Dutch State Treasury Agency
Ministry of Finance

Outlook

2011

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The pictures in this Outlook have the Delta works as the central theme.

Earlier this year, the final piece of the Delta works was finalised. The term ‘delta’ refers to the areas of land between the arms of a river. Around one third of the Netherlands – ‘nether’ means below – is below sea level. Since time immemorial, the people of the Netherlands have struggled against the abundance of water in their country. The Delta works – together with hundreds of kilometres of dikes and dams – should help to protect the Dutch in keeping their feet dry.

In October 2010, a special € 5 coin – labelled the ‘Waterland Fiver’ – was minted to mark the constant struggle of the Dutch against the water. The front portrays Queen Beatrix and her reflection in the water. The tail of the coin illustrates how the water would claim the land if there would be no adequate protection against the water.

Preface

The past year has been another unusual year. In the course of 2010, the global financial crisis entered a new phase. What started as a crisis related to mortgage-backed securities in the US has now evolved into a sovereign debt crisis in Europe. Facing the financial turmoil, all countries are implementing measures to strengthen their economic and budgetary positions. The DSTA was able to manage the crisis relatively well. Although times have been challenging every now and then, in the end the DSTA had no difficulty in fulfilling its borrowing requirement for 2010.

The Dutch economy has been gradually improving. Although growth is largely export-driven, a number of indicators also point towards broader positive economic conditions. Unemployment is decreasing and confidence indicators are rising. Following the upswing in the business cycle and consolidation measures taken, the budgetary position has become more favourable. To secure long-term sustainable public finances, the newly installed government agreed that sizeable deficit-reducing measures would be necessary. Consolidation measures have been announced to ensure a total reduction of the budget deficit of € 18 bln by 2015. The focus is on expenditure reduction far more than on tax increases. For 2011 the EMU-deficit is expected to improve to 4.0% of GDP. The debt level is expected to decline from 2012 onwards, from a top level of 67% of GDP.

At € 117 bln, the total borrowing requirement for 2011 will be more or less the same as for the current year. For the years to come, I expect the funding need to decline gradually. In 2011, I plan to fund approximately € 50 bln on the capital market by the issuance of DSLs. The remainder will be covered on the money market and – if market circumstances are favourable enough – by issuing a US dollar bond. As always, the money market is the DSTA's traditional buffer to accommodate sudden changes in the funding need.

As you know, key values of the DSTA's issuance strategy are predictability and consistency. These are reflected in our traditional focus on the 3- and 10-year segments. In 2011 we plan to issue two new bonds in the 3- and 10-year segments. The DSTA commits itself to raise the outstanding volumes of these new bonds to at least € 15 bln within 12 months to secure liquidity and tradability. Taking into account the size of the funding need, next year the DSTA will also launch a new 5-year DSL by means of a DDA. The DSTA also commits itself to the long end of the curve. In 2010, we issued a new 30-year bond, which we will reopen twice in 2011 to increase its outstanding volume beyond € 10 bln.

To celebrate its completion in 2010, the pictures in this Outlook give an overview of the Delta works. The Delta works are a series of constructions mainly concentrated in the South-west of the Netherlands. They help to protect a large area of land against the sea and should prevent a recurrence of the massive 1953 flood disaster. In a way, the Delta works bear a resemblance to the reality of financial markets, where sovereign issuers, like the DSTA, do the best they can to weather the turbulent times we are currently facing.

Erik Wilders

Agent of the Dutch State Treasury Agency

Contents

1 The economy, the budget and the financial markets

With economic conditions improving and consolidation measures in place, the budgetary outlook for the Netherlands is relatively favourable. For 2011, the deficit is expected to equal 4% of GDP. The government's goal is to implement fiscal measures – with a focus on expenditure reduction – for a total amount of up to € 18 bln in 2015. This should help to reduce the deficit to below 1% of GDP in 2015, also in structural terms. The debt ratio for the public sector is expected to decline from 2012 onwards, down from a level of 67% of GDP.

1.1

Economic Outlook for the Netherlands

After 4 subsequent quarters of positive growth (quarter-on-quarter), the third quarter of 2010 showed a negative growth rate of -0.1%. This resulted in a year-on-year increase in real GDP of 1.8%, down from 2.1% in the second quarter. Although the recovery remains fragile, it is encouraging that most components of GDP have returned to positive growth rates. In addition, economic indicators, such as consumer and producer confidence, are trending upwards and unemployment is decreasing. All in all, the recovery of the Dutch economy is on track.

In its September Macro Economic Outlook, the Netherlands Bureau for Economic Policy Analysis (CPB) – the independent forecaster and think-tank in the Netherlands – anticipates a modest deceleration of economic growth next year. The timing and depth of the recession in the Dutch economy during 2008 and 2009 were determined mainly by international economic developments. Similarly, the timing and power of the recovery in 2010 and 2011 are dependent on the same forces.

Table 1.1 Key projections for the Netherlands

(average growth/year in %)	2010	2011
GDP	1¾	1½
Private consumption	½	¾
Gross fixed investments	-5½	2¾
Government expenditures	½	-¼
Exports	12¾	7½
Imports	11¼	6
Unemployment (% labour force)	5½	5½
Employment growth	-1¼	-¼
Labour productivity	4¼	2¼
Inflation (%)	1¼	1½

Source: CPB (projections of 21 September 2010)

Exports: recovery is export-driven

In its World Trade Monitor, the CPB expects the volume of world trade to increase by 15½% in 2010, decreasing to +7% in 2011. Due to the openness of its economy, the Netherlands is well-positioned to profit from the upswing in world trade. Exports are projected to increase 12¾% in 2010. In particular re-exports show a significant increase with a growth rate of 16¾%. Next year, the increase in the world trade is expected to slow down to approximately half its current rate. The growth of Dutch exports is projected to fall back to 7½%. With modest contributions of private consumption and government spending this year, net exports accounts for approximately 80% of the increase in real GDP.

Government expenditures

In 2009, spending by the government was the only component contributing positively to economic growth (+1.2 percentage points) as a result of the strong automatic stabilisers within the budget and stimulus measures taken to support economic activity during the downturn. At the time of their implementation, it was also decided to withdraw stimulus measures as soon as economic growth would exceed 0.5% by 2011. As a result, for the first time since 2004, government expenditures will dampen economic growth next year.

Private consumption and investment: modest increases in 2011

Increasing domestic demand is an important precondition for continued economic recovery. In 2011, both household consumption and business investments are expected to contribute positively to economic growth, though modestly (+0.25 percentage points each). Private consumption is highly dependent on confidence and wealth effects among consumers. Consumer confidence is showing an upward trend since the first quarter of 2009, as noted in the DSTA's Quarterly Outlook of September. Investment growth is expected to turn positive again in 2011 mainly driven by the recovery of corporate profitability, increasing producer confidence during the past 18 months and declining bankruptcies. However, since utilization levels are relatively low, the willingness to invest is likely to remain moderate.

Labour Market: unemployment rate remains relatively low

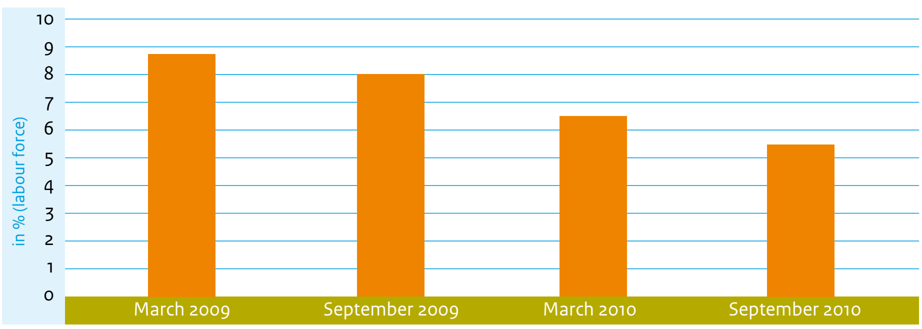
The Dutch labour market remains remarkably resilient. Despite the severe economic crisis, the unemployment rate increased only moderately in 2009 and early 2010. This illustrates the inherent flexibility of the Dutch labour market, with its high incidence of part-time work and a relatively high number of self-employed.

One of the main elements explaining this relatively moderate rise in unemployment is labour hoarding as a response to the tight labour market just before the outbreak of the crisis. Employers have appeared hesitant to lay off workers that they think may be needed again later. Also relevant in this respect is that corporate profitability was relatively high before the crisis and payroll costs were swiftly adjusted to reflect new economic conditions: lower bonus payments, less profit sharing and less overtime.

Another important factor that contributed to the labour market resilience is the high share of self-employed (without staff) in the labour force, thereby promoting labour market flexibility. The decision by firms to save on outsourcing during the crisis led to a substantial reduction in the hours worked by the self-employed. This group therefore took a relatively larger adjustment than was expected earlier, thereby relieving the 'normal' labour market. Also the part-time working scheme introduced by the government in 2009, a decrease in labour supply due to the discouraged worker effect, students who chose to continue studying and elderly workers who chose to retire early, all help to explain the benign labour market developments in the Netherlands.

Starting in March 2010, unemployment started to decrease; in the second quarter the number of hours worked in temporary jobs grew for the first time in almost 2 years. In 2010 and 2011 the unemployment rate is expected to stabilize at 5½% of the labour force, far below the 8¾% that was expected for 2010 one and a half year ago (see figure 1.1). The percentages mentioned are all based on national definitions; the EU-harmonised level of unemployment is 4.25% for both 2010 and 2011.

Figure 1.1 The development in time of the projected unemployment rate for 2010



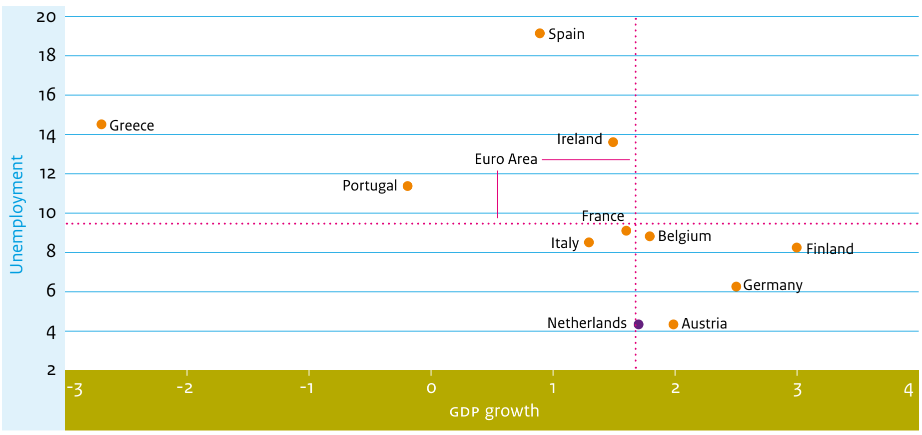
Source: CPB

Differences between the national and EU-harmonised definition of unemployment
According to the national definition, unemployment in 2010 and 2011 will be 1.25 percentage points higher than the EU-harmonised equivalent. These differences can be explained by 3 factors:
1 According to the national definition an individual has to work at least 12 hrs a week in order to be classified as part of the labour force. A person working less than 12 hrs (or not working at all), should actively search for a job of at least 12 hrs in order to be classified as unemployed. The requirement of being employed or looking to be employed for at least 12 hrs a week is unique for the Netherlands.
2 In addition to the 12 hours requirement, the national definition only includes people aged between 15 and 64, while the international definition only has a minimum age requirement of 15 years.
3 Furthermore, there are some differences in requirements with regard to availability and behaviour regarding job searching whether to be included or not into the labour force.

International comparison
Traditionally, the unemployment rate in the Netherlands is among the lowest in the Euro Area. In its 18 November Economic Outlook, the OECD estimates an EU-harmonised unemployment rate for the Netherlands of 4.4% of the labour force for 2011, while the estimated averages for the Euro Area are more than twice as high. Figure 1.2 shows the divergence of unemployment rates among the Euro Area countries.

The GDP growth rate projected for the Netherlands for 2011 is in line with the average growth rate expected for the whole of the Euro Area. Overall, growth figures for 2011 are somewhat lower than the 2010 figures, since worldwide economic growth is expected to slow down. Uncertainties about future international economic developments remain significant.

Figure 1.2 Unemployment (% labour force) and GDP growth rate (projections for 2011)



Source: OECD Economic Outlook (projections of 18 November 2010)[1]

The new Dutch government
On 14 October 2010, Queen Beatrix installed the new government. The government is a coalition of Christian democrats (CDA) and liberals (VVD). Because the 2 political parties account for a minority in parliament, the coalition partners have found parliamentary support from the Freedom Party (PVV).

