ACHMEA MORTGAGES

Quarterly Update Q1 2025

achmea Mortgages

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1. Summary Q1 2025

Highlights

- The first quarter experienced a high degree of volatility. Swap rates for long-term interest rates rose sharply, while short-term interest rates up to 2 years showed a decline.
- Mortgage interest rates increased across all fixed-rate periods during the first quarter.
- The total mortgage loan principal decreased slightly this quarter to approximately €265,000.
- The number of foreclosures increased to 26 per month (previous quarter: 18).

Company profile

Achmea Mortgages is the mortgage asset manager within Achmea, holding an AIFMD license. With a history of over 60 years, Achmea Mortgages has been managing assets for institutional investors. By the end of 2023, Achmea Mortgages manages over €29 billion in Dutch mortgages on behalf of more than 50 pension funds and other institutional investors under the brand names Centraal Beheer Leef hypotheek, Syntrus Achmea Hypotheken, and Attens Hypotheken. We do this jointly with Achmea Bank and Centraal Beheer, enabling homeowners' needs for carefree living, across all our brands and products.

Update

This quarter was marked by a decline in swap rates for short-term maturities and long-term maturities.

- The last quarter was characterized by volatility in terms of swap rates. Political developments meant long-term swap rates increased, while short-term rates declined.
- The increase in long-term rates was spurred by two developments in the political space. On the one hand, uncertainty due to president Trump's economic policies increased longer term rates and on the other hand, increased fiscal spending by European countries increased long-term rates too. The ECB's rate cuts led to a decline in short-term swap rates.
- Mortgage rates increased, with the rise being lower for the longest fixed-term periods (20 and 30 years). Rates for 10-year fixed period mortgages with National Mortgage Guarantee (NHG) increased by 31 basis points, while rates for 30-year fixed rate period mortgages with a loan-to-value ratio greater than 90% increased by 17 basis points. Margins decreased for fixed term periods shorter than 15 years. For shorter fixed-rate periods margins increased.
- According to Mortgage Data Network (HDN) about 142,000 mortgage loan applications were registered this quarter of 2025, an increase of 7% compared to the previous quarter. The increase was mainly due to more applications from the non-buyers' market (refinances and other).

Outlook

- The turnover in the mortgage market for 2025 is expected to increase compared to 2024, driven by higher mortgage loan principals and an increase in applications.
- Even though house prices fell in the first quarter, according to the Dutch Association of Realtors (NVM), a rise in house prices is expected for 2025. Continuing low unemployment, and limited supply of new constructions mean that the fundamentals of the market remain strong. However, double-digit gains are unlikely.
- The Dutch economy is expected to show limited growth in 2025, as trade tensions reduce the growth outlook for exporters. Strength in consumption and government spending growth provide stability for the economy.

2. Mortgage Market Update

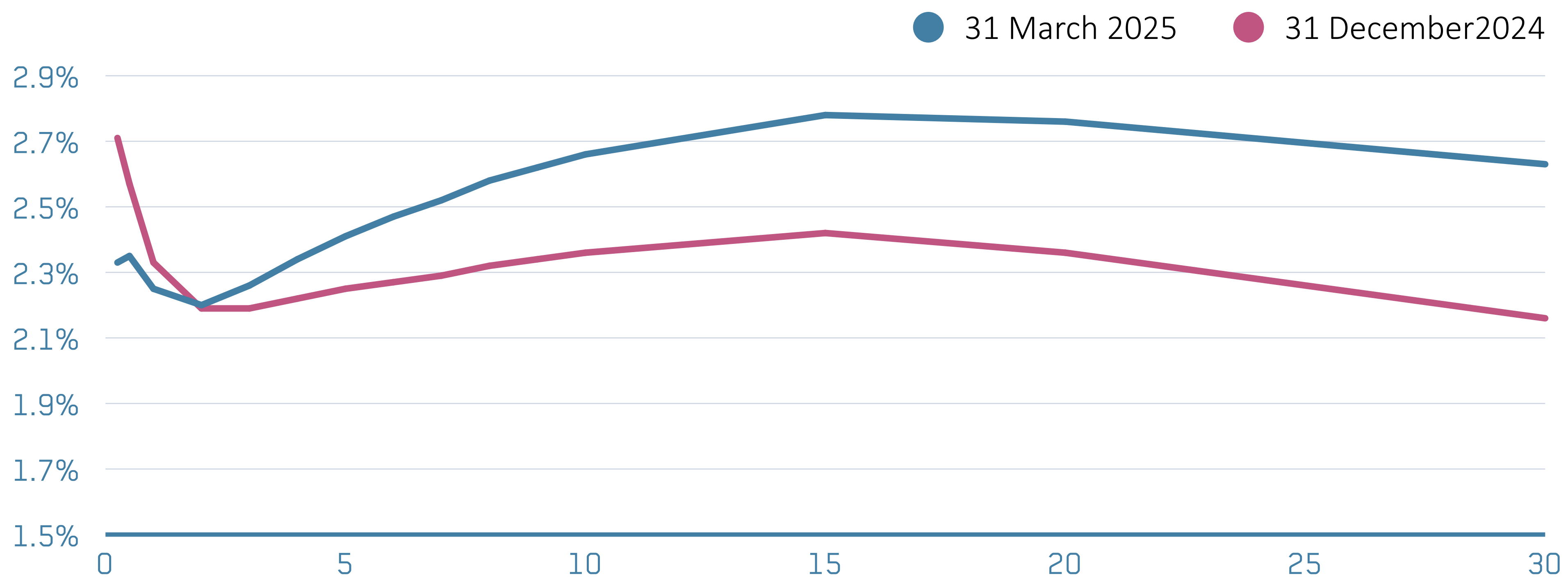
INTEREST-RATE MARKET

The first quarter of 2025 experienced a high degree of volatility. Long-term interest rates rose sharply, influenced by political developments initiated by the new American president. To improve the EU's defense capabilities in the coming years, European policymakers proposed allocating €800 billion through new joint loans and additional fiscal space for defense spending.

Germany, under the likely new Chancellor Friedrich Merz, shocked the market by lifting the 'schulden bremse' for defense spending and introducing a €500 billion infrastructure spending plan. This immediately caused yields on German government bonds to rise: 10-year bonds rose by more than 30 basis points the day after the announcement. Swap rates, which are used as a reference for mortgage interest rates, also rose sharply.

