DYNAMIC CREDIT

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Contents

Dutch Housing Market Update 2021 Q1

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Dynamic Credit originates and manages tailored portfolios of Dutch residential and consumer BTL mortgage loans for institutional investors in an easy, cost-efficient and transparent way. As always, we welcome the opportunity to discuss the housing market or investing in Dutch mortgages.

"The Netherlands has a housing shortage currently estimated at 285,000 houses. This shortage arose due to consistently underestimating population growth, shrinking average household size, pro-cyclical construction policies and decentralization of urban development. In this edition we, amongst others, dive deeper into the ins and outs of the housing shortage. Furthermore, we put the steep increase in Dutch house prices into an international context."

Jasper Koops,
Head of Portfolio Management

DYNAMIC

1. Executive Summary

Consumer confidence: Consumer confidence increased to 106 in February and stabilized in March. The indicator is now back at the pre-pandemic level.

House prices: The Dutch House Price Index increased 3.6% over 2021-Q1 and 10.3% YoY. Properties transferred decreased slightly by 0.3% QoQ.

Newly built: The construction of new houses is the main way to eliminate the housing shortage. Even though there are many factors that could slow down the progress, the government must focus on building more and improving the housing market.

Energy labels: The introduction of a new energy label application process that now requires an energy advisor to visit the house has not been positively received. A physical inspection makes the application much more expensive. It is now being investigated if the application process can be organized online again.

Rental prices: The rental price per square meter for non-regulated rent has declined by 2.4% YoY in The Netherlands caused by a decreasing immigration flow from expats.

Maximum rents: A new law limits the yearly rent increase in the non-regulated market to inflation plus 1%.

Mortgage arrears: The Dutch National Credit Register ("BKR") reported a 20% decline in the number of people with mortgage arrears of more than 3 months in 2020 compared to 2019.

Interest rate developments: Interest rates fell on average by 13 bps in the fourth quarter. The decline was less significant for buy-to-let mortgages.

Spreads: For both owner-occupied and buy-to-let mortgages spreads declined as mortgage rates decreased and swap rates increased.

NHG guarantees: The NHG market share decreased compared to last year. The number of loss declarations decreased with more than 60% in 2020-Q4 compared to 2019-Q4.

RMBS activity: Activity in the Dutch RMBS market has recovered after the dip caused by the COVID-19 outbreak. In Q1, three RMBS and two BTL deals were priced.

Government measures: The government continued existing programs and introduced sector specific programs for the event and travel sectors.

2. Dutch Housing Market Update

Consumer confidence

Vereniging Eigen Huis ("VEH") measures consumer confidence in the housing market every month based on questions about interest rates, prices, and the general housing market. The indicator can take values ranging from 0 to 200, 100 indicating a neutral value and a higher value indicates more positive sentiment.

After the indicator bottomed out in June 2020, eight consecutive months of increases followed up to a level of 106 in February. March was the first time that the indicator did not increase since the dip in June 2020. It is now back at the pre-pandemic level.

