditions can influence the cash balance. In addition, the government has started the privitisation of ABN Amro and insurance company ASR, and has the intention to privatise these two financial institutions in full in the coming years. The current estimate of the cash balance in 2017 does not anticipate inflows following possible additional privatisations. Finally, changes in cash collateral due mainly to interest rate fluctuations are a source of uncertainty for the funding need as well.

The borrowing requirement will be updated in January 2017 and during the year when new information becomes available.

Box 2.2 – Dealing with cash collateral in the funding plan

The DSTA decided to change the way cash collateral is presented in the funding plan. The borrowing requirement now represents the call on the market. Unlike previous years, the amount of cash collateral at the close of the preceding year is no longer considered as refinancing in the next year. In the same way, the amount of cash collateral received is not seen as a source of funding during the year. Only changes in the amount of cash collateral as a result of changes in interest rates and as a result of swaps gradually maturing affect the funding need. More specifically: a decline in the amount of cash collateral will increase the funding need, while an increase in the amount of cash collateral will decrease the funding need. It is important to note that movements in cash collateral following unwinds of longer-dated receiverswaps, which might take place in the context of interest risk management purposes, will on balance not affect the funding need. Unwinds of longer-dated receiver swaps with a positive market value will improve the cash balance, thereby reducing the funding need. However, this will be counterbalanced by a reduction in the amount of cash collateral, increasing the funding need by the same amount. The net effect is therefore zero.

Distribution between the money market and the capital market

As in 2016, the DSTA decided to use a target range for the call on the capital market. In 2017, the DSTA intends to raise between € 30 and € 35 bn in the capital markets through the issuance of DSLs. The remaining borrowing requirement will be covered in the money market. Based on the current estimate of the borrowing requirement for next year, the outstanding volume of the money market ultimate 2017 is expected to be € 24.4 to € 29.4 bn.

Given the uncertainties with respect to the funding need in 2017, the use of a target range on the capital market is continued. Traditionally, the money market serves as the primary buffer for accommodating changes in the funding need. To be able to act as a buffer, the money market should be sizeable enough to absorb both windfalls and setbacks in the funding need. The capital market will provide an extra cushion for dealing with changes in the funding need.

Table 2.3 – Distribution between the call on the capital market and the money market in 2017 (€ bn)

Capital market issuance (DSLs)	30.0 – 35.0
Money market ultimo 2017	24.4 – 29.4
Total funding 2017	**59.4**

Capital market issuance in 2017

The DSTA is planning to fulfil the call on the capital market by issuing two new benchmark DSLs and by reopening one or more longer dated off-the-run bonds. More specifically:

- A new 10-year benchmark bond will be issued. This bond, the DSL 15 July 2027, will be launched by means of a Dutch Direct Auction (DDA) in February. The DSTA is committed to bring the outstanding volume to a minimum of € 15 bn by the end of the year.
- As announced in the Outlook 2016, the DSL 15 January 2022 that was launched in 2016 will reach a minimum outstanding volume of € 15 bn in 2017. The DSL 2022 will therefore be tapped in the first half of 2017 for approximately € 7 bn.
- A new 7-year benchmark bond will be issued in 2017 as well. This bond, with a maturity date of 15 January 2024, will be launched by means of a DDA and is expected after the summer. The bond will reach an outstanding volume of € 5 to € 7.5 bn in 2017, and will be reopened again in 2018 towards an outstanding volume of at least € 15 bn. Because of the current market environment, the debt profile and the aim to lengthen the maturity of the debt portfolio, the DSTA decided to issue a new 7-year DSL instead of a 3- or 5-year DSL.
- To lengthen the maturity of the debt portfolio and to respond to market demand for longer-dated securities, one or more longer dated bonds will be reopened for a total amount of € 3 to € 5.5 bn. The specific bond(s) to be reopened will be announced in the quarterly issuance calendars.

With regard to the issuance of US dollar bonds, the DSTA's policy is unchanged. Besides the precondition that a funding advantage should be realised vis-à-vis a comparable bond in euros, the issuance of a USD Dutch State Bond will only be feasible if such an issuance can be accommodated in the funding plan.

