ACHMEA MORTGAGES

Quarterly Update Q2 2025

achmea
Mortgages

Table of contents

1. Summary and outlook

- In a highly turbulent time for the global economy, the mortgage and housing markets continued to perform well. With shorter-term swap rates (less than 15 years) declining and longer-term swap rates increasing, the yield curve steepened further - although less intensely than in the previous quarter. This impacted mortgage rates, with the 10-year National Mortgage Guarantee (NHG) rate falling by 14 basis points.
- At the same time, the average mortgage loan principal increased slightly, which was offset by a slight decline in mortgage loan applications. Both the mortgage and housing markets appear to remain unaffected by global instability, as shown in the housing market update chapter. House prices rose again, and the number of housing market transactions increased significantly.
- Most homeowners are not struggling to afford their homes, with only 4.6% reporting that covering their monthly housing costs is difficult or very difficult. The ESG chapter supports this with data, while also highlighting that some groups of homeowners do face challenges in meeting their monthly housing expenses.
- Looking ahead, as the economy may face further challenges due to global instability, mortgage rates could decline as a result of ECB rate cuts. This could influence refinancing risk, though the impact is expected to be limited, as shown in the refinancing risk analysis for the Achmea Dutch Residential Mortgage Fund.

10 YEAR NHG MORTGAGE RATE

Q2: 3.50%

Previous quarter: 3.64%

 # OF MORTGAGE LOAN APPLICATIONS

Q2: 139,455

Previous quarter: 142,076

AVERAGE MORTGAGE LOAN PRINCIPAL

Q2: €275,619

Previous quarter: €265,429

PRICE DEVELOPMENT HOMES YEAR-ON-YEAR

Q2: 8.6%

Previous quarter: 10.6%

2. Mortgage Market Update

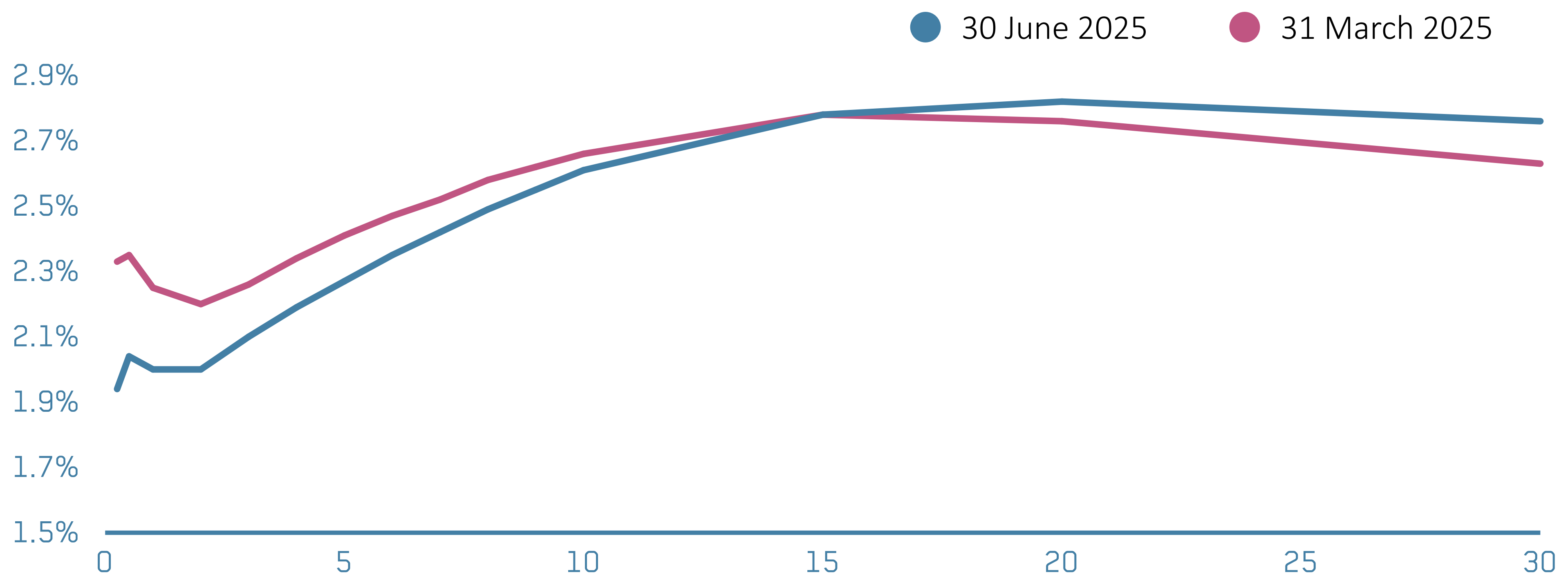
INTEREST RATE MARKET

Just like in the first quarter, we observed a steepening of the Euro swap curve in the second quarter of this year. However, the movements were less intense than in the previous quarter. The 30-year swap rate increased by thirteen basis points, while the 15-year rate remained unchanged. This made the 15-year point the "pivot point" of the curve, as shorter maturities actually showed a decline. Especially rates up to two years decreased significantly, by approximately twenty basis points. This was the result of policy rate cuts by the European Central Bank in April and June, totalling 50 basis points.

At first glance, the swap curve chart would give little indication that the second quarter was one of the most turbulent periods in years for the market. The most striking development of the quarter was the announcement by the US government of new import tariffs for nearly all countries. This led to counter measures taken by other countries also imposing import tariffs against the US.

EURO SWAP CURVE

Source: Achmea Mortgages



What followed was a period full of uncertainty about which tariffs would ultimately take effect and what the impact would be on financial markets in general and interest rates in particular. It is expected that more clarity will emerge in the third quarter. In addition to the trade war, an armed conflict broke out in the Middle East between Iran and Israel, causing more tension and uncertainty in financial markets. Nevertheless, these developments mainly had a lasting impact on other markets, such as the oil market and the dollar exchange rate. After the initial shock, the European 10-year rate initially declined, partly due to downwardly revised growth expectations, but remained relatively stable for the rest of the quarter. The rise in rates longer than 15 years was partly explained by eased fiscal policies and the prospect of structurally higher defence spending. These measures lead to higher borrowing from governments and thus more supply of government bonds and hence higher interest rates.

The great uncertainty surrounding the trade war and its consequences is posing problems for central bankers. The direction of economic growth and inflation becomes harder to predict, resulting in a more challenging environment to make policy decisions. The ECB emphasized that policy decisions are made on a meeting-by-meeting basis, depending on incoming economic and financial data, given the exceptional uncertainty in the economy. After the two rate cuts, the ECB hinted at a pause, partly because inflation is now close to the target. Preliminary inflation figures for the eurozone in July came out exactly at 2.0%, equal to the target. Core inflation in the eurozone, adjusted for volatile food and energy prices, fell to 2.3% (source: Eurostat).

As a result of the aforementioned developments, the steepening of the yield curve continued in the second quarter—see the *Euro Swap Curve* chart. The curve is now increasingly taking on the shape of a classic upward-sloping curve. Only the segment up to two years, and the rates between 20 and 30 years, are still slightly inverted.

Mortgage interest rates and margins

In the second quarter, mortgage interest rates declined across all fixed-rate periods. On average, rates fell by 19 basis points, although this varied significantly depending on the fixed-rate term. Rates for shorter fixed-rate periods saw the largest decreases: 1-year rates dropped by an average of 31 basis points. This was a direct result of the ECB's policy rate cuts. Rates for longer fixed-rate periods also declined, but to a lesser extent. The average decrease for 10-year and 30-year terms was 19 and 7 basis points, respectively.

