




# Achmea Bank

*Conditional Pass-Through Covered Bond Programme*

# Executive summary



## Achmea Bank

- Well established originator of mortgages with over 40 years experience
- Highly rated issuer: A-/A (S&P/Fitch)
- Strong capital and liquidity position with diversified funding mix

## Covered Bond

- Aaa/AAA (Moody's/Fitch) rated Conditional Pass-Through Covered Bonds
- Favourable regulatory treatment and dual recourse
- High quality cover pool of Dutch residential mortgage loans

## Mortgage Portfolio

- Total mortgage book of EUR 11.0 billion incl. Acier portfolio (EUR 0.9 billion)
- Strong performing Dutch housing market
- High quality mortgage portfolio with low arrears and write-offs

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7. Covered Bond Structure
8. Dutch Economy and Housing Market

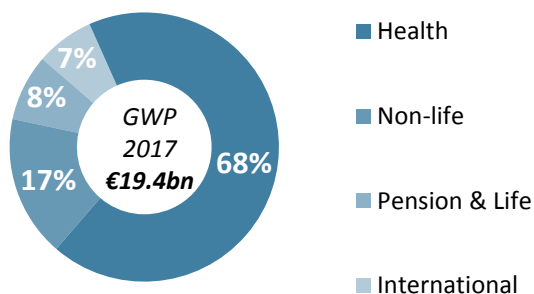


# Achmea Group: Dutch market leader with strong brands, diversified distribution and innovative services

## Cooperative identity



## Diversified written premium base



## Strong and recognized brands



## Digital and innovative insurer

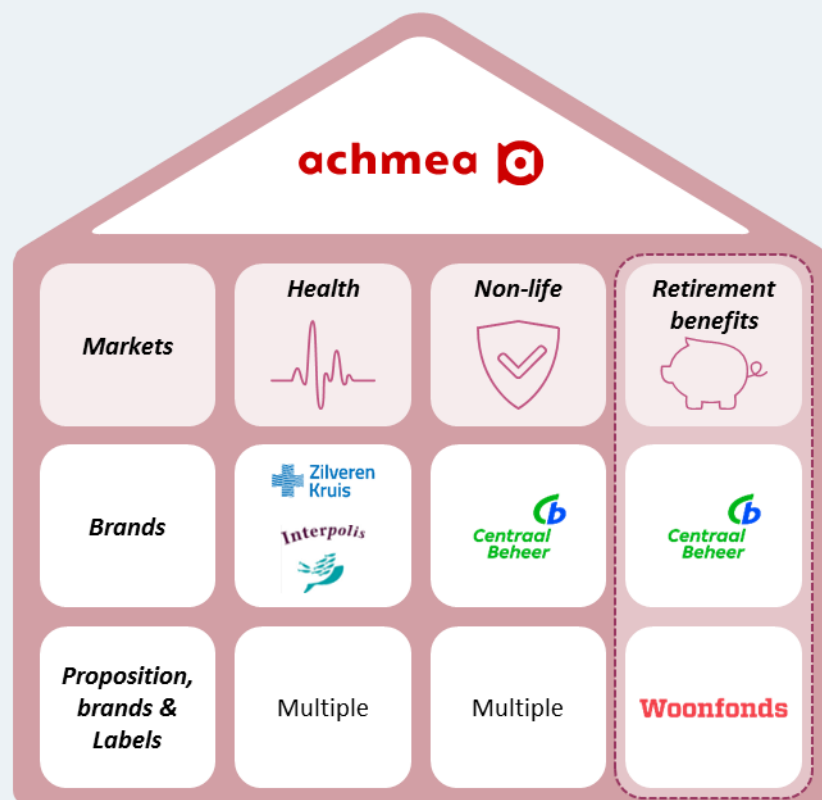


## Main characteristics

- A strong and solid insurance group with a mutual identity, founded in 1811
- Clear market leader in Dutch insurance:
  - #1 Property & Casualty
  - #1 Health
  - #3 Income Protection
  - #3 Life insurance
  - #5 Pension insurance
- Interpolis, Centraal Beheer and Zilveren Kruis are among the most recognized insurance brands in the Dutch market with high Net Promotor Scores (NPS)
- Distribution mainly through direct and banking channels; well positioned for market developments
- Recognised as market leader in innovation and digitisation
- Leading in Institutional asset management

# Achmea Bank strategically anchored within Achmea Group

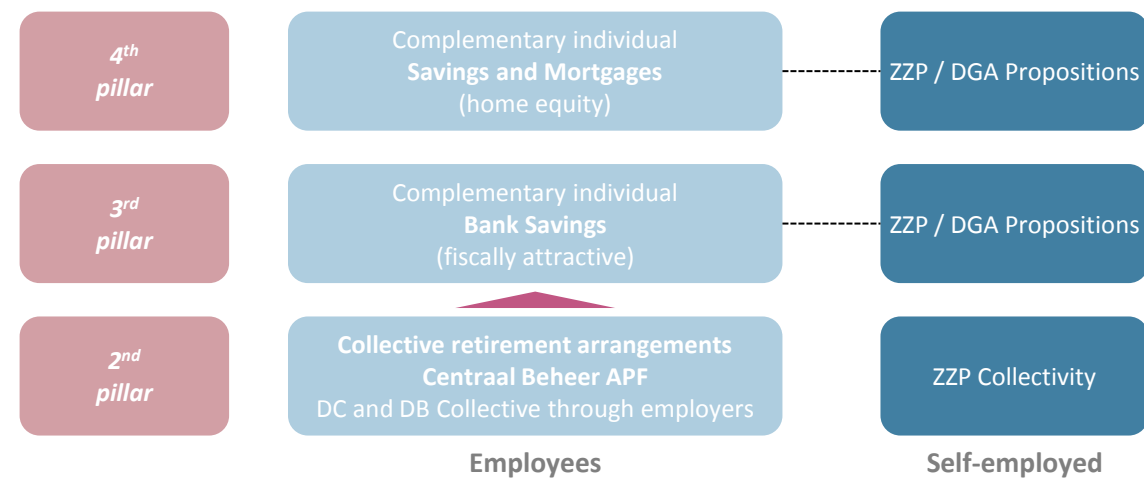
## Strategically anchored within Achmea Group



## Achmea Bank is an integral part of Achmea

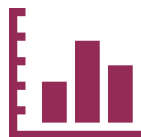
- Achmea Bank is the competence and service centre for mortgage and retail savings products within Achmea Group
- The mortgage and savings products complement the wider range of insurance products provided by Achmea Group
- Achmea Bank plays an important role in the retirement services strategy of Achmea Group, which will lead to future growth in savings and mortgages
- Achmea Bank is key to accomplish Centraal Beheer's vision with respect to pillar 3 and 4 products

## Total solution Centraal Beheer retirement benefits



# Achmea Bank Highlights

at HY 2018



## Financial performance

- Profit before tax increased by EUR 5 million to EUR 18 million (HY 2017: EUR 13 million)
- Interest margin increased by EUR 8 million to EUR 56 million (HY 2017: EUR 48 million)
- Capital: Common Equity Tier 1 Ratio of 20.3% (HY 2017: 19.1%)
- In May 2018 Achmea Bank paid EUR 50 million in dividends to its shareholder Achmea B.V.



## Key developments

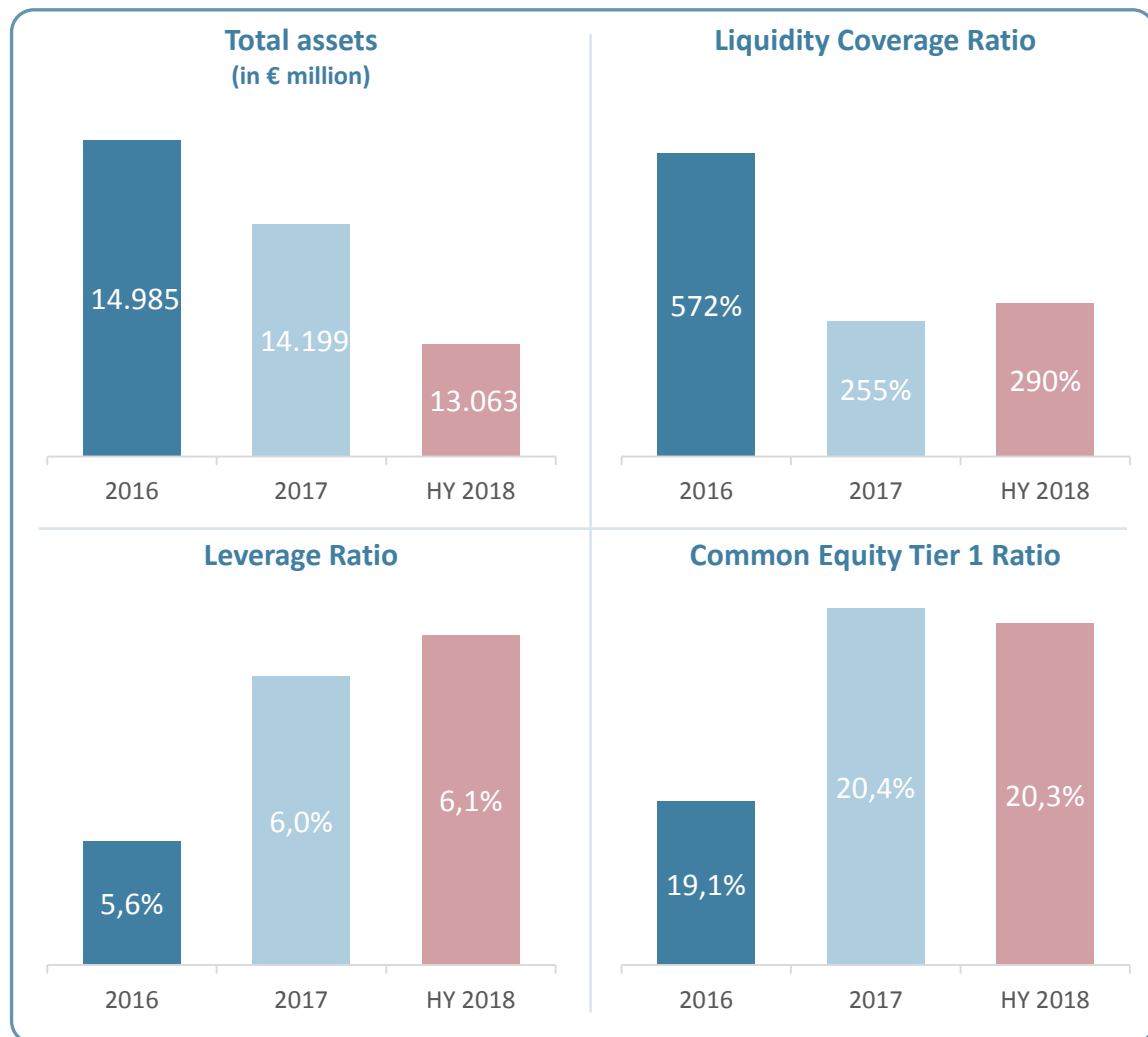
- Set up of EUR 5 billion Conditional Pass -Through Covered Bond Programme (“CPTCB”) with inaugural issue of EUR 500 million bonds in November 2017
- Improved customer satisfaction and service levels through process optimizations
- Continuing origination of mortgages for Achmea Pension and Life (AP&L) (HY 2018: EUR 57 million)
- New administration system for saving products and payments implemented



## Update on strategy

- Preparing for future growth in its mortgage and savings portfolios by:
  - Investing in the retirement benefit strategy of Achmea Group; and
  - Outsourcing the mortgage servicing process

# Achmea Bank Key Figures



## Achmea Bank's sound asset quality

- Well established originator of mortgages with over 40 years experience
- Three labels: Woonfonds, Centraal Beheer and Acier

## Strong capital and liquidity position

- The total risk exposure amount and capital ratio calculation are based on the Standardised Approach.
- Current capital base mainly consists of Common Equity Tier 1 capital: headroom for AT1 and/or T2 Issuance

## Ratings profile

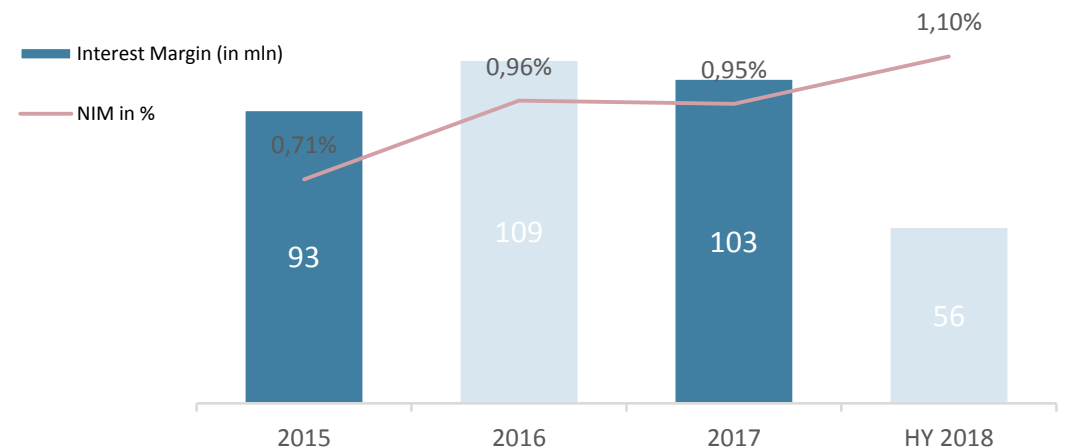
- Fitch: A/F1 (stable outlook)
- S&P : A-/A-1 (negative outlook)