Table 2.4 – DSL issuance in 2017

DSL	Indicative amounts (€ bn)
New 10-year DSL (2027)	15
On-the-run 5-year DSL (2022)	7
New 7-year DSL (2024)	5 – 7.5
Reopening longer dated off-the-run DSLs	3 – 5.5
Total DSL funding	**30 – 35**

Traditionally, DSL auctions will be held on the second or fourth Tuesday of the month. Note that not every auction window will be used. The DSL issuance calendar for the first quarter of 2017 is shown in table 2.5. The first quarter will start with the reopening of the DSL 15 January 2047, followed by the reopening of the on-the-run 5 year DSL. The window for the DDA for the new 10-year DSL is February. The exact timing and further details of the DDA will be announced in due time. On 14 March the 5-year bond will be reopened again. Quarterly calendars for the remainder of the year will be published in due time.

Table 2.5 – Indicative DSL calendar, Q1 2017

Auction date	DSL to be issued	Target volume (€ bn)
10 January	DSL 15 January 2047	0.75 – 1.25
24 January	DSL 15 January 2022	2 – 3
February*	New 10-year: DSL 15 July 2027	
14 March	DSL 15 January 2022	2 – 3

* DDA-date and volume to be determined.

Money market issuance in 2017

The DTC calendar will follow the usual pattern with auctions held on the first and third Monday of the month. However, there will be a slight alteration in the issuance strategy compared to 2016. On the first Monday of the month only a 6-months programme will be tapped instead of a 3- and 6-months programme. By doing so, it is possible to realise a higher outstanding volume in a shorter period of time. The DSTA expects that this will help to promote liquidity. On the third Monday of the month, both a 3- and 6-month programme will to be tapped. To ensure a smooth transition from the auction calendar of 2016, this new issuance strategy will come into effect in February.

Table 2.6 – Indicative DTC calendar, Q1 2017

Auction date	3-months programme	6-months programme
02-01-2017	31-03-2017	30-06-2017
16-01-2017	31-03-2017	30-06-2017
06-02-2017		31-07-2017
20-02-2017	28-04-2017	31-07-2017
06-03-2017		31-08-2017
20-03-2017	31-05-2017	31-08-2017

Note: shaded fields indicate new programmes; the DSTA reserves the right to cancel DTC auctions if deemed necessary.

Box 2.3 – DSTA's funding need in practice

As mentioned, the DSTA's expected funding need for any given year is the sum of the capital market redemptions, the outstanding volume on the money market at the close of the preceding year, and the expected cash balance. The precise amount of capital market redemptions and the outstanding volume on the money market at the close of the preceding year can be determined at the start of the new year. From that point on these two elements are fixed. This is not the case for the expected cash balance, which may be rather volatile during the course of the year. Moreover, the DSTA's funding need may also be influenced in the course of the year by changes in the amount of cash collateral due to changing interest rates, buybacks of shorter-dated DSLs, and financial transactions (such as privatisations) carried out by the State. These factors cannot be predicted upfront.

During the year, the DSTA's funding need can therefore significantly differ from what was expected earlier. The year 2016 provides an interesting example, where the difference between the originally estimated funding need presented in the Outlook 2016 and the expected realisation amounts to € 14 bn. The declining funding need was the result of a rather unique combination of different developments. The turning point in the economy towards higher growth resulted in tax income recovering at a much faster pace than foreseen, both at the end of 2015 and into 2016. Cash inflows also increased due to above par issuances of DSLs and a rise in cash collateral (which can be attributed mainly to lower interest rates). In addition, partial sales of state-owned financial institutions (ABN Amro, ASR, Propertize) further stimulated cash inflows. Buybacks of DSLs maturing in 2017 and 2018 have increased the funded need, but this only partially offset the strong improvement of the cash position.

Traditionally, the money market acts as the primary buffer to accommodate changes in the funding need. The improved cash position therefore translates into a significantly lower money market volume at the end of 2016 compared to what was envisioned in last year's Outlook.

Despite the usual uncertainties, the DSTA aims to forecast the funding need as realistically as possible. Notwithstanding the possibility of surprises, compared to 2016, the ultimate realisation should be a lot closer to the estimated funding need for 2017 of € 59.4 bn. Although the exact funding need can only be determined at the end of the year, estimates are regularly updated via the Quarterly outlooks.

2.3 Update interest risk framework 2016-2019

After eight years of managing interest risk with a 7-year constant maturity portfolio as a benchmark, the DSTA started with a new interest risk framework in 2016. The main goals of this new framework are lengthening the maturity of the debt portfolio, limiting the short term interest rate risks and reducing dependency on interest rate swaps.