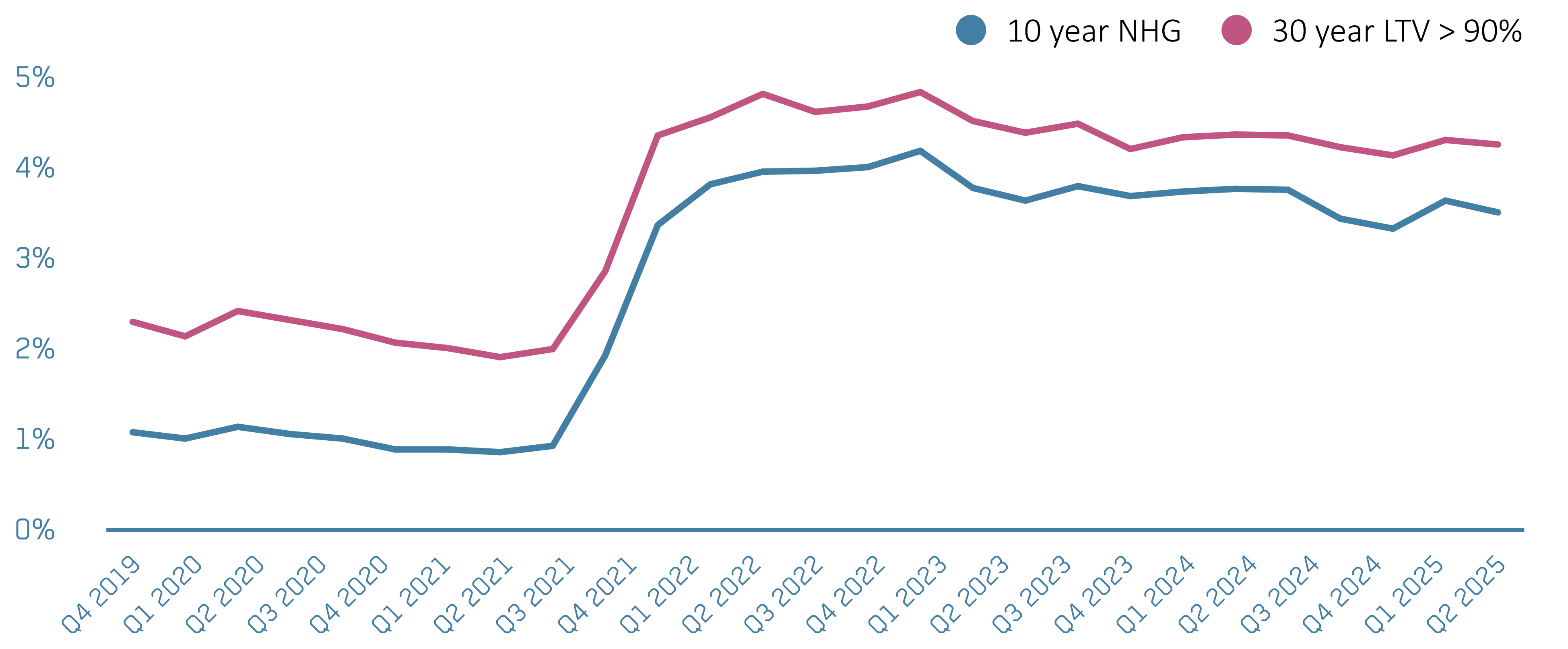
The average interest rate for a 10-year fixed mortgage with National Mortgage Guarantee (NHG) decreased by 14 basis points to 3.5%, based on data from the top 10 providers. The average interest rate for a 30-year fixed mortgage with a loan-to-value (LtV) greater than 90% decreased by eight basis points, from 4.3% to 4.2%. Although mortgage interest rates generally followed the movement of the underlying swap rates, this occurred with some delay and not uniformly across all fixed-rate periods. Rates for fixed periods longer than 20 years showed the smallest decline, which can be explained by the increase in the underlying swap rate in that part of the curve. For shorter fixed-rate periods, rates decreased the most, which is also in line with the movement in the short end of the swap curve.

Overall, margins declined across all maturities and loan-to-value combinations, by an average of nine basis points.

The margin on a 10-year fixed NHG mortgage declined during the quarter from 111 basis points to 104 basis points—see the *Spreads* chart. The margin on a 30-year fixed mortgage with a LtV greater than 90% also decreased, from 174 basis points to 166 basis points.
Despite the decline in margins, they remain around the average level of recent years. We expect mortgage interest rates to continue to follow swap rates, which means margins are likely to remain around current levels on average. However, should swap rate volatility persists, margins will either tighten or widen relative to current levels depending on the direction of swap rates. The mortgage market typically lags the swap market. As a result, changes in swap rates lead to adjustments in mortgage interest rates with a time delay. We do expect (on average) stable margins going forward.

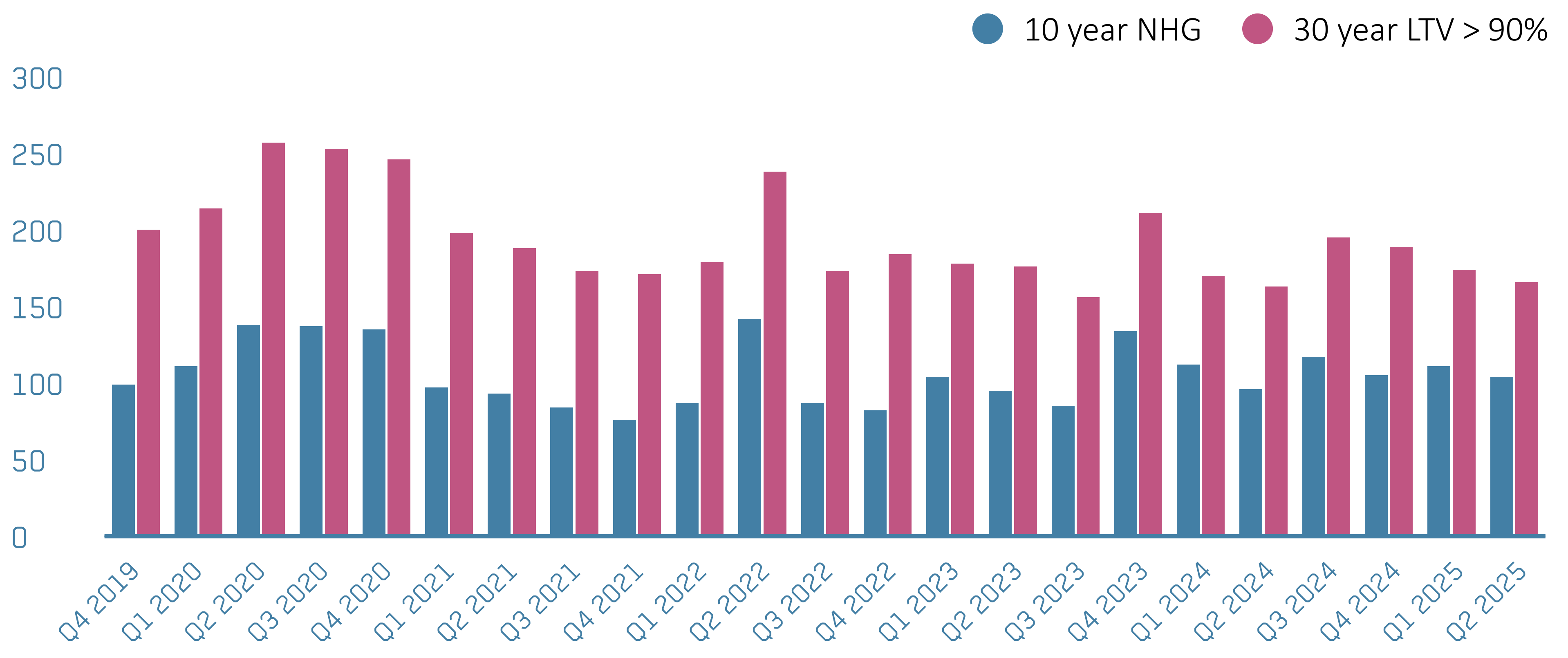
MORTGAGE INTEREST RATES

Source: Achmea Mortgages



SPREADS (IN BPS)

Source: Achmea Mortgages



Number and distribution of mortgage loan applications

According to the Mortgage Data Network (HDN), almost 140,000 mortgage loan applications were registered this quarter, a slight decrease of 2% compared to the previous quarter, see graph *Distribution of mortgages type*. Compared to last year this is an increase of approximately 16%. In particular, mortgage loan applications were significantly higher in the major cities. This is likely due to landlords selling their properties (so-called 'disposals').