# Achmea Bank Results

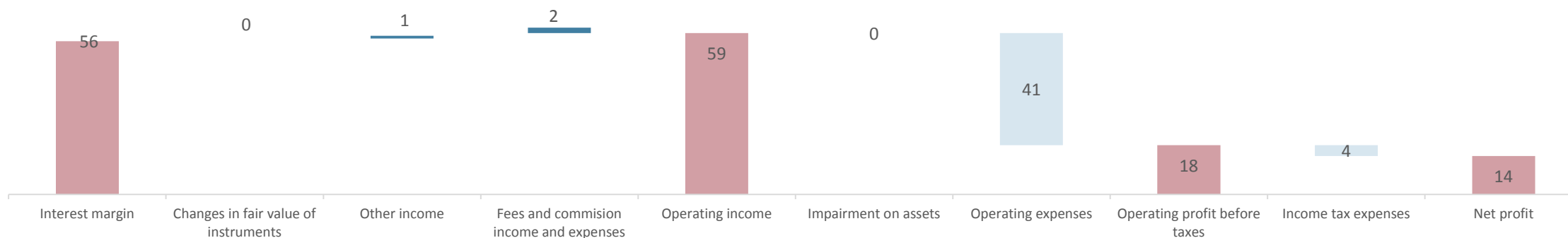
## Key developments

- Interest margin (excluding one off transaction results) gradually increased in the period 2015 – HY 2018 mainly due to lower funding costs for both wholesale funding and retail savings
- Future interest margins are expected to be positively impacted by:
  - Increase of the mortgage book in line with the retirement benefits strategy
  - Outsourcing of mortgage servicing and renewal of the IT platform for savings

## Net interest margin development



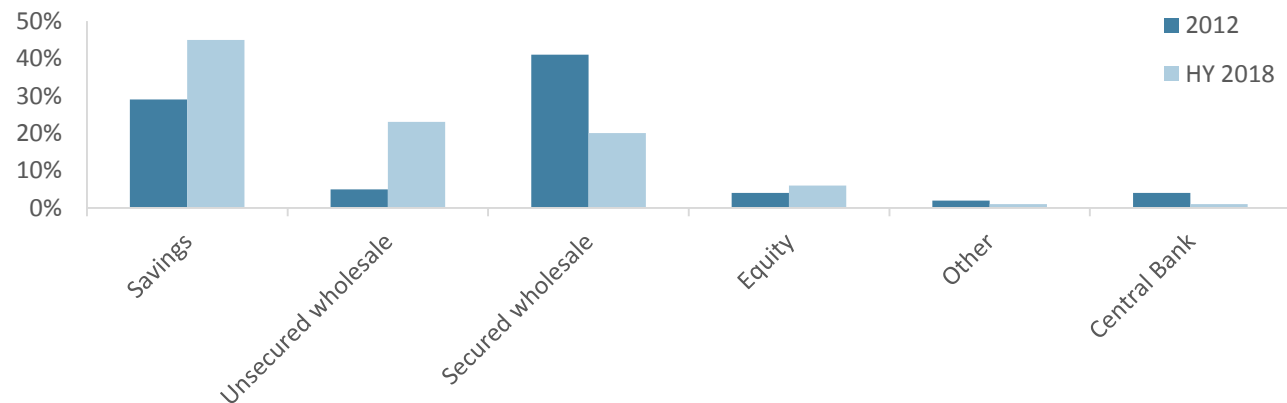
## Achmea Bank HY 2018 results (in € million)



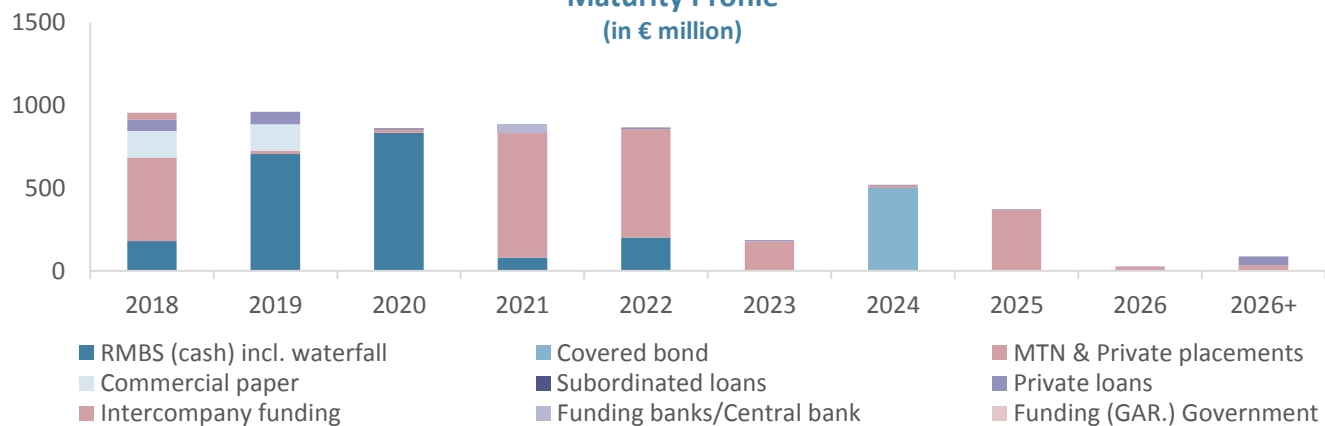


# Achmea Bank Funding

## Funding Mix



## Maturity Profile (in € million)



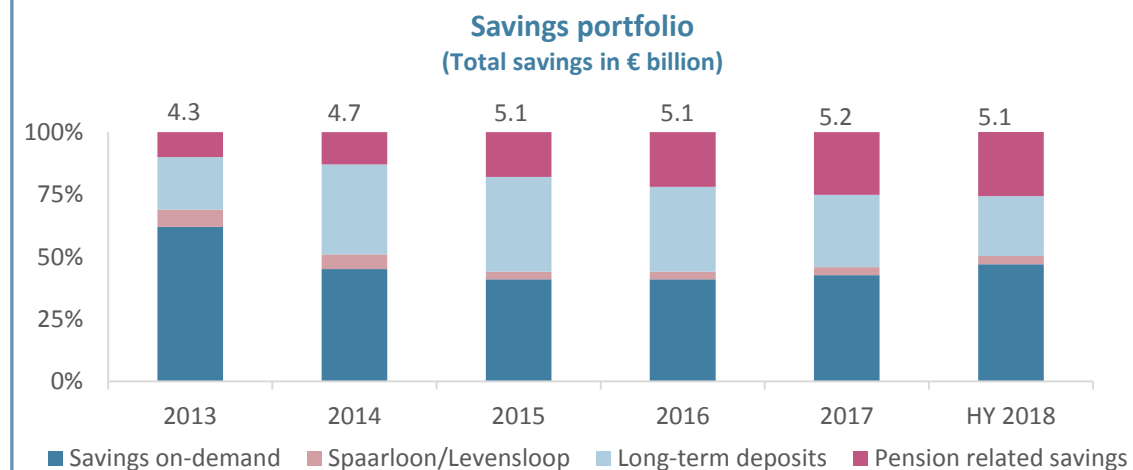
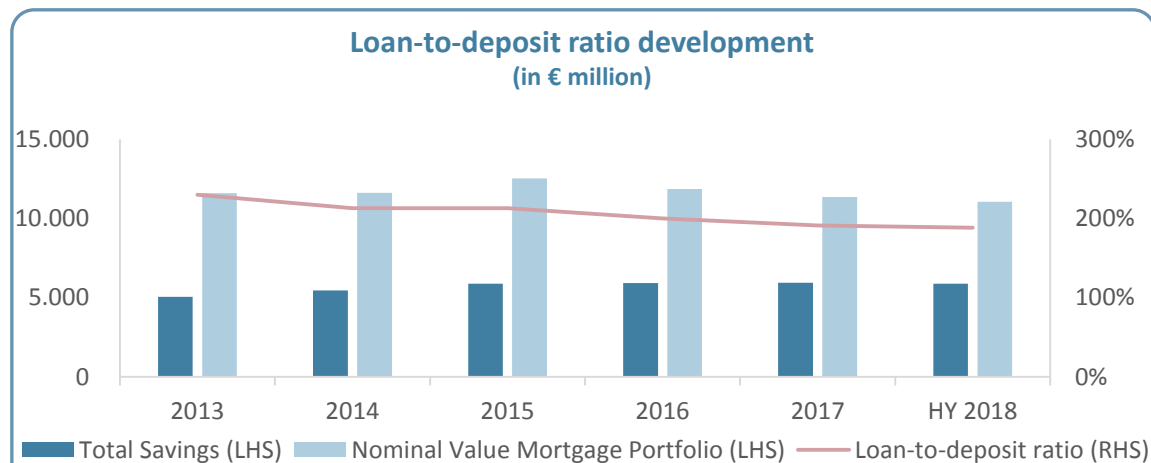
## Maturity profile

- Significantly smoothend future refinancing peaks
- A well balanced funding mix:
  - Retail funding target of at least 30% (HY 2018: 45%)
  - Unsecured funding target (including retail funding) at least 50% (HY 2018: 68%)

## Funding & liquidity strategy

- Diversification: shift in funding mix from secured wholesale funding to savings and unsecured wholesale funding
- Focus on diversification in maturities in order to avoid wholesale refinancing peaks
- Liquidity: Survival period of at least 7 months
- Lower asset encumbrance

# Achmea Bank Savings Portfolio



## Loan-to-deposit ratio





- The loan to deposit ratio decreased in line with the growth of the savings portfolio
- Achmea Bank reduced its dependency on wholesale funding

## Savings portfolio development\*

- By being active in several saving markets Achmea Bank is able to grow in the preferred products or tenors, resulting in a diversified savings portfolio
- Achmea Bank introduced the long term deposit in August 2012, via the Centraal Beheer label. The long term deposits have grown from EUR 225 million in 2012 to EUR 2.0 billion at the end of year-end 2015 and is now declining to EUR 1.4 billion at HY 2018.
- With the foundation of the Centraal Beheer General Pension Fund (APF), Achmea continues to position herself strongly in the pensions market. Achmea Bank plays an important complementary role with her pension related savings products in this new marketing proposition. As a result the portfolio grew from EUR 0.4 billion in 2013 to EUR 1.3 billion at HY 2018.
- At HY 2018 total savings at Achmea Bank remained stable at EUR 5.1 billion

\* Savings pledged to the mortgage portfolio are excluded. This portfolio remains stable at EUR 0.8 billion at HY 2018.

# Achmea Bank Key Ambitions

		Metric	HY 2018	Target and ambitions
	<b>Capital</b>	<ul style="list-style-type: none"> <li>• CET 1 ratio</li> <li>• Total capital ratio</li> <li>• Leverage ratio</li> </ul>	20.3% 20.4% 6.1%	>14.2% >17.7% >3.5%
	<b>Liquidity</b>	<ul style="list-style-type: none"> <li>• Survival period</li> <li>• Liquidity coverage ratio</li> <li>• Net stable funding ratio</li> </ul>	10 months 290% 118%	>7 months >130% >110%
	<b>Funding profile</b>	<ul style="list-style-type: none"> <li>• Retail funding</li> <li>• Unsecured + retail funding</li> <li>• Asset encumbrance ratio</li> </ul>	45% 68% 34%	>30% >50% <35%
	<b>Profitability</b>	<ul style="list-style-type: none"> <li>• Return on equity (RoE)</li> <li>• Efficiency ratio</li> <li>• Interest margin</li> </ul>	2.87% 70% 1.10%	5-6% 55-65% >1%

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# Programme Highlights

<b>Issuer</b>	Achmea Bank N.V.
<b>Program Size</b>	EUR 5 bn
<b>Format</b>	Conditional Pass-Through
<b>Extension Period</b>	Max. 32 years
<b>Rating</b>	Aaa (Moody's), AAA (Fitch)
<b>Currency</b>	Multi currency
<b>Guarantor</b>	Achmea Conditional Pass-Through Covered Bond Company B.V.
<b>Collateral</b>	Prime Dutch residential mortgage loans
<b>Asset Percentage</b>	93.45%
<b>Indexed LTV Cut Off</b>	80%
<b>Governing Law</b>	Dutch Law
<b>Regulatory OC</b>	5%