1 In previous editions of the Outlook, the Autumn Forecasts of the European Commission were used for the international comparison. This year however, the Commission forecasts were to be released not until 29 November 2010.

The Coalition Agreement drafted by the new government is called 'Freedom and Responsibility'. In its Policy Statement before parliament on 26 October 2010, Prime Minister Mark Rutte stated that to emerge from the crisis stronger, 2 things are required: 'a rapid restoration of public finances and reforms'. He claimed: 'We must prune in order to grow [...] We must continue to distinguish ourselves as an innovative and resilient economy'. In this context, the government not only chooses to cut back drastically on government spending (see section 1.2), it also plans to invest. The objective is to improve education, to reduce the regulatory burden, to create a more attractive investment climate and to increase the scope for innovation and for initiatives from the business community. The government also plans to invest in roads and railways and in renewable energy. In addition, it will take a variety of measures related to immigration and integration. Fore more details, please visit www.government.nl, where both the Policy Statement and the Coalition Agreement can be downloaded.

It is a tradition in the Netherlands to involve the CPB in calculating the economic and budgetary consequences of policy measures. In the build-up to the elections, the CPB evaluated the effects of the different election programmes. Now that a new government has taken office, the CPB assessed the economic effects of the Coalition Agreement for the upcoming period of government (2011-2015).

Table 1.2 Macro-economic effects Coalition Agreement 2011-2015

(average growth/year in %)	CPB September projections	Effects Coalition Agreement (CA)	Projections incl. CA-effects
GDP	1¾	-0.4	1¼
Private consumption	1½	-0.7	¾
Government expenditures	¼	-0.1	0
Employment	¼	-0.4	-¼

Source: CPB

Following the measures proposed by the new government, the CPB expects economic growth to be 0.4 percentages points lower vis-à-vis estimates underlying the September projections. An increase in the financial burden for households – due to for instance more expensive rents and health care insurance – is expected to have a negative impact on their purchasing power. This lowers private consumption, putting downward pressure on employment. Employment is also expected to decline due to a smaller public sector and as a result of savings on government expenditures and somewhat higher taxes (see section 1.2). Although employment in the health care sector is foreseen to rise, the overall net demand for labour is expected to fall, increasing unemployment to an average of 6% in the period 2011-2015 (national defenition). The EU-harmonized level of unemployment is expected to amount to 5% of the labour force.

1.2 The budgetary outlook

As in the rest of the world, the crisis has had a severe impact on the fiscal position of the Netherlands. Now that the recovery is on track and consolidation measures have been taken, the budgetary position of the government has started to improve.

On 21 September, the Minister of Finance presented his Budget Memorandum to parliament. For 2010, the budget deficit (EMU-definition) was estimated at 5.8% of GDP, which is lower than the 6.3% that was expected one year ago. The main cause of this improvement is the better-than-expected outcome for growth, resulting in higher tax revenues and social insurance contributions (0.4% of GDP).

For 2011, the Budget Memorandum expected the EMU-deficit to improve to 4.0% of GDP. This is mainly caused by favourable business cycle developments increasing government income. Deficit reducing measures – to which the government committed itself last year for a total of € 3.2 bln – will also contribute to the improvement.

On 8 November 2010, the new cabinet sent its so-called 'take-off memo' to parliament. The memo describes the financial starting position for the new cabinet, providing an update of both short and medium-term budgetary projections. Table 1.3 shows the development of the EMU-balance that is projected for the years 2011-2015, including calculations for the structural EMU-balance.

In a report on the sustainability of public finances in the Netherlands (March 2010), the CPB projected the deficit to decline to 2.9% in 2015. This projection was based on existing policies at that time. Comparing the March 2010 projections to the projections in the take-off memo, a fiscal improvement in 2015 is expected of 2 percentage points of GDP. This is mainly the result of fiscal measures taken by the government, which will be explained later on.

Table 1.3 Key budgetary figures for the Netherlands, % GDP

	2011	2012	2013	2014	2015
Actual EMU-balance	-4.0	-2.7	-1.8	-1.4	-0.9
Structural EMU-balance	-3.1	-2.2	-1.3	-1.1	-0.5
EMU-debt	66.1	67.1	66.9	66.0	64.8
EMU-balance (CPB, March 2010)	-4.9	-3.8	-3.0	-3.0	-2.9
Improvement since March 2010	0.9	1.1	1.2	1.6	2.0

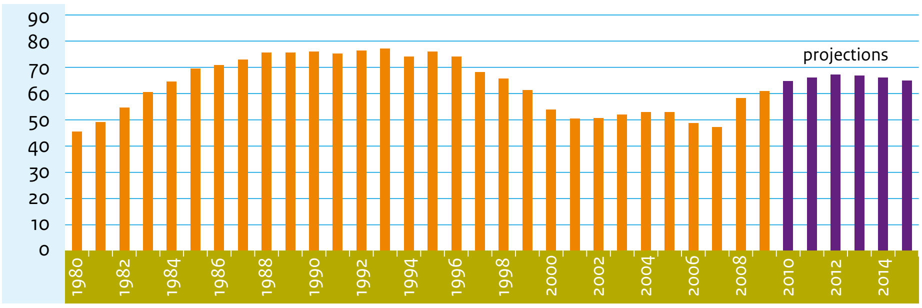
Source: Ministry of Finance (take-off memo) and CPB

In December 2009, the Ecofin Council in Brussels agreed – in context of the Stability- and Growth Pact (SGP) – that the Netherlands should bring the budget deficit down to below 3% of GDP by 2013. Table 1.3 shows that this condition is expected to be met, with quite some margin.

The medium-term objective of the SGP for the Netherlands is a structural balance between -0.5 and +0.5% of GDP. As long as the EMU-deficit exceeds 3%, the structural balance should improve by an annual average of 0.75 percentage points of GDP. Table 1.3 shows that the Dutch Government will also adhere to this condition. For the period 2010-2012, the improvement of the structural balance is relatively large. This can be explained by the high degree of front loading of a large number of expenditure reducing measures in the Coalition Agreement.

According to the take-off memo, government debt (EMU-definition) is expected to rise to 66.1% of GDP by the end of 2011, up from 64.4% of GDP at the end of 2010. These ratios are 2 to 3 percentage points lower than was envisaged one year ago. As a percentage of GDP, the debt level is now at its highest since 1997, as can be seen from figure 1.3. For the coming years, debt is expected to stabilise at approximately 67% of GDP, and to fall after 2012.

Figure 1.3 Debt-to-GDP ratio in the Netherlands



Source: CPB and Ministry of Finance (take-off memo)

The budgetary framework and fiscal measures of the new cabinet

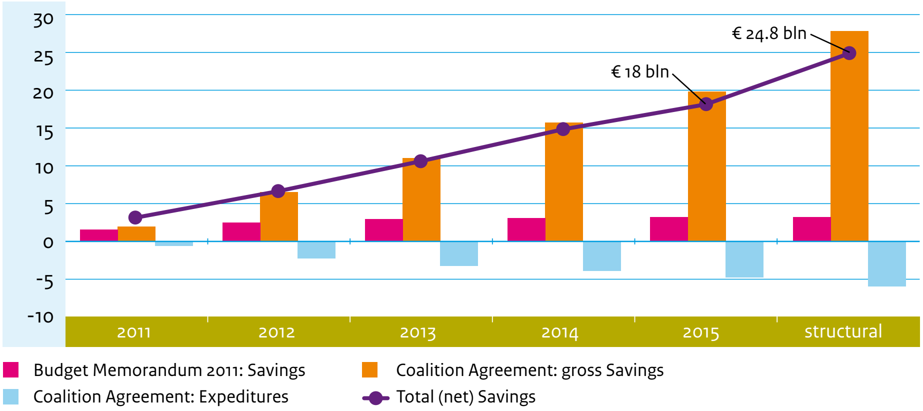
The care-taker government that was in office until 14 October 2010 already presented deficit-reducing measures in last September's Budget Memorandum of up to € 3.2 bln in 2015. These measures include, among others, increases in tobacco taxes and savings in a number of subsidies. The recently installed government adopted these measures in its own budgetary framework for the coming 4 years.

'It is our duty to reduce debt as rapidly as we can,' said Prime Minister Rutte in his Policy Statement to parliament. 'To ensure we do not simply pass the bill to future generations. That would be irresponsible. Especially considering that, with the onset of demographic ageing, an ever-decreasing number of working people will need to support an ever-increasing number of non-working people.'

The coalition parties agreed to take consolidation measures to ensure a total reduction of the budget deficit of € 18 bln by 2015. According to calculations in the Budgetary Framework of the Coalition Agreement, total net fiscal savings of € 18 bln in 2015 imply € 24.8 bln of savings structurally; see figure 1.4. In March, the CPB calculated that to restore public finances to long-term sustainability, structural budget cuts of € 29 bln would be needed. By saving € 24.8 bln, the incoming government aims to solve more than 80% of the problem.

Around 90% of gross savings will be found by reducing expenditures, less than a tenth is found by higher taxes and social insurance contributions. Figure 1.4 shows the combined effect of the measures presented in the Budget Memorandum 2011 and the impact of the Budgetary Framework of the Coalition Agreement.

Figure 1.4 Budgetary projections underlying the Coalition Agreement



Source: Budgetary Framework, Annex to the Coalition Agreement

The main areas of savings are:

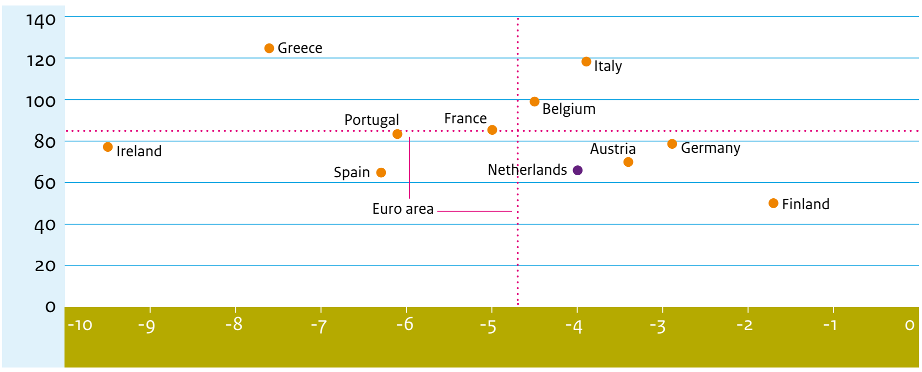
- a smaller and more efficient government, with fewer civil servants, fewer rules and fewer administrators;
- social security reforms: lowering income transfers, to for instance young disabled;
- international cooperation: reducing development aid;
- savings on a wide variety of grants and subsidies;
- health care, for instance limiting insurance coverage.

Spending increases will be aimed at for instance long-term health care for the elderly, public safety, infrastructure and the quality of education. Extra spending amounts to € 3.5 bln up to 2015 and € 4.7 bln structurally. Detailed information on all fiscal measures can be found in the Budgetary Framework (an Annex to the Coalition Agreement).

International comparison

Figure 1.5 illustrates that most countries within the Euro Area are facing more or less the same budgetary challenges. Most countries exceed the 3% Maastricht limit for the EMU-deficit. Notable is the relatively favourable position of the Netherlands. The relatively strong fiscal position can be partly explained by budget surpluses that were realised in the years before the crisis, combined with a clear set of rules that aim to safeguard long-term budgetary discipline. The new government decided to leave the existing budgetary rules largely unchanged (see box 1.1 for more details). The Dutch level of debt remains below the average of the Euro Area by approximately 20 percentage points.

Figure 1.5 EMU-balance 2011 and EMU-debt (end of 2010) in a number of Euro Area countries



Source: OECD Economic Outlook (projections of 18 November 2010) and European Commission (Spring Forecasts)[2]

2 In previous editions of the Outlook, the Autumn Forecasts of the European Commission were used for the international comparison. This year however, the Commission forecasts were to be released not until 29 November 2010. Debt estimates are from the Commission's spring forecasts, as the OECD did not publish debt figures in its November Outlook.

Box 1.1
Important rules in the Netherlands for managing the budget

One of the major features of the Dutch fiscal framework is the trend-based fiscal framework with multi-annual expenditure ceilings. The basics of this framework have been in place since 1994. Its essence is that the budget balance is allowed to fluctuate within certain limits. Those limits are determined by the maximum deficit allowed for the medium-term (trend-based).