With 86,000 mortgage loan applications, the buyers'market (starter and trade-uppers) increased by 4% compared to the previous quarter. Young first-time buyers, in particular, were more active in purchasing homes this quarter. The non-buyers' market (refinances and other) saw a decline of around 10%, with approximately 54,000 applications submitted.

Demand for owner-occupied homes is projected to rise further this year, due to an expected increase in the number of households, higher wages, and low unemployment, while new housing construction continues to lag behind. At the same time, the supply of existing owner-occupied homes is expected to grow, as investors are increasingly selling rental properties (source: Rabobank). As of 1 July 2024, temporary rental contracts are no longer allowed. Existing temporary contracts typically have a duration of one or two years. These will expire in the period leading up to 1 July 2026. As a result of the continued selling of ex-rental properties by investors, we expect the number of mortgage loan applications to remain high in the coming quarters.

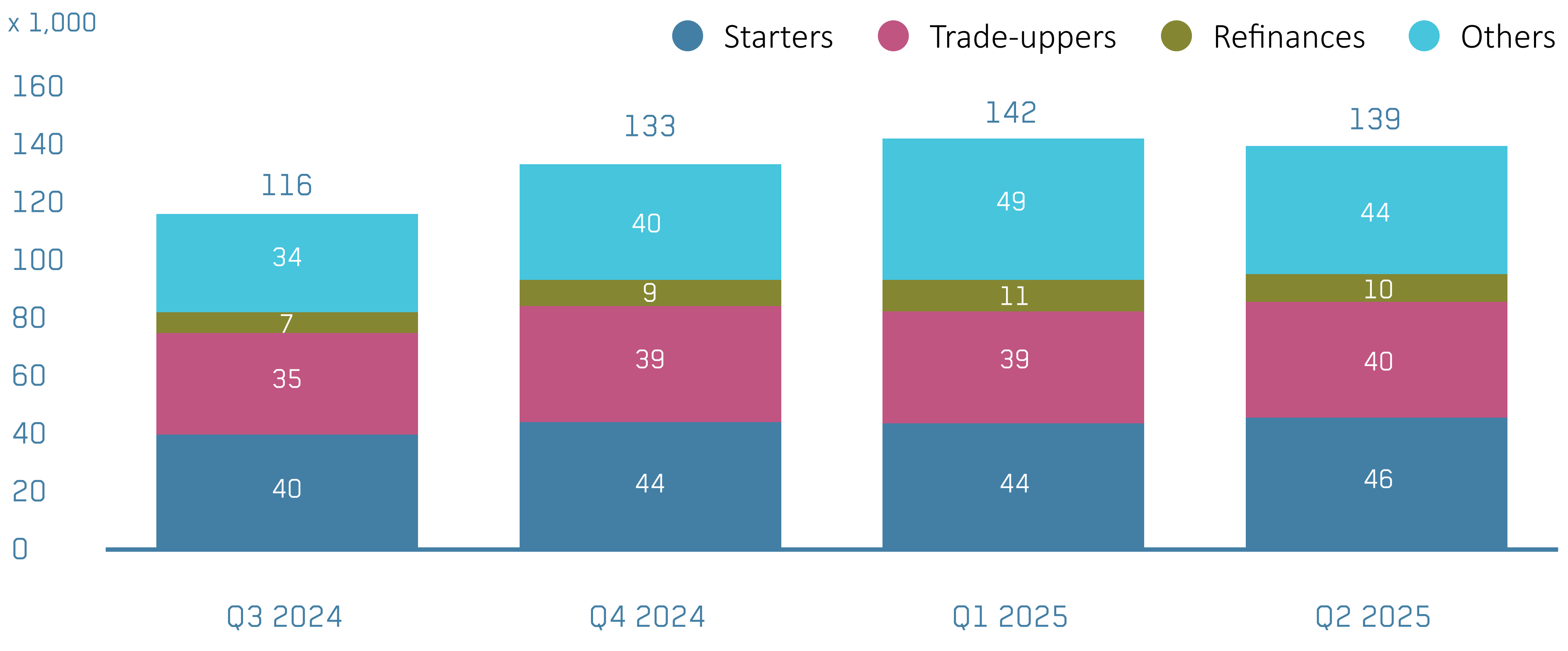
Development of mortgage loan principal (applications)

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% to €374,000 this quarter, compared to €371,000 in the previous quarter.

The underlying property value in the buyers' market rose to €510,000 this quarter, a 5% increase compared to last year and almost the same as the previous quarter (€509,000). This rise in property values is driven by increasing wages combined with a continued tight housing market. Although the supply of existing owner-occupied homes is expected to grow, it will likely not be sufficient to resolve the current shortage. As a result, house prices are expected to continue rising in the coming quarters.

DISTRIBUTION OF MORTGAGES TYPE*

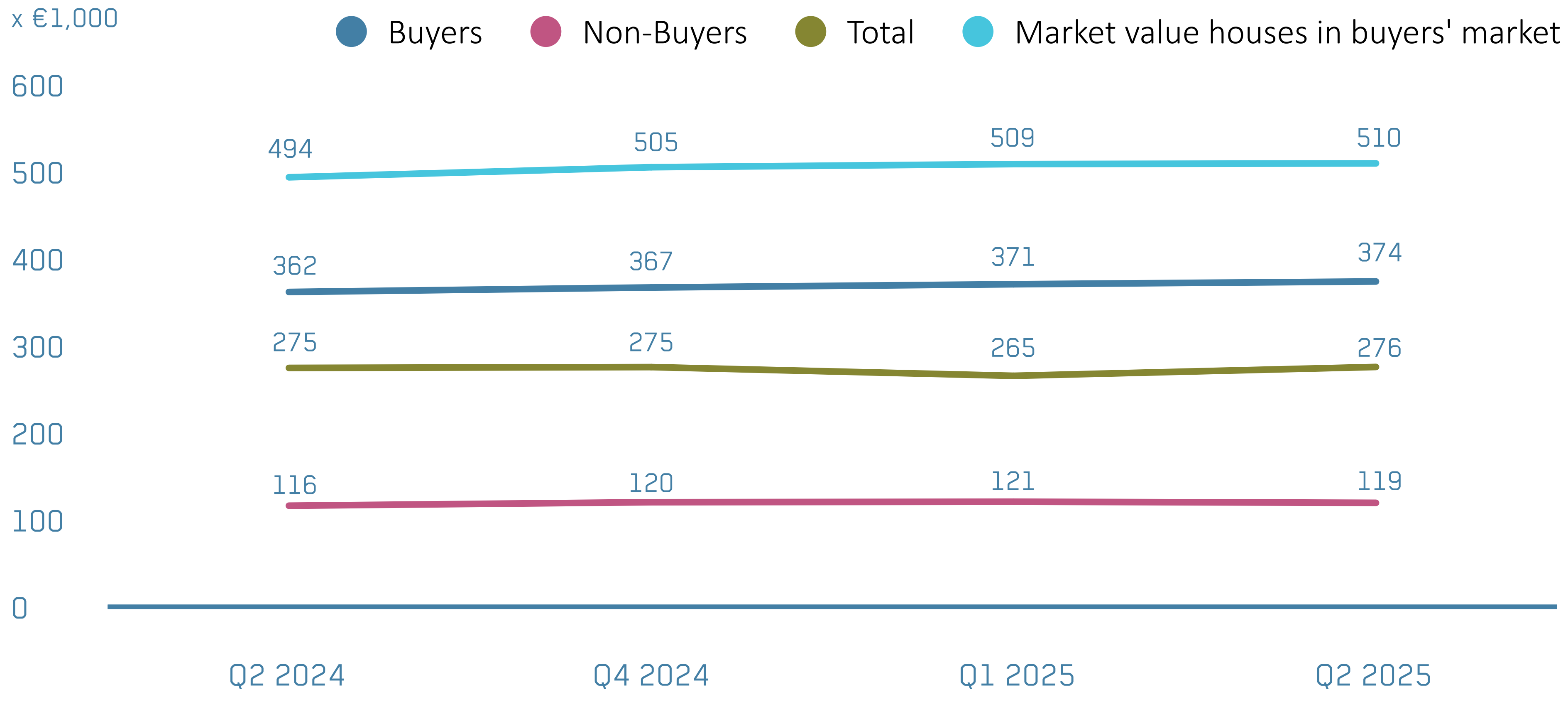
Source: HDN, Achmea Mortgages adaptation (2025)



*Rounding errors may occur.