EURO SWAP CURVE

Source: Achmea Mortgages



Short-term interest rates up to two years, showed a decline. This was due to the European Central Bank (ECB) lowering the policy rate by a total of 50 basis points in both February and March. Inflation remains a focus for the ECB, although President Lagarde indicated during the March meeting that she expects inflation to remain moderate despite the additional fiscal stimulus. Preliminary inflation figures for the eurozone in March came in at 2.2%, close to the target of 2.0%. Core inflation in Europe, adjusted for volatile food and energy prices, fell to 2.4% (source: Eurostat).

The aforementioned developments resulted in a strong steepening of the yield curve, as illustrated in the graph 'Euro Swap Curve'. The increase was most pronounced at longer maturities: interest rates above 20 years rose by more than 40 basis points. While the 30-year rate was still 4 basis points below the 2-year rate at the beginning of the quarter, it ended the quarter 44 basis points above the 2-year rate. Consequently, the yield curve as a whole has regained an upward slope. Nevertheless, part of the curve remains inverted: both the segment up to 2 years and the segment after 15 years remain inverted, although this effect has diminished.

Mortgage rates and margins

As illustrated in the graph 'Mortgage rates', mortgage interest rates increased across all fixed-rate periods during the quarter. On average, rates rose by 23 basis points, although this varied significantly depending on the fixed-rate period. The largest increase was observed in mortgage interest rates for 7- and 10-year terms, which increased by an average of 29 basis points. The 1-year mortgage interest rates showed the smallest increase. This should be seen in light of the ECB's rate cuts, which also caused the underlying 1-year swap rate to decline.

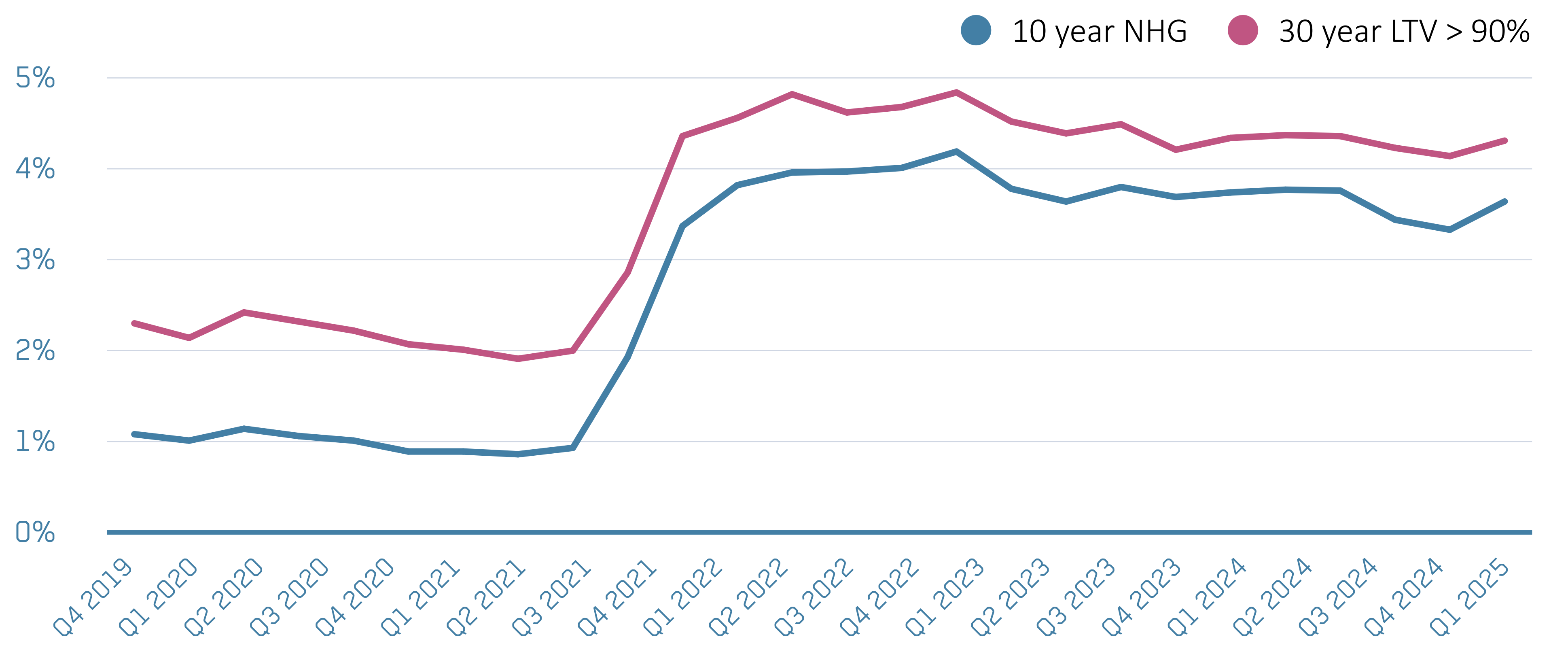
The average interest rate for a 10-year fixed mortgage with National Mortgage Guarantee (NHG) increased by 31 basis points, from 3.3% to 3.6%, based on data from the top 10 providers. Additionally, the average interest rate for a 30-year fixed-rate period with a loan-to-value (LtV) greater than 90% increased by 17 basis points, from 4.1% to 4.3%. Although mortgage interest rates generally followed the rise in underlying swap rates, this happened with some delay and not uniformly across all fixed-rate periods. In the first quarter, mortgage interest rates for fixed-rate periods longer than 15 years rose less sharply than the underlying swap rates, leading to reduced margins.

For shorter fixed-rate periods, margins increased because mortgage interest rates for shorter fixed-rate periods did not decrease as much as the decline in short-term swap rates. The significant interest rate movements in the first quarter did not give the mortgage loan market enough time to adjust.