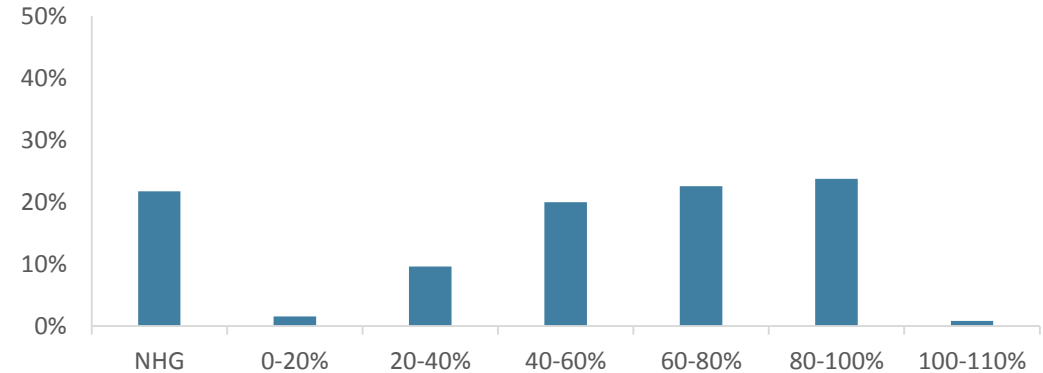
## Key benefits

- **Dual recourse:**
  - Recourse to Achmea Bank on an unsecured basis should cover pool not be sufficient to repay covered bond holders
  - Recourse to Covered Bond Company (CBC) in case of default of Achmea Bank
- **Stable rating:**
  - Significant de-linkage from issuer rating: a downgrade of the issuer rating does not directly affect the covered bond rating
- **Expected regulatory treatment:**
  - ✓ UCITS and CRR article 129 compliant
  - ✓ LCR eligible (Level 1)
  - ✓ Exempt from Bail-in
  - ✓ ECB repo eligible
  - ✓ Solvency II compliant
- **Reporting**
  - Achmea Bank's CB programme carries the ECBC Covered Bond Label
  - Industry compliance through NTT and HTT reporting

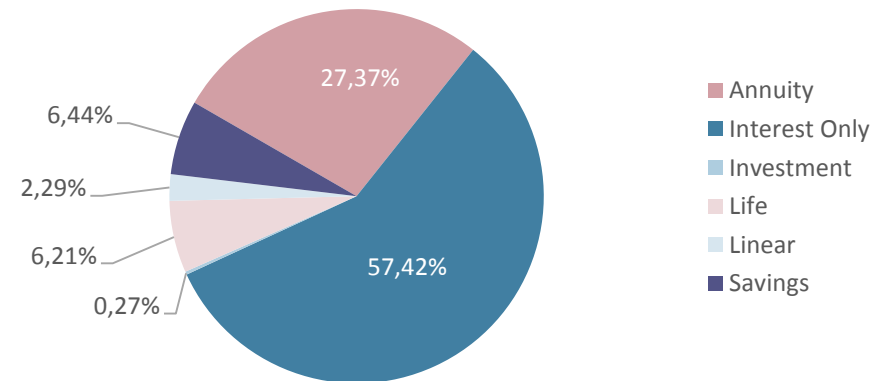
# Cover Pool Highlights

Cut-off date	31/12/2018
Principal Balance	€ 1,393,304,934.75
Value of saving deposits	€ 79,541,809.08
Net principal balance	€ 1,313,763,125.67
Construction deposits	€ 857,371.75
Net principal balance excl. construction and saving deposits	€ 1,312,905,753.92
Number of mortgages	9,282
Number of mortgage parts	19,990
Average principal balance (per borrower)	€ 141,538.80
Weighted average current interest rate	3.17%
Weighted average maturity (in years)	19.50
Weighted average remaining time to interest reset (in years)	7.56
Weighted average seasoning (in years)	9.82
Weighted average LTMV (CLTOMV)	69.75%

Current loan to original market value (CLTOMV)

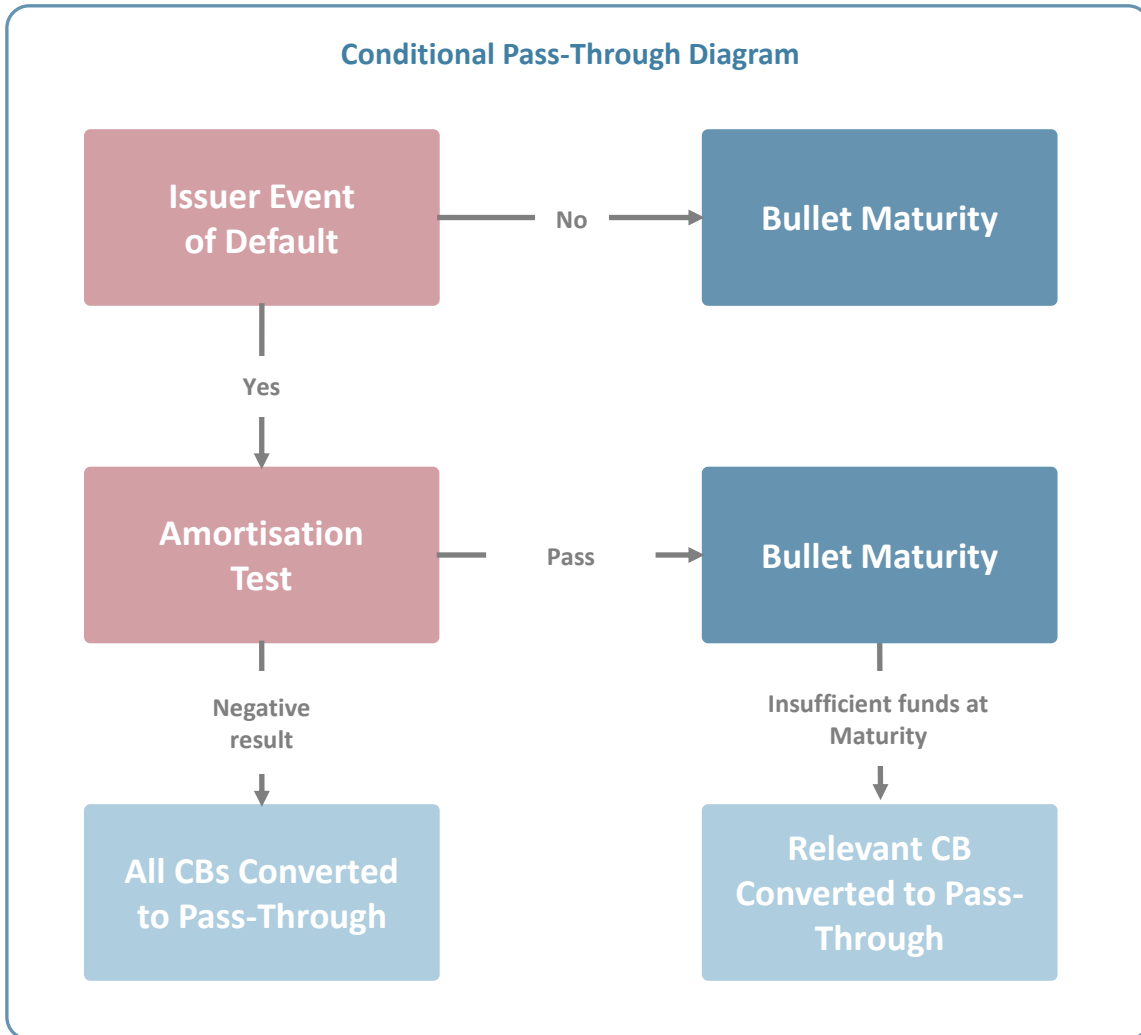


Product type<sup>1</sup>



<sup>1</sup> Life mortgage loans with a savings alternative are classified as 'Savings'

# Pass-Through Mechanism



## Going-concern

- Under going-concern conditions, the Covered Bonds (CBs) are bullet securities and the issuer makes the coupon and principal payments to the investors
- The Asset Cover Test (ACT) ensures that the cover pool meets the minimum OC requirements

## Issuer Event of Default

- The Conditional Pass-Through structure ensures an orderly wind-down of the cover pool and avoids the risk of a fire sale
- In the case of an Issuer Event of Default, the CBs will be redeemed at their respective maturities assuming the CBC has sufficient funds. If the CBC has insufficient funds then the Pass-Through mechanism is triggered for the respective series, but not for CBs that have not reached their maturity date
- After an Issuer Default the Asset Cover Test is replaced by the Amortisation Test. A breach of the Amortisation Test will result in all CBs becoming Pass-Through (irrespective of their maturity date) and the maturity date of such bonds will be extended by max. 32 years
- In such an event, the CBC will attempt to sell a randomly selected part of the cover pool at least every 6 months
- Repayments and excess interest from the cover pool will be distributed pari passu to the Pass-Through CBs. It is expected that the OC level will increase as a result thereof, which makes a successful sale of the cover pool more likely

# Minimum Overcollateralisation

## Asset Cover Test

**Adjusted Aggregate Asset Amount >= Outstanding Bonds**

- The Asset Cover Test will account for all risks by the following formula:
  - Adjusted Aggregate Asset Amount = A + B + C – Z
- The calculation of 'A' includes (among others) the following parameters:
  - 93.45% asset percentage
  - 80% CLTIMV cut-off
  - Deduction of savings set-off risk
  - Deduction of defaulted receivables
- 'B' and 'C' represent cash and substitution assets
- 'Z' represents the 'Interest Reserve Required Amount'

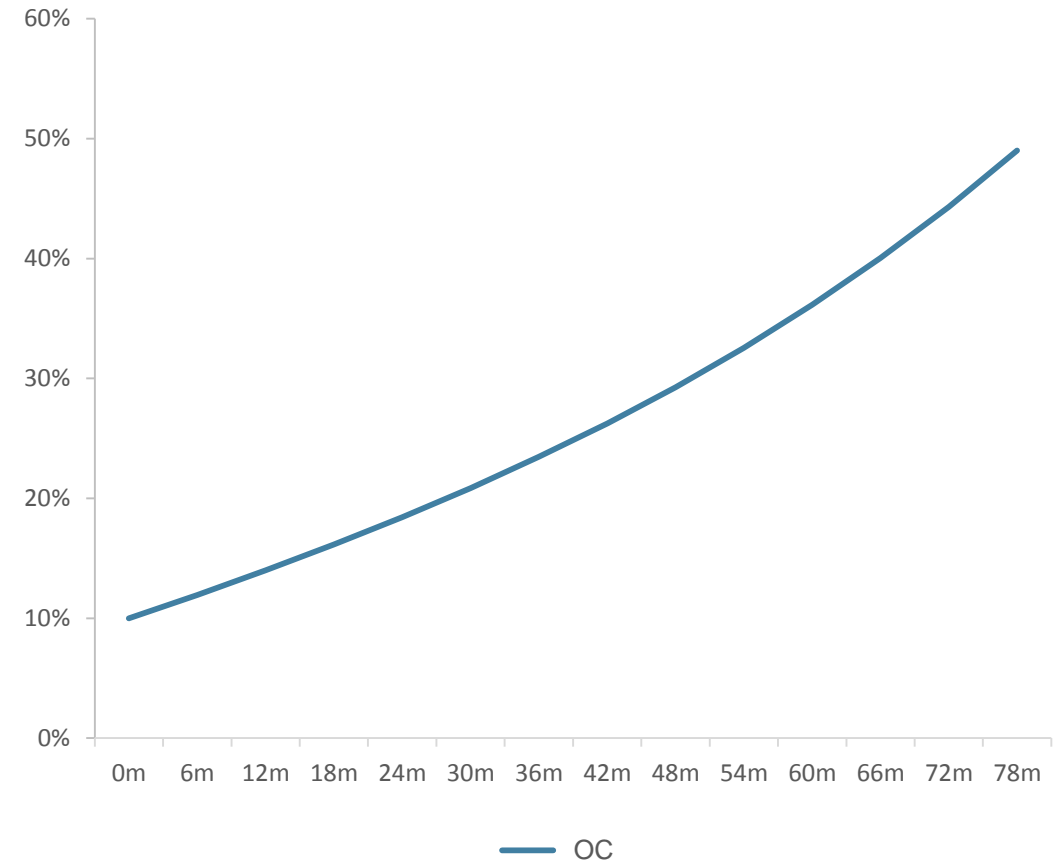
**Minimum First Regulatory OC: 5%**

- The nominal value of the cover assets must always be at least equal to 105% of the nominal value of the outstanding bonds under the program

**Minimum Second Regulatory OC: 0%**

- The nominal value of the cover assets, taking into account the 80% LTV cut-off, must be at least equal to 100% of the nominal value of the outstanding bonds under the program

## OC over time in Pass-Through scenario<sup>1</sup>



<sup>1</sup> Assumptions: all bonds in Pass-Through modus, 5% CPR, 0.875% coupon, no losses, 1% mortgage interest rate at reset