MORTGAGE LOAN PRINCIPAL AND MARKET VALUE HOUSES

Source: HDN, Achmea Mortgages adaptation (2025)



The average mortgage loan principal for non-buyers' market declined slightly to €119,000 this quarter (compared to €121,000 in the previous quarter).

The total average mortgage loan principal, buyers' and non-buyers' combined, averaged around €276,000 this quarter, an increase of 4% compared to the previous quarter (€265,000).

According to research agency ABF, the housing shortage is expected to increase in the coming years from 4.9% to 5.1% of the total housing stock. This is mainly due to population growth outpacing the construction of new homes (source: Rabobank). Consequently, we anticipate that the mortgage loan principal will continue its upward trend in the coming quarters.

Market size of granted mortgage loans

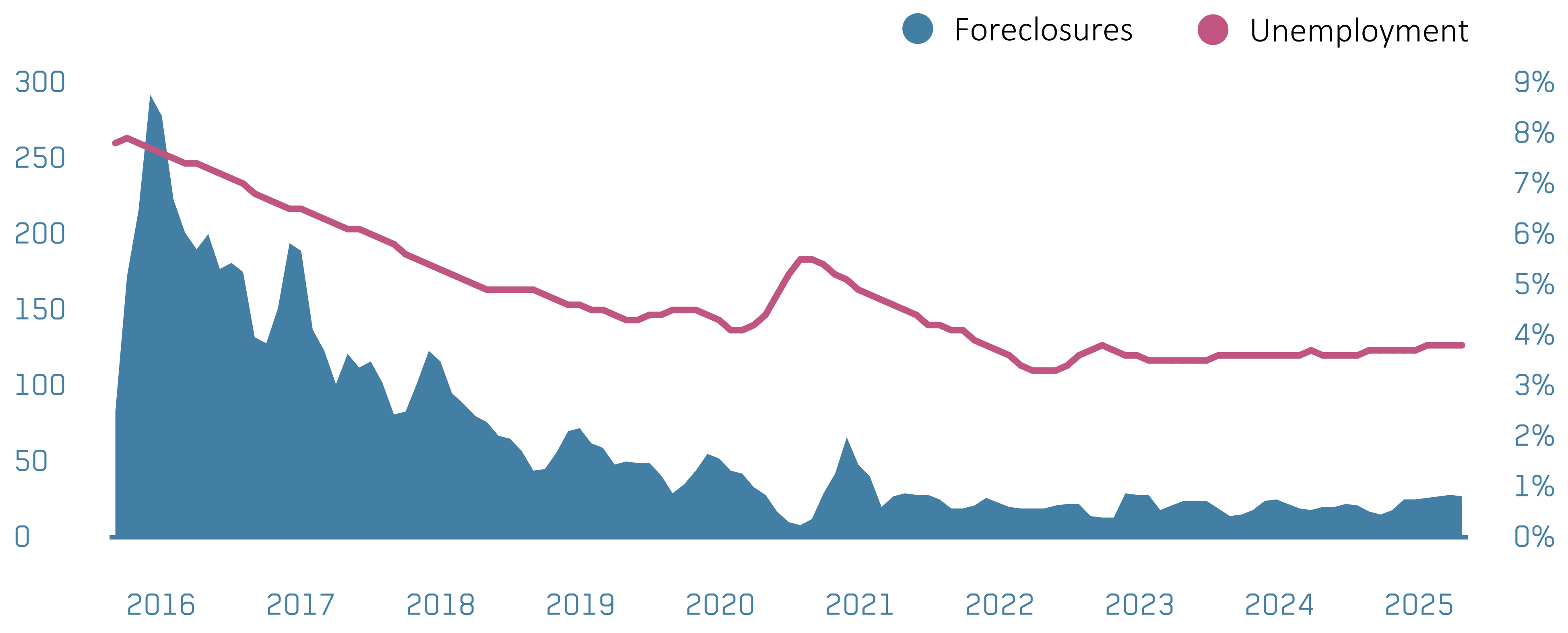
HDN figures show that approximately €27.0 billion in mortgage loans were granted this quarter, representing a 10.6% increase compared to the previous quarter (€24.4 billion). The average mortgage principal of the granted mortgages increased slightly to €266,000 this quarter (previous quarter: €265,000). Due to rising housing prices, we anticipate that the average mortgage loan principal will increase over the coming quarters.

In the first half of 2025, the market increased by 26% compared to the same period last year. With both the average mortgage loan principal and the number of mortgage loan applications expected to rise, the overall market size is projected to continue growing in the coming quarters towards €100 billion this year (excluding bridge loans).

Number of foreclosure auctions, bankruptcies and unemployment rate

By the end of May, the number of foreclosure auctions, based on a three-month moving average, increased to 27 per month[1] (February 2025: 26). 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

TRANSACTION GROWTH REMAINS STRONG, WHILE PRICE GROWTH MODERATES

The second quarter of 2025 continued to show strong growth in the number of housing transactions. According to Kadaster data, the number of homes sold increased by 19.8 percent year-on-year. This represents a moderation compared to the 28.8 percent growth recorded in the first quarter, but the overall momentum remains solid. The increase is largely driven by the continued sale of ex-rental properties entering the market.