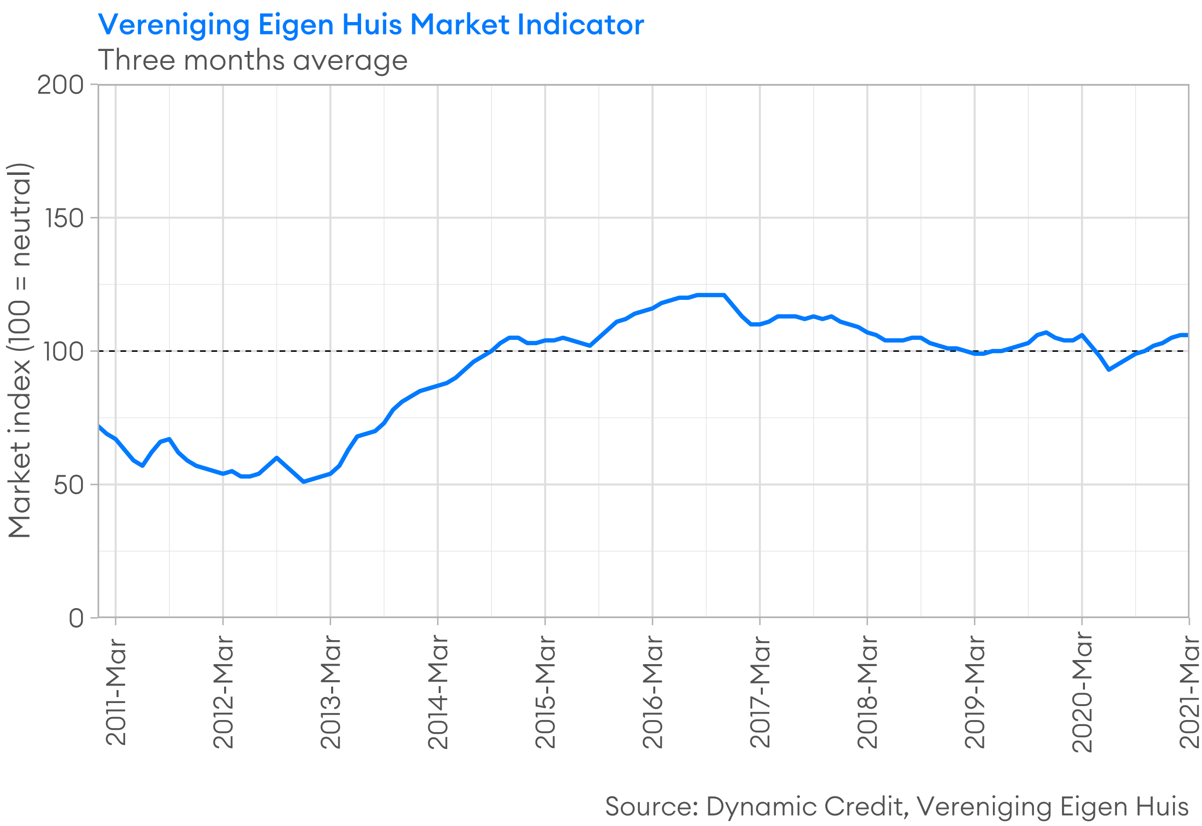


Figure 1: Vereniging Eigen Huis Market Indicator. As of March 2021.

The most recent poll that was published by VEH covering January[1], shows that a vast majority of 70% of the respondents expect further house price increases. The declining mortgage rates and the diminishing concerns about negative consequences on the housing market due to the pandemic contribute to this expectation. The proportion of respondents that indicate that they have let the pandemic influence their decisions on the housing market has decreased significantly from 40% in March 2020 to 19% in January of this year. Overall, consumers feel more optimistic about the general state of the economy. Even though the pandemic seems to influence consumers less than last year, increasing house prices still lead to 40% of the respondents thinking it is an unfavorable time to buy a house and 32% of the respondents consider moving.

1 Vereniging Eigen Huis - Marktindicator: coronazorgen nemen af

The Dutch housing shortage

The Netherlands currently has a housing shortage of 285,000 houses according to ABF Research. The shortage is recognized by the government and is given high priority by basically all political parties. However, it is not solved easily. In this article we discuss how the housing shortage is determined, how we got here and the way forward.

How is the shortage calculated?

The shortage is estimated as the difference between the number of households that need a house (housing demand) and the number of available houses (housing supply). Housing demand is mostly defined by households that:

- share a house with other households; and
- reside in objects not meant for permanent residency, such as office buildings or recreational parks.

A share of these households resides in these "alternative" accommodations as they cannot find an (affordable) regular house. Houses with households up to 25 years of age are excluded as these are usually students sharing a house, which is generally their preferred solution.

Future housing needs are estimated using the expected changes in households as a consequence of immigration, changes in demographics and changes in household size.

How did we get here?

Faster growth of number of households: the future growth of the number of households was consistently underestimated through time, mainly caused by higher population growth due to more than expected immigration. In 2010 for example, it was estimated that the Netherlands would have 17.8 million citizens in 2040. As of 2020, this estimation was adjusted to 19 million. Some of the historical forecasts performed by the CBS are shown in Figure 2 together with realized values. These prognoses frequently have been adjusted upwards. Also estimating the (decreasing) household size over time has been challenging further contributing to a faster growth in households.