1 **Strict separation between revenues and expenditures**
Revenues and expenditures are strictly separated. Thus, if revenues are higher or lower than projected, this does not affect expenditures as long as the EMU-balance remains within the signal margin (see below). Two reasons for introducing this strict separation are the cyclical nature of revenues and the inherent pro-cyclical bias in politics. In addition, revenues are much more vulnerable to economic fluctuations than most expenditures. Consequently, the Dutch system does not allow windfalls on the revenue side to be used for additional spending. On the other hand, when revenues fall short of expectations, cutbacks on expenditures are not required.

2 **Expenditure framework and ceilings**
To ensure sound public expenditures, the government subjects itself to an expenditure framework that fixes the overall level of expenditures during the government term. In this way the government is only allowed to allocate additional funds to one policy area when this is compensated elsewhere. The framework is usually drawn up when a new government takes office. The framework is based on multi-annual expenditure estimates. The expenditure framework is calculated in real terms. Each year, the framework is adjusted by the latest index for the development of prices and wages, resulting in a nominal expenditure 'ceiling'.

3 **Income framework**
A framework is also provided for the income side, i.e. changes in tax rates during the term of government are limited. A windfall can not be used for new policies and a setback does not lead to cutbacks. Full automatic stabilisation is used for the income side. This means that windfalls are credited to the EMU-balance and that setbacks are debited to the EMU-balance.

4 **Signal margin**
Whenever the budget balance does not develop according to the requirements of the Stability and Growth Pact and the desired deficit reduction may not be realised, additional adjustments are required. Whenever the signal margin of 1% is exceeded, extra measures must be taken. The signal margin is exceeded when estimates for the actual EMU-balance in the CPB spring projections for the next year (t+1) show a downward deviation of more than 1 percentage point compared to the deficit ambition that results from the Coalition Agreement.

1.3

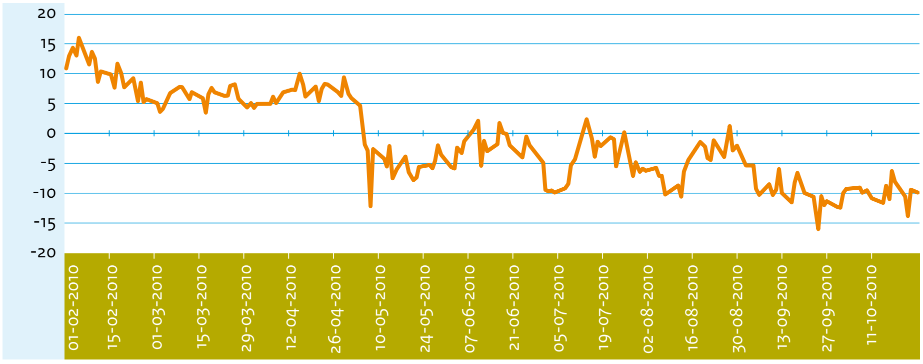
Financial markets developments

So far, the year 2010 can be described as a year of lower yields, on balance unchanged equity markets and sharply higher prices for commodities and metals. It has been the year of active central banks securing financial stability and maintaining liquid markets. Moreover, a number of central banks try to jumpstart economic growth and try to proactively avoid deflation. As official interest rates in the main industrialised countries are at or near zero, more and more unconventional monetary policy tools, such as quantitative easing, are used. The very benign interest rate environment has pushed prices for commodities and metals higher, both because of the available liquidity and because of higher inflation expectations.

Gold has been a strong performer, because of worries about prospective inflation and about the system of fiat currencies. The precious metal started the year at $1100/ounce and the price has risen to almost $1400. Although the euro/dollar exchange rate is almost unchanged for the year, its movement and volatility have been high. The euro started 2010 at 1.45, moved all the way down to 1.20 on the back of the turbulence in the Euro Area and moved back up after the summer to 1.40.

Bond yields of highly rated sovereigns have gone south this year. Both AAA bond yields and swap yields declined almost continuously. 10-year euro swap yields started the year at 3.60% and were a full percentage lower at the end of October. 10-year Dutch sovereign bond yields performed even better than swap yields, decreasing to 2.50% in October. Figure 1.6 shows the development of the 10-year spread for Dutch sovereign debt (DSL minus swap).

Figure 1.6 Yield spread between 10-year DSL and 10-year swap



Source: Own calculations based on Bloomberg

Since the start of the year, yields in the 30-year segment have decreased significantly. The yield of the newly issued DSL 15 January 2042 has decreased from 3.8% at the time of issuance in May to below 2.8% at the end of the summer. The 2042 bond is the only DSL currently trading above swap. This is mainly caused by the inverse swap curve beyond the 20-year point. The bond is trading at a narrow spread versus Germany (+10 bp). Versus OAT (France), the DSL has traded increasingly richer (-30bp at the end of October).

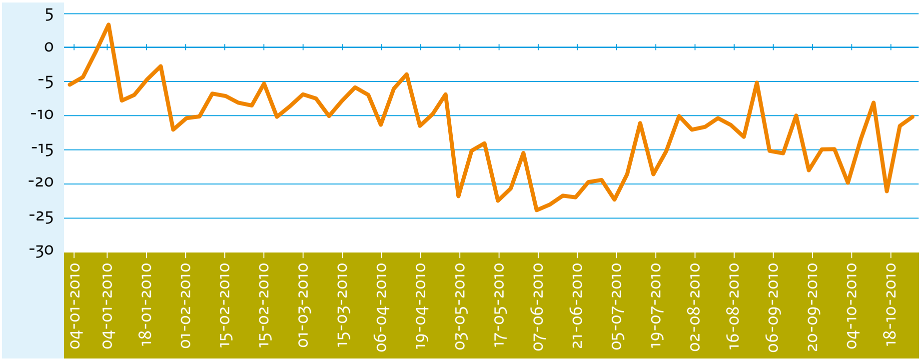
The focus of bond markets this year has been the developments in the so-called 'periphery' of the Euro Area. Budgetary problems in Greece, Portugal and Ireland have led to a tremendous widening of spreads versus Germany (and therefore vis-à-vis the Netherlands). Part of this widening can be attributed to the strength and safe-haven function of Bunds and DSLs; at the same token it could be attributed to weaknesses in the peripheral countries.

Next to this main development of the widening of peripheral spreads, another development stood out. Dutch bonds have performed strongly vis-à-vis other AAA countries, especially versus France. In terms of yields, 10-year DSLs started the year almost on an equal footing with OATs. During the year, the 10-year spread widened gradually to almost 20 basis points at the end of October. This widening illustrates that market participants seem to distinguish more and more between countries, even within their rating categories.

In the short end of the market, rates were relatively stable before summer. The ECB continued its policy of ample liquidity. After the summer, excess liquidity was gradually reduced, followed by increasing market rates. Short end Euribors are on the rise and so is Eonia. Eonia traded around 30 bp (0.3%) during the first half of the year and has moved upward to 85 bp at the end of October. The 3-month Euribor rate fixed at 1% mid October, closing its gap with the ECB refinancing rate. The Euribor rate can be decomposed into two components, the Eonia rate and the Euribor-Eonia spread, with the latter as an indicator of counterparty risk. The excess liquidity in the system has been reduced from € 380 bln to around € 50 bln; this shows that normalisation in the money markets is on its way. The amount of overnight cash that is placed with the ECB at its deposit facility has decreased from a high of € 384 bln in June to a low of just over € 20 bln in October 2010.

During 2010, the DSTA has been able to fund its money market needs at levels far below Eonia swap rates – the DSTA's benchmark for money market operations. Dutch Treasury Certificates have been issued at on average 12 bp below Eonia (see figure 1.7), whereas Commercial Paper has been even more expensive at 20 bp below Eonia. In some instances, the DSTA has even been able to issue Commercial Paper in foreign currencies at negative interest rates.

Figure 1.7 DTC funding levels per DTC programme* (Eonia swap rate – DTC-rate, in bp)



* Dates on the horizontal axis refer to DTC auction dates; per date 3 or 4 programmes have been issued

1.4 Looking back: financial sector interventions

The Dutch government undertook a range of financial sector interventions since the start of the financial turmoil at the end of 2008. All measures are meant to be of a temporary nature and were taken to ensure financial stability. These measures, among others, include recapitalisations, asset relief measures and government guarantees. This section discusses the main interventions that were taken and developments since that time.

Financial institutions: shareholder functions and exit

Government interventions in 2008 and 2009 lead, inter alia, to substantial public interests in Dutch financial institutions. ING, AEGON and SNS Reaal were recapitalised with non-voting tier-1-ranking securities for a total amount of € 13.75 bln. Fortis Bank Nederland (FBN), its stake in ABN AMRO, Fortis Corporate Insurance and Fortis Verzekeringen Nederland (now ASR Nederland) were taken over by the State of the Netherlands. Subsequently, Fortis Corporate Insurance was sold to Amlin Group plc in 2009. In the course of 2010, relevant parts of ABN AMRO were separated from the consortium that acquired ABN AMRO in 2007 and were subsequently merged with FBN under the new ABN AMRO Group.

Efforts in the years ahead will be focused on a swift and responsible exit; 'responsible' meaning that financial stability should be safeguarded. The government has a solid track record with regard to the governance and privatisation of state-owned enterprises. Its interests in the financial sector are governed on a strict rational-investor basis. It was decided to establish an independent holding organisation for some of the institutions, which is expected to be in place in the first half of 2011.

A complete exit from AEGON by the State is foreseen for the first half of 2011. AEGON has already repaid € 1.5 bln in 2009 and 2010. As part of an agreement with the European Commission, it will complete full repayment of the remaining € 1.5 bln by the end of June 2011, market conditions permitting. Exit routes for ASR Nederland (the insurance company of the former FBN), SNS Reaal and ING are under discussion. Of their recapitalisations, SNS Reaal and ING have already repaid € 185 mln and € 5 bln respectively. As to ABN AMRO, an exit first requires a complete integration of the former FBN and ABN AMRO Bank, which started in April 2010 and is expected to be finalized by the end of 2011. The Minister of Finance will provide more elaborate views on an exit strategy after the European Commission has published its decision on the merger. Interventions in ABN AMRO also included a credit relief instrument ('Citadel'), which involved a state guarantee on a € 34 bln mortgage portfolio. Citadel has been terminated in October 2010, reducing risks for the State by € 31 bln.

Illiquid back-up facility to ING

On 26 January 2009, ING and the State of the Netherlands agreed upon an Illiquid Assets Back-up Facility (IABF). The transaction resulted in a transfer of the risk on 80% of ING's Alt-A residential mortgages backed securities portfolio to the State of the Netherlands. 80% of the portfolio's par value at the time of the agreement amounted to $ 30.9 bln.

Initially the transaction consisted of four cash flows. The cash flows from ING to the State consist of a guarantee fee and the cash flows on 80% of the secured mortgages portfolio. The cash flows from the State to ING consist of a management fee and the funding fee. In order to get approval of the European Commission, ING agreed to make additional payments. Therefore two cash flows were added in October 2009 corresponding to an adjustment of the fees for the IABF amounting to a net present value of $ 1.8 bln (€ 1.3 bln).

Since entering the transaction 80% of the portfolio's par value has decreased by $ 7.1 bln to $ 23.8 bln (€ 19.4 bln) at the end of June 2010. This was mainly due to a relatively high number of prepayments. The total liability to ING originally amounted $ 27.8 bln (90% of par). The liability will be paid down by the State of the Netherlands in accordance with a pre-agreed payment schedule. Since the inception of the IABF the liability was lowered by $ 8.2 bln to $ 19.6 bln (€ 16 bln) at the end of June 2010.

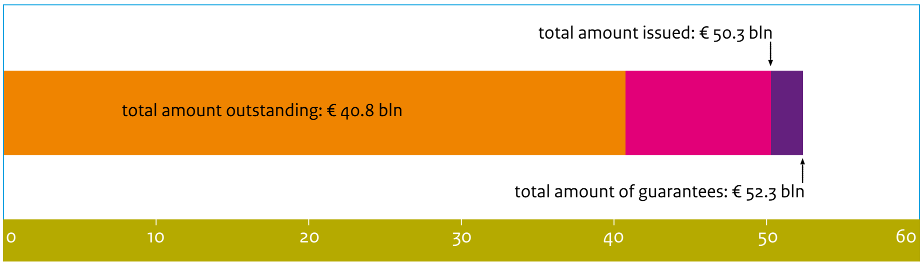
Credit Guarantee Scheme for bank debt

In October 2008, the State of the Netherlands introduced its Credit Guarantee Scheme of € 200 bln for the issuance of medium-term debt by banks. The Scheme intends to preserve financial stability and to avoid serious disturbance to the wholesale market of unsecured lending. The availability of government guarantees has proven to be an effective tool to improve access to funding for banks. Although confidence in financial markets has shown considerable improvements, the State of the Netherlands decided in June 2010 to prolong the Scheme until 31 December 2010. Alongside the prolongation, new minimum criteria have been determined by the European Commission, to ensure that guarantee schemes in Europe comply with the Treaty state aid rules. One of the criteria entailed an increase of the guarantee fee to avoid competition distortions. Another important criterion is that an applying bank must submit a viability review to the Commission within three months of the granting of the guarantee if the following thresholds are reached: a ratio of 5% of outstanding guaranteed liabilities to total liabilities and a total amount of guaranteed debt of € 500 mln. At this moment, 12 countries within the European Union have a Scheme in place.