Central to the new risk framework is a multi-annual target for the average maturity of the DSTA's portfolio (debt and derivates). The intention is to increase the maturity from around 5 years at the beginning of 2016 to 6.4 years at the end of 2019. The following 'maturity path' was communicated to Parliament, with a range of ±0.25 years for each of the end-of-year maturities:

Table 2.7 – Committed 'maturity' path for the DSTA debt and swapportfolio (in years)

	Ultimo 2016	Ultimo 2017	Ultimo 2018	Ultimo 2019
Average maturity	5.5	6.0	6.3	6.4

The actual maturity of the debt and swap portfolio is projected to lie between 5.5 and 5.6 years at the end of 2016, which falls within the communicated range. The lengthening of the maturity over 2016 was mainly achieved by unwinding long-dated receiverswaps. At the time of the most recent budgetary update in November 2016 a total notional amount of € 8.1 bn was unwound, which has increased the maturity by approximately 0.4 years.

The extension of the average maturity leads first and foremost to a reduction in long term interest rate risks. However, the composition of the existing debt and swap portfolio can still create undesirable short term interest rate risks. To manage these potential risks, a new indicator known as the 12-month forward looking refixing amount was introduced. This indicator reflects the nominal amount of debt and swaps for which interest rates have to be refixed within the next twelve months. The expected value of the average refixing amount over 2016 is 15.5% of the State debt. This is below the maximum amount of 18% of the State debt that has been communicated to Parliament.

For the coming year the unwinding of long-dated receiverswaps remains one of the main instruments to reach the desired maturity and to keep the refixing amount below 18% of the State debt. As mentioned in the previous section, the lengthening of the maturity of the portfolio will also be achieved through the issuance of longer-dated DSLs.

3 Primary dealers and secondary markets

3.1 Primary Dealers, Single Market Specialists and Commercial Paper Dealers in 2016 and 2017

Since 1999, the DSTA annually selects Primary Dealers (PDs) for the promotion and distribution of Dutch State Loans (DSLs) and Dutch State Certificates (DTCs), and to contribute to liquidity in the secondary market of these Dutch government securities. Single Market Specialists (SMSs) fulfil these functions solely for DTCs. PDs can acquire DSLs via tap auctions that are held by the DSTA. Initial benchmark issuances with a maturity of at least five years are directly sold to end-investors by means of a Dutch Direct Auction (DDA). In this auction PDs act as intermediaries for end-investors and can buy for their own account as well. This is different for DTCs: they are assigned to both PDs and SMSs via a single-price auction.

Additional short-term funding needs are fulfilled by means of Commercial Paper (CP), which is sold through selected CP dealers (CPDs). CPDs are also selected annually from the group of PDs and SMSs. Any use of CP is dependent on the short-term cash position, which limits DSTA's presence in the market. Maturities and prices can be found on Bloomberg (DSTA 06).

When our counterparts act as PD, SMS or CPD, they are subjected to rights and obligations. PDs have the exclusive rights to buy DSLs in tap auctions from the DSTA. Furthermore, they can use the DSTA's repo facility for both DSLs and DTCs. Stripping and restructuring DSLs is also one of the PDs' privileges. The amount of stripped and restructured DSLs are published monthly on the DSTA website. Obligations for our financial intermediaries are related to the maintenance of a liquid secondary market, by providing frequent price quotations.

Ranking 2016

The primary market performance of PDs and SMSs are reviewed periodically. To obtain the performance ranking for DSLs, the individual duration-weighted sum of purchases is derived. The weighting factors are assigned in relation to the DSL maturities and can be found in the primary dealer section of the DSTA website. The ranking is determined on the basis of these factors since 2012 and will also be applicable in 2017. DTC and CP rankings are based on unweighted purchase amounts in euro equivalent.

Table 3.1 – Top performers in the DSL, DTC and CP market in 2016

Ranking	DSL	DTC	CP
1	Royal Bank of Scotland	ABN Amro Bank	Rabobank
2	Jefferies	ING Bank	Royal Bank of Scotland
3	HSBC France	Nordea	Citigroup
4	ABN Amro Bank	HSBC France	
5	ING Bank	Citigroup	

In 2017 the composition of our counterparties will change somewhat. Some of the most important changes include Nordea becoming a Primary Dealer and ABN Amro Bank being appointed also as Commercial Paper Dealer. As a result, the DSTA is proud to present the following financial intermediaries as Primary Dealer, Single Market Specialist and Commercial Paper Dealer for 2017:

Table 3.2 – List of dealers for 2017 in alphabetical order

Name bank	PD	SMS	CPD
ABN Amro Bank	√		√
Barclays	√		√
Citigroup	√		√
Commerzbank	√		√
Deutsche Bank	√		
Goldman Sachs	√		
HSBC France	√		
ING Bank	√		√
Jefferies	√		
NATIXIS	√		
NatWest Markets	√		√
Nomura	√		
Nordea	√		
Rabobank	√		√
Santander GB&M		√	
Société Générale	√		

3.2 Liquidity and secondary markets

Ensuring liquidity in Dutch bonds

As liquidity in Dutch bonds and bills is one of the key goals of the DSTA, several measures are taken to ensure liquidity. Especially in an environment of quantitative easing and increased regulation, the liquidity of the bonds and bills is even more important than it was in the past.