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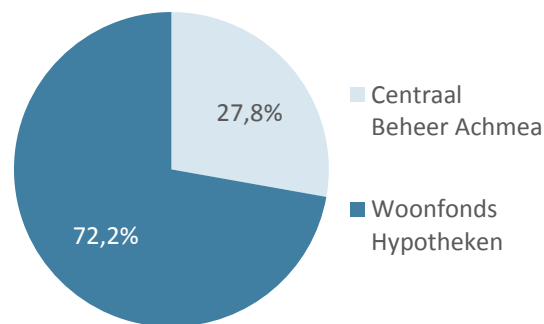
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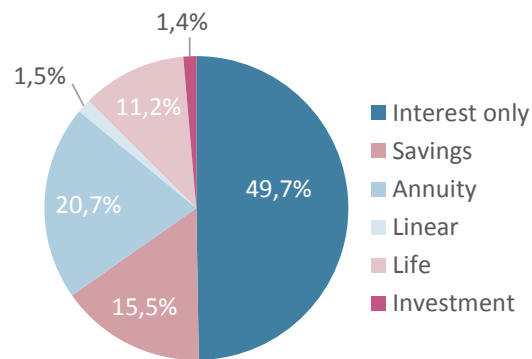


# Achmea Bank Mortgage Portfolio at HY2018

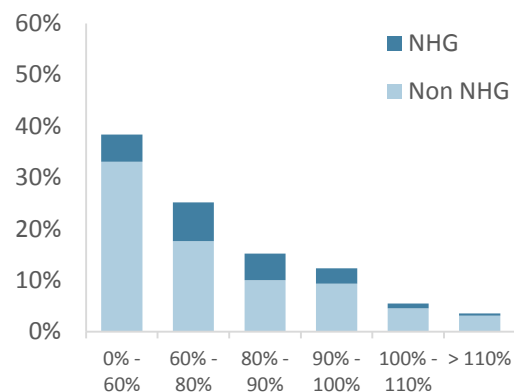
Regular mortgage portfolio (excl. Acier)



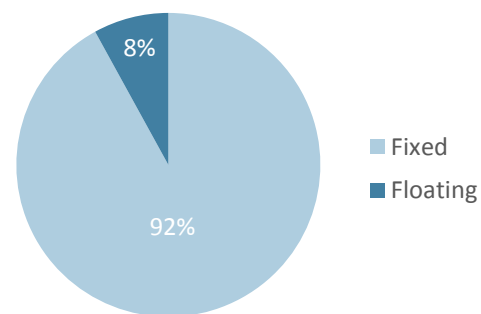
Mortgage type



Indexed loan-to-market value



Interest rate type



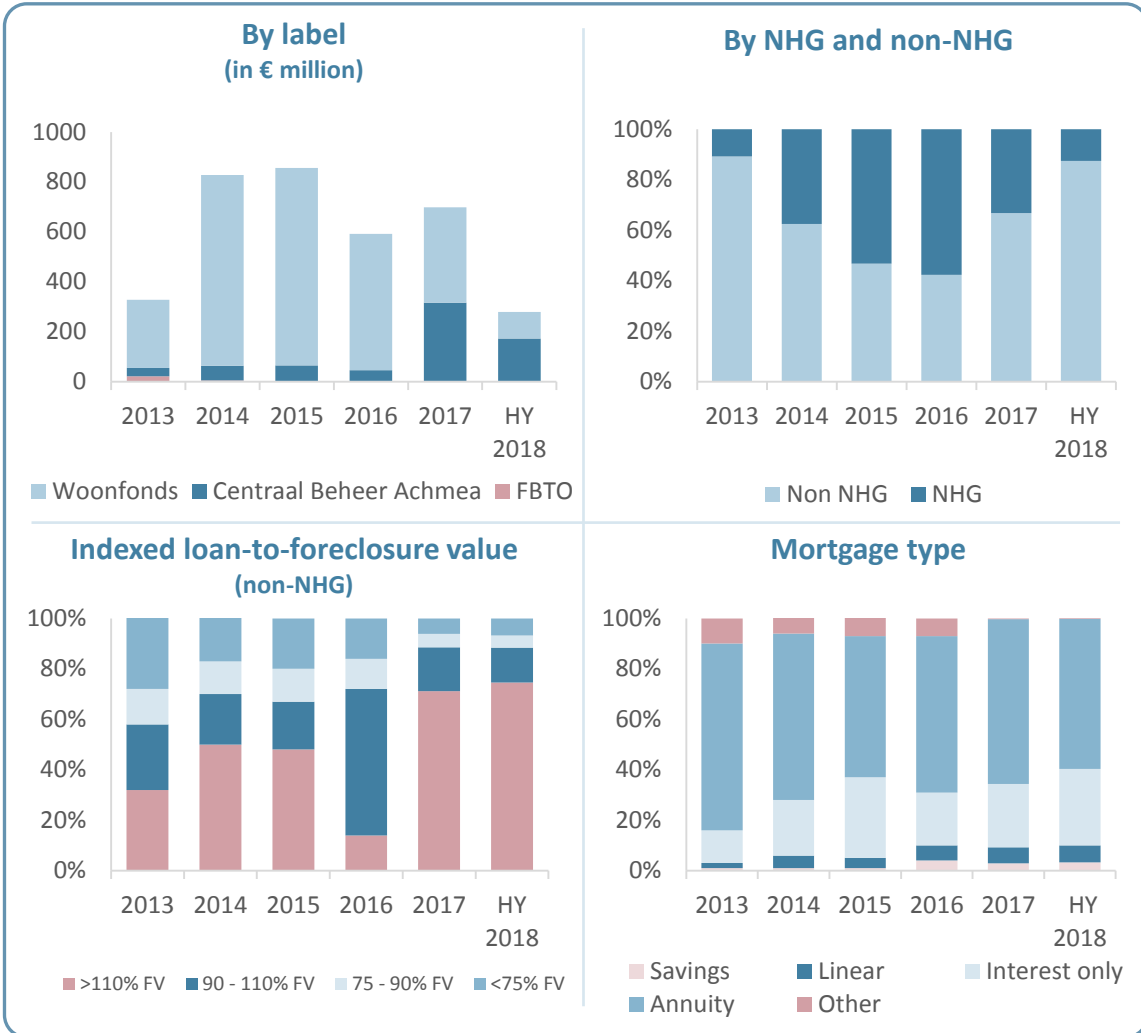
## Long-standing portfolio

- Achmea Bank has over 40 years experience in mortgages, with label Woonfonds. In 2016 the bank introduced a unique proposition with the CBA Thuishypotheek
- EUR 10.1 billion nominal value regular mortgage portfolio at HY 2018
- Approximately 72,000 mortgage customers
- High quality mortgage portfolio with low arrears and write-offs (HY 2018: 1.53 bps)
- The low interest environment increases customers interest for longer term mortgages

## Regulatory developments

- LTMV cap for new mortgage originations scaled back to 100% as of 2018
- Due to recent developments on tax deductibility in the Netherlands, the expectation is that annuity mortgages will comprise a higher percentage of the mortgage portfolio going forward
- A large majority of the loans have a fixed rate character which is in line with peers in the Dutch mortgage market

# New Production Volumes



## 2017

- New mortgage production increased to EUR 698 million in 2017 (2016: EUR 592 million)
- Prepayment amounted to EUR 1.2 billion in 2017 (2016: EUR 1.1 billion), which is in line with the current higher prepayment levels and declining interest rates in the Dutch market
- As part of the retirement benefit strategy Centraal Beheer has been successfully positioned as a mortgage label, with 45% of the total production

## HY 2018

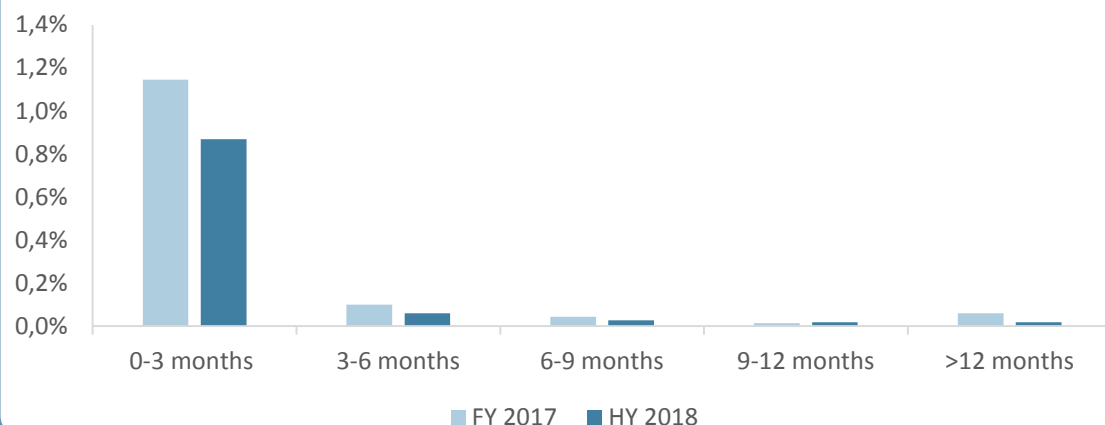
- The new mortgage production had a slow start during H1 2018 with EUR 279 million (H1 2017: EUR 500 million). The Thuishypotheek of Centraal Beheer is 62% of the production volume.
- Prepayment is still high with EUR 571 billion in H1 2018 (H1 2017: EUR 500 million), which is in line with the current higher prepayment levels and declining interest rates in the Dutch market.
- NHG production dropped to 12% in 2018 as most of the NHG production was originated for Achmea Life & Pensions (AP&L)

# Arrears and Default Management

Files under default management<sup>1</sup>  
(in € million)

	2014	2015	2016	2017	HY 2018
Notional amount (a)	118	77	57	64	79
Collateral value (b)	108	73	55	83	104
Loan-to-Value (a/b)	109%	105%	104%	77%	76%
Net exposure <sup>1</sup>	21	16	11	6	7
NPL <sup>2</sup>	1.01%	0.67%	0.53%	0.61%	0.78%
General provision/IFRS9 stage 1+2)	6.7	5.0	4.3	3.3	3.3
Specific provision/IFRS9 stage 3 (c)	16.1	13.4	7.2	3.7	4.3
Coverage ratio (c/a)	14%	17%	13%	6%	6%

Arrears rate



## Adequate loan loss provisions

- At HY 2018 the Achmea Bank mortgage provision (excl. Acier portfolio) increased to EUR 7.6 million (YE 2017: EUR 7 million).
- The impact of the implementation of IFRS 9 is an increase of the provision of EUR 3.1 million. Compared to the opening balance of IFRS 9 per 1 January 2018, the provision decreased by EUR 2.5 million reflecting better economic circumstances and increased housing prices.

## Special servicing

- Flow from early collections to late collections remains low and well below the standard of 30 cases per month in 2018.
- A customer will be transferred to Special Servicing in case of no contact and 3 sent reminders. The transfer will take place at 3 months in arrears at the latest.
- Total number of mortgages that are managed under special servicing decreased from 464 in December 2017 to 330 mortgages in June 2018.

<sup>1</sup> Net exposure at mortgage level, corrected for mortgages where Collateral value exceeds mortgage amount

<sup>2</sup> Notional of files under Default Management / Total portfolio (excl. Acier portfolio)

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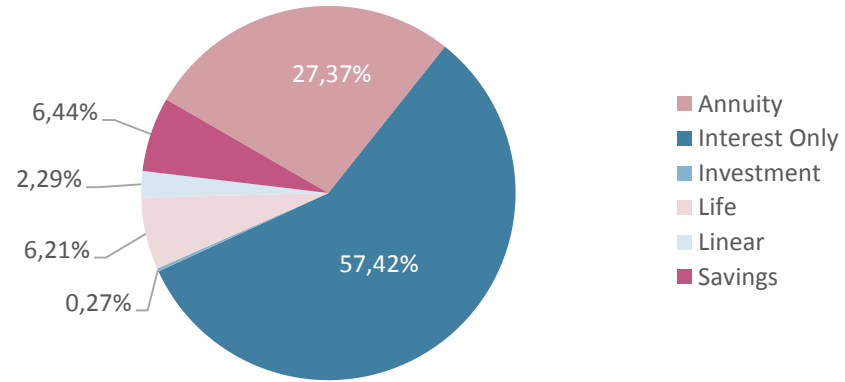
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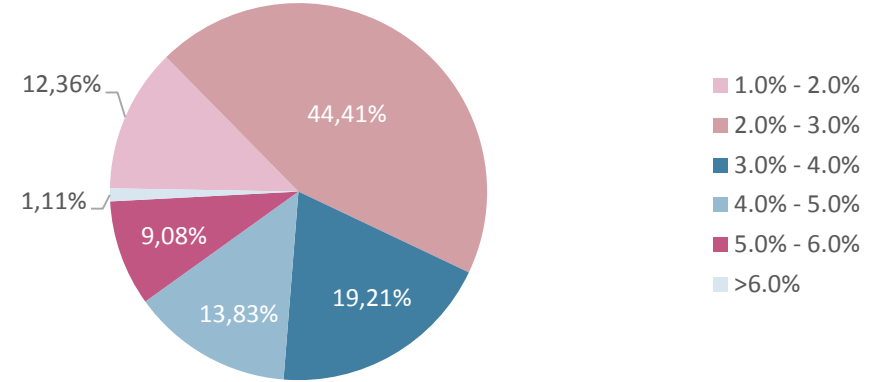