Since the first prolongation of the Dutch Credit Guarantee Scheme in January 2010 no requests for government guarantees have been received. Most Dutch banks now consider the guarantee scheme to be a last resort facility, as it should be. Banks that make use of the scheme have found alternative ways of funding and are financing themselves successfully. As already mentioned, the Scheme will end on 31 December 2010.

Since the beginning of the Scheme in October 2008, a total of € 52.3 bln of guarantees has been granted (see figure 1.8). Of this, € 50.3 bln of debt has actually been issued. At the cut-off date of this Outlook, a total of € 9.5 bln of the guaranteed loans have already matured. More information about guaranteed loans is available at www.dsta.nl, at the subject 'Guarantee scheme'.

Figure 1.8 Guarantee scheme: total amount granted, total amount issued and outstanding amount (mid November), € bln



Box 1.2
Funding to support European sovereigns

In response to the economic and financial crisis, the European Union and its Member States have taken a number of measures to secure financial stability within Europe. Earlier this year the EU increased its existing Balance of Payments Facility available for non-EU countries from € 25 bln to € 50 bln, and has set up the European Financial Stability Mechanism (EFSM) amounting to € 60 bln. With this mechanism the EU is able to provide support in terms of loans to EU Member States. On top of this, the Euro Area countries have provided a loan facility arrangement for Greece, and the Euro Area decided to set up the European Financial Stability Facility (EFSF).

On 11 April 2010, Euro Area Member States announced the terms of potential financial support for Greece. On 2 May, Greece called upon the Member States to activate the facility and together with the IMF a loan arrangement totaling € 110 bln was granted. All Member States agreed to provide their pro rata share (according to the countries' participation in the ECB-capital) of financing for the loan, to be pooled by the European Commission (representing the Member States) and with the ECB as paying agent. The total maximum amount that the Netherlands will have to finance to provide its share equals € 4.7 bln, of which € 1.8 bln in 2010.

On 9 May 2010 all Member States made a firm commitment to provide a broader, albeit temporary solution to support Euro Area Member States in case of loss of market access. To this end, Euro Area Finance ministers agreed to create a Special Purpose Vehicle, later to be named EFSF. Member States will provide guarantees for EFSF issuances up to a total of € 440 bln allocated pro rata according to their participation in the capital of the ECB. Together with financing from the European Commission and the IMF, the EFSF will be able to provide a backstop for Euro Area sovereigns with a temporary loss of market access. The contribution of the Netherlands to the guarantees for EFSF could amount to a maximum of € 26 bln.

In contrast to the loan programme for Greece – where Member States provide the financial resources bilaterally to Greece through the ECB – the EFSF will arrange its own funding under its own name, pro rata guaranteed by Member States. The EFSF has agreed to use the facilities of the German debt management office to do potential issuance and to use the European Investment Bank for its back office functions.

The EFSF would be an exceptional example of sovereign bond issuance at the European level. The amounts that could be raised under the EFSF are of an entirely different scale from any European Union issuance so far. Rating agencies have classified the EFSF as a supranational. However, taking into account the structure that is designed for the EFSF and the potential issuance size, it would – in case of activation – certainly be more comparable to sovereign issuers in the Euro Area.

2 Funding and Issuance

For 2011, the DSTA's total borrowing requirement is estimated at € 117 bln. This is comparable to the current year's funding need. The DSTA aims for a call on the capital market in 2011 of around € 50 bln. The remainder will be covered on the money market through the issuance of T-bills and Commercial Paper. Funding by means of a US dollar bond is also a possibility. New benchmark bonds will be issued in the 3-year, 5-year and 10-year segments. The first DDA – for the 10-year bond – will be held in February/ March. The 'off-the-run'-facility will be continued into 2010, albeit with a reduced frequency of once every quarter.

2.1

Looking back

This section reflects on the execution of the funding plan for 2010 which was announced in the previous edition of the Outlook. As a result of somewhat higher allocations in auctions earlier in the year, leading to a swift fulfilment of the borrowing requirement, the off-the-run facility was discontinued from the fourth quarter onwards.

Due to unfavourable budgetary developments at the end of 2009, the end-of-year money market volume came out slightly higher than mentioned in the Outlook 2010. Together with capital market redemptions and the projected 2010 budget deficit, the year 2010 started with an overall borrowing requirement of € 119.3 bln.

Executing the funding plan in 2010

During the first quarter of 2010, the projected cash balance in the budget (Spring Memorandum) deteriorated by almost € 3 bln to a deficit of € 36.5 bln. In addition to the Dutch contribution to the borrowing arrangement for Greece of € 1.8 bln in 2010, the deterioration was caused by somewhat lower revenues from taxes and natural gas extraction. Consequently, the borrowing requirement increased to € 122.2 bln. The total funding need was split between the capital market and money market, as indicated in table 2.1.

Due to better-than-expected economic growth during the year, the Budget Memorandum presented in September 2010 reported an improvement of the 2010 EMU-balance of 0.5% of GDP (see section 1.2). In cash terms, this translated into a cash deficit of € 33.2 bln, down from the previously expected € 36.5 bln. The lower overall borrowing requirement automatically lowered the money market volume, returning to an expected end-of-year level corresponding to the volume presented in the Outlook 2010.

Table 2.1 Borrowing requirement and funding in 2010

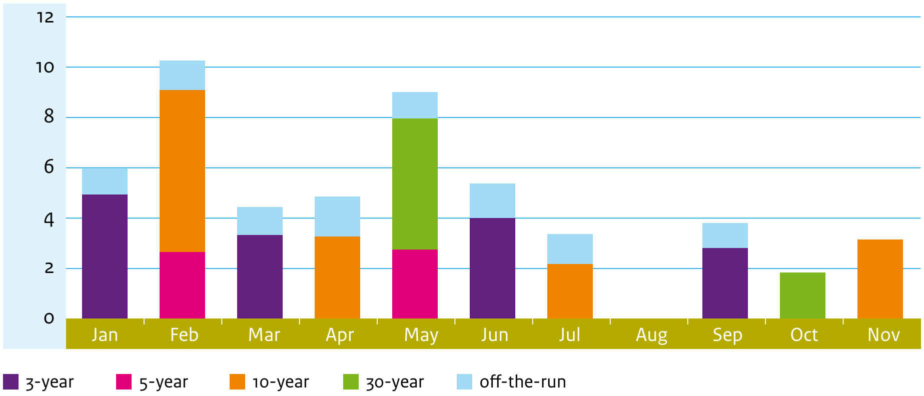
	Outlook 2010	End-of-year update	Spring update	September update
Capital market redemptions	23.3	23.3	23.3	23.3
Money market ultimate 2009	60.0	62.4	62.4	62.4
Cash deficit 2010	33.6	33.6	36.5	33.2
Total borrowing requirement	**116.9**	**119.3**	**122.2**	**118.9**
Capital market funding	50.0	50.0	52.0	52.0
Money market ultimate 2010	66.9	69.3	70.2	66.9
Total funding	**116.9**	**119.3**	**122.2**	**118.9**

DSL issuance in 2010

Capital market issuance in 2010 came out at € 51.9 bln, in line with the level that was announced in previous year's Outlook. Figure 2.1 shows the issuance on the capital market in 2010 split between different DSLs. With the tap on 9 November, the DSTA completed its DSL issuance programme for 2010.

In May 2010, investors had the opportunity to buy the new DSTA long-term bond: the 3.75% 30-year DSL, due 15 January 2042. With the launch of this bond, the DSTA fulfilled its commitment to the long end of the yield curve, extending liquidity beyond the existing 2037 point. Bids in the Dutch Direct Auction (DDA) came in at a steady rate. At closure (around 13:00 hrs CET) the size of the order book amounted to approximately € 7.3 bln, well over the minimum target amount of € 4 bln. To accommodate the large demand, € 5.2 bln was allocated at a uniform cut-off spread of +14 basis points over the German reference bond maturing on 4 July 2040. This corresponded to an issuance yield of 3.803%. Despite challenging market conditions at that time of the year the auction went smoothly. Of the total allocated amount, 57% went towards 'real money' accounts and the remainder to so-called 'other' accounts. Via a reopening in October an outstanding volume of € 7.1 bln has been realised in this long bond. As will be explained in the next section, the volume will be further increased in 2011.

Figure 2.1 DSL issuance in 2010, € bln



Traditionally, the DSTA issues in the 3- and 10- year segments. A new element in its issuance strategy is that from 2010 onwards the DSTA has committed itself to expand outstanding amounts of new 3- and 10-year DSLs to at least € 15 bln, up from € 10 bln before. This should further enhance liquidity. The first benchmark bond – the 1.75% DSL 15 Januari 2013 – was launched in January through a regular tap auction. This new 3-year bond was raised to € 15.0 bln through subsequent reopenings in the final month of each quarter.

The second benchmark bond – the new 10-year DSL, the 3.5% 15 July 2020 – was issued in February through a DDA. This auction went smoothly with an order book at the time of closure of € 7.8 bln. The allocated amount added up to € 6.4 bln, of which 63% was allocated to real money accounts. The spread was fixed at +33 basis points over the reference bond, the 3.25% DBR 4 January 2020. The bond was reopened three times, bringing its outstanding amount to € 15.1 bln.

Furthermore, the 5-year on-the-run – the 2.75% January 2015, first issued in 2009 – was reopened in February and May. This brought its outstanding amount to € 13.5 bln. To finalize its capital market funding requirement, the DSTA continued auctioning off-the-run bonds up to the end of third quarter. Off-the-runs were issued on the fourth Tuesday of every month for a total amount of € 9.3 bln. This is lower than the € 13.4 bln issued in the off-the-run facility in 2009. As a result of somewhat higher allocations in auctions earlier in the year, the off-the-run facility was discontinued from the fourth quarter onwards.

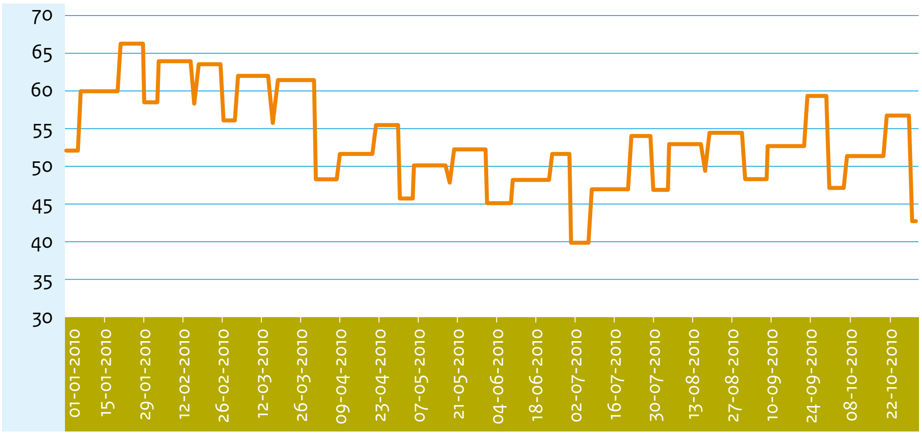
Figure 2.1 above gives a summary of the DSL-issuance, details can be found in the table 3 of the Statistical Information.

DTC issuance in 2010

In 2010, the DSTA auctioned its Dutch Treasury Certificates (DTCs) every first and third Monday of the month. In October 2008, the DSTA temporarily increased the frequency of DTC auctions from twice a month to every week (up to February 2009). At the same time, the number of DTC-programmes per auction was increased from 2 to 4. Besides tendering the recurring DTC-programme with a 3-month maturity in combination with a programme in either the 6-, 9- or 12-month maturity, 2 additional programmes were on offer. From the second quarter of 2010 onwards, the DSTA dropped one of the additional programmes, thereby reducing the total number of DTC-programmes per auction to 3. This increased the average allocation per maturity and enlarged the ultimate size of programmes, promoting liquidity.