The margin on a 10-year fixed-rate period NHG mortgage increased during the quarter from 105 basis points to 111 basis points, see graph 'Mortgage rates'. At the same time, the margin on a 30-year fixed-rate period with an LtV greater than 90% decreased from 189 basis points to 174 basis points. Thus, the margins have shifted unevenly across fixed-rate periods and risk categories. Nevertheless, they remain at the average level of recent years after last year's decline. We expect mortgage interest rates to remain aligned with swap rates, and therefore margins will remain around current levels on average. However, with continued volatility in swap rates, margins may further narrow or widen relative to current levels, as the mortgage loan market typically lags behind the swap market. Therefore, changes in swap rates lead to adjustments in mortgage interest rates, albeit with a time delay.

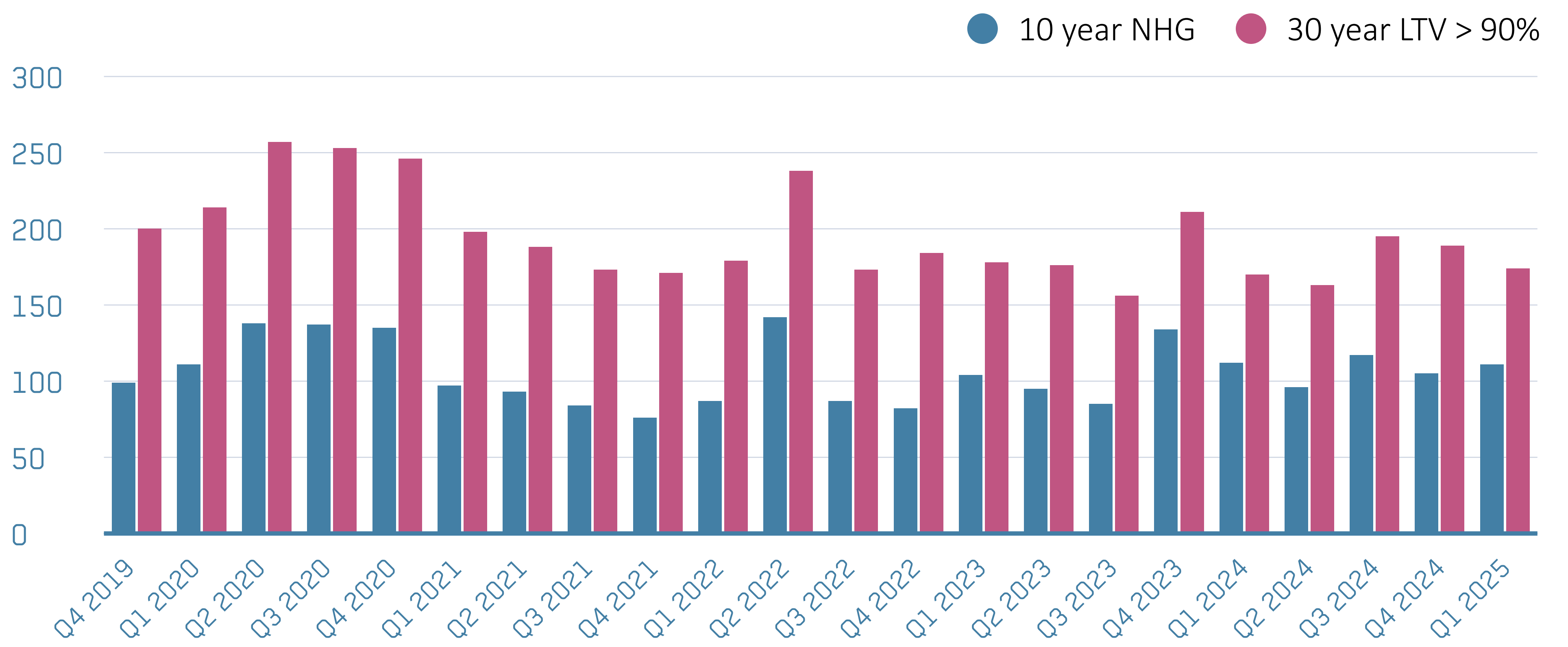
MORTGAGE RATES

Source: Achmea Mortgages



SPREADS (IN BPS)

Source: Achmea Mortgages



Number and distribution of mortgage loan requests

According to the Mortgage Data Network (HDN), approximately 142,000 mortgage loan applications were registered this quarter, a 7% increase compared to the previous quarter, see graph 'Distribution of mortgages types'.

Of the total mortgage loan applications, around 83,000 were from the buyer's market (starter and trade-uppers), which is roughly the same as the previous quarter. The growth in mortgage loan applications primarily came from the non-buyer's market (refinances and other), with approximately 60,000 applications. With two instances of interest rate increases last quarter, refinancers and renovators experienced significant growth.

At the beginning of 2025, several changes to mortgage regulations came into effect, including an increase in the NHG limit, more options for self-employed contractors and enhanced borrowing capacity for single-person households. Demand for housing is projected to rise this year, driven by an anticipated growth in the number of households, higher wages, and improved market sentiment.

At the same time, the supply of existing owner-occupied homes is expected to increase as investors more frequently sell rental properties. Additionally, the rise in new-build sales since mid-2023 is contributing to more supply, as buyers of new-built homes typically sell their current property before moving (source: ING Research). As a result, we expect the number of mortgage loan applications to continue rising in the coming quarters.