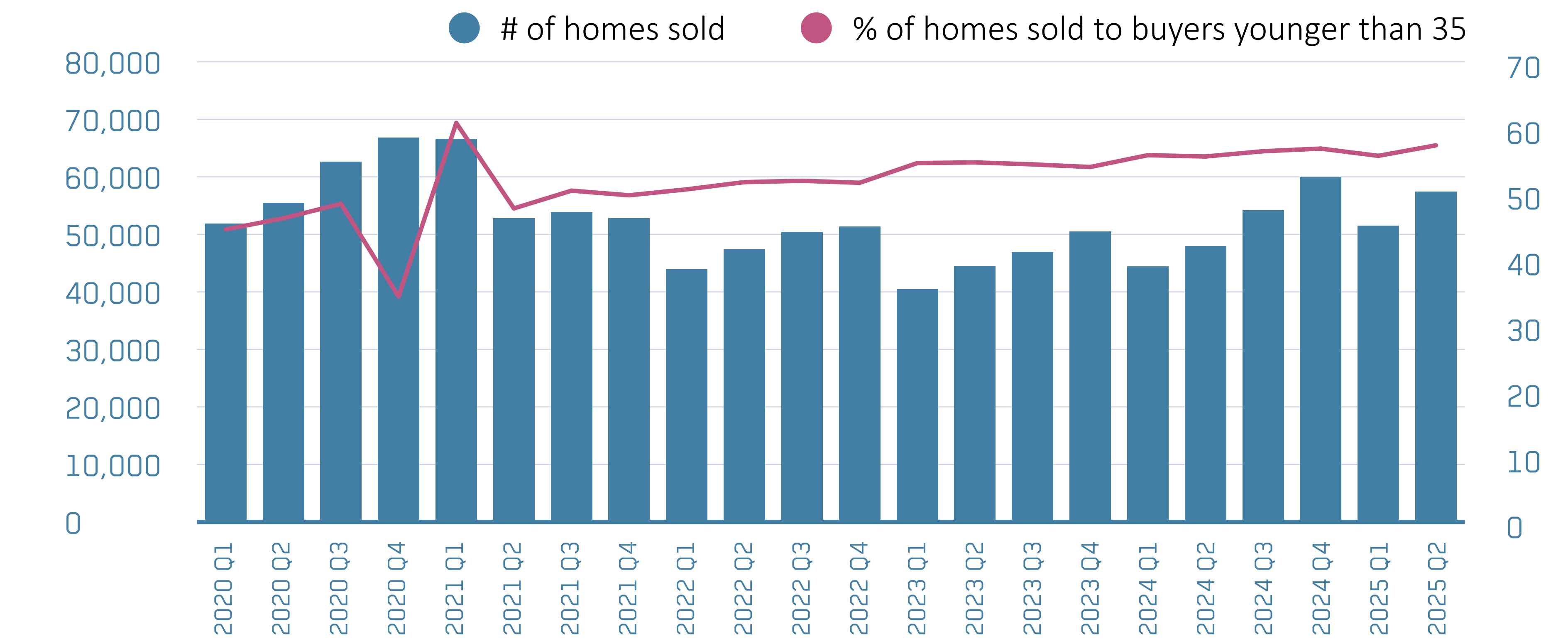
A notable development this quarter is the rise in the market share of younger buyers. Buyers under the age of 35 accounted for 57.3 percent of all transactions, the highest share since the introduction of the property transfer tax exemption for first-time buyers. This figure is particularly significant given that many younger buyers postponed their notarial transfers in the fourth quarter of 2021 to benefit from the exemption. Whether this elevated share will persist once the supply of ex-rental homes declines remains uncertain.

The Dutch Association of Realtors (NVM), which captures approximately 70 percent of the market and registers transactions at the moment of contract signing, also reported a substantial increase in the number of homes for sale during the second quarter. This supports expectations of continued elevated transaction volumes in the near term.

While transaction activity remains high, house price growth is slowing. The Price Index of Existing Owner-Occupied Homes (PBK), published by CBS and Kadaster, rose by 1.4 percent quarter-on-quarter and 8.6 percent year-on-year. This marks a further deceleration compared to previous quarters. The moderation reflects increased housing supply, particularly from former rental properties. Slowing wage growth may further ease upward pressure on prices in the coming period.

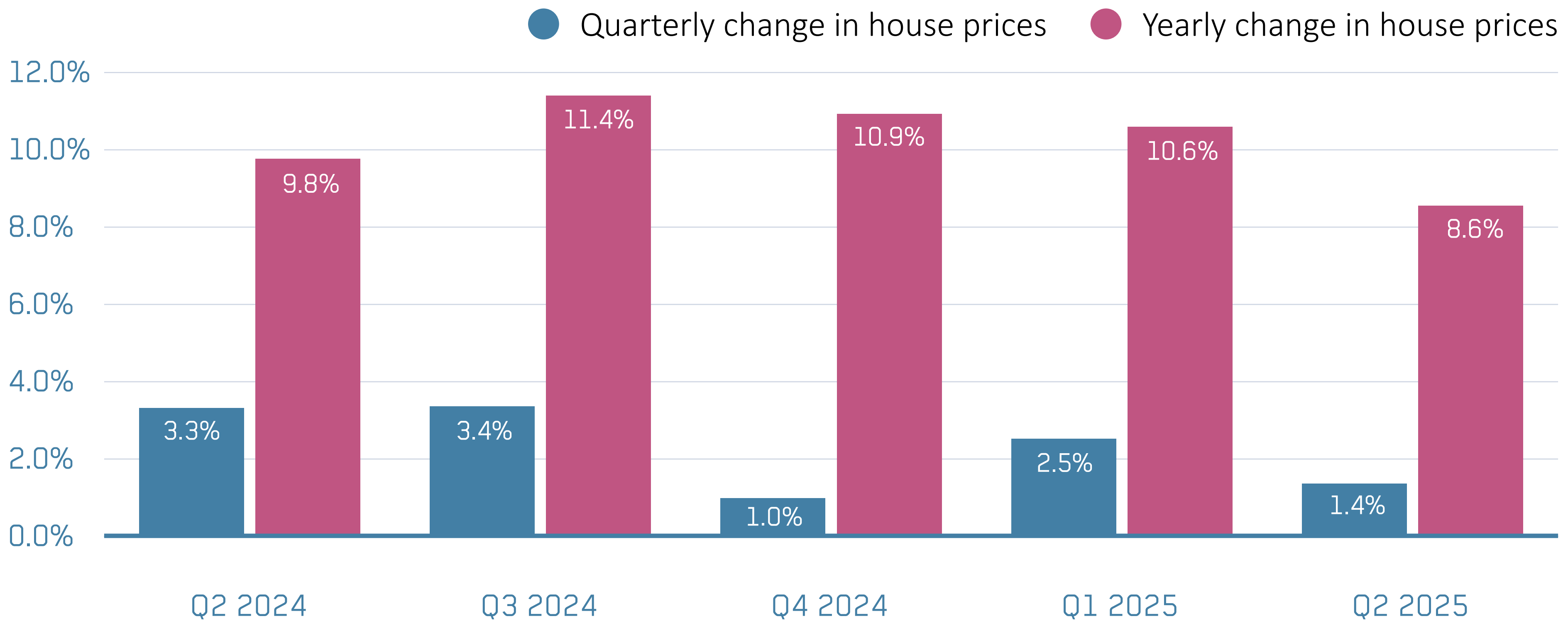
NUMBER OF HOMES SOLD AND MARKET SHARE FIRST-TIME BUYERS

Source: CBS, Achmea Mortgages



HOUSE PRICE CHANGE

Source: CBS, Achmea Mortgages



4. ESG

MOST HOMEOWNERS CAN AFFORD THEIR MONTHLY HOUSING COSTS EASILY

According to the latest Woononderzoek Nederland, a triennial housing survey, 62.9 percent of home-owners indicated that they find it easy or very easy to cover their monthly housing costs. Only 4.6 percent reported having difficulty paying their mortgage and related expenses, such as energy and gas. This suggests that despite an increase in housing costs, most homeowners remain financially stable.

Since the previous Woononderzoek in 2021, average monthly housing costs for homeowners have risen by 20 percent, from €919 to €1,106 in 2024. Over the same period, average disposable income increased by 15 percent. As a result, the net total housing cost ratio rose from 22.0 percent in 2021 to 22.9 percent in 2024. This means that homeowners now spend a slightly larger share of their income on housing.