To start with, the DSTA ensures a minimum outstanding amount of € 15 billion within 12 months for new bonds with a maturity up to 10 years and a minimum outstanding amount of € 10 billion in due time for bonds with a maturity over 10 years. New bonds are issued in sufficient amounts to stimulate liquidity immediately after first issuance. Next to this, in the past the DSTA has frequently decided to tap certain off-the-run bonds that have already reached their benchmark sizes. These reopenings can be helpful for promoting market liquidity. A third measure to ensure liquidity is the repo facility for both bonds and bills. Primary dealers (and Single Market Specialists for DTCs) have exclusive access to the repo facility, so there is always a lender of last resort available. Although the repo facility has a penalty rate attached to it, PDs can still take short positions and be sure they can cover the shorts at the DSTA; this enhances liquidity in secondary markets.

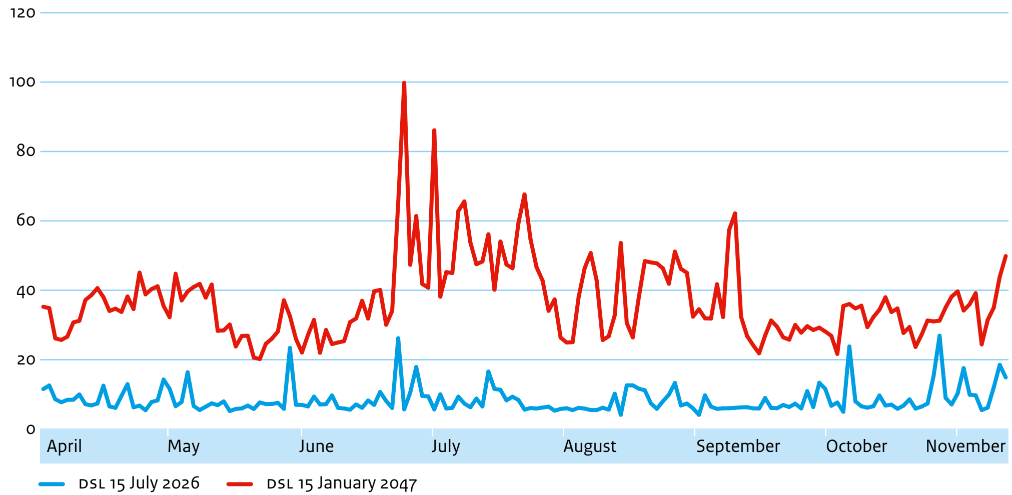
Another aspect of liquidity is to have continuous prices available in the markets. To ensure tradable prices in both DSLs and DTCs in the secondary market at all times, the DSTA has imposed a quotation obligation on its PDs. PDs must quote DSLs within a specified bid-ask (b/a) spread during a minimum of 6 hours per day. Quotation can be done on a platform of choice as long as the platform qualifies as a designated trading platform by the DSTA. The maximum bid-ask spread is set in terms of either a fixed amount (depending on the remaining maturity of the bond) or one standard deviation (sd) from the average bid-ask spread of all PDs, whichever is higher. See the table below for more details.

Table 3.3 – Quotation obligations (for minimum volume of € 10 mn)

Instrument and remaining maturity	Maximum b/a spread
DTCs	4 basis points or average b/a + 1 sd
DSLs up to 3½ years	4 cents or average b/a + 1 sd
DSLs 3½ to 6½ years	5 cents or average b/a + 1 sd
DSLs 6½ to 13½ years	7 cents or average b/a + 1 sd
DSLs 13½ to 17½ years	12 cents or average b/a + 1 sd
DSLs over 17½ years	20 cents or average b/a + 1 sd

In figure 3.1 the average b/a spread in 2016 is shown for the 10-year bond issued in 2016 (the DSL 15 July 2026) and the most recently issued 30-year bond (the DSL 15 January 2047). On average the bid/ask spread for the DSL 15 July 2026 was below 10 cents (around 1 basis point) during 2016. The bid/ask spread for the DSL 15 January 2047 was on average 37 cents, which is a little bit more than 1 basis point. Especially during the summer period the spread on this bond was a little wider than the rest of the year, but given the higher interest rate risk for the 30 year bond compared to the 10 year bond the bid/ask spread was still relatively tight.