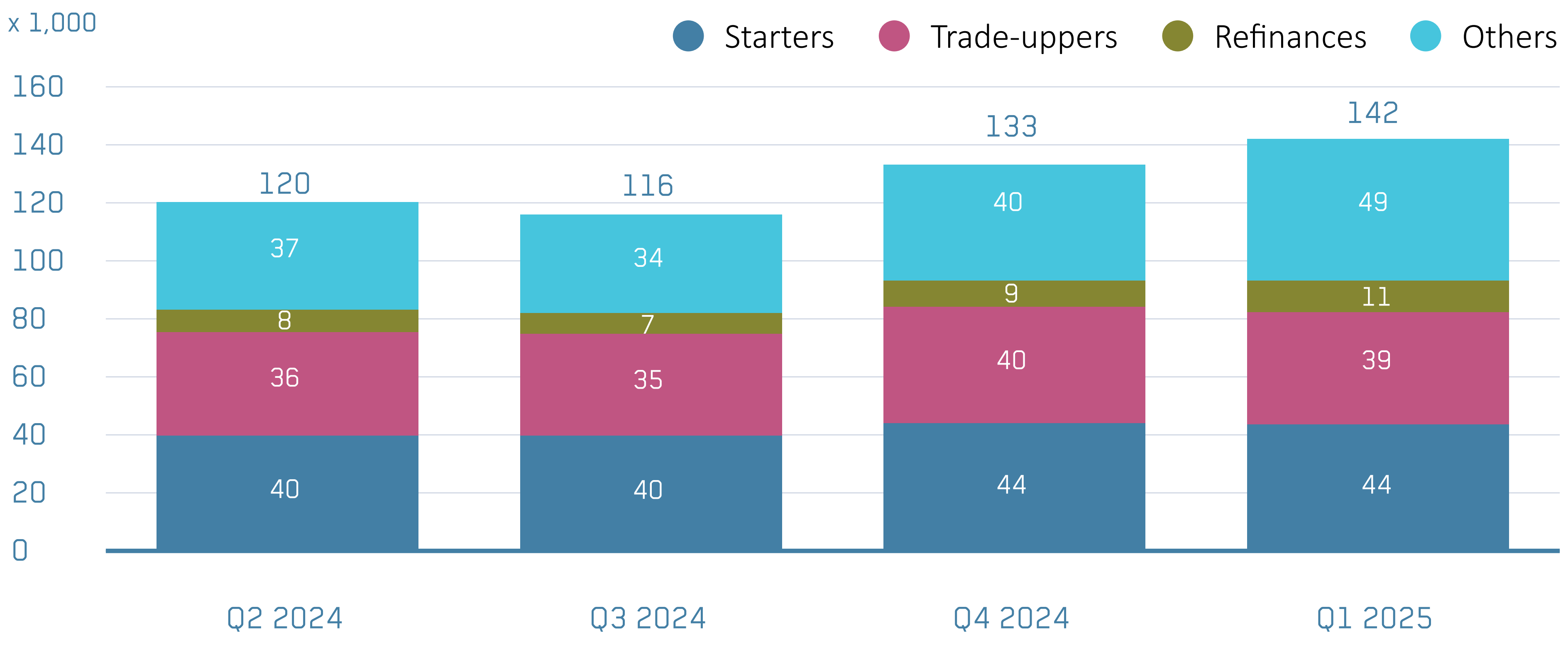
Development of mortgage loan principal (requests)

As illustrated in the graph 'Mortgage loan principal and market value houses', the average mortgage loan principal for buyers, the amount that the mortgagee wishes to finance, increased by 1.1% to €371,000 this quarter, compared to €367,000 in the previous quarter.

The value of the underlying property in the buyers' market rose to €509,000 this quarter, a 9.5% increase compared to the first quarter of 2024 and a 0.8% increase compared to the previous quarter. This rise in market value is attributed to increasing wages combined with continued scarcity in the housing market.

DISTRIBUTION OF MORTGAGES TYPES*

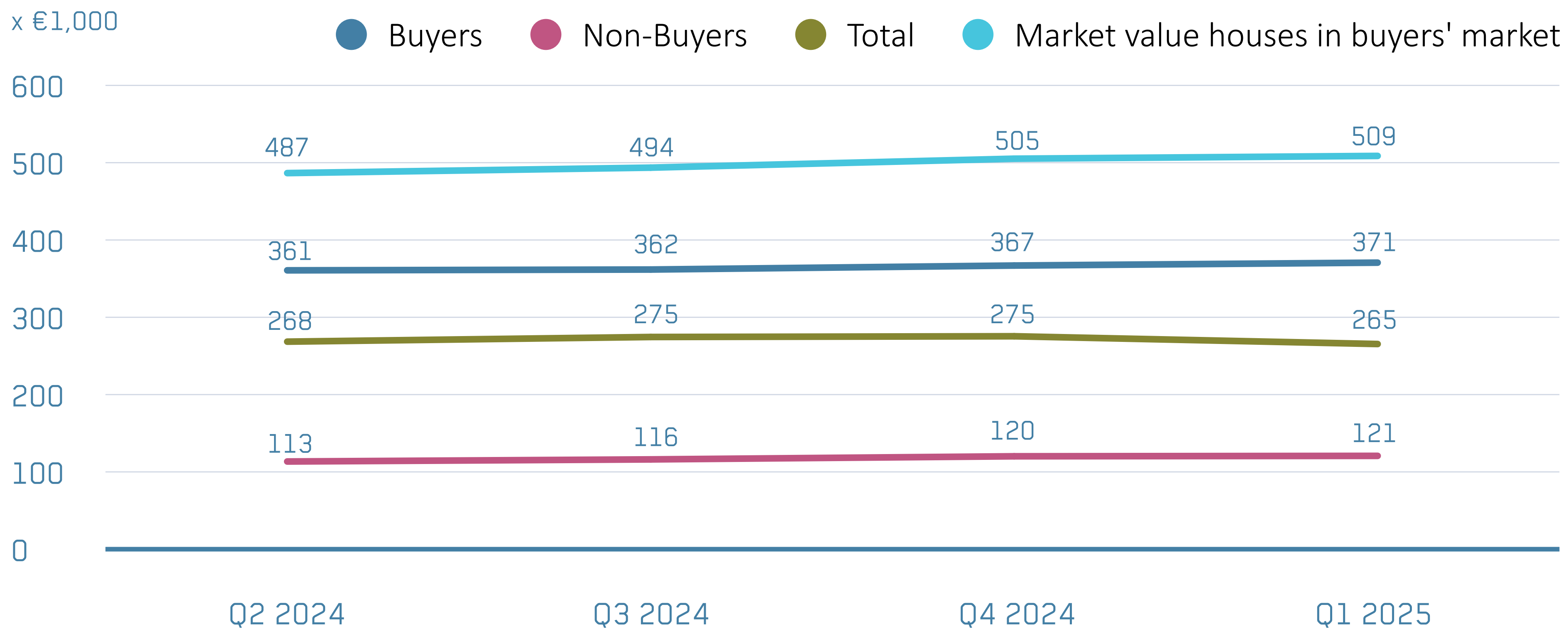
Source: HDN, Achmea Mortgages adaptation (2025)



*Rounding errors may occur.

MORTGAGE LOAN PRINCIPAL AND MARKET VALUE HOUSES

Source: HDN, Achmea Mortgages adaptation (2025)



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Although the supply of existing owner-occupied homes is expected to increase, it is not expected to be sufficient to ease the current shortage. As a result, market values are anticipated to continue rising in the coming quarters.