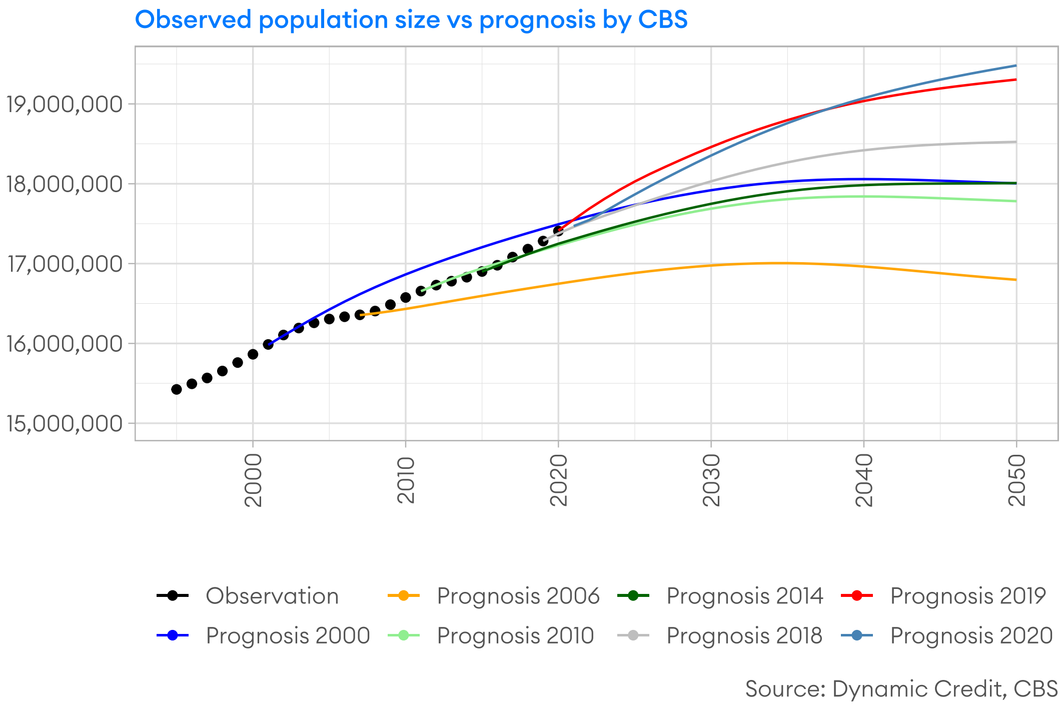


Figure 2: Population growth expectations trough time versus realization.

Cyclical behavior: The Great Financial Crisis had a negative impact on the construction sector in the Netherlands: many construction and development plans were scrapped because confidence in the owner-occupied housing market was at a low, despite a growing population. According to the CBS in 2013 the number of newly built properties that were added to the housing stock was almost 49% lower than in 2009, the year with the highest number of newly built properties since 2000. Consequently, 5,000 construction companies ceased to exist, and many construction workers found employment in other sectors. Currently the number of construction workers is still not at the pre-crisis level.[1] This shortage increases the costs of the building projects but also causes more delays.

Following the pandemic, cyclical behavior is showing again: some building projects in Amsterdam-Zuidoost are being postponed due to municipal budget cuts.[2]

Housing corporations: Dutch housing corporations traditionally played an important role in building affordable housing. Between 1945 and 1970, two million houses were built by these corporations. During this period the housing corporations were largely controlled by the government. The government planned where houses would be constructed, provided subsidies and loans. From 1990 onwards, housing corporations became gradually more independent to create a level playing field and with the expectation that they would become more efficient when liberalized.

1 Trouw - Zo kwam Nederland aan een tekort van 331.000 woningen
2 Parool - Dit jaar geen nieuwe bouwinitiatieven meer in Zuidoost

However, in the first part of the 21st century, several corporations were involved in scandals such as construction fraud, excessive remuneration, risky investments and expensive interest rate derivatives. This has caused tightening of regulation for housing corporations and closer supervision.