# Cover Pool Characteristics (1)

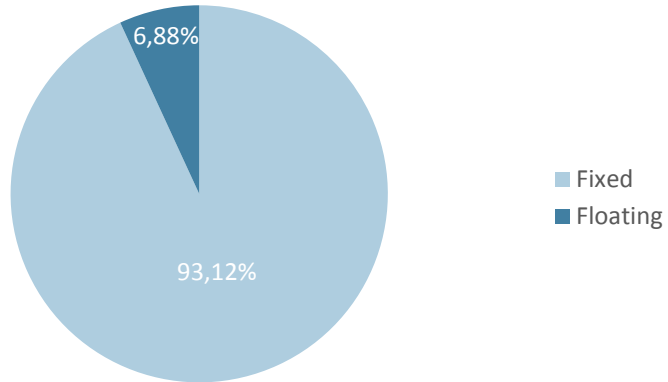
Product type



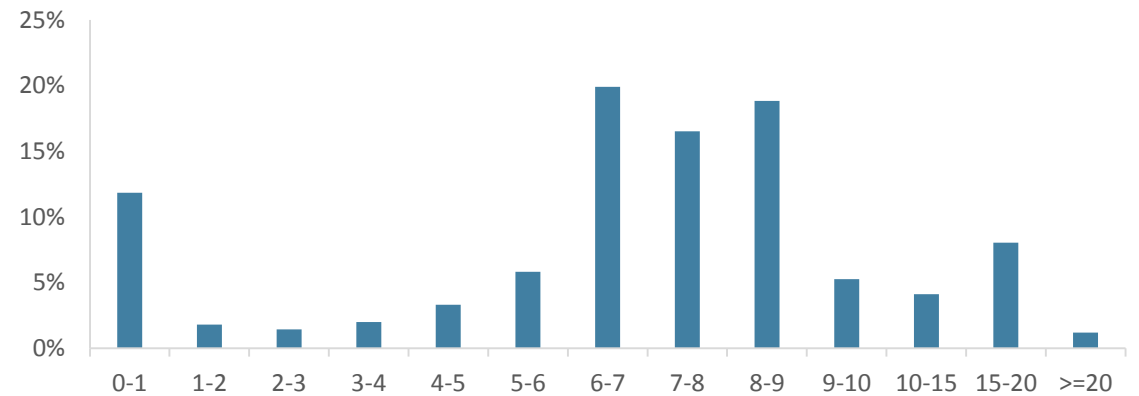
Interest rate buckets



Interest rate type

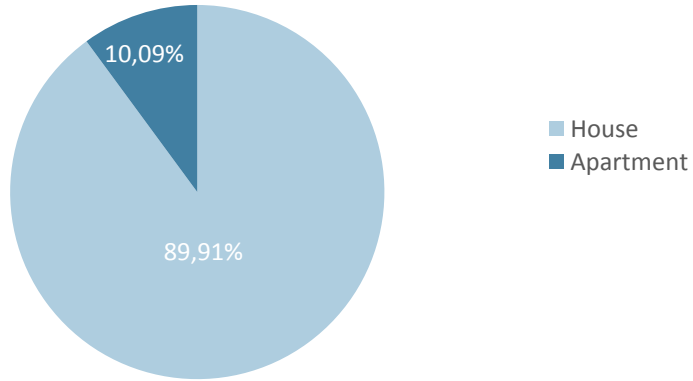


Time to interest reset date (in years)

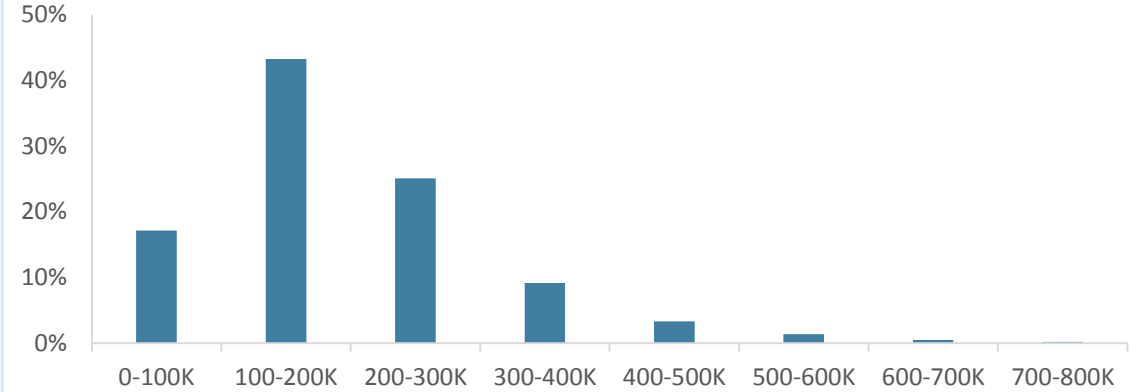


# Cover Pool Characteristics (2)

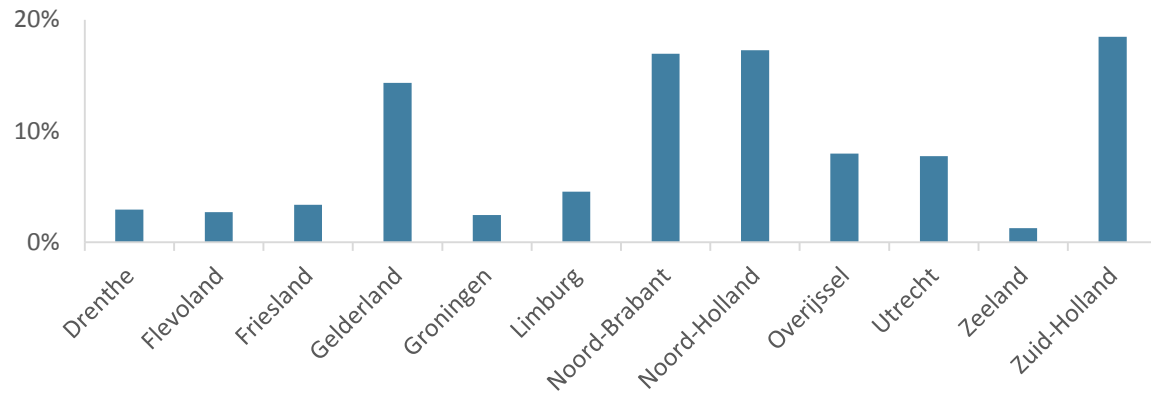
Property type



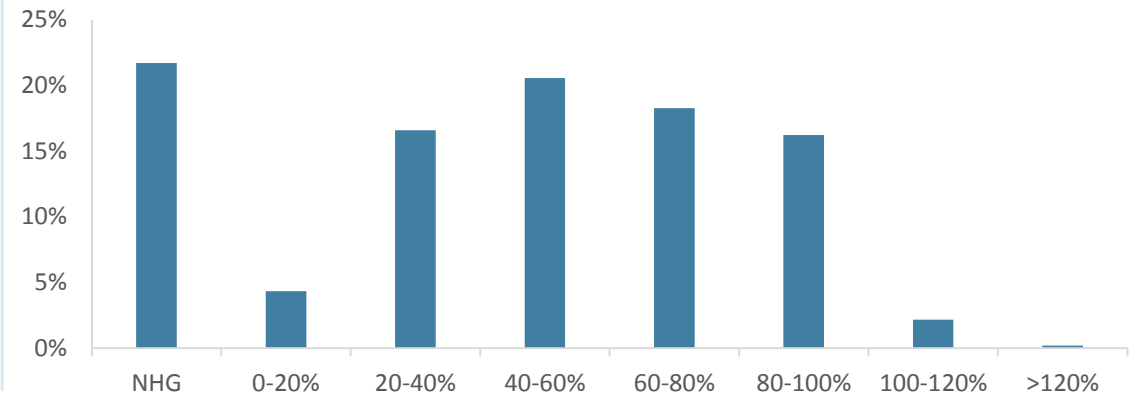
Current loan balance (in €)



Geographical distribution

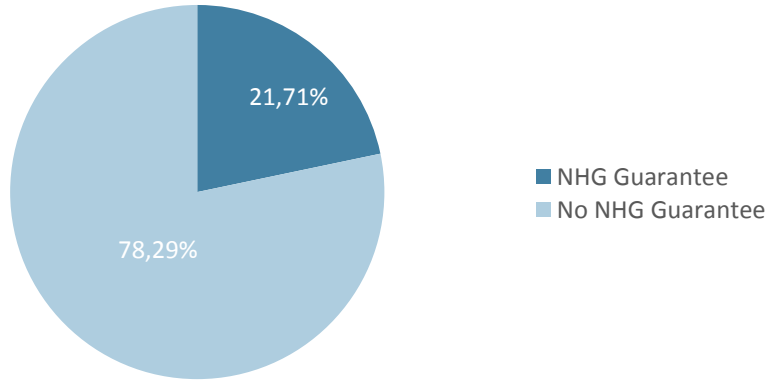


Current loan to indexed market value

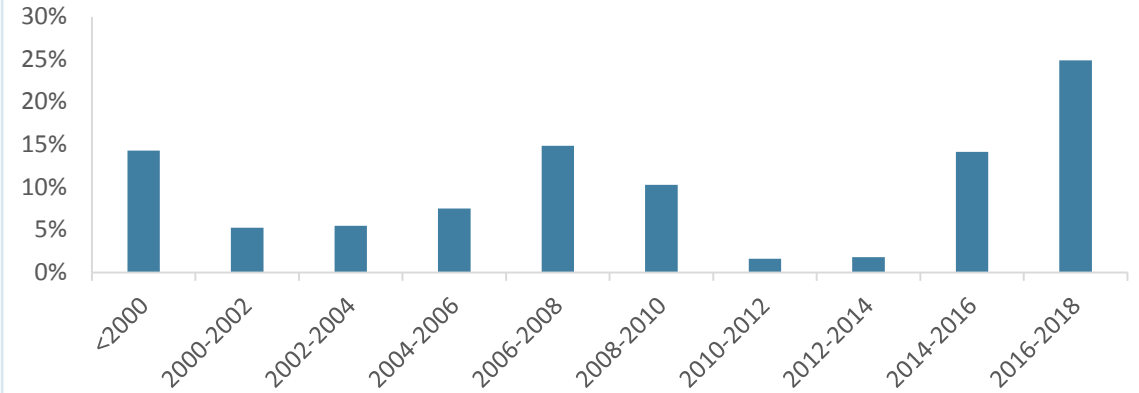


# Cover Pool Characteristics (3)

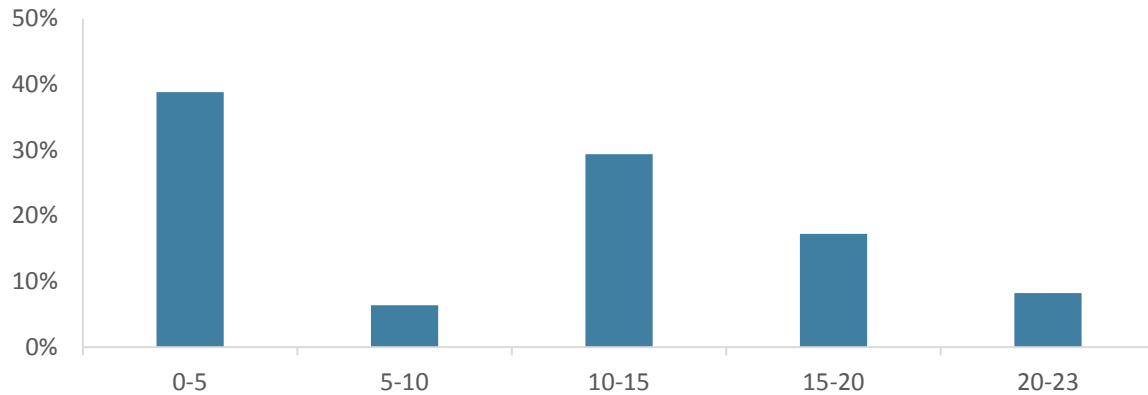
Guarantee type



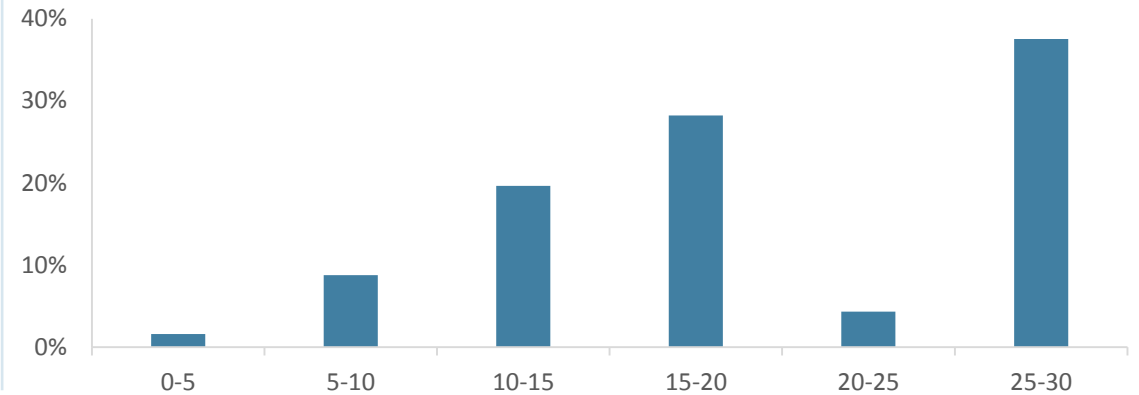
Origination year (loanpart)