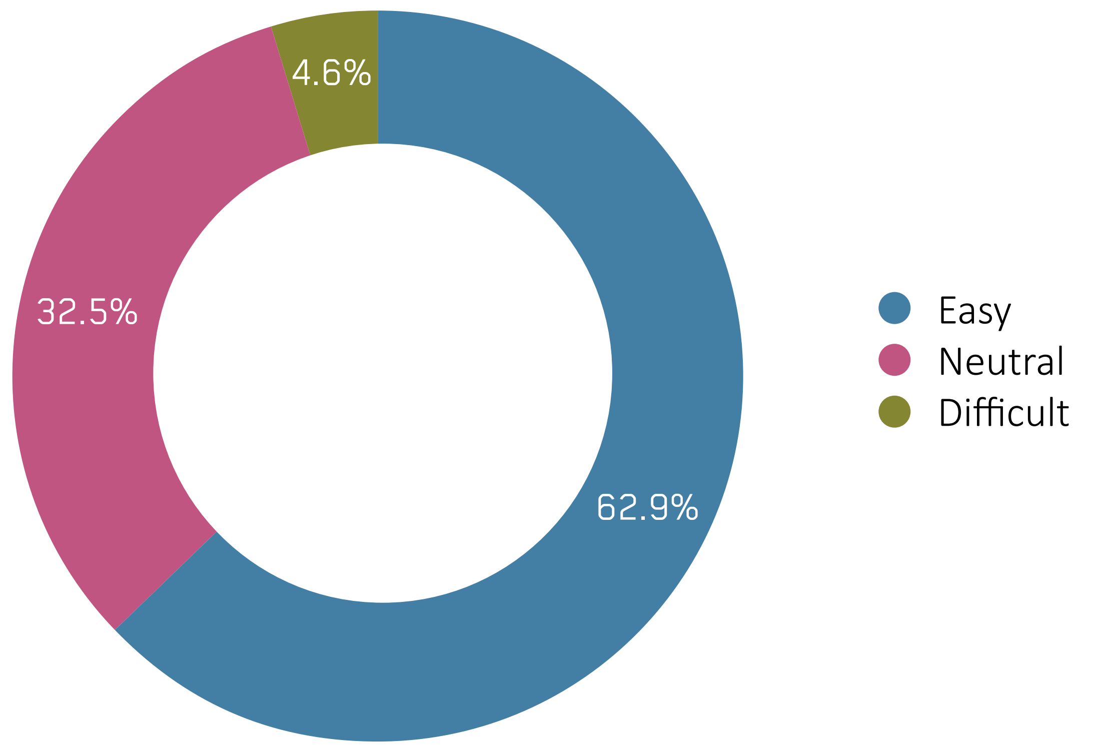
The increase in total housing costs is mainly due to a 36 percent rise in other housing-related expenses, particularly energy and water. When focusing only on the direct costs of homeownership, such as mortgage payments, taxes, and insurance, the burden actually decreased slightly. The share of disposable income spent on these direct costs fell from 16.2 percent in 2021 to 16.1 percent in 2024.

Total housing cost ratios have declined over time

With wages increasing and total housing costs not rising at the same pace, the total housing cost ratio has fallen substantially. For established homeowners (those who have not moved in the past five years), the cost ratio was 3.3 percentage points lower than in 2015. For first-time buyers, the decline was more moderate, as higher mortgage rates from 2023 onward increased the mortgage cost burden. Nevertheless, the affordability of housing costs has improved by 1.7% since 2015.

PERCEIVED EASE OF COVERING MONTHLY HOUSING COSTS AMONG HOMEOWNERS

Source: Woononderzoek Nederland



TOTAL HOUSING COST RATIO ESTABLISHED HOMEOWNERS AND FIRST-TIME BUYERS

Categories of homeowners	2015	2018	2021	2024	Difference 2015-2024
Established homeowners	25.6%	24.7%	21.7%	22.3%	-3.3%-points
First-time buyers	31.9%	29.3%	27.1%	30.2%	-1.7%-points

There is a high diversity in groups having more difficulty paying their monthly housing costs

The profile of homeowners who reported little or no difficulty paying their monthly housing costs was relatively consistent. These respondents were typically older, aged 65 or above, and belonged to higher income brackets. Among one-person households aged 65 or older with an income above twice the modal income, none reported difficulty affording their monthly housing costs. For reference, the modal income in the Netherlands in 2024 was €44,000 per year.

In contrast, the groups that reported difficulty paying their mortgage, insurance, taxes, and other housing-related costs were more diverse. These groups varied in age, household composition, and income level. The common thread among them appears to be a loss of income or a mismatch between current income and housing costs. Many of these respondents would likely not qualify for a mortgage under current lending standards, suggesting that their financial situation has changed since purchasing their home.

Numbers show the importance of tailor-made help for homeowners that face difficulties

The high diversity between groups having more difficulty shows that there is no one-size-fits-all approach to dealing with affordability problems.

Tailor-made help for homeowners that are facing difficulties can however help. Achmea Mortgages offers personalized support by assigning a dedicated case manager who understands the homeowner's situation and helps find the best solution. They also provide access to free budget coaching and, if needed, job coaching to improve financial stability. In addition, Achmea Mortgages works proactively to map out income and expenses together with the homeowner, ensuring clarity and peace of mind through clear agreements.

TOP FIVE GROUPS OF RESPONDENTS ANSWERING THEY HAD DIFFICULTY COVERING MONTHLY HOUSING COSTS

Age group	Household type	Income class	Recently moved	% of respondents answering difficult or very difficult
45-54 years old	One-person household	Below modal income	No	18.5%
35-44 years old	One-person household	Below modal income	No	15.5%
55-64 years old	One-person household	Below modal income	No	14.8%
55-64 years old	One-parent household	1.5 to 2 times modal income	No	12.7%
25-34 years old	One-person household	1.5 to 2 times modal income	Yes, first-time buyer	11.7%

5. Refinancing risk in a declining interest rate environment

Following a period of elevated interest rates, recent monetary policy shifts have introduced a new dimension of refinancing risk. While previous analyses focused on the affordability challenges posed by rising rates, this chapter explores the implications of a potential decline in mortgage interest rates on the Achmea Dutch Residential Mortgage Fund (the Fund). Specifically, it quantifies the portion of the portfolio that may be subject to early refinancing by consumers seeking to benefit from lower rates.

Background and methodology

The analysis is based on mortgage market rates as of 31 March 2025 and considers the full mortgage level (not individual loan parts), as refinancing typically involves switching the entire mortgage to a new lender. Several key assumptions were applied

- A 10% penalty-free prepayment allowance is included.
- Prepayment penalties are calculated using the net present value (NPV) of future interest payments.
- Refinancing costs (notary, valuation, advisory) are estimated at €3,500.
- A minimum financial benefit of €5,000 (or €4,000 in an alternative scenario) is required for refinancing to be considered worthwhile.
- Mortgages with less than one year remaining or recently reset fixed-rate periods are excluded.

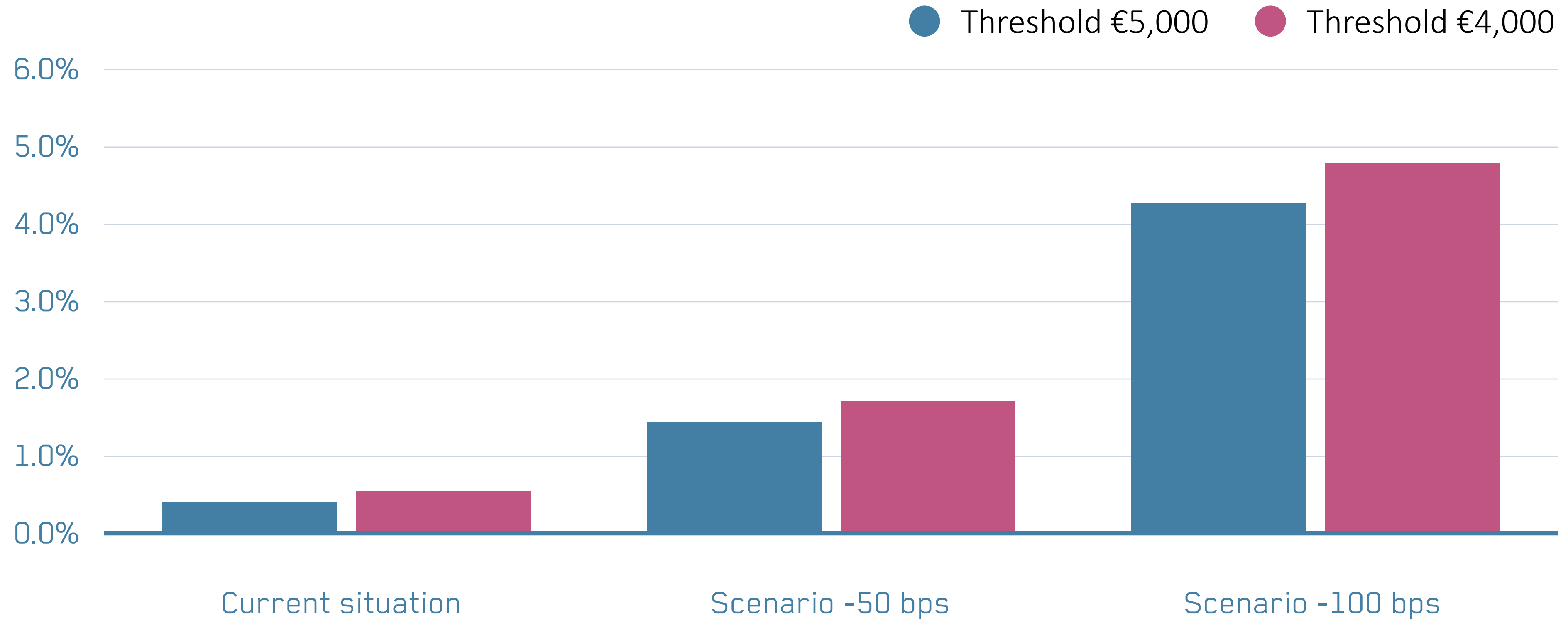
The Fund's nominal value stands at €12.1 billion, with an average coupon of 2.44% as per 31 March 2025. The weighted average market rate for comparable mortgages would be around 4%, indicating that most loans carry below-market rates.