The non-buyers' market also experienced an increase in the average mortgage loan principal. The average mortgage loan principal of non-buyers rose to €121,000 this quarter, reflecting a 10.0% increase compared to the first quarter of last year and a 0.8% increase compared to the previous quarter.

The total average mortgage loan principal averaged around €265,000 this quarter, a slight decrease compared to the previous quarter (€275,000).

Due to higher wages, improved sentiment, and ongoing scarcity in the housing market, house prices are expected to rise throughout the year. However, this increase may be moderated by slower growth in borrowing capacity and slightly rising unemployment (source: ING Research). Consequently, we anticipate that the mortgage loan principal will continue its upward trend in the coming quarters.

Market size of granted mortgage loans

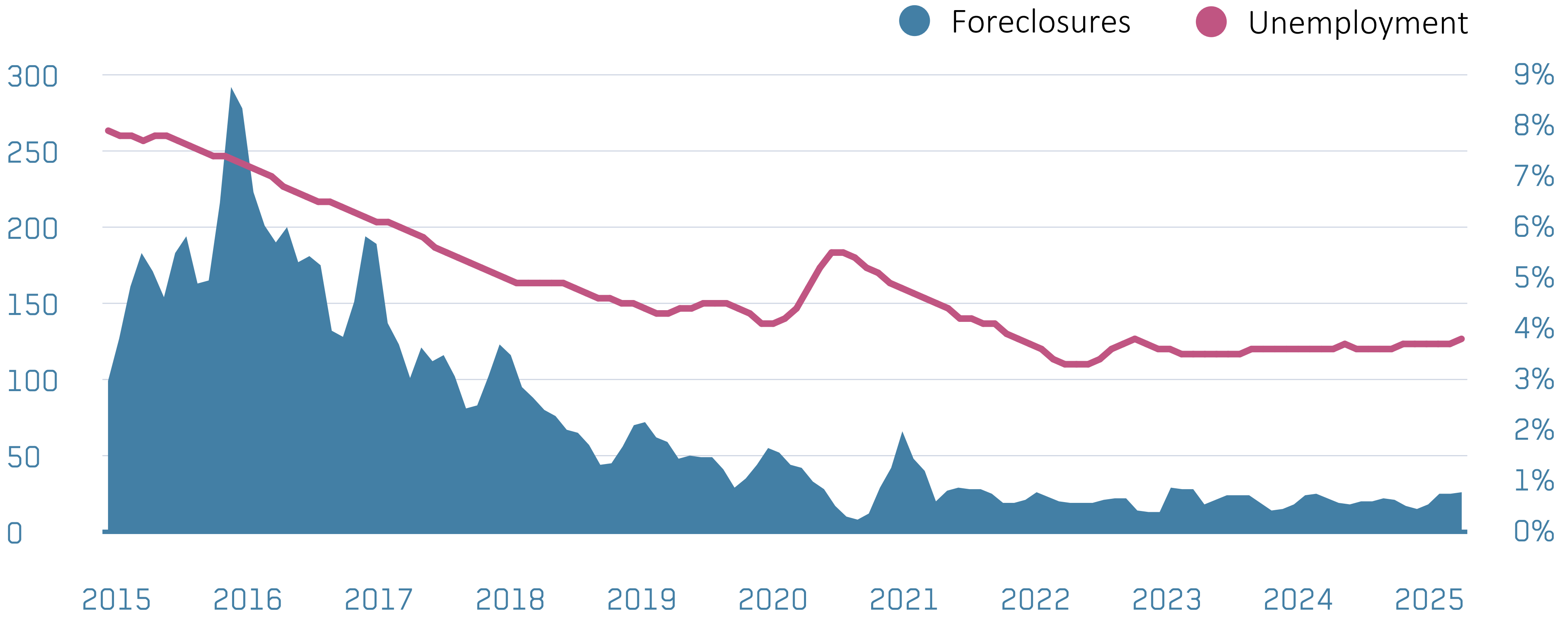
HDN figures show that approximately €24.4 billion in mortgage loans were granted this quarter, representing a 5.0% decrease compared to the previous quarter (€25.7 billion). The average mortgage principal of the granted mortgages also fell to €265,000 this quarter, down from €271,000 in the previous quarter. Given the rise in house prices, we anticipate that the average mortgage loan principal will increase over the coming quarters.

With an expected rise in both the average mortgage loan principal and the number of mortgage loan applications, we expect continued market growth in the coming months.

Number of foreclosure sales, bankruptcies and unemployment rate

By the end of February the number of foreclosure sales, based on a three-month moving average, increased to 26 per month[1] (November 2024: 18). Despite this rise, the figure remains historically low, see graph 'Foreclosure auctions and unemployment rate'. The unemployment rate also remains low, averaging 3.8% (source: CBS). This reduces the likelihood of foreclosures, as mortgagees are better able to meet their obligations.

FORECLOSURE AUCTIONS AND UNEMPLOYMENT RATE (3 MONTH MOVING AVERAGE)



Source: CBS and Dutch Land Registry with Achmea Mortgages edit (2025)

[1] Land Registry foreclosure sales figures are one month behind.