Seasoning (in years)



Remaining tenor (in years)





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# Underwriting Criteria



## Mortgage

- 2 types of mortgages: NHG and non-NHG
- Minimum amount for value of property without NHG: EUR 80,000
- Maximum mortgage in ratio to value of property is 100% in 2018
- Maximum loan size is EUR 750,000
- Loan to income is determined by code of conduct and follows governmental guidelines



## Borrower information

- Type of income (self employed, fixed or variable):
  - Annual gross salary of borrower and any secondary gross salary of a co-borrower
  - Loan size is restricted to governmental guidelines, which is roughly 5 times the gross salary
  - Loan size is dependent on interest rate and fixed duration of the interest rate
  - Additional securities offered by the borrower
  - Credit history checks (BKR)
  - Fraud checks



## Property

- Type of property: private properties or private property with a small part business (max 40% of the value)
- Appraisal report criteria:
  - The valuation cannot be older than 6 months, calculated from the value reference date
  - The appraisal report is prepared according to the latest model of Contactorgaan Hypothecair Financiers
  - Report should contain the market value
  - The valuation of the property is validated by 1 of 4 existing validation institutes
  - The valuation has been done by a professional certified valuator, who lives and works in the same area as the property
  - The certified valuator may not be involved directly or indirectly in the transaction



## Information

All underwriting criteria are automatically checked by the system

# Arrears and Default Management

## Overview collection process by department

**Credit risk management**  
(merge with Late)

- Prevent overdue payments by working together with the customer

**Early**  
(4.4 FTE)

- Direct contact in case of overdue payments. Focus on quick payment and insight in the situation of the customer

**Late**  
(8.0 FTE)

- Sustainable payment recovery. The customers situation and risks are visible. Apply specific solutions together with the customer

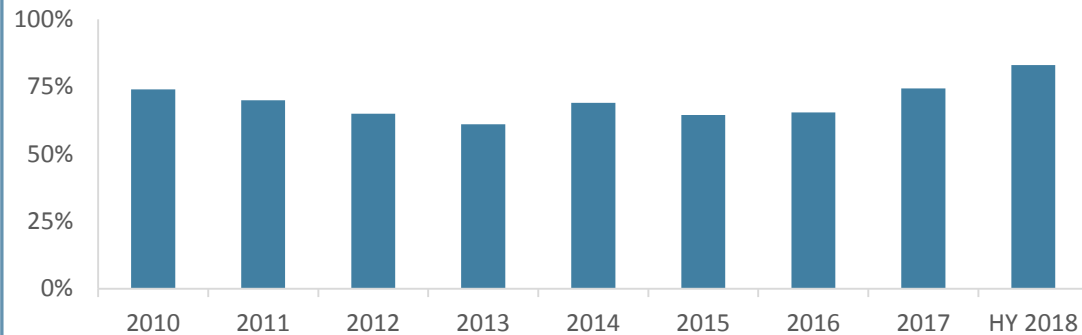
**Sales**  
(1.8 FTE)

- Limitation of loss for customers and Achmea Bank. Maximizing sales profit

**Residual debt**  
(external)

- Collection of residual debt. Collaboration with bailiff

## Recovery ratio<sup>1</sup>



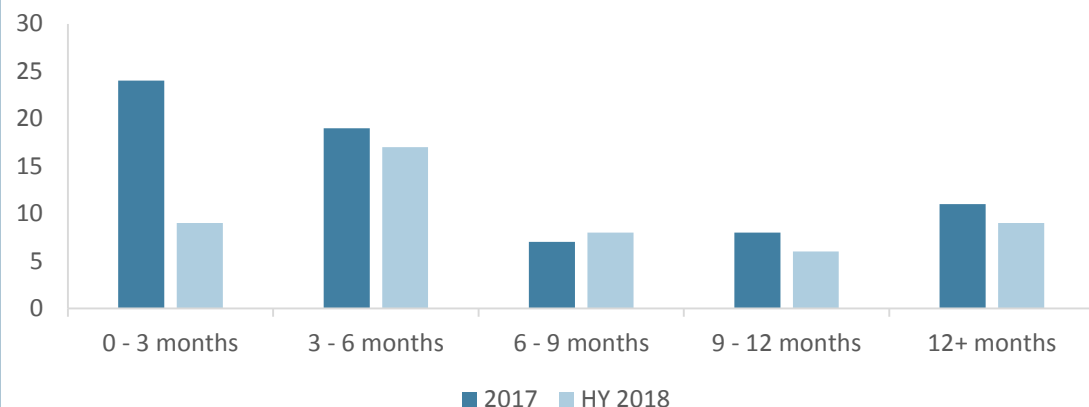
<sup>1</sup> Recovery ratio = number of recovered files / total number of closed files

## Improvements in collection process

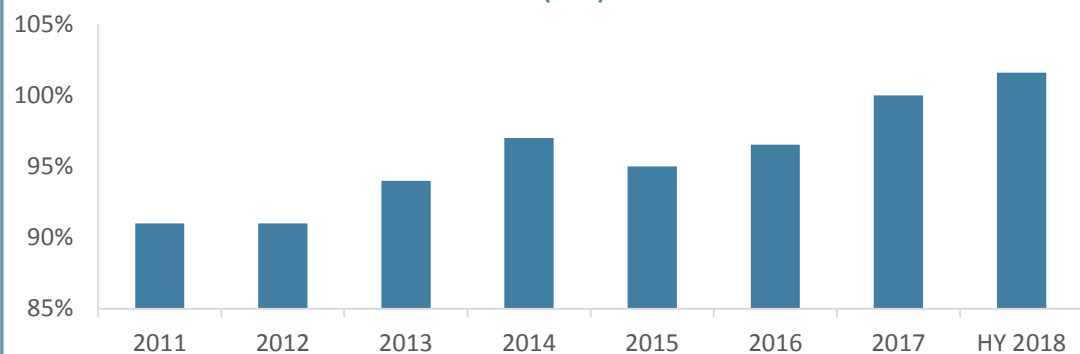
- The recovery ratio has been trending lower since 2011 but made a significant turnaround in the first half of 2015.
- Apart from an ongoing improvement of the Dutch housing market, labour market and consumer confidence, Achmea Bank changed its processes with respect to special servicing and applied the following business practices:
  - Within 8 days in arrears, the customer is contacted by the division “Early risk management”. If we can not reach the customers we conduct digital investigations for contact details for example through google search
  - If regular customer contact fails, a home visit will be done within 38 days of arrears
  - Low caseload at the department “Late credit risk management”. Up to 50 files (per fte), which improves customer focus and gives room for personalized solutions
  - Clear processes in Late credit risk management; for each situation a specific procedure is in place. This allows us to help customers quickly and effectively
  - Tools such as interest averaging, modifying the mortgage or discharge have a proven positive influence on recoveries
- Losses and write offs are still relatively low and delinquency rates are among the lowest in the Dutch sector

# Private Sales and Foreclosure

Number of private sales (by period for sale)



Average sales proceeds<sup>1</sup>  
(in %)



<sup>1</sup> Average sales proceeds = gross proceeds private sales / market value

## Private sales

- 49 private sales at HY 2018 (FY 2017: 69 private sales)
- Average time for a private sale: 8.2 months at HY 2018 (FY 2017: 9.0 months)

## Foreclosures

- 9 foreclosures at HY 2018 (FY 2017: 11). One-off increase due to acceleration protracted cases.
- Average sale proceeds: 101.6% of the updated market value HY 2018 (FY 2017: 100%)
- Average proceeds 110.9 % of the updated foreclosure value at HY 2018 (FY 2017: 120%).

## NHG performance HY 2018

- 7 foreclosures with NHG coverage, representing a loss of EUR 90,761
- The pay out ratio is 99.6 %, which is higher than the NHG benchmark of 96.8 %

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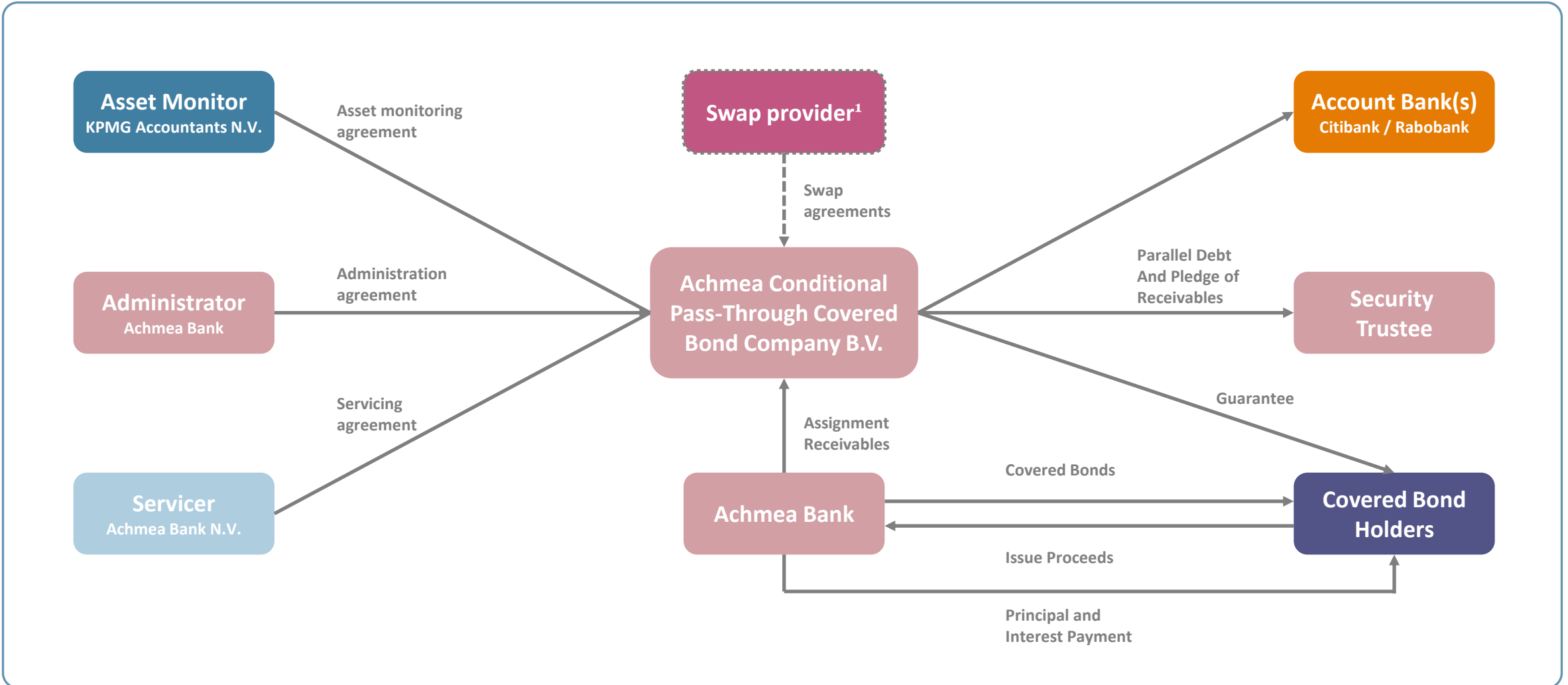


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# Legal Structure



<sup>1</sup> Portfolio swaps and Interest Rate swaps are optional

# Covered Bond Programme Comparison

	 achmea	 N	 AEGON	 Van Lanschot	 NIBC	 Rabobank	 de volksbank	 ING	 ABN-AMRO
<b>Legislative</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Issuer ratings (S/M/F)</b>	A-/NR/A	A-/NR/NR	A+/NR/A-	BBB+/NR/BBB+	BBB/Baa1/BBB-	A+/Aa2/AA-	A-/Baa1/BBB+	A+/Aa3/A+	A/A1/A+
<b>Programme ratings (S/M/F)</b>	NR/Aaa/AAA	AAA/NR/NR	AAA/NR/AAA	AAA/NR/AAA	AAA/NR/AAA	NR/Aaa/NR	NR/Aaa/AAA	AAA/NR/AAA	NR/Aaa/AAA
<b>Repayment type</b>	Conditional Pass-Through	Conditional Pass-Through	Conditional Pass-Through	Conditional Pass-Through	Conditional Pass-Through	Soft bullet	Soft bullet	Hard bullet/Soft bullet	Hard bullet/Soft bullet
<b>Collateral type</b>	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages	Prime Residential Dutch Mortgages
<b>CLTOMV</b>	69.75%	86.64%	80.29%	63.95%	87.80%	78.44%	71.59%	73.25%	73.47%
<b>Swaps</b>	Possibility to use Portfolio swap and Interest rate swap	Possibility to use Portfolio swap and Interest rate swap	Possibility to use Portfolio swap and Interest rate swap	Possibility to use Portfolio swap and Interest rate swap	Possibility to use Interest rate swaps	Possibility to use Portfolio swap and Interest rate swap	Partial TRS and Interest rate swaps in place	TRS and Interest rate swaps in place	TRS and Interest rate swaps terminated
<b>Extension period</b>	Max. 32 years	Max. 32 years	Max. 32 years	Max. 32 years	Max. 32 years	Max. 1 year	Max. 1 year	Max. 1 year	Max. 1 year
<b>Minimum IR</b>	N/A	1.0%	1.0%	1.5%	3.0%	N/A	1.5%	N/A	1.5%
<b>Asset percentage</b>	93.45%	93%	93%	95%	95%	100%	80.5%	84.8%	89.3%
<b>Minimum documented OC</b>	N/A	10.0%	10.0%	15.0%	15.0%	N/A	N/A	N/A	8.1%