Figure 3.1 – Average 6 hour spread in 2016 for the DSL 2026 and DSL 2047 (cents)



Source: DSTA

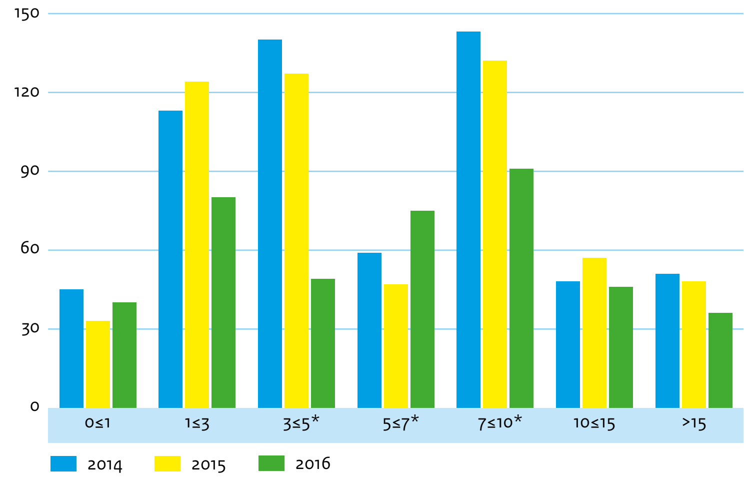
Secondary market transactions

PDs and Single Market Specialists (SMSs) are required to provide the DSTA with monthly information about their trades in Dutch securities in the secondary market. This information is submitted according to the harmonised EU reporting format, which allows banks to report to debt managers in the euro area countries in a uniform manner. The data reported by PDs does not capture all secondary market transactions in DSLs or DTCs, but only the transactions in which a PD is at one side of the trade. Transactions with the ECB in the context of its Public Sector Purchase Programme (PSPP) are excluded. The data therefore does not provide a complete picture of the trade in Dutch securities, but it does give a general overview of trends in the secondary market.

Figure 3.2 shows the turnover of DSLs in the secondary market by our PDs, split into remaining maturity categories. At first sight it seems trade volumes have been reduced considerably, especially in the short-term maturity buckets. There are, however, a number of factors that provide at least a partial explanation for the observed fall in turnover, including:

- The DSTA had a sharp decrease in capital market funding for 2016 compared to previous years (€ 47.4 bn in 2015 versus € 26.6 bn in 2016), which decreased secondary market volumes in general.
- In 2016 the DSTA issued a new 5-year instead of a 3-year benchmark bond (as was issued in 2014 and 2015). This decreased secondary market volumes in specifically the 3-year segment for 2016 and increased it in the 5- to 7-year segment.
- The transactions relating to the PSPP are not included in the data. As estimated by Bloomberg, PSPP-buying in Q1 to Q3 of 2016 amounted to € 31.4 bn in DSLs with an average maturity of 7.3 years. In Q1 and Q2 the ECB was still able to buy 5-year DSLs, as they traded above the ECB deposit rate. Therefore, on average, the secondary market volumes in the buckets between 3 and 10 years are underestimated by around € 25 to € 30 bn (assuming a small share was bought in maturities of 10 years and higher).

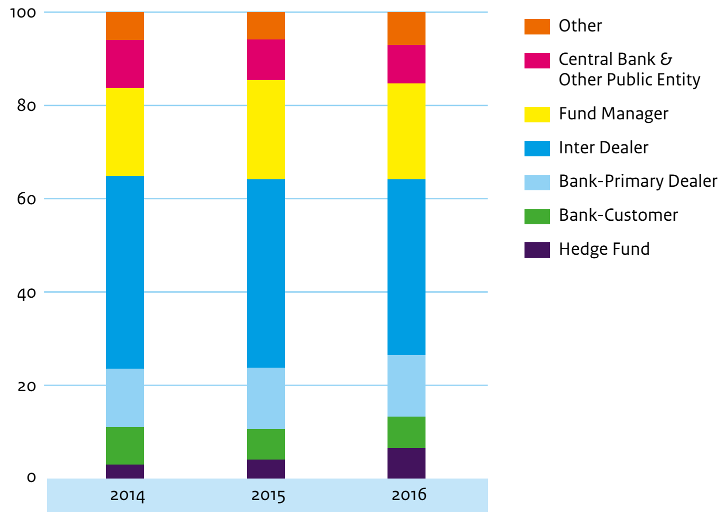
Figure 3.2 – Reported DSL turnover Q1-Q3 by remaining maturity (€ bn)



* The majority of the € 31 bn bought under the PSPP in Q1 to Q3 of 2016 was in these maturity buckets.