In 2010, a gross amount of € 105 bln was issued in the first 10 months of 2010 with an outstanding level at the end of October of € 42.8 bln. As can be seen from figure 2.2, the outstanding amounts have gradually declined. As mentioned in section 1.3 (on financial market developments), funding in treasury bills was achieved at an average spread of minus 12 basis points vis-à-vis Eonia-swap levels.

Figure 2.2 Outstanding amounts DTC, € bln



Commercial paper

The Commercial Paper (CP) programme carried on its success into 2010. Demand during the year mirrored international developments on foreign exchange markets. Outstanding CP volumes amounted to an average of € 5 to € 8 bln with an average maturity of approximately 1.5 months. During the first 10 months, the lion's share of non-euro CP-funding was issued in US dollars. A smaller share of outstanding CP was issued in British pounds and to a minor extent in Swiss francs. Due to changing economic policies, the advantage for US dollar investors vis-à-vis investments in euro declined at the beginning of the fourth quarter. This triggered a reduced issuance of US dollar CP.

The open character of the DSTA's CP dealer panel (see section 3.2) allows for a diversified composition of banks, thereby extending its reach to new investors.

Table 2.2 Amounts issued in CP (January – October 2010), € mln

	Volume issued (issuing currency)	Volume issued (in euros)	Outstanding in issuing currency (end of Oct 10)	Outstanding in euros (end of Oct 10)
CP in Euros	3,948	3,948	150	150
CP in US dollars	50,321	37,549	4,419	3,418
CP in British pounds	2,914	3,297	50	60
CP in Swiss francs	465	350	-	-

2.2

Funding plan for 2011

The borrowing requirement partly depends on the outstanding money market volume at years-end that needs to be rolled-over into the year's end. This section gives an overview of the borrowing requirement and the funding plan for 2011.

Based on the latest projections of the cash balance in the budget, the 2010 end-of-year money market volume is expected to come out at € 66.7 bln. This volume includes the cash collateral received by the DSTA.

> The money market volume at the end of 2010 will consist primarily of Dutch Treasury Certificates and to a lesser extent of Commercial Paper, deposits and cash collateral due to a positive value of the swap portfolio. Beyond a certain threshold, counterparties have to put up collateral with the DSTA whenever a swap contract (IRS or FX) has a positive market value for the DSTA. Given recent developments of interest rates (as explained in section 1.3) and the relatively large swap portfolio of the DSTA, cash collateral may amount to a few billion euros at year's end.

The ultimate volume of the money market will depend on the final outcome of both the cash balance and the amount of cash collateral with the DSTA. Together with next year's capital market redemptions and the cash deficit based on the take-off memo (discussed in section 1.2), the borrowing requirement for 2011 is specified as follows:

- capital market redemptions amounting to a total of € 28.1 bln
- an end-of-year money market volume of € 66.7 bln
- a cash deficit of € 22.3 bln

Altogether, this results in a preliminary total borrowing requirement for 2011 of € 117.1 bln. This is more or less equivalent to the 2010 number. For the coming years, the total borrowing requirement is expected to decline as a result of an improving government budget, a gradual increase of the maturity of our debt portfolio and repayments by the financial sector of support received earlier.

As in 2009 and 2010, the DSTA will fund approximately € 50 bln in the capital market in 2011. The remaining borrowing requirement will be covered in the money market. This will result in an estimated 2011 end-of-year volume of approximately € 67 bln, practically the same as the money market volume ultimate 2010.

Table 2.3 Borrowing requirement and funding in 2011, € bln

Borrowing requirement 2011	
Capital market redemptions	28.1
Money market ultimate 2010	66.7
Cash deficit	22.3
Total borrowing requirement	**117.1**

Funding in 2011	
Capital market funding	50.0
Money market ultimate 2011	67.1
Total funding	**117.1**

Framework

The framework for executing the funding plan aims to strike a balance between consistency and flexibility.

In line with its aim to be as consistent as possible the DSTA issues bonds in the 3- and 10-year segment. From 2010 onwards, the DSTA has committed itself to an outstanding volume of newly issued 3- and 10-year bonds of at least € 15 bln. This benchmark volume places DSLs in a competitive position vis-à-vis other core sovereign issuers in the Euro Area. To enhance liquidity and tradability, and depending on the funding need, the DSTA has also gradually increased the outstanding volumes of previously issued 3- and 10-year DSLs beyond the € 10 bln outstanding volume to which the DSTA had committed itself until 2009.

In addition to being a reliable issuer of 3- and 10-year bonds the DSTA also commits itself to the long end of the DSL curve. This is achieved by issuing new long bonds every 5 to 6 years. In the other years, if the borrowing need allows, a new 5-year DSLs will be issued.

Flexibility within the framework is mainly found in the money market. During the year the money market acts as a buffer to absorb budgetary changes. In this way the money market level automatically increases to cover budgetary setbacks or is reduced in case of windfalls. The necessary flexibility is also achieved by the possibility of issuing foreign currency bonds.

Capital market issuance in 2011

In 2011 the DSTA intends to fund roughly € 50 bln on the capital market. Three new DSLs will be issued, and the outstanding amount of the current on-the-run 30-year DSL will be increased beyond € 10 bln. The facility for reopening off-the-runs will be continued into 2011, albeit with a different frequency. Continuing its standing practice, the DSTA uses the second Tuesday of every month to tap its on-the-run DSLs. The DSTA also aims to have a DDA or an extra on-the-run tap every quarter.

The DSTA will launch 3 new DSLs in 2011. More specifically:

- In 2011, a new 3-year bond will be launched in January – the DSL 15 January 2014 – by means of a regular tap. Subsequent reopenings will increase the outstanding volume of this new benchmark issue.
- A new 10-year bond will be issued by means of a DDA. Subsequent reopenings will further increase the outstanding amount of this bond.
- Later in the year, the DSTA will launch a new 5-year DSL by means of a DDA. The initial issuance and subsequent reopening will raise the outstanding amount of this DSL to an indicative amount of € 7 bln in 2011.

Outstanding amounts of all 3 new DSLs will be increased to at least € 15 bln within 12 months of the first issuance.

In addition, the on-the-run 30-year bond – the 3.75% 15 January 2042 – first issued in May 2010, will be reopened twice in 2011. This will raise its outstanding volume by approximately € 3 bln to at least € 10 bln in the course of 2011.

The off-the-run facility will be continued into 2011. The number of auctions will be scaled back to once every quarter, always in the first month. Translated to the annual DSL calendar the fourth Tuesday of January, April, July and October will be used for the off-the-run facility. The target volume for the off-the-run facility will be increased to around € 2.5 bln per auction, up from an average of € 1 to 1.5 bln in 2009 and 2010. The selection of the off-the-run DSLs will have no focus on a specific maturity segment. The selection of bonds will be done on a case-by-case basis and will always be published in the quarterly issuance calendars.

Next to the quarterly off-the-run facility and the regular on-the run taps on the second Tuesday, every quarter will see either a DDA or an extra on-the-run tap. The extra on-the-run taps will be held on the fourth Tuesday. By increasing the total number of on-the-run taps, issuances are more evenly distributed across the year.

In the first quarter, February/March will be allocated as the DDA-window for the new 10-year DSL. In principle, the 5-year DDA will be launched in May/June. As the exact timing of the DDAS has yet to be decided, this could lead to changes in the announced issuance calendar. No auctions are traditionally scheduled in August and December; these will be labelled as reserve dates.

The DSTA keeps open the possibility to issue a US dollar bond (see box 2.1). The precondition for issuing debt in US dollars is that a funding advantage should be realised vis-à-vis a comparable bond issued in euros. If and when issued, the euro equivalent of the foreign currency funding will reduce the call on the money market in 2011.

Table 2.4 summarises the DSL issuance described above. The DSL calendar can be found at the end of this section.

Table 2.4 DSL issuance in 2011, indicative sizes, € bln

DSL	Indicative amounts
New 3-year DSL	15
New 10-year DSL	15
New 5-year DSL	7
On-the-run 30-year DSL	3
Off-the-run facility	10
Total DSL funding	**50**
US dollar bond	To be determined

Box 2.1
Issuance in US dollar

In the previous edition of the Outlook, the DSTA announced the possibility of issuing a foreign currency bond. Over the past year the DSTA has been preparing for the issuance of a US dollar denominated bond. Based on our experiences with issuing Commercial Paper in US dollars, a US dollar bond could be an excellent way to introduce typical dollar investors to the Dutch State, thereby broadening and diversifying the DSTA's investor base. A precondition for the DSTA to issue debt in US dollars is that a funding advantage should be realised vis-à-vis a comparable bond issued in euros. The currency risk of a foreign currency bond will be fully hedged.

Preparations for issuing a US dollar bond have taken more time than was envisaged earlier. The DSTA now stands ready to issue a US dollar bond as soon as we see a window of opportunity. The US dollar bond will be issued through a DDA, which is the same auction technique we use for issuing longer dated DSLs, albeit with a few minor modifications which will be announced in due time. If and when issued, the amount issued in the US dollar denominated bond will reduce the DSTA's call on the money market.

DTC issuance

The DTC calendar follows the usual pattern of two auctions per month on the first and third Monday. In every auction, a 3-month programme will be tendered, in combination with a programme in the 6-, 9-, or 12-month segment. Besides these 2 regular programmes a third programme could be added if needed. All DTC-programmes to be auctioned will be announced on the Wednesday prior to the auction (t-5). The DTC calendar can be found at the end of this section.

As described in section 2.1, the DSTA's has positive experiences with issuing CP in euros and foreign currencies. This programme will be continued into 2011.

Indicative DSL calendar 2011

Month of issue	Regular auction Auction data (2nd Tuesday)	Details	Other auctions Auction data (4th Tuesday)	Details
January	11	Tap new 3-year: DSL 15 January 2014	25	Off-the-run*
February	8	Tap 30-year: 3.75% DSL 15 January 2042	DDA new 10-year#	
March	8	Reopening new 3-year		
April	12	Tap	26	Off-the-run*
May	10	Tap	DDA new 5-year#	
June	14	Tap		
July	12	Tap	26	Off-the-run*
August	Reserve date			
September	13	Tap		On-the-run
October	11	Tap	25	Off-the-run*
November	8	Tap		On-the-run
December	Reserve date			

* The bonds selected for the off-the-run facility will be announced in the quarterly issuance calendars.
# Dates for the DDAs to be determined. The timing of the DDAs may lead to changes in the DSL issuance calendar.
Announcement of all auctions is at t-6. Settlement is t+3 (Friday following the auction).

DTC calendar 2011

Auction date	Settlement date	3-month DTC-programme	6-, 9-, 12-month DTC-programme
04-01-2011*	06-01-2011	31-03-2011	30-12-2011
17-01-2011	19-01-2011	29-04-2011	30-09-2011
07-02-2011	09-02-2011	29-04-2011	29-07-2011
21-02-2011	23-02-2011	31-05-2011	30-12-2011
07-03-2011	09-03-2011	31-05-2011	31-08-2011
21-03-2011	23-03-2011	30-06-2011	30-09-2011
04-04-2011	06-04-2011	30-06-2011	30-03-2012
18-04-2011	20-04-2011	29-07-2011	30-12-2011
03-05-2011*	05-05-2011	29-07-2011	31-10-2011
16-05-2011	18-05-2011	31-08-2011	30-03-2012
06-06-2011	08-06-2011	31-08-2011	30-11-2011
20-06-2011	22-06-2011	30-09-2011	30-12-2011
04-07-2011	06-07-2011	30-09-2011	29-06-2012
18-07-2011	20-07-2011	31-10-2011	30-03-2012
01-08-2011	03-08-2011	31-10-2011	31-01-2012
15-08-2011	17-08-2011	30-11-2011	29-06-2012
05-09-2011	07-09-2011	30-11-2011	29-02-2012
19-09-2011	21-09-2011	30-12-2011	30-03-2012
03-10-2011	05-10-2011	30-12-2011	28-09-2012
17-10-2011	19-10-2011	31-01-2012	29-06-2012
07-11-2011	09-11-2011	31-01-2012	27-04-2012
21-11-2011	23-11-2011	29-02-2012	28-09-2012
05-12-2011	07-12-2011	29-02-2012	31-05-2012
12-12-2011#	14-12-2011	30-03-2012	29-06-2012

Shaded areas indicate new programmes.
* Tuesday
# Second Monday instead of the third

2.3

The Dutch way of auctioning

The DSTA uses auctions as a price discovery mechanism in the process of covering its funding needs in both the money and capital market. To create the best basis for successful auctioning, the aim is for auctions to be transparent, predictable and market-based. The different auction methods are all meant to offer participants a level playing field.