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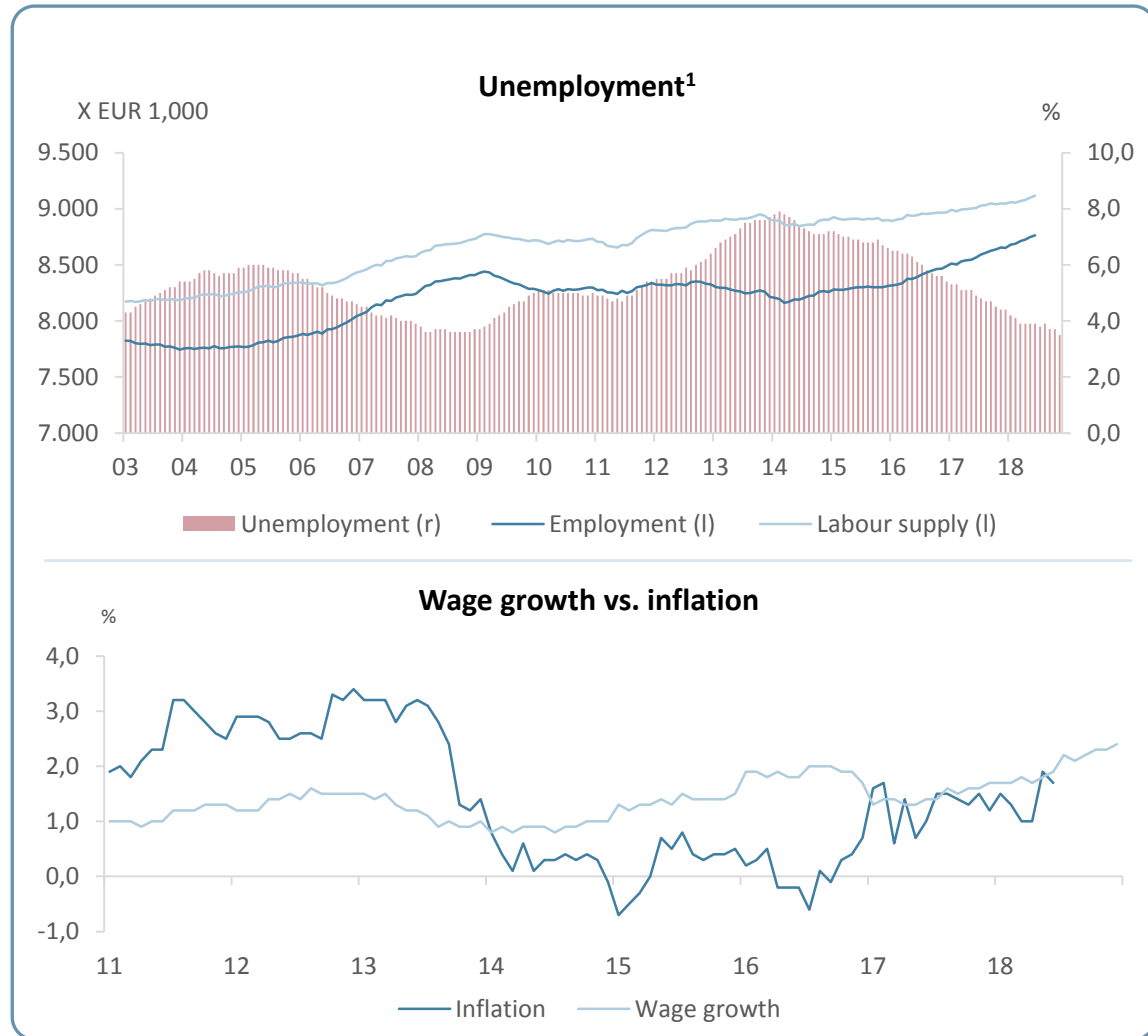
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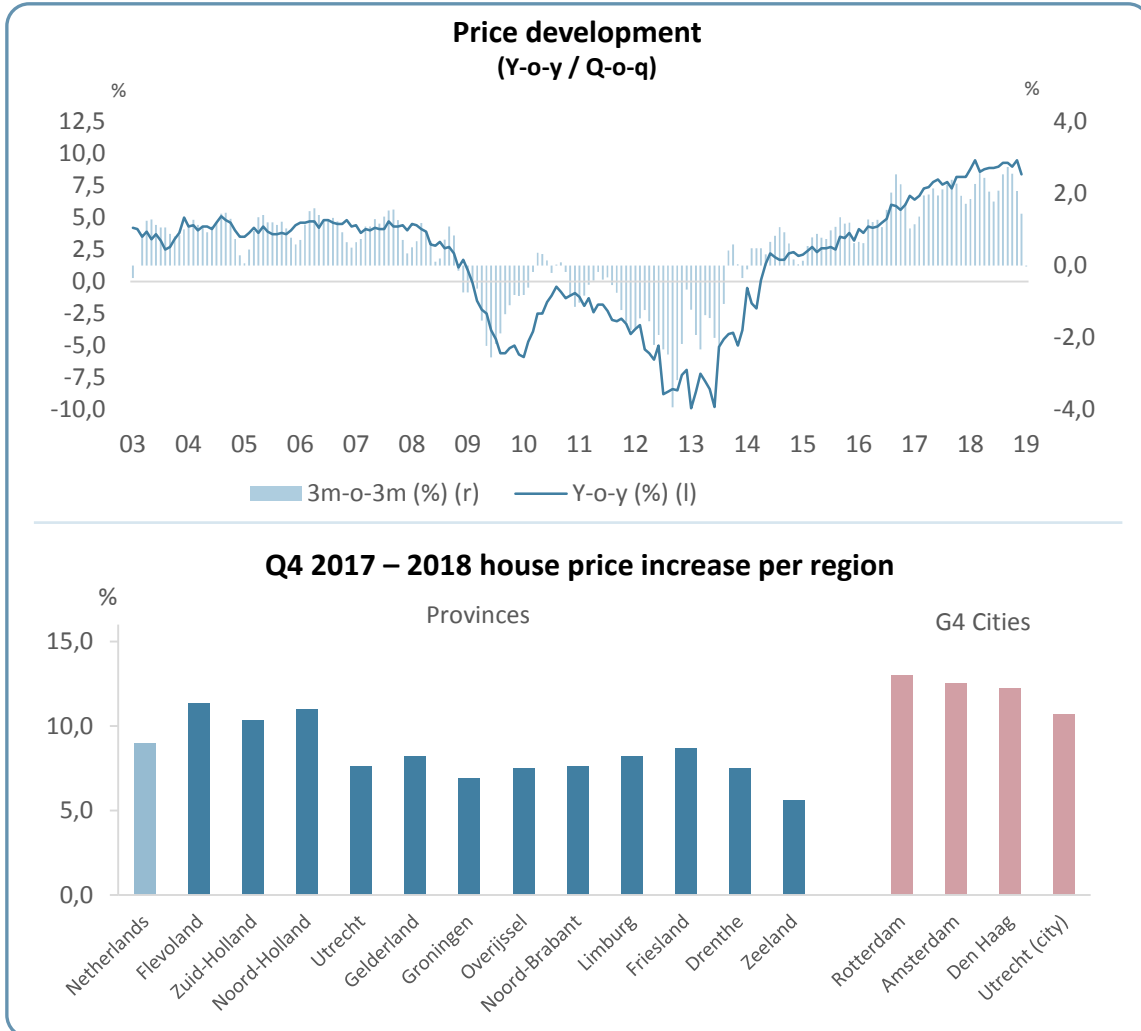
# Dutch Economy



## Strong performing Dutch economy

- The Dutch economy continues to expand and continues to perform strongly as GDP growth is expected to stay above trend. Dutch economic growth is expected to flatten from 2.6% in 2018 to 1.9% in 2019, and to 1.7% in 2020
- It is expected that the continued growth of the Dutch economy is mostly driven by healthy and strong domestic market and demand. Household consumption will continue to be an important driver for the Dutch economy in the coming years and consumer confidence levels are solid
- In November 2018 the unemployment rate fell to 3.5%, the lowest figure in over 15 years. In December unemployment increased marginally, to 3.6%. This is also the level that is expected for 2019 as a whole

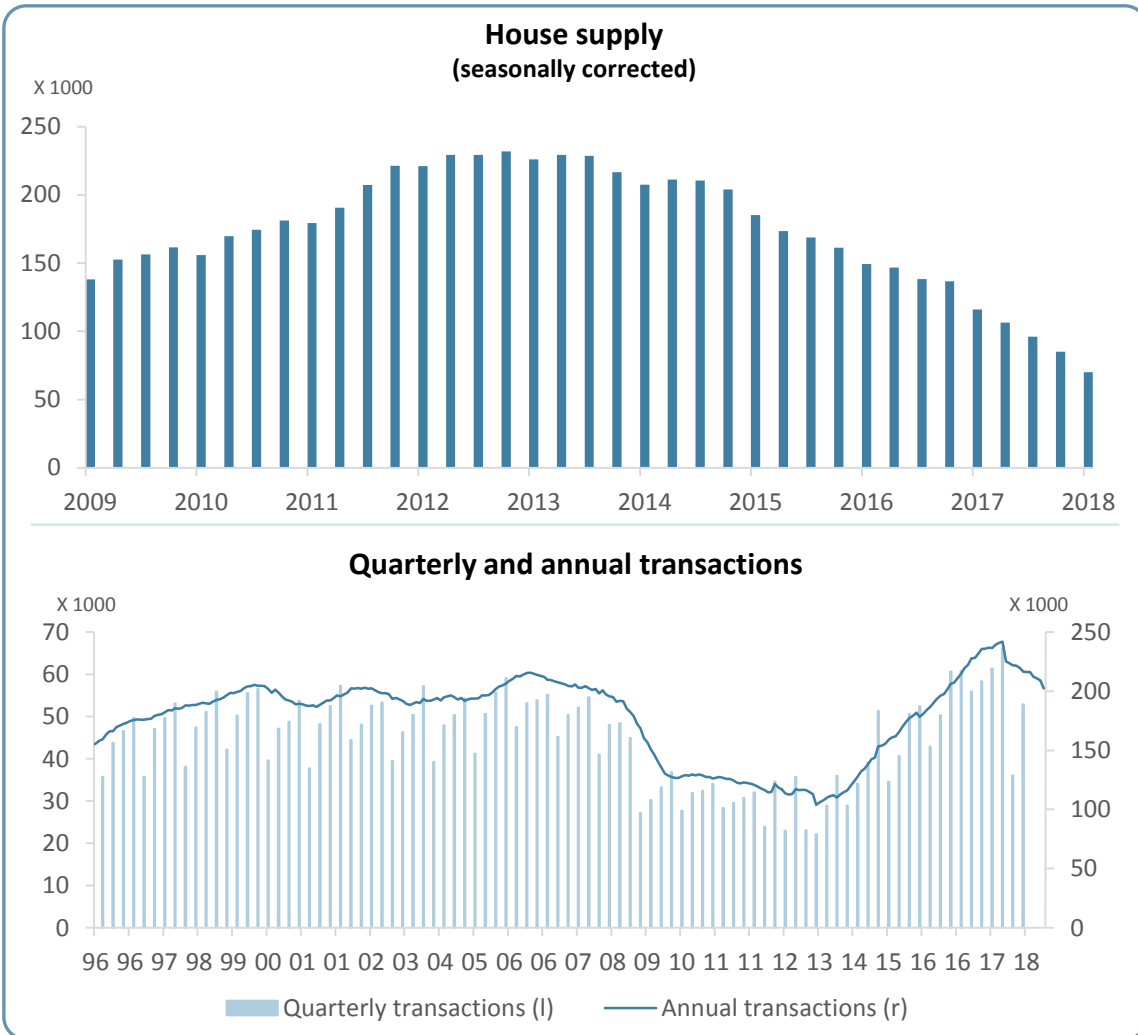
# House price developments



## Upward trend in house prices continues

- The sharp rise in the number of sales over 2017 and 2018 and robust growth in the price index for existing owner-occupied homes (+9.0% in the fourth quarter) reflects the current strong state of the Dutch housing market
- Due to the persistently low interest rates, strong employment, the fall in the number of houses for sale and the considerable willingness of buyers in many regions to make offers above the asking price, it is expected that the trend of strong price rises in the housing market is set to continue this year. For 2019, a price increase of 6.0% is expected
- Changes in house prices show clear differences per region. The highest price growth was yet again recorded in the major urban areas, but also in the province of Flevoland. Nominal house prices in the country are now some 5% higher than in the summer of 2008, the previous peak