Source: DSTA

Figure 3.3 – Reported DSL turnover Q1-Q3 by type of investors (in % of total)

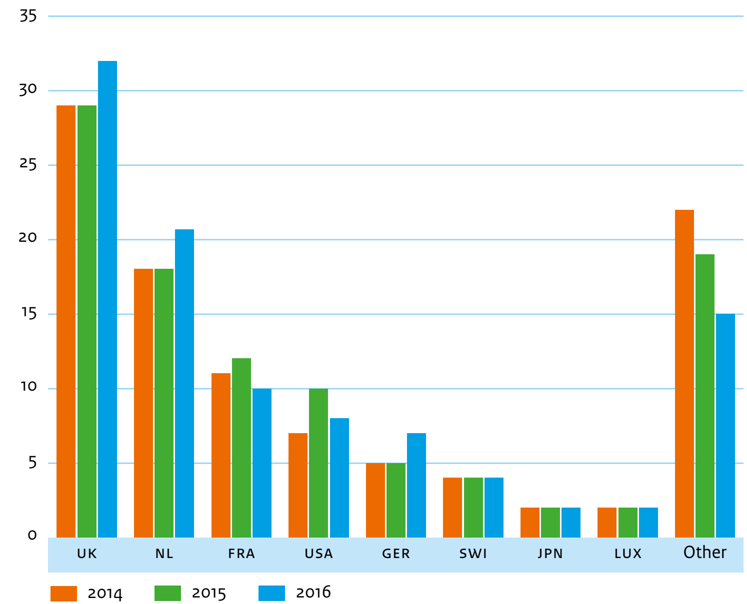


Source: DSTA

As figure 3.3 shows, there are some small changes in the type of investors that trade in DSLs*. Most notably the share of inter dealer broker trades in the total turnover of DSLs has decreased somewhat in 2016 compared to 2014 and 2015. Hedge funds on the other hand have increased their share from 2.9% in 2014 to 6.5% in 2016. Also, central banks and other public entities had a smaller share of the total, although the data does not include ECB transactions relating to the PSPP.

Figure 3.4 shows the geographical breakdown of activity of investors on the secondary market, excluding inter-dealer transactions. There were no major changes last year, with the United Kingdom still taking the largest share of secondary market activity. In 2016 the share of Dutch investors increased 2.7%-points compared to last year, from 18.0% to 20.7%. The US had an increased share in 2015 compared to 2014 but this decreased somewhat again in 2016. The shares of other large countries remained broadly stable.

Figure 3.4 – Reported DSL turnover Q1-Q3 by country (% of total, excluding inter-dealer transactions)



Source: DSTA

* See http://europa.eu/efc/harmonized-reporting-format_en for a description of the different investor categories.

Statistical appendix

1 Changes in long-term debt in 2016

In thousands of euros

Positions as at 31 December 2015		335,339,903
New issues in 2016		
Public bonds	26,607,163	
Private placements*	2,350,135	
Redemptions in 2016**		
Regular redemptions		
Public bonds	24,715,467	
Private placements	157,621	
Early redemptions		
Public bonds	10,937,638	
Private placements	42,122	
Position as at 30 November 2016		**328,444,353**

* Most of private placements relate to the debt that was adopted from real-estate company Propertize.

** Redemptions of private placements also included exchange rate movements on debt of the Netherlands Antilles.

2 Interest rate swaps

Position as at 30 November 2016, in millions of euros

Bucket (year of maturity)	Net nominal amount	Pay or receive* (net)
2016	892	Pay
2017	15,136	Pay
2018	7,684	Pay
2019	14,232	Pay
2020	17,825	Pay
2021	27,834	Pay
2022	3,738	Pay
2023	18,166	Receive
2024	15,315	Receive
2026	1,560	Receive
2027	6,675	Receive
2028	3,377	Receive
2032	16	Receive
2033	2,208	Receive
2035	2,468	Receive
2036	650	Receive
2037	1,510	Receive
2042	4,884	Receive
2055	33	Receive
Net total	**30,478**	**Pay**

* Receiver swaps are swap contracts in which the Dutch State receives a long-term fixed interest rate and pays a short-term floating interest rate. Payer swaps are swap contracts in which the Dutch State pays a long-term fixed interest rate and receives a short-term floating interest rate.