Results

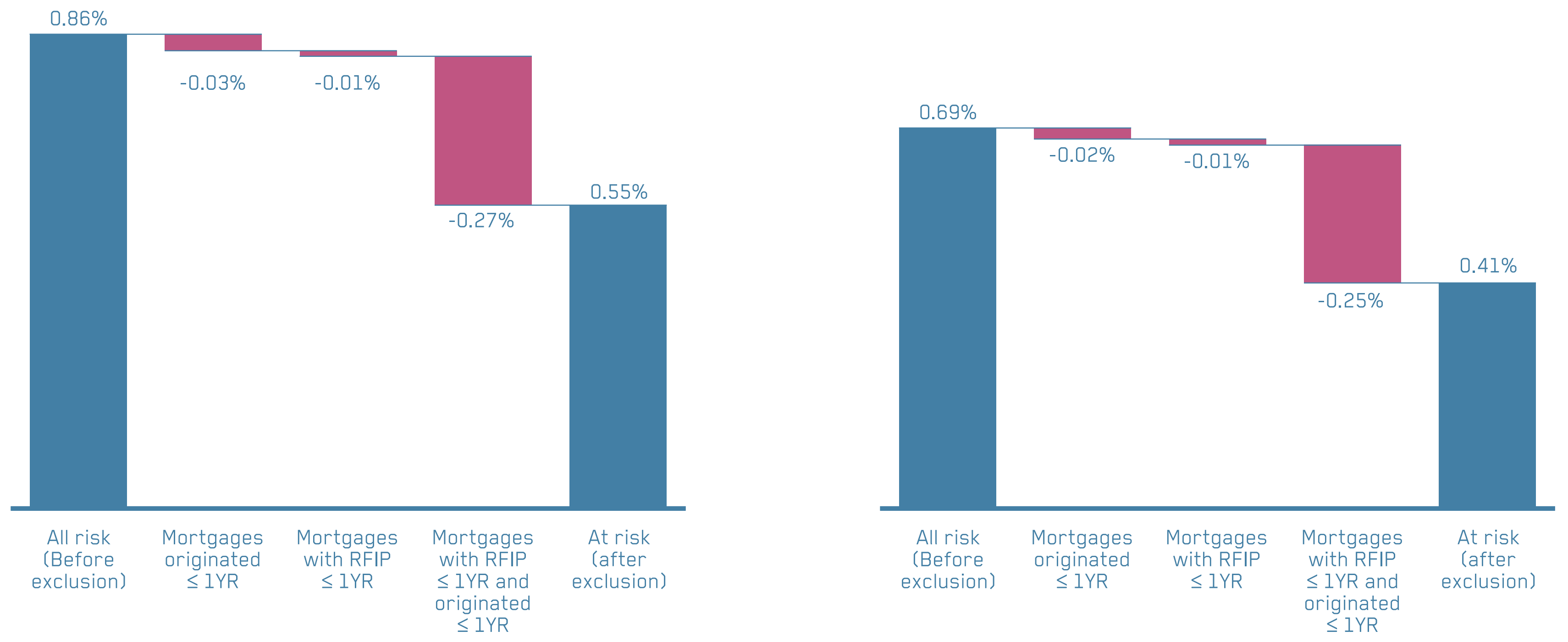
Under rates as per 31 March 2025, the refinancing risk is modest:

- With a €5,000 benefit threshold: 0.41% of the portfolio (€49 million) is at risk.
- With a €4,000 threshold: 0.55% of the portfolio (€66 million) is at risk.

SUMMARIZED RESULTS OF % AT RISK AFTER EXCLUSIONS UNDER DIFFERENT SCENARIOS



% OF REMAINING DEBT AT RISK BEFORE AND AFTER EXCLUSIONS (MINIMUM BENEFIT THRESHOLD €5,000 RIGHT, MINIMUM BENEFIT THRESHOLD €4,000 LEFT)



These figures reflect the portion of the portfolio where refinancing would be financially attractive after accounting for penalties and refinancing costs.

Scenario analysis

Two downward rate scenarios were modeled:

- 50 bps decrease:
  - €5,000 threshold: 1.44% of the portfolio (€174 million) at risk.
  - €4,000 threshold: 1.72% of the portfolio (€208 million) at risk.

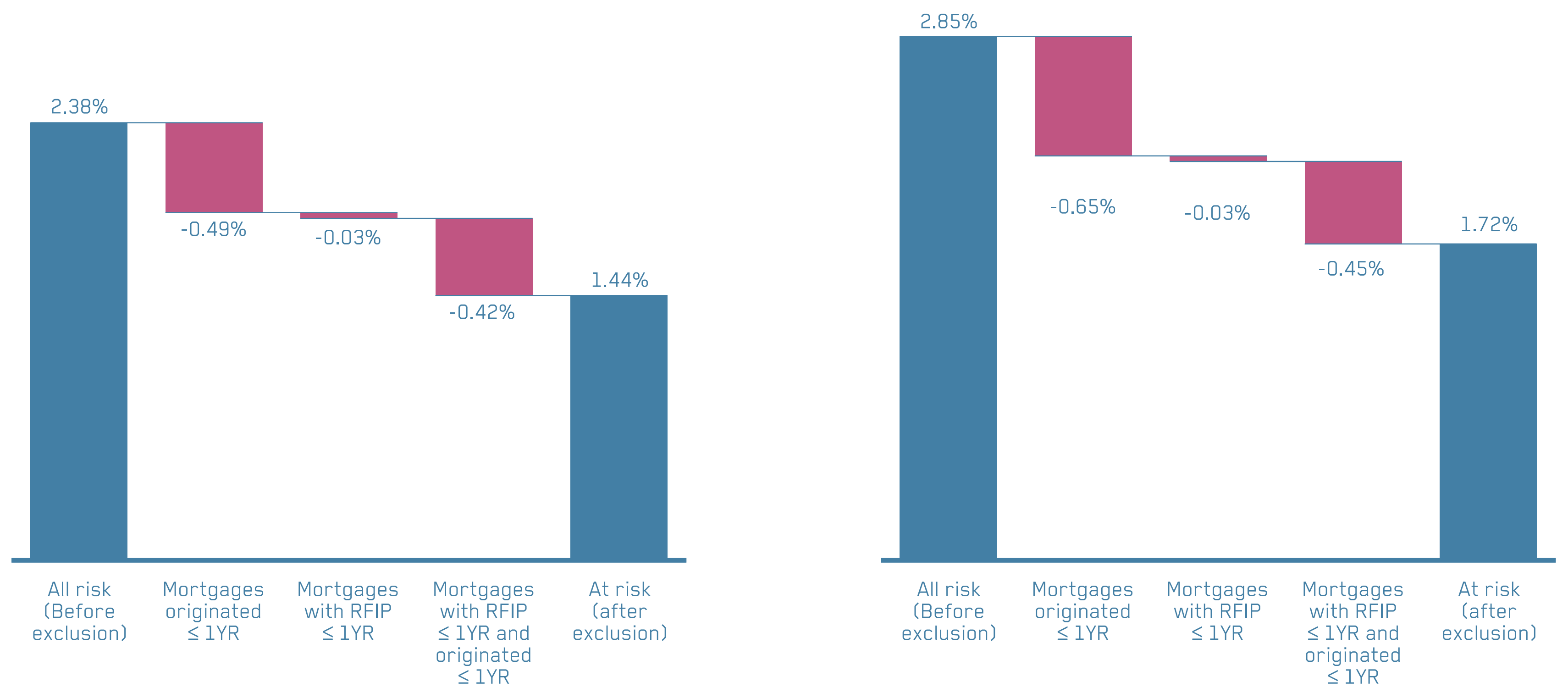
- 100 bps decrease:
  - €5,000 threshold: 4.28% of the portfolio (€516 million) at risk.
  - €4,000 threshold: 4.80% of the portfolio (€580 million) at risk.