There are three auction systems the DSTA uses for issuing securities:

- T-bill auctions
- DDA for bonds
- Tap auctions for bonds

T-bill auctions

Dutch Treasury Certificates (DTCs) are generally auctioned twice a month on the first and third Monday of the month. In periods of extra funding needs, this frequency can be increased, as was decided at the end of 2008 and the beginning of 2009. T-bills are issued through single price auctions, a unique way of auctioning as most countries in the Euro Area use multiple-price auctions. Because of its uniform price, this auction method is internationally known as a 'Dutch auction'.

On the Wednesday prior to the auction date, the DSTA communicates which programmes will be on auction and their respective target sizes. Once the auction has been opened, Primary Dealers and Single Market Specialists can enter bids via Bloomberg. The DSTA is the only party having insight in the book building and decides how much will be allocated at a certain cut-off yield within the pre-announced target ranges. Nominal bids at an interest rate below this cut-off yield are allotted in full. Nominal bids at the cut-off yield are either allotted in full or in part. This type of auction avoids the so-called 'winner's curse'. As the DSTA communicates the allocated amounts as soon as possible after the auction, uncertainty for investors concerning allocation is minimised.

Dutch Direct Auctions

For the initial launch of longer dated (5-, 10-, and 30-years) Dutch State Loans (DSLs), the DSTA uses a technique called the Dutch Direct Auction (DDA). A slightly adjusted DDA-method will also be used for potential future US dollar issuance (see box 2.1). This auction method is designed by the DSTA and introduced in 2003 as a means to reach end investors in a direct way. The DDA enables the DSTA to issue a liquid amount - in most cases a minimum of € 5 bln - in a new bond at once. The DDA is a rule-based system, with full transparency and equal treatment of investors within their categories. It carries elements from both a syndicate and the above mentioned Dutch auction. An aspect from the Dutch auction is the prevention of the winner's curse by issuing at a single price. The book building process, the fact that the DSTA prioritises real money accounts above other accounts and the fact that the DSTA uses Advisors are all elements taken from a syndicate.

Liquidity and market stability of newly issued bonds are supported by an adequate balance between long-term and short-term investors. To ensure this balance, in the DDA the DSTA divides investors in two categories: 'real money' investors or long-term investors who have a principle aim to buy DSLs for the long run and 'other' investors who obtain Dutch bonds primarily for trading purposes and thereby help to secure liquidity in the secondary markets.

Real money clients	Other clients
Asset and Fund Managers	Banks & Trusts
Central Banks/Agencies/Supranationals	Hedge Funds
Insurance Companies	Other Trading Desks
Pension Funds	
Private Banks	

When a DDA starts, investors can enter their bids via one or more Primary Dealers. In a DDA, bids are not submitted as a price but as a spread against a reference bond, which is most often a German Bund with a comparable maturity to the bond on auction. Since spreads are less volatile than absolute prices, this implies less risk to both the investor and the DSTA. A spread range is communicated one day prior to the auction. This range can be updated during the auction whenever warranted by changes in demand or market circumstances. Apart from bids at a certain spread, investors have the opportunity to place bids 'at best'. For allocation purposes, these bids are regarded as bids at the tightest spread within the spread guidance.

The auction closes at 17:00 hrs CET at the latest. Up till now, auctions have always closed earlier, due to a favourable book building process. After closure of the auction, the DSTA allocates the bonds to investors at a uniform cut-off spread. This happens preferably on the auction day itself, but never later than 9:00 hrs CET on the next day. Orders at spreads below the cut-off spread including orders 'at best', are always allocated in full. Orders at the cut-off spread may be allocated only partly. In order to ensure liquidity and tradibility in the newly launched bond, the

DSTA reserves the right to allocate 35% of the total volume to other clients. After allocation, the issue price is determined and communicated to the investors as quickly as possible and always before 12:00 hrs CET on the day following the auction. More details on the DDA can be found on our website, at the subject 'DDA'.

Mechanics of allocation: an example

Transaction details	
Spread guidance	11 to 12 bp
Target size	Minimum € 4 bln
Book size	€ 10.5 bln

Order book (in bln)				
Spread	At best	11	11.5	12
Real money	1.5	1.0	1.5	1.5
Other	1.0	2.0	1.0	1.0
Total	**2.5**	**3.0**	**2.5**	**2.5**
Cumulative		5.5	8.0	10.5

Scenario 1

- Allocated amount: **€ 6.5**
- Uniform cut off: +11.5

Allocation at cut-off:

- Real Money 67%
- Others 0%

Spread	At best	11	11.5	12
Real money	1.5	1.0	1.0	0.0
Other	1.0	2.0	0.0	0.0
Total	**2.5**	**3.0**	**1.0**	**0.0**
Cumulative		5.5	6.5	

Scenario 2

- Allocated amount: **€ 4.0**
- Uniform cut off: +11

Allocation at cut-off:

- Real Money 100%
- Others 50%

Spread	At best	11	11.5	12
Real money	1.5	1.0	0.0	0.0
Other	0.5	1.0	0.0	0.0
Total	**2.0**	**2.0**	**0.0**	**0.0**
Cumulative		4.0		

Tap auctions

Tap auctions are used for the initial issuance of 3-year bonds and for reopenings of all DSLs. Tap auctions are always held on the second Tuesday of the month. In 2009 and 2010, the fourth Tuesday was added as an extra tap date in response to increased funding needs. The Wednesday prior to the auction date, the DSTA announces the bond(s) to be sold and their respective target ranges. The DSTA starts the auction at 10:00 hrs CET by entering (a) bond price(s) in the MTS-screen. Prices can be adjusted during the auction depending on market conditions and the incoming orders. Primary dealers have the opportunity to buy at this price and a trade is agreed instantly when they hit the price. Once the DSTA reaches the desired amount, the auction will be closed. Results are communicated through press releases on the website and through Bloomberg.

In contrast to a Dutch auction, this is a multiple-price auction. The advantage of this auction method for participants is that they have immediate confirmation on both the price and the bought amount, so interest rate positions can be hedged immediately.

3 Primary and secondary markets

Primary Dealers and Single Market Specialists help the DSTA to achieve the goal of maintaining liquid markets for DSLs and DTCs. For 2011, the DSTA selected a group of 21 market makers, of which 16 Primary Dealers. Market makers have quotation obligations for both DSLs and DTCs. Also in 2010, the system of quotation obligations has been able to secure liquidity and availability of arbitrage free reference prices. Reflecting uncertain market conditions, bid/offer spreads have been more volatile than usual. There have been firm bids and offers at all times.

3.1

Looking Back: Primary Dealers and Single Market Specialists in 2010

Every year, the DSTA appoints Primary Dealers to promote, distribute, and contribute to the secondary market liquidity of DSLs and DTCs. Single Market Specialists fulfil a similar task for DTCs. In this way, Primary Dealers and Single Market Specialists help the DSTA to place its securities and to achieve the goal of maintaining a liquid market for Dutch sovereign securities. DSLs are sold to Primary Dealers through tap auctions held by the DSTA (see section 2.3). New benchmark issuances are sold directly to end investors by means of the Dutch Direct Auction (DDA), with the Primary Dealers as intermediates. DTCs are distributed to both Primary Dealers and Single Market Specialists through regular single-price (Dutch) auctions.

Being a Primary Dealer (PD) entails both rights and obligations. PDs have the exclusive right to buy DSLs from the DSTA. Furthermore, they are entitled to the repo and strips facility. As of September 2008, the repo facility applies to all DSLs and DTCs. In case the ISDA Master Agreement is signed and minimum requirements of the Credit Support Annex (CSA) are met, PDs are also entitled to conduct swaps with the DSTA. The CSA aims to mitigate credit risk.

For their efforts, PDs receive compensation in the form of a non-competitive bid (non-comp), i.e. the right to buy additional bonds up to 3 days after a tap auction, at the weighted average price of the auction. To qualify for the non-comp, PDs have to fulfil their quotation obligations on the secondary market (see section 3.3) and purchase at least 3% of the total nominal amount issued in a tap auction. The maximum amount for the non-comp is set at 15% of the total amount allocated in the auction. In 2010, the total amount issued through the non-comp facility was € 2.6 bln.

For every DDA, 3 PDs are selected to execute the role of DDA Advisor, for which they receive an advisory fee. Compensation in the DDA for all PDs is settled in the form of fees, the size of which depends on the volume of DSLs that a PD is able to place with end investors and on the type of investor (real money or others). Full details of the mutual rights and obligations can be found in the PD contract and conditions, available on-line at www.dsta.nl.

Ranking 2010

PDs and Single Market Specialists are periodically evaluated with respect to their primary market performance. The performance is based on the volume purchased in the DSL and DTC auctions. The top 5 performers in the DSL and the DTC primary markets in 2010 (up to 12 November) are ranked below.

Top 5 Primary Dealers for DSLs based on primary issuance, January – 12 November 2010	
1	ABN Amro
2	ING Bank
3	Royal Bank of Scotland
4	NATIXIS
5	HSBC France

Top 5 Primary Dealers and Single Market Specialist for DTCs, based on primary issuance, January - 12 November 2010	
1	ING Bank
2	Commerzbank
3	ABN Amro
4	Crédit Agricole
5	Citigroup

3.2

Primary Dealers and Single Market Specialists in 2011

PDs are selected annually for the upcoming calendar year based on a business plan they submit to the DSTA. The appointment is valid for one year, starting on 1 January 2011. Financial institutions interested in becoming a Single Market Specialist may also apply during the year. This open application procedure also holds for Commercial Paper dealers.

For 2011 the DSTA is proud to present its selection of 16 PDs. The composition of the PD group has slightly changed compared to last year. There are 2 newcomers in the group, Rabobank and Royal Bank of Canada.

List Primary Dealers for 2011 in alphabetical order
ABN Amro
Banco Santander
Barclays Capital
BNP Paribas
Citigroup
Commerzbank
Credit Suisse
Deutsche Bank
HSBC France
ING Bank
Jefferies
NATIXIS
Rabobank
Royal Bank of Canada
Royal Bank of Scotland
Société Générale

In addition to the PDs, the DSTA also appoints a number of Single Market Specialists. Just like PDs, Single Market Specialists have the right to participate in the DTC auctions and have market making obligations in the secondary DTC market, although they recieve no compensation for their efforts (through non-comp or otherwise). Including the 16 PDs, the promotion and distribution of DTCs is safeguarded by a group of 21 parties.

List Single Market Specialists for 2011 in alphabetical order
Crédit Agricole
DZ Bank
Goldman Sachs
JP Morgan Chase
UBS

Commercial Paper dealers

Since 2007 the Commercial Paper (CP) programme has played a substantial role in fulfilling the DSTA's money market funding needs. CP is used to satisfy short-term funding needs in a flexible and cost efficient way, without interfering with the T-bill programme. Next to issuance in euros, CP is also issued in US dollars, Swiss francs and British pounds, with the majority done in US dollars (see table 2.2). Additionally, since issuance in broken dates is possible as well, CP has proven to be successful in attracting new investors with (temporary) excess liquidity.

Issuance of CP takes place trough a panel of designated dealers, which are responsible for distributing the securities to end investors. CP is not issued by means of auctions at pre-determined dates, but the market is entered on a day-by-day basis. Indicative prices and maturities can be found on the pages of the DSTA on Bloomberg (DSTA10) and Reuters (DSTA10). In October 2010, Crédit Agricole CIB and HSBC have been appointed as CP dealers, raising the total number to 8.

List Commercial Paper dealers 2011 in alphabetical order
Barclays Capital
Citigroup
Crédit Agricole
Credit Suisse
Deutsche Bank
HSBC France
ING Bank
Rabobank

3.3 Developments on secondary markets

One of the obligations of the DSTA's market makers is to provide all market participants with price transparency and tradable prices. Taking into account the sovereign debt crisis, the year 2010 was very challenging for the PDs.

Quotation obligations and multi-platform environment

Due to technological developments, market makers can aggregate quotes from different platforms in such a way that traders are able to automatically execute a transaction at the best possible price available on the platforms they have access to. In the Outlook 2008, the DSTA therefore announced that PDs would have the possibility to select a platform of choice to fulfil their quotation obligations. A platform should meet a number of minimum criteria. One of these criteria is transparency; bid and offer prices should be available to professional investors in real time at 'reasonable commercial terms'. For retail investors, prices should be available free of charge with a maximum delay of 15 minutes. Web-links to price information on platforms can be found on the DSTA's website, at the subject 'Multiplatform'.