3. Housing Market Update

SUPPLY INCREASES, LEADING TO MORE TRANSACTIONS

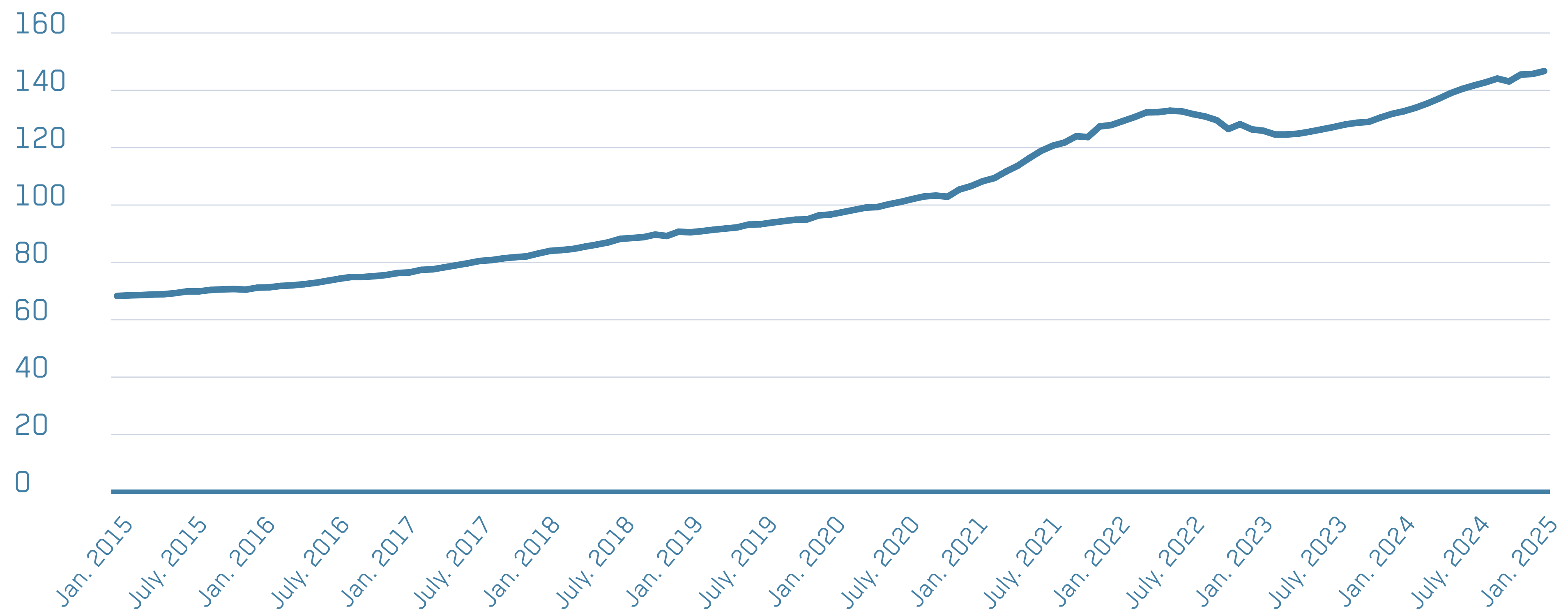
During the first quarter of 2025, the Dutch housing market experienced a significant increase in supply and transactions. According to the Dutch Association of Realtors (NVM), this surge in supply is primarily due to a large number of apartments being sold off by landlords. These landlords are winding down their operations because rent regulations, tax changes, and an increase in mortgage rates since the COVID-19 pandemic have made renting out homes less profitable. According to the Kadaster, about one in five homes sold are former rental homes. As a result, the number of transactions increased by 13% year-on-year, while the supply grew by 15%.

These cheaper apartments hitting the market have led to a decrease in the average transaction price by 1.8% quarter-on-quarter, according to NVM data. However, year-on-year average transaction prices increased by 9.7%. While NVM data is the most current, because it registers transaction prices directly after the purchasing contract is signed, it provides only a rough indication of housing price development, as it shows the average transaction price of homes sold in a quarter. The Price Index of Existing Owner-Occupied Homes (PBK) from CBS and Kadaster, which is more accurate but delayed, shows an increase of 2.5% quarter-on-quarter and an increase of 10.6% year-on-year.

The quarterly survey conducted by NVM among their associated realtors indicates that, on average, realtors believe supply will remain elevated during 2024. This is expected to dampen price increases but also sustain the increase in transactions.

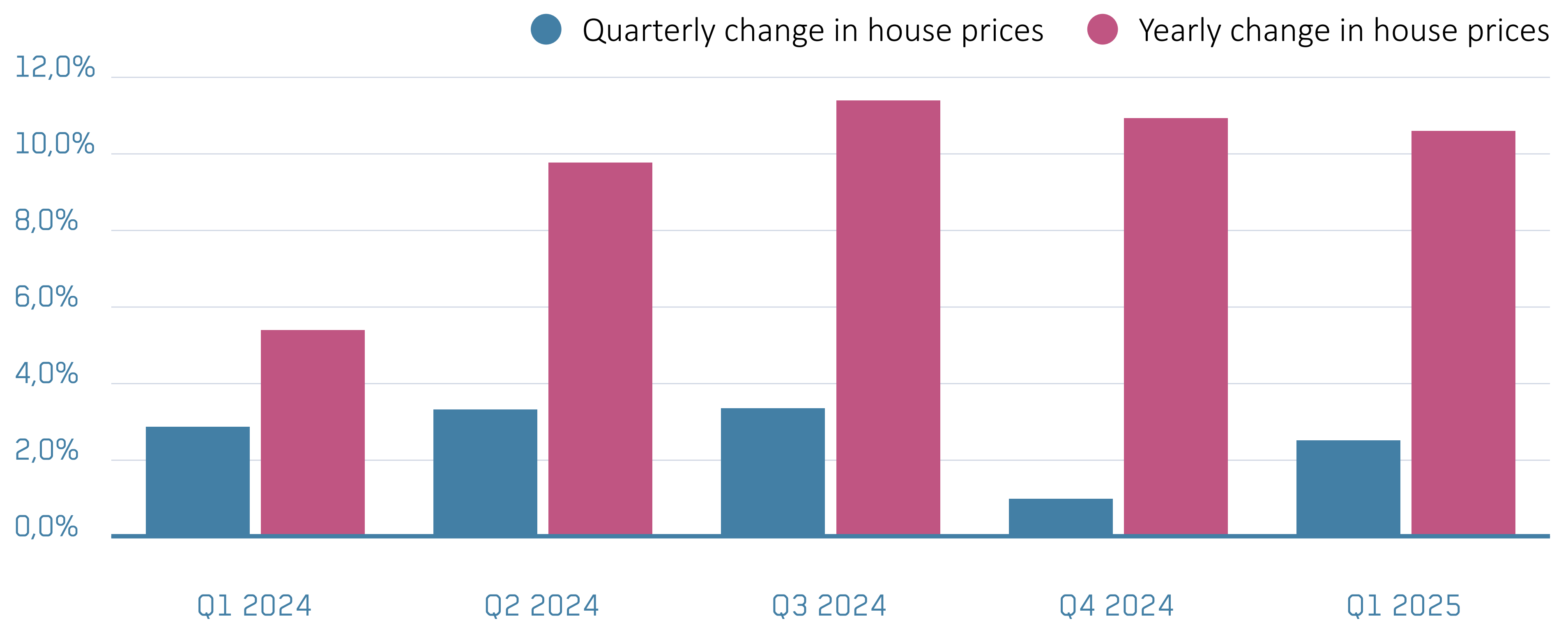
HOUSE PRICE DEVELOPMENT SINCE 2015

Source: CBS, Achmea Mortgages



HOUSE PRICE CHANGE

Source: CBS, Achmea Mortgages



4. The importance of biodiversity for residential mortgage investments

INTRODUCTION

The interconnected challenges of biodiversity loss and climate change are increasingly recognized as critical issues that impact not only the environment but also the financial sector. This chapter explores the relationship between biodiversity loss, climate change, and residential mortgage investments, drawing insights from a recent presentation by Achmea Mortgages.