These scenarios illustrate that while refinancing risk increases with falling rates, the overall exposure remains moderate. The actual impact is likely to be lower, mainly due to behavioral factors.

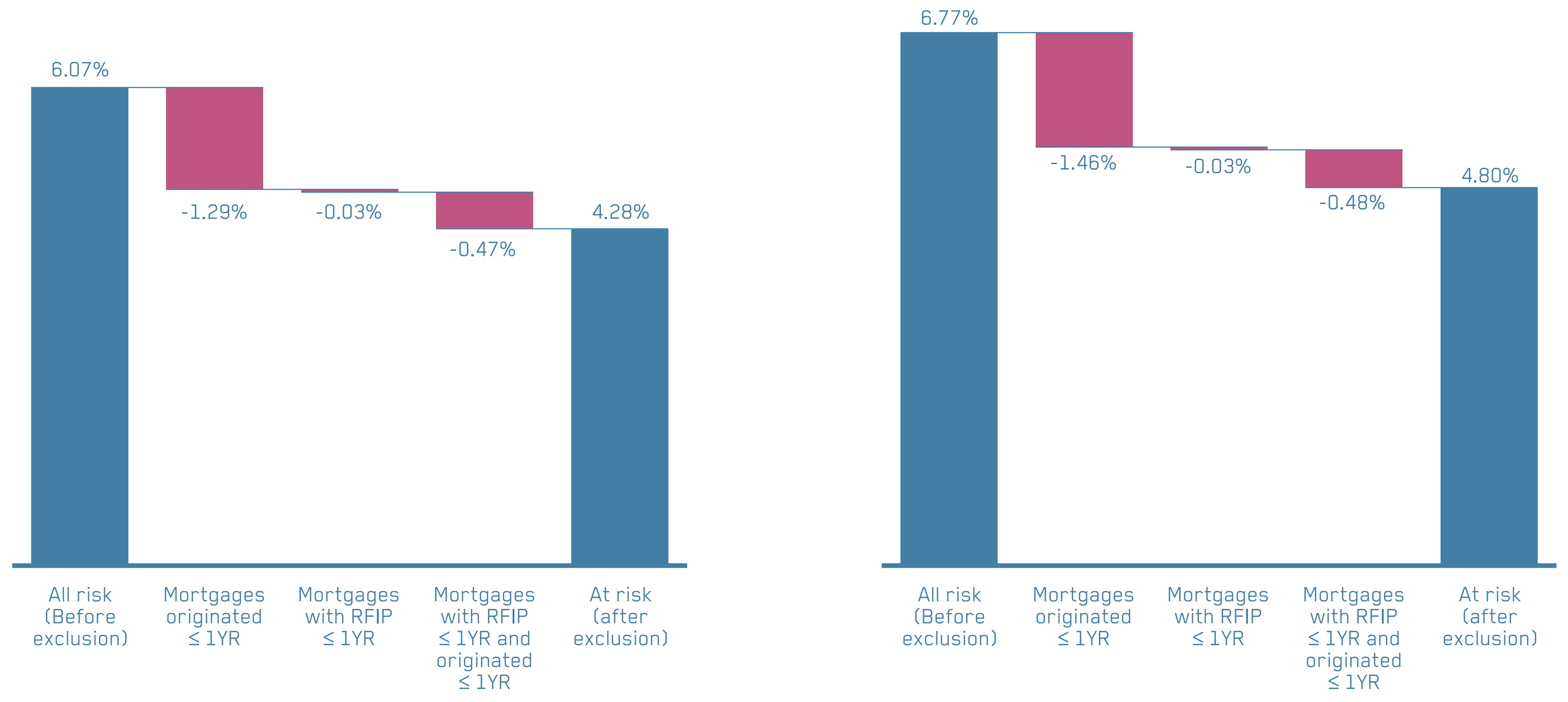
Conclusion

The refinancing risk for the Fund under current conditions is limited. Even in a scenario where mortgage rates decline by 100 bps, the risk remains moderate. The analysis shows that under current market conditions, refinancing risk remains limited. However, in scenarios where mortgage rates decline by 50 or 100 basis points (bps), the share of the portfolio at risk increases to 1.44% and 4.28%, respectively. These figures reflect a theoretical maximum, assuming consumers act to maximize financial benefit. In practice, consumer inertia and transaction costs are expected to moderate actual refinancing behavior.

% OF REMAINING DEBT AT RISK UNDER A SCENARIO WITH A DECREASE IN MORTGAGE MARKET RATES OF 50 BPS BEFORE AND AFTER EXCLUSIONS (MINIMUM BENEFIT THRESHOLD €5,000 RIGHT. MINIMUM BENEFIT THRESHOLD €4,000 LEFT)



% OF REMAINING DEBT AT RISK UNDER A SCENARIO WITH A DECREASE IN MORTGAGE MARKET RATES OF 100 BPS BEFORE AND AFTER EXCLUSIONS (MINIMUM BENEFIT THRESHOLD €5,000 RIGHT. MINIMUM BENEFIT THRESHOLD €4,000 LEFT)



6. Mortgage Market in Numbers

Indicator	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
General unemployment[2]	3.6%	3.7%	3.7%	3.9%	3.80%
Inflation[2]	3.2%	3.5%	4.1%	3.7%	3.10%
Number of originated mortgages[3]	91,058	99,549	111,707	98,195	109,137
Mortgage applications[3]	120,228	116,052	132,528	142,076	139,455
Foreclosures[1]	60	50	74	82	82
Price index (2020=100)[1]	137.1	141.7	143.0	146.7	148.7

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

achmea

Contact details - Investment Management Mortgages Team

Fund Management

Ido Esman
Senior Manager
M +31 (0)6 12 17 37 39
E ido.esman@achmea.nl

Rajesh Sukdeo
Portfolio Manager
M +31 (0)6 22 02 15 56
E rajesh.sukdeo@achmea.nl

Saskia Duits
Portfolio Manager
M +31 (0)6 22 14 24 34
E saskia.duits@achmea.nl

Egbert Buitink
Portfolio Manager
M +31 (0)6 16 04 39 82
E egbert.buitink@achmea.nl

Robert-Jan Reitsma
Portfolio Manager
M +31 (0)6 54 75 65 47
E robert-jan.reitsma@achmea.nl

Abdel el Amrani
Portfolio Manager
M +31 (0)6 51 85 95 80
E abdel.el.Amrani@achmea.nl

For further information www.achmeamortgages.nl

achmea

Mortgages