In March 2008 the DSTA started with the admission of several platforms on which PDs are allowed to quote. Currently there are 4 platforms on which PDs can fulfil their quotation obligations.

Platforms used by Primary Dealers to fulfil quotation obligations
MTS
BGC Partners
ICAP
EUREX

PDs and Single Market Specialists select one or more platforms of their choice. Allowing the quotation obligations to be fulfilled on more than one platform promotes competition and creates one virtual arbitrage free marketplace. The DSTA's market makers have the obligation to quote DSLs and DTCs for at least 5 hours per day.

Up to 2008, DSLs had to be quoted within a set of given fixed bid-offer spreads (see previous editions of the Outlook for more detail). The maximum bid/offer spreads that were allowed depended on the remaining maturity of the bond. In 2008, this system was replaced by a system

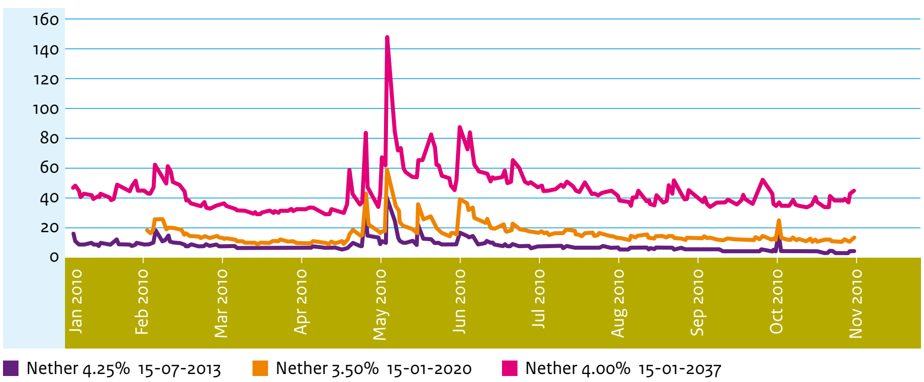
based on peer review. PDs are obliged to quote DSLs within one standard deviation of the average bid-offer spread quoted by all PDs.

Due to changing market conditions, bid/offer spreads for most bonds are now wider than before 2008, although we have seen that the shorter dated DSLs are quoted within the fixed maximum spreads that were valid until 2008 (4 cents). During the year, PDs have been able to fulfil their quotation obligations most of the time. As a consequence, there have been firm bids and offers at all times.

For DTCs the system is still based on a fixed maximum bid/offer spread of 4 ticks. During 2010, we have seen that bid/offer spreads for DTCs have been in line with the quotation obligations.

In May, the volatility on secondary markets jumped to the highest level of the year. During this month the European governments announced measures to support Greece and also took measures to stabilise the markets in the Euro Area (see section 1.4). In this period, when liquidity in especially peripheral bonds was practically non-existent, DSL prices remained to be quoted. Although the bid/offer spreads had widened due to increased uncertainty, the spreads with Germany have remained relatively stable during the whole year. Figure 3.1 shows that the average bid-offer spread in the DSL 15 Jan 2037 spiked to 145 cents mid May. However, the best tradable bids and offers in MTS were significantly tighter. Based on best bids and offers, the DSL 15 Jan 2037 mentioned above was quoted at 80 cents at its peak in May. For the DSLs maturing in 2013 and 2020 we see the same pattern.

Figure 3.1 Bid-offer spreads in 2010 of DSLs maturing 2013, 2020 and 2037 (in cents per € 100)



Non-competitive bid

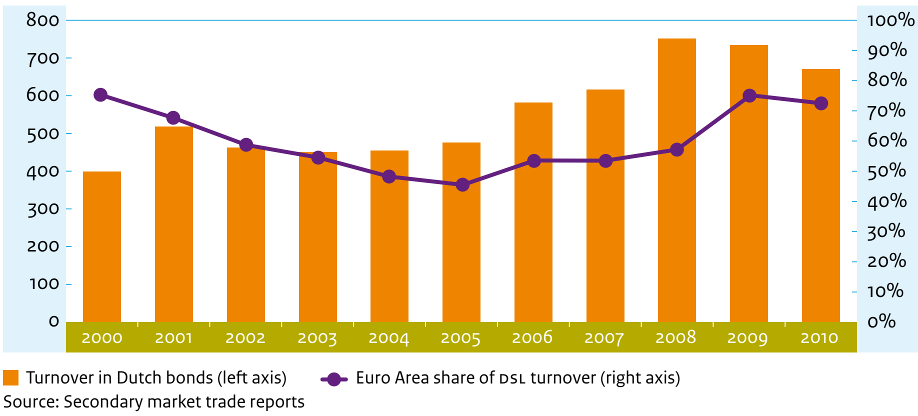
Fulfilling the quotation obligation for DSLs is a necessary condition for PDs to obtain the non-competitive bid rights following a DSL tap auction. A PD fulfils his quotation obligation if, on a monthly basis, he reaches an average daily score of at least 90% for each whole calendar month from and including the month of the previous DSL auction up to and including the month previous to the DSL auction concerned. The specific score of a PD depends on 3 variables: the number of DSLs quoted, the tightness of the bid-offer spread and the number of hours during which the DSLs have been quoted. With 2 DSL auctions per month (as in 2009 and 2010), PDs have access to the non-competitive bid if they reach an average daily score of at least 90% in the month preceding the auction concerned. The DSTA reports back to PDs on a daily basis on their quotation performance.

Secondary market data on traded volumes

PDs have an obligation to provide the DSTA with monthly information on traded volumes of DSLs in the secondary market. In 2006, the EU-harmonized reporting format was introduced which enables PDs to report on their activities to different DMOs in a uniform way. The data reported by the PDs give a general view on the trends in the secondary market. The reporting format allows a distinction between 2 types of bank activities. First, inter-dealer trades (Business to Business); these are 'non-sales person assisted trades', either on their own account, with other PDs or with other banks. Second, customer bank activities (Business to Customer); these are 'sales person assisted trades', with either a connected entity or trades with other banks[1]. Below, we provide a short overview of secondary market developments.

The PDs turnover in DSLs almost doubled in the preceding decade. In 2000 the annual turnover approached € 400 bln and the data show that towards 2008 the turnover in DSLs almost doubled (see figure 3.2). All data reported in this section for 2010 are up to and including September. The increased turnover is due to increased outstanding amounts of DSLs and the technological advancements that have increased the transparency of prices, thereby stimulating trade.

Figure 3.2 Primary Dealer turnover in DSLs (€ bln) and Euro Area share of DSL turnover (in %)



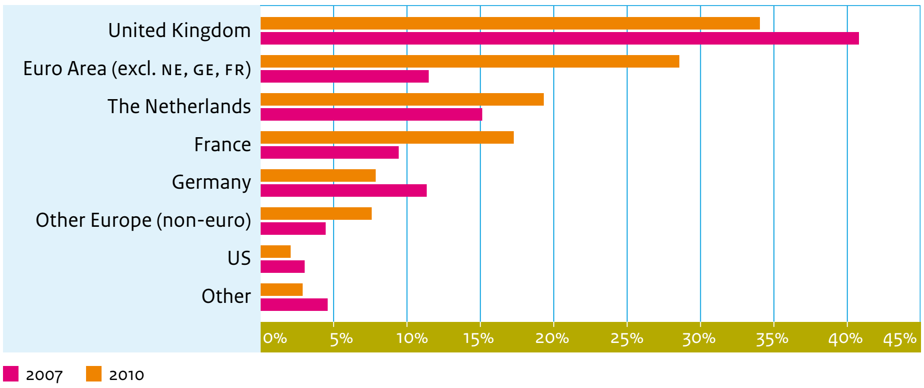
Source: Secondary market trade reports

With regard to the geographical distribution of turnover, the data show that the turnover of DSLs in the Euro Area as a percentage of total DSL turnover declined up to 2005, but picked up again afterwards, especially in 2009.

There are some interesting geographical shifts noted between the traded volume in 2007 and 2010. The DSL-volume traded from Spain has increased substantially in 2010. Furthermore, the share of DSLs traded in the UK declined from 41% to 34%. Also, the share of DSLs traded in France and the Netherlands increased by 8 and 4 percentage points respectively (see figure 3.3).

1 The different client types and subcategories within client types are explained by the European Commission on its website. See http://europa.eu/efc/sub_committee/primary_dealer/index_en.htm

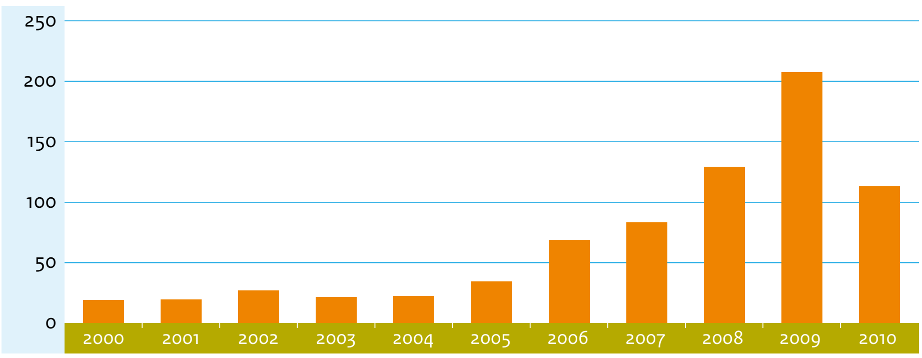
Figure 3.3 Geographical breakdown of DSL turnover in 2007 and 2010



Source: Secondary market trade reports

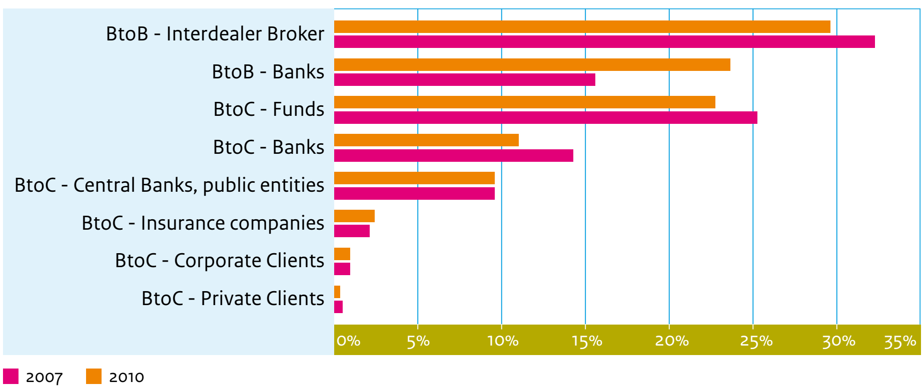
With respect to client type distribution, interesting to note is the increased turnover with central banks and other public entities (see figure 3.4). Also, the share of banks has increased from 15% to 24% (see figure 3.5).

Figure 3.4 Turnover of central banks and other public entities in DSLs (€ bln)



Source: Secondary market trade reports

Figure 3.5 Client type breakdown of DSL turnover in 2007 and 2010



BtoC = Business to Customer, BtoB = Business to Business
Source: Secondary market trade reports

Statistical information

1 Interest costs of Central Government debt

The cut-off date for data in the Statistical Appendix is 12 November 2010

In millions of euros

	2009	2010	2011
Interest paid			
Interest cost on fixed debt	8,843	9,600	9,658
Interest cost on floating debt (DTC, CP and other short-term borrowing)	1,271	626	1,740
Total interest cost	**10,114**	**10,226**	**11,398**
Interest received			
Received interest on fixed debt (net interest received on EURIBOR swaps)	0	0	0
Received interest on floating debt*	1,109	222	79
Total interest received	**1,109**	**222**	**79**
Net interest cost	**9,005**	**10,004**	**11,319**
Net interest cost, in % GDP	1.6%	1.7%	1.8%

* Including interest on the central bank account and, in 2009, the received interest on the loans to Fortis Bank Nederland.
Interest costs in 2009 are realised costs.
The results for 2010 are preliminary and based on the 2011 Budget Memorandum (September 2010).
Projections for 2011 are also based on the 2011 Budget Memorandum.