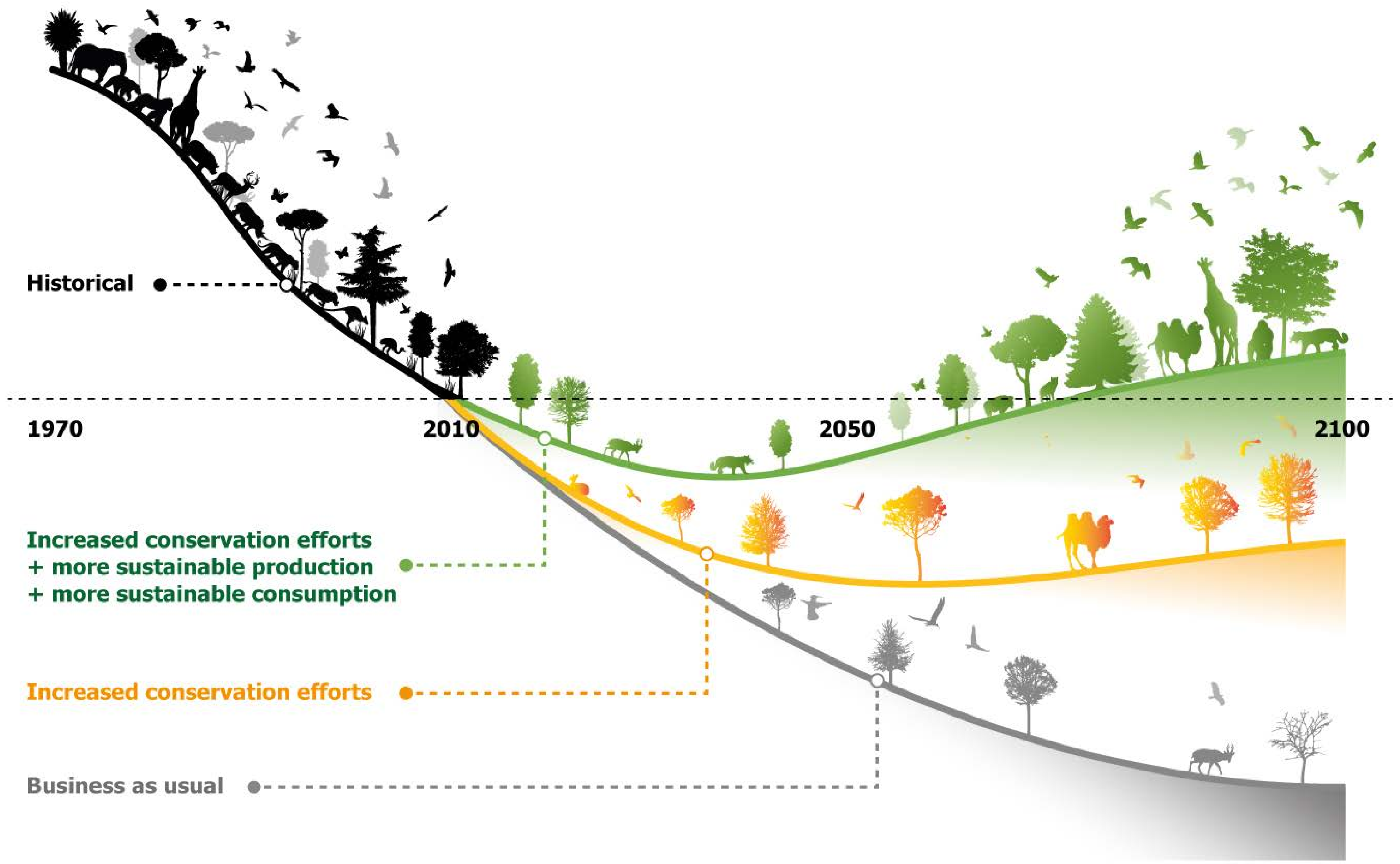
The building blocks of biodiversity

Biodiversity refers to the variety of life on Earth, encompassing the diversity within species, between species, and of ecosystems. It is essential for the resilience and functionality of ecosystems, which provide numerous services that humans rely on. Within residential environments maintaining biodiversity, especially in high-population density countries like the Netherlands, is essential to support local ecosystems.

The primary drivers of biodiversity loss include habitat destruction, pollution, climate change and invasive species. Each of these factors contributes to the degradation of natural habitats and the extinction of species, leading to a further decline in ecosystem services.

The link between biodiversity loss and climate change

Climate change exacerbates biodiversity loss by altering habitats and increasing the frequency of extreme weather events. Conversely, the preservation of biodiversity can enhance climate adaptation and mitigation efforts. For instance, protecting urban greenery helps sequester carbon, maintain ecosystem resilience, and support climate regulation. The loss of biodiversity, however, creates a self-reinforcing cycle where rising global temperatures accelerate species extinction, further degrading ecosystems and their ability to provide critical services.



Biodiversity loss has been severe since 1970, but it is possible to halt further losses (source: WUR)

Ecosystem services and their importance

Ecosystem services are the benefits that humans receive from nature, often categorized into four types: supporting, provisioning, regulating, and cultural services. These services include food production, water purification, climate regulation, and recreational opportunities. The degradation of ecosystems due to biodiversity loss and climate change undermines these services, posing significant risks to human well-being and economic stability.