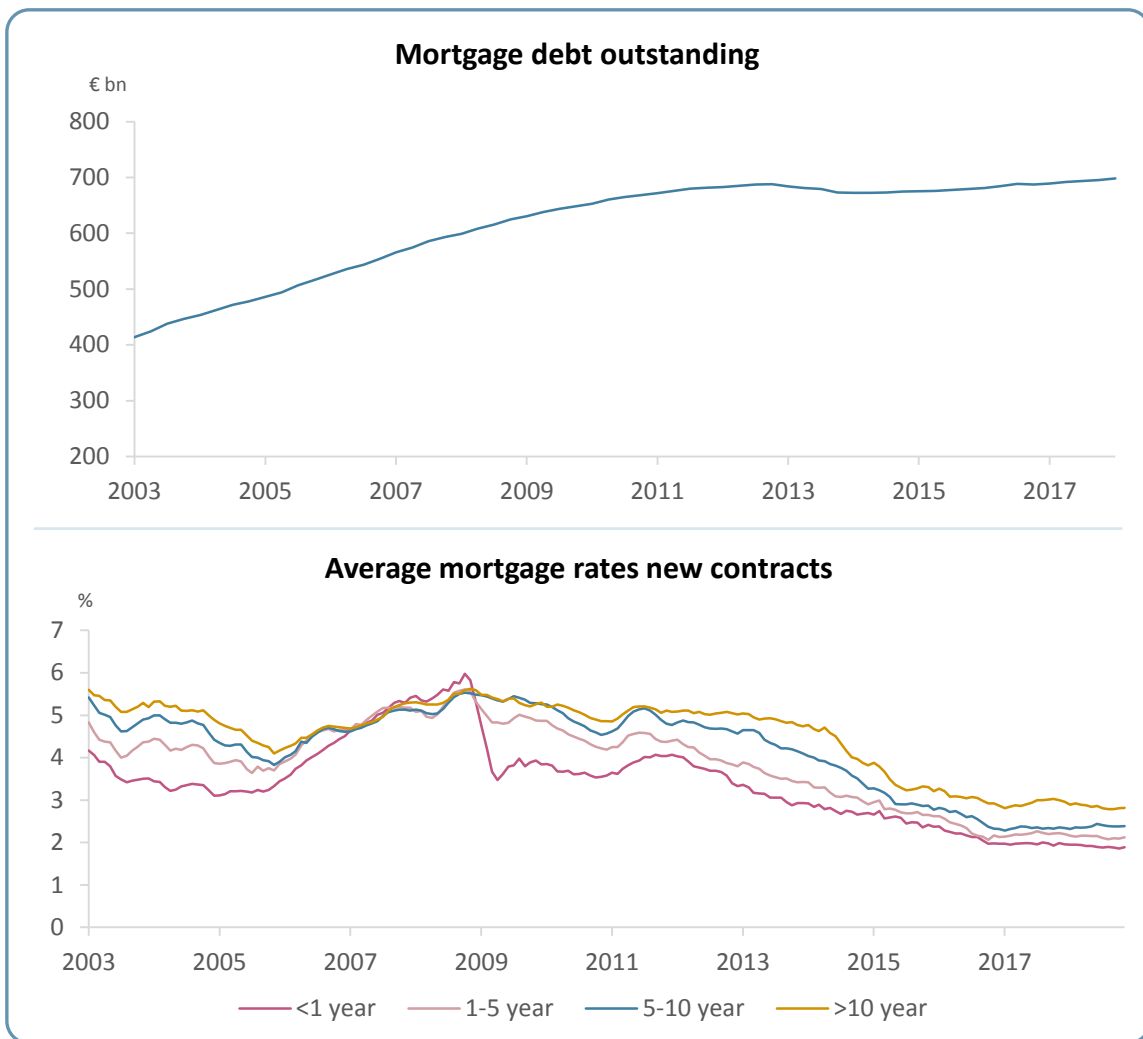
# Transaction and supply developments



## Number of transactions likely to stagnate

- After an exceptional amount of 242k transactions in 2017, sales slowed down somewhat in 2018 to an amount of 218k. Despite the decline in the amount of transactions, 2018 can still hold its own as runner-up for highest number of sales in a year
- Sales in the largest cities of the Netherlands, Amsterdam, Rotterdam, The Hague and Utrecht are slowing down. This can be explained by the scarcity of existing homes for sale and limited construction of new-built dwellings, which has limited the housing choice and pushed up prices
- As for 2019, Dutch real estate broker association 'NVM' reported a rise in the number of homes available for sale

# Dutch residential mortgage market



Source: Dutch Central Bank, NIBUD, Rabobank, Statistics Netherlands (CBS)

## Affordability

- Despite the rising prices of owner-occupied homes, current low interest rates mean that housing costs for homeowners are kept at relatively low levels. Mortgage rates have fallen since 2012 and have stabilized since October 2016 at around 2.4%
- The extension of the debt-to-income limits caused by adjusted mortgage norms by the National Institute for Family Finance Information (NIBUD) is making owner-occupied homes more accessible as well. This measure has allowed two-income households to borrow larger amounts.

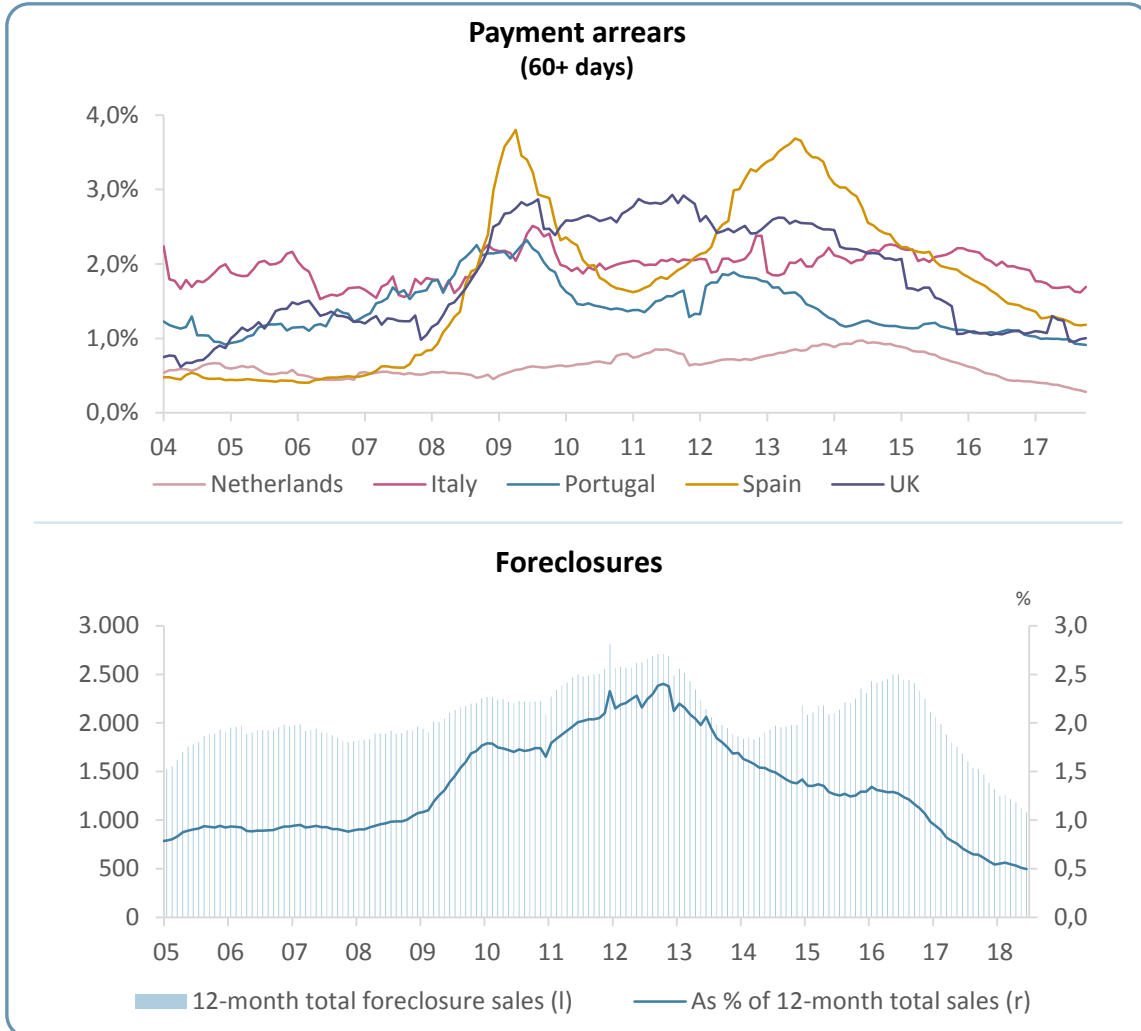
## Mortgage debt

- Tighter lending standards – particularly the lowering of the maximum permitted loan-to-value (LTV) to 100% in 2018 – and extra repayments are contributing to limited growth in mortgage debt

## Development tax deductibility

- The tax deductibility of mortgage interest rates will be further reduced at an accelerated pace. According to the policy agenda, the maximum deduction percentage will be reduced by 3.0% per annum, starting in 2020. In 2023, the maximum deduction percentage will be 37%, which will then be equal to the second highest marginal income tax rate

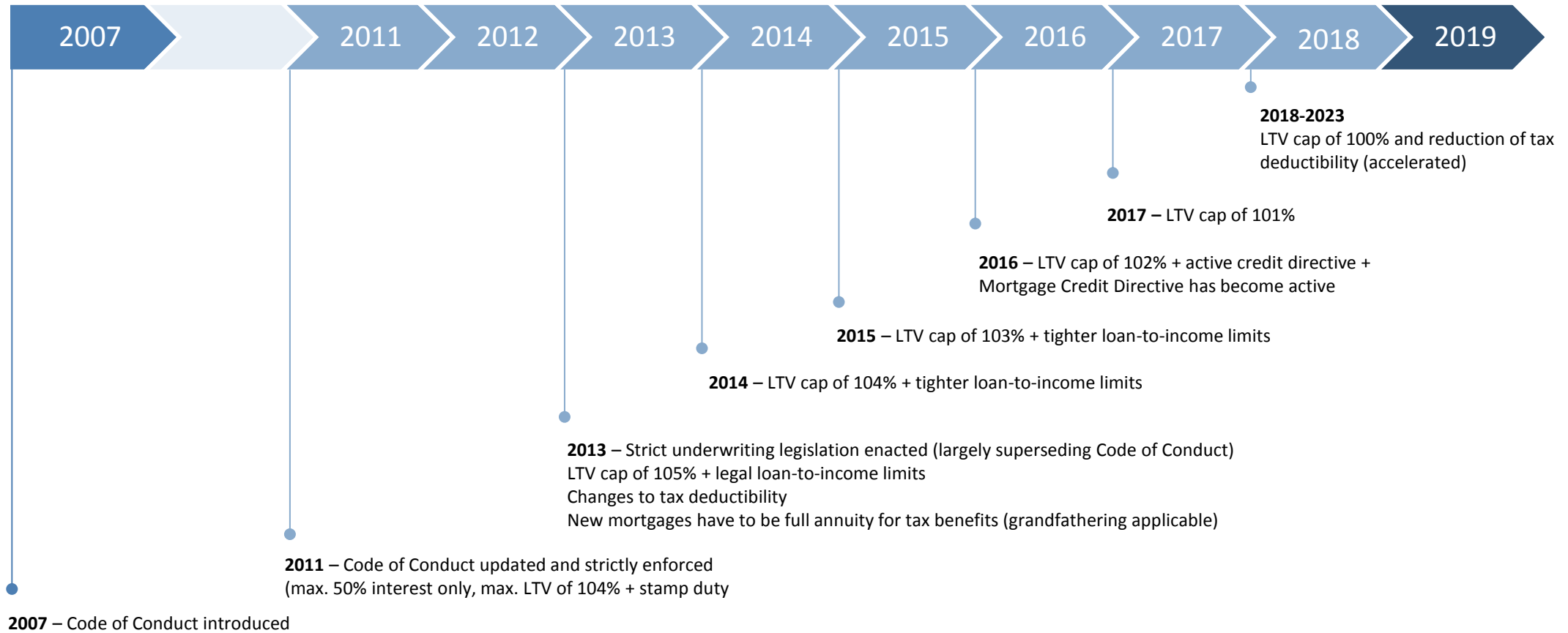
# Mortgage foreclosures and losses



## Low arrears and foreclosures

- The mortgage payment arrears in Europe have been declining over the last couple of years, whereby the Netherlands has one of the lowest arrears in Europe with a decreasing trend since the second half of 2014
- A trend of declining public auctions has been present from 2012 onwards, and has continued in 2018. This decline is not only caused by the lower number of households with payment problems, but also a sign that banks supervise homeowners who have fallen into arrears more closely
- The Netherlands continues to perform well in terms of the level of payment arrears and forced sales in comparison to other European countries

# Evolution of Dutch Mortgage Lending Standards



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