2 Changes in long-term debt in 2010

In thousands of euros

Position as at 31 December 2009		**223,203,999**
New issues in 2010		
Public bonds	51,874,525	
Private placements	516	
	add	51,875,041
Redemptions in 2010		
Regular redemptions		
Public bonds	23,314,003	
Private placements	3,026,782	
Early redemptions		
Public bonds	1,196	
Private placements		
	less	26,341,980
Position as at 12 November 2010		**248,737,060**

3 Annual interest payments and repayments of principal, 2010-2042

In millions of euros, according to the long-term debt position as at 12-11-2010

	Interest payments	Redemptions
15-11 to 31-12-2010	**35**	**5**
2011	9,435	28,093
2012	8,256	32,751
2013	7,168	30,183
2014	6,256	14,363
2015	5,716	27,550
2016	4,886	13,361
2017	4,351	16,444
2018	3,736	13,529
2019	3,192	13,064
2020	2,668	15,122
2021	2,137	38
2022	2,135	71
2023	2,130	14,076
2024	1,351	0
2025	1,351	0
2026	1,351	0
2027	1,351	2
2028	1,351	10,984
2029	747	0
2030	747	0
2031	747	0
2032	747	16
2033	745	0
2034	745	0
2035	745	0
2036	745	0
2037	745	12,043
2038	264	0
2039	264	0
2040	264	0
2041	264	0
2042	264	7,014

4 Interest rate swaps

Position as at 12 November 2010, in millions of euros

Bucket (year of maturity)	Net nominal amount	Pay or receive* (net)
2010	5,073	pay
2011	12,672	pay
2012	11,189	pay
2013	9,756	pay
2014	25,777	pay
2015	12,561	pay
2016	27,639	pay
2017	22,255	pay
2018	13,529	receive
2019	13,064	receive
2020	15,022	receive
2021	3,281	receive
2022	6,571	receive
2023	2,340	receive
2026	1,610	receive
2027	8,350	receive
2028	2,547	receive
2032	16	receive
2035	6,010	receive
2036	1,825	receive
2037	4,445	receive
2042	7,015	receive
2055	33	receive
Net total	**41,264**	**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.

5 Key figures of public bonds in 2010

In thousands of euros

Movements of public bonds in 2010	Total 31-12-2009	Issues	Redemptions	Total 12-11-2010	ISIN-code
3.00 pct DSL 2004 due 15 January 2010	12,121,486		12,121,486		NL0000102309
7.50 pct DSL 1995 due 15 April 2010	515,151		515,151		NL0000102192
5.50 pct DSL 2000 due 15 July 2010	10,677,366		10,677,366		NL0000102580
4.00 pct DSL 2008 due 15 January 2011	13,856,000			13,856,000	NL0006173015
5.00 pct DSL 2001 due 15 July 2011	14,076,000			14,076,000	NL0000102606
2.50 pct DSL 2009 due 15 January 2012	13,609,000	752,000		14,361,000	NL0009041359
5.00 pct DSL 2002 due 15 July 2012	13,564,000	500,000		14,064,000	NL0000102671
1.75 pct DSL 2010 due 15 January 2013		15,043,000		15,043,000	NL0009331461
4.25 pct DSL 2003 due 15 July 2013	14,983,000			14,983,000	NL0000102689
3.75 pct DSL 2004 due 15 July 2014	13,909,846	415,000		14,324,846	NL0000102325
2.75 pct DSL 2009 due 15 January 2015	8,038,940	5,436,000		13,474,940	NL0009213651
3.25 pct DSL 2005 due 15 July 2015	12,489,765	1,543,000		14,032,765	NL0000102242
4.00 pct DSL 2006 due 15 July 2016	12,072,467	1,239,000		13,311,467	NL0000102283
4.50 pct DSL 2007 due 15 July 2017	12,154,990	1,000,000		13,154,990	NL0006007239
4.00 pct DSL 2008 due 15 July 2018	12,396,020	1,076,000		13,472,020	NL0006227316
4.00 pct DSL 2009 due 15 July 2019	13,006,398			13,006,398	NL0009086115
3.50 pct DSL 2010 due 15 July 2020		15,069,615		15,069,615	NL0009348242
3.75 pct DSL 2006 due 15 January 2023*	7,084,810	2,785,040		9,869,850	NL0000102275
7.50 pct DSL 1993 due 15 January 2023	4,994,679		795,040	4,199,639	NL0000102077
5.50 pct DSL 1998 due 15 January 2028	10,186,814	797,000		10,983,814	NL0000102317
4.00 pct DSL 2005 due 15 January 2037	12,043,427			12,043,427	NL0000102234
3.75 pct DSL 2010 due 15 January 2042		7,013,910		7,013,910	NL0009446418
2 ½ pct Inscription register	20,399		654	19,745	NL0000006286
3 ½ pct Inscription register	364			364	NL0000002707
3 pct Inscription register	7,793		542	7,252	NL0000004802
	211,808,716	**52,669,565**	**24,110,239**	**240,368,042**	

* The issue mentioned contains € 795.040.000 as the result of the conversion of the 7.5% to the 3.75% bond.

6 Short-term debt and eonia swaps in 2010

In millions of euros, movements in 2010

Key figures of T-bills

	Total 31-12-2009	Issues	Expirations	Total 12-11-2010	ISIN-code
DTC 2010-01-29	7,780	-	7,780	-	NL0009040096
DTC 2010-02-15	5,750	-	5,750	-	NL0009266998
DTC 2010-02-26	5,130	2,380	7,510	-	NL0009040104
DTC 2010-03-15	4,770	1,320	6,090	-	NL0009267004
DTC 2010-03-31	10,510	2,720	13,230	-	NL0009040054
DTC 2010-04-30	4,400	5,400	9,800	-	NL0009040120
DTC 2010-05-17	-	2,240	2,240	-	NL0009347905
DTC 2010-05-31	3,290	3,780	7,070	-	NL0009040138
DTC 2010-06-30	6,940	4,770	11,710	-	NL0009040088
DTC 2010-07-30	-	7,160	7,160	-	NL0009313006
DTC 2010-08-16	-	3,380	3,380	-	NL0009347913
DTC 2010-08-31	-	6,220	6,220	-	NL0009313014
DTC 2010-09-30	3,620	8,650	12,270	-	NL0009040112
DTC 2010-10-29	-	14,020	14,020	-	NL0009313030
DTC 2010-11-30	-	7,360	-	7,360	NL0009313048
DTC 2010-12-31	-	10,000	-	10,000	NL0009312990
DTC 2011-01-31	-	9,740	-	9,740	NL0009313063
DTC 2011-02-28	-	3,970	-	3,970	NL0009313071
DTC 2011-03-31	-	7,900	-	7,900	NL0009313022
DTC 2011-04-29	-	1,530	-	1,530	NL0009313097
DTC 2011-06-30	-	6,080	-	6,080	NL0009313055
DTC 2011-09-30	-	1,510	-	1,510	NL0009313089
	52,190	**110,130**	**114,230**	**48,090**	

Commercial paper

	Total 31-12-2009	Issues	Expirations	Total 12-11-2010
ECP EUR	236	3,948	4,034	150
ECP USD	5,071	37,549	39,784	2,835
ECP GBP	135	3,297	3,372	60
ECP CHF	22	350	372	-
	5,463	**45,144**	**47,562**	**3,045**
				0

Other short-term debt (mainly deposits)

	Total 31-12-2009	Issues	Expirations	Total 12-11-2010
borrow	3,527	246,622	249,062	1,087
lend	309-	340,774-	336,071-	5,013-
	3,218	**94,152-**	**87,009-**	**3,926-**

Eonia swaps (Position as at 12 November 2010)

Bucket (year of maturity)	net nominal amount	pay or receive (net)
2010	21,496	receive
2011	33,566	receive
	55,062	**receive**

Photo locations

1 Stormvloedkering *(flood barrier)* Oosterschelde (cover)

2 Westerschelde (p. 4)

3 Volkeraksluizen *(sluices)* (p. 6-7)

4 Zandsuppletie *(sand supplement)* (p. 11)

5 Kustlijn *(coastline)* Westkapelle (p. 16)

6 Platen *(shallows)* Oosterschelde (p. 19)

7 Veerse Meer *(lake)*, Veere (p. 22-23)

8 Zeedijk *(sea dike)* Westkapelle (p. 28)

9 Brouwersdam *(dam)* (p. 33)

10 Krabbenkreek, *(cove)* St. Philipsland (p. 34)

11 Veersegatdam *(dam)* (p. 36-37)

12 Zandsuppletie kust *(sand supplement in front of the coast)* Walcheren (p. 41)

13 Stormvloedkering *(flood barrier)* Oosterschelde (p. 44-45)

14 Krammersluizen *(sluices)* Philipsdam (p. 54)

15 Schelde-Rijnkanaal *(canal)* (back cover)


Haringvliet
Grevelingenmeer
Oosterschelde
Westerschelde
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15

The cut-off date for data in the Outlook 2011 is
12 November 2010 (unless otherwise specified)

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Highlights of the DSTA Outlook 2011

- **Targeted capital market funding in 2011: approximately € 50 bln.**
- **Expected money market volume at year's end 2011: € 67 bln.**

- **During the year, the borrowing requirement and funding plan will be updated regularly.**
- **Quarterly issuance calendars will be published in March, June and September.**

- Continued into 2011: **the off-the-run facility; frequency reduced from monthly to quarterly.**
- Every month: **second Tuesday for on-the-run taps (August and December reserve dates).**
- Every quarter: **one extra on-the-run auction – tap or DDA – and one off-the-run tap.**
- DTC auctions: **first and third Monday every month, two programmes per auction.**

- Three new DSLs: **3-year, 5-year and 10-year.**
- On-the-run 30-year DSL: **two reopenings in 2011.**
- **Commercial Paper in Euros, US dollars, British pounds and Swiss francs, up to 1 year.**
- **Possible US dollar bond issue in 2011.**

- In January 2011: **launch of the new 3-year DSL through tap.**
- **Dutch Direct Auction (DDA) for new 10-year DSL in February/March 2011.**
- **DDA for the new 5-year in principle scheduled for May/June 2011.**

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Indicative DSL calendar 2011

Month of issue	Regular auction		Other auctions	
	Auction data (2nd Tuesday)	Details	Auction data (4th Tuesday)	Details
January	11	Tap new 3-year: DSL 15 January 2014	25	Off-the-run*
February	8	Tap 30-year: 3.75% DSL 15 January 2042	DDA new 10-year#	
March	8	Reopening new 3-year		
April	12	Tap	26	Off-the-run*
May	10	Tap	DDA new 5-year#	
June	14	Tap		
July	12	Tap	26	Off-the-run*
August	Reserve date			
September	13	Tap		On-the-run
October	11	Tap	25	Off-the-run*
November	8	Tap		On-the-run
December	Reserve date			

* The bonds selected for the off-the-run facility will be announced in the quarterly issuance calendars.
\# Dates for the DDAs to be determined. The timing of the DDAs may lead to changes in the DSL issuance calendar.
Announcement of all auctions is at t-6. Settlement is t+3 (Friday following the auction).

DTC calendar 2011

Auction date	Settlement date	3-month DTC-programme	6-, 9-, 12-month DTC-programme
04-01-2011*	06-01-2011	31-03-2011	30-12-2011
17-01-2011	19-01-2011	29-04-2011	30-09-2011
07-02-2011	09-02-2011	29-04-2011	29-07-2011
21-02-2011	23-02-2011	31-05-2011	30-12-2011
07-03-2011	09-03-2011	31-05-2011	31-08-2011
21-03-2011	23-03-2011	30-06-2011	30-09-2011
04-04-2011	06-04-2011	30-06-2011	30-03-2012
18-04-2011	20-04-2011	29-07-2011	30-12-2011
03-05-2011*	05-05-2011	29-07-2011	31-10-2011
16-05-2011	18-05-2011	31-08-2011	30-03-2012
06-06-2011	08-06-2011	31-08-2011	30-11-2011
20-06-2011	22-06-2011	30-09-2011	30-12-2011
04-07-2011	06-07-2011	30-09-2011	29-06-2012
18-07-2011	20-07-2011	31-10-2011	30-03-2012
01-08-2011	03-08-2011	31-10-2011	31-01-2012
15-08-2011	17-08-2011	30-11-2011	29-06-2012
05-09-2011	07-09-2011	30-11-2011	29-02-2012
19-09-2011	21-09-2011	30-12-2011	30-03-2012
03-10-2011	05-10-2011	30-12-2011	28-09-2012
17-10-2011	19-10-2011	31-01-2012	29-06-2012
07-11-2011	09-11-2011	31-01-2012	27-04-2012
21-11-2011	23-11-2011	29-02-2012	28-09-2012
05-12-2011	07-12-2011	29-02-2012	31-05-2012
12-12-2011#	14-12-2011	30-03-2012	29-06-2012

Shaded areas indicate new programmes.
* Tuesday
\# Second Monday instead of the third

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