3 Key figures of individual bonds in 2016

In thousands of euros

	Total	Issues	Redemptions	Total	ISIN-code
	31-12-2015			30-11-2016	
0.00 pct DSL 2013 due 15 April 2016	13,677,000		13,677,000		NL0010364139
4.00 pct DSL 2006 due 15 July 2016	14,280,467		14,280,467		NL0000102283
2.50 pct DSL 2011 due 15 January 2017	12,191,920		1,505,000	10,686,920	NL0009819671
1.00 pct DSL USD 2012 due 24 February 2017	2,511,619			2,511,619	XS0749484217
0.50 pct DSL 2014 due 15 April 2017	13,006,000		1,532,000	11,474,000	NL0010661930
4.50 pct DSL 2007 due 15 July 2017	13,557,990		958,000	12,599,990	NL0006007239
1.25 pct DSL 2012 due 15 January 2018	15,472,425		1,816,000	13,656,425	NL0010200606
0.00 pct DSL 2015 due 15 April 2018	15,338,000		1,584,000	13,754,000	NL0011005137
4.00 pct DSL 2008 due 15 July 2018	15,081,020		300,000	14,781,020	NL0006227316

	Total	Issues	Redemptions	Total	ISIN-code
	31-12-2015			**30-11-2016**	
1.25 pct DSL 2013 due 15 January 2019	15,321,224			15,321,224	NL0010514246
4.00 pct DSL 2009 due 15 July 2019	14,671,398			14,671,398	NL0009086115
0.25 pct DSL 2014 due 15 January 2020	15,318,184			15,318,184	NL0010881827
3.50 pct DSL 2010 due 15 July 2020	15,069,615			15,069,615	NL0009348242
3.25 pct DSL 2011 due 15 July 2021	16,493,985			16,493,985	NL0009712470
0.00 pct DSL 2016 due 15 January 2022		7,976,112		7,976,112	NL0011896857
2.25 pct DSL 2012 due 15 July 2022	15,252,147			15,252,147	NL0010060257
3.75 pct DSL 2006 due 15 January 2023	4,263,000			4,263,000	NL0000102275
7.50 pct DSL 1993 due 15 January 2023	8,241,489			8,241,489	NL0000102077
Principal 15 January 2023	1,565,000			1,565,000	NL0000103000
1.75 pct DSL 2013 due 15 July 2023	15,825,963			15,825,963	NL0010418810
2.00 pct DSL 2014 due 15 July 2024	15,315,132			15,315,132	NL0010733424
0.25 pct DSL 2015 due 15 July 2025	15,220,159			15,220,159	NL0011220108
0.50 pct DSL 2016 due 15 July 2026		15,113,051		15,113,051	NL0011819040
5.50 pct DSL 1998 due 15 January 2028	13,028,814			13,028,814	NL0000102317
2.50 pct DSL 2012 due 15 January 2033	11,103,900	1,360,000		12,463,900	NL0010071189
4.00 pct DSL 2005 due 15 January 2037	13,697,427	1,151,000		14,848,427	NL0000102234
3.75 pct DSL 2010 due 15 January 2042	15,331,910			15,331,910	NL0009446418
2.75 pct DSL 2014 due 15 January 2047	10,156,187	1,007,000		11,163,187	NL0010721999
2½ pct Inscription registers	10,336		468	9,868	NL0000006286
3 pct Inscription registers	3,056		165	2,890	NL0000004802
3½ pct Inscription registers	179		5	174	NL0000002707
	331,005,546	**26,607,163**	**35,653,105**	**321,959,603**	

4 Short-term debt and eonia swaps in 2016

In millions of euros

Key figures of T-bills	Total	Issues	Expirations	Total	ISIN-code
	31-12-2015			**30-11-2016**	
DTC 2016-01-29	4,670		4,670		NL0011376223
DTC 2016-02-29	3,900		3,900		NL0011376280
DTC 2016-03-31	2,430	2,190	4,620		NL0011509286
DTC 2016-04-29	2,290	2,040	4,330		NL0011543665
DTC 2016-05-31		2,350	2,350		NL0011765920
DTC 2016-06-30		4,440	4,440		NL0011610332
DTC 2016-07-29		4,650	4,650		NL0011678511
DTC 2016-08-31		4,630	4,630		NL0011765938
DTC 2016-09-30		4,380	4,380		NL0011821228
DTC 2016-10-31		4,400	4,400		NL0011832902
DTC 2016-11-30		4,490	4,490		NL0011896816
DTC 2016-12-30		4,510		4,510	NL0011923107
DTC 2017-01-31		5,150		5,150	NL0011983366
DTC 2017-02-28		2,230		2,230	NL0011999628
DTC 2017-04-28		2,780		2,780	NL0012061139
	13,290	**48,240**	**46,860**	**14,670**	