Financial risks related to biodiversity

Nature-related financial risks arise from an organization's dependency on or impact on nature and biodiversity. These risks can be physical, such as damage to property from extreme weather events, or transitional, such as changes in regulations or market preferences. For mortgage investors, these risks translate into potential economic disruptions that can affect the value and performance of their investments.

Implications for residential mortgage investments

Investors in residential mortgages must consider the state of biodiversity and the impacts of climate change on their portfolios. Here are some key actions to take:

1. ASSESSING BIODIVERSITY IN THE PORTFOLIO:

- Measure the biodiversity status of properties within the portfolio. This involves evaluating the presence and diversity of green spaces and further biodiversity promoting measures.

2. MITIGATING VULNERABILITIES:

- Develop and implement plans to address vulnerable areas in the portfolio. This could include retrofitting buildings to incorporate green roofs, and enhancing natural habitats around residential areas.

3. REPORTING AND TRANSPARENCY:

- Regularly report on the actions taken to mitigate biodiversity and climate risks. Transparency in these efforts demonstrates a commitment to sustainability.

4. FINANCING SUSTAINABLE PROJECTS:

- Consider financing projects that promote biodiversity and climate resilience. For example, offering mortgages with favorable terms for properties that include a link with biodiversity, or other sustainable features, can encourage environmentally friendly practices.

Biodiversity and Achmea Mortgages

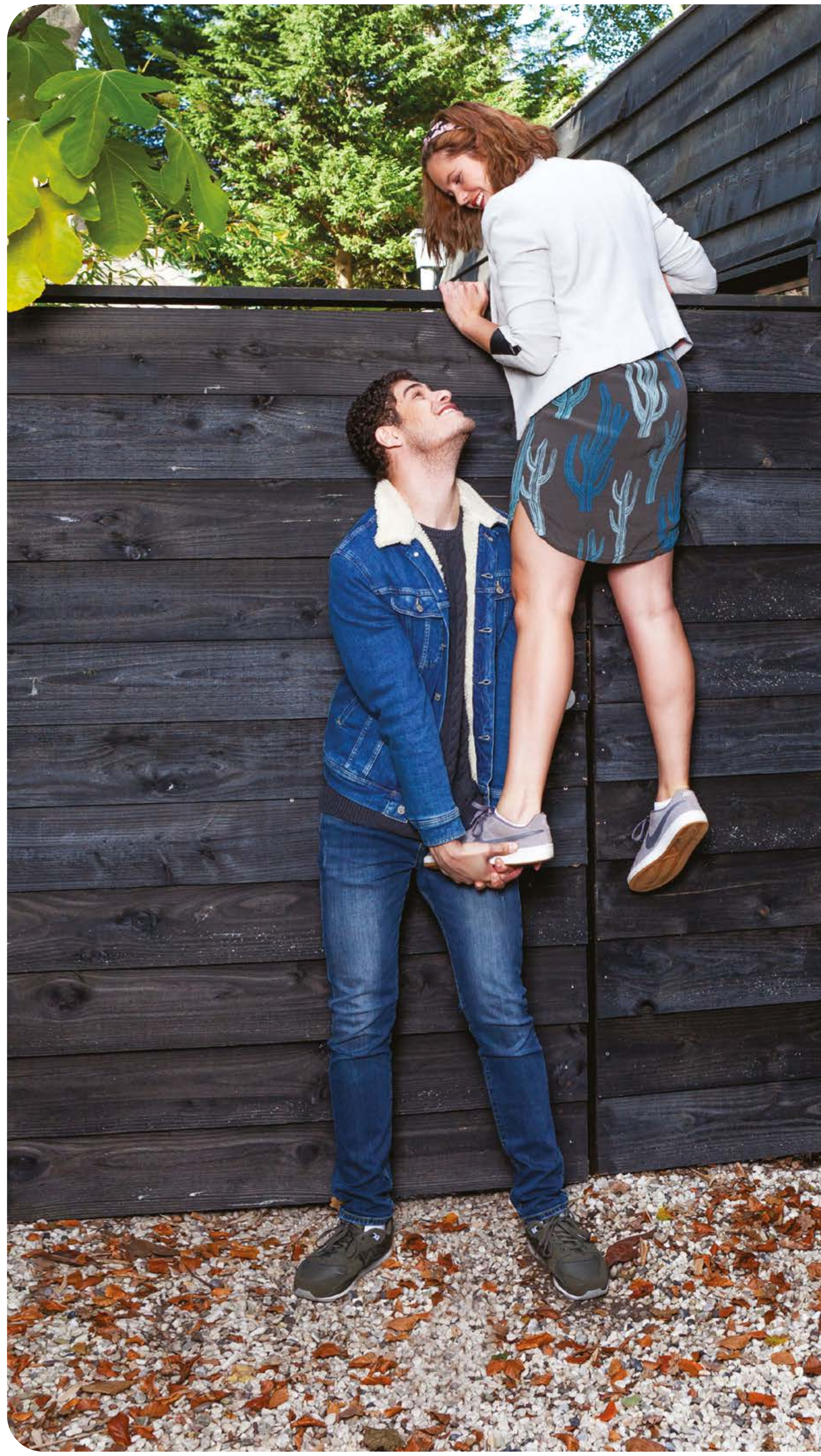
Achmea Mortgages offers financing options for green roofs and are developing a biodiversity box for new customers. By doing this it is possible to support biodiversity and enhance the attractiveness and resilience of the residential mortgage portfolio.

These initiatives not only support environmental sustainability but also enhance the attractiveness and resilience of the mortgage portfolio

5. Mortgage Market in Numbers

Indicator	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
General unemployment[2]	3.6%	3.6%	3.7%	3.7%	3.9%
Inflation[2]	3.1%	3.2%	3.5%	4.1%	3.7%
Number of originated mortgages[3]	78,605	91,058	99,549	111,707	98,195
Mortgage applications[3]	115,108	120,228	116,052	132,528	142,076
Foreclosures[1]	56	60	50	74	82
Price index (2020=100)[1]	132.7	137.1	141.7	143.0	146.7
Energy label known[3]	87.6%	90.3%	92.2%	92.3%	92.1%
Energy savings measures[3]	16.8%	16.1%	13.6%	13.3%	13.4%

Source: [1]Kadaster, [2]CBS, [3]HDN



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