Commercial Paper	Total	Issues	Expirations	Total
	31-12-2015			30-11-2016
ECP USD	761	61,785	62,546	-
ECP NOK	-	168	168	-
	761	**61,953**	**62,714**	**-**

Other short-term debt	Total	Issues	Expirations	Total
	31-12-2015			30-11-2016
Deposit borrow	880	267,581	268,321	140
Deposit lend	-	-38,056	-38,056	-
Deposit borrow USD	229	9,194	9,423	-
Eurex repo	-	-77,851	-76,001	-1,850
Buy Sell Back	-	-5,547	-5,547	-
Sell Buy Back	27	4,584	4,611	-

Eonia swaps (position as of 30 November 2016)		
Bucket (year of maturity)	**Net nominal amount**	**Pay or receive (net)**
2016	4,510	Receive
2017	10,160	Receive

Photos

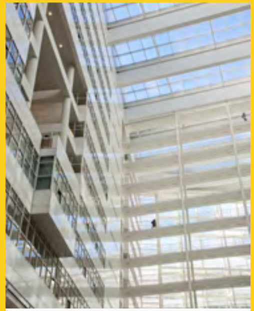
Atrium of the Ministry of Finance in The Hague (p. 1)

Cheese wheels waiting to be sold in Delft (p. 4)

Market Hall in Rotterdam (p. 5)

Stream in 'de Hondswaard' near Vuren (p. 7)

Breakwaters on the beach of Zoutelande (p. 9)



Atrium of The Hague's city hall (p. 12)

Beach cabins near de Koog on the island of Texel (p. 13)

Neatly built houses in Groningen (p. 17)

Two sand banks at low tide on the beach at Zandvoort (p. 19)

The Ministry of Finance in The Hague at night (p. 21)

Bicycle parking at the train station in Delft (p. 22)

Adjustable weir near Zwolle (p. 24)

Utrecht's city hall as seen through the art piece 'Aura Utrecht' (p. 25)

Lock in the Juliana Canal near Limmel (p. 26)

Aerial view of agricultural fields in the province of North Holland (p. 28)

Chrysanthemums growing in a greenhouse near Den Bosch (p. 31)

Frozen Brussels sprouts in Flevoland (p. 33)

Surfers near the harbour light of Scheveningen (p. 39)

Highlights of the DSTA Outlook 2017

- Capital market funding in 2017: target range between € 30 and € 35 bn
- DSL auctions on the second and fourth Tuesday of the month
- Reopenings of 5-year DSL for a total of € 7 bn starting in January
- New 10-year DSL issued via DDA in February; to reach committed volume of € 15 bn within 2017
- New 7-year DSL issued via DDA after the summer; to reach € 5 to € 7.5 bn within 2017 and € 15 bn within a year after first issuance
- Long-dated off-the-run reopenings for a total of € 3 to € 5.5 bn starting with the 2047 DSL in January
- Estimated money market volume end 2017 (excl. collateral) of € 24.4 to € 29.4 bn
- DTC auctions: every first Monday a 6-month programme and every third Monday a 3- and 6-month programme
- Borrowing requirement and funding plan updated on a regular basis through the Quarterly outlooks

Contacts

Agent
Niek Nahuis
+31 (0)70 342 80 03
n.j.nahuis@minfin.nl

Deputy Agent
Martin Heerma
+31 (0)70 342 70 26
m.heerma@minfin.nl

Secretariat
+31 (0)70 342 80 06
dsta.secretariaat@minfin.nl

Controlling, Accounting & Reporting
Roelant Nieboer
+31 (0)70 342 81 91
rajj.nieboer@minfin.nl

Cash Management, Issuance & Trading
Regine Doornbos-Neyt
+31 (0)70 342 76 37
r.g.m.doornbos@minfin.nl

Policy & Risk Management
Emile Spijkerman
+31 (0)70 342 86 81
e.b.spijkerman@minfin.nl

Treasury & Debt Operations
Martin Heerma
+31 (0)70 342 70 26
m.heerma@minfin.nl

Dutch State Treasury Agency
Ministry of Finance
PO Box 20201
2500 EE The Hague
Netherlands
www.dsta.nl

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