In 2013, the government introduced a landlord levy for social housing ("verhuurdersheffing") with the purpose to decrease the Dutch government budget deficit. To cover the costs of the landlord levy, social housing corporations were allowed to increase rents above inflation and increase rents further for tenants with higher incomes. After introducing this levy, the number of houses built by the corporations decreased by half, from 30,000 to 35,000 a year to approximately 15,000 a year in the years thereafter, further increasing the housing shortage.

Decentralization: In the year 2001 the provinces and municipalities in the Netherlands became responsible for deciding on building projects in their respective geographical areas. The idea was that the Netherlands was "finished" and the municipalities could do the "finishing touches". However, in 2020, the Minister of the Interior and Kingdom Relations decided it was time to take the matter back into the hands of the national government, as a lack of coordination has been preventing a ramp-up in construction.

The way forward

New construction: An obvious solution is constructing more houses. The Minister of the Interior and Kingdom Relations stated that between 2020 and 2030, one million new houses must be built.[1] This translates to 100,000 new homes every year. The realization of this plan will prove to be quite challenging if we look at the newly built houses in the last years (Figure 3). Nonetheless, the average price of a newly built house is EUR 411,000, which is much more than the average first time buyer can afford.

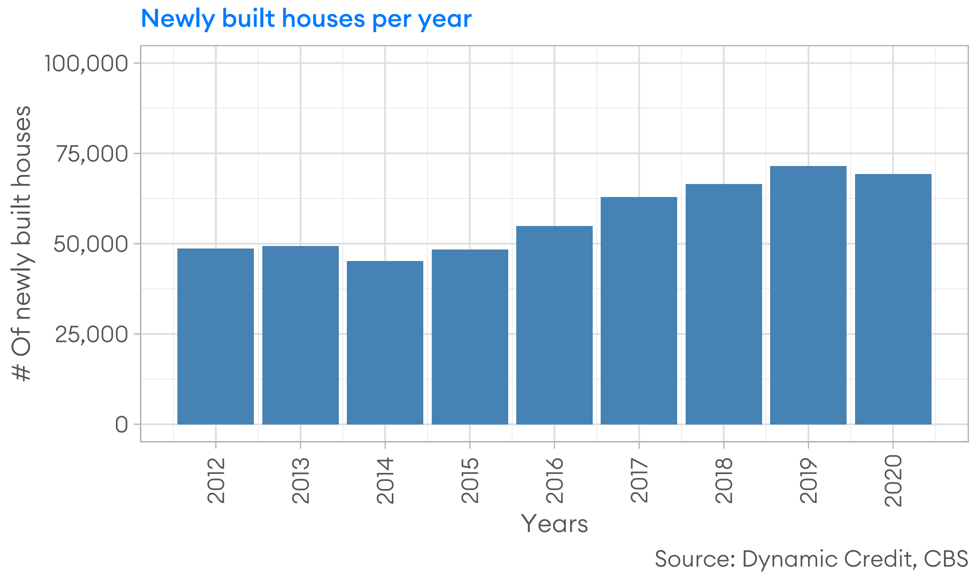


Figure 3: Newly built houses per year in the Netherlands.

1 Rijksoverheid - Tweede ronde woningbouwimpuls zorgt voor bijna 45.000 nieuwbouwwoningen

In 2020, 69,000 houses were built and even though we see an upward trend over the past couple of years, reaching 100,000 per year will be very difficult given the current circumstances. Furthermore, it is uncertain whether more centralization will indeed increase the construction pace. The main threats to increasing the pace of construction are environmental regulations in relation to nitrogen and PFAS, bureaucracy and lack of capacity at construction companies. Recently new legislation has come into effect where environmental organizations and local residents can object against building projects even after the consultation rounds, which adds to the complexity. This is expected to further slow new building projects down.

Transformation: another solution is the transformation of office buildings and shops into houses. According to CBS, 13% of all additions to the housing stock consisted of such transformations in 2019. It is expected that demand for office buildings and shops will not return to the pre-pandemic level, as working from home and online shopping are expected to persist. The province North-Holland, for example, estimates the number of potential additional houses as a result of transforming empty shops to triple to 21,000-27,000 due to the pandemic.[1]

1 Provincie Noord-Holland - Ombouw lege winkels maakt meer dan 20.000 woningen mogelijk.

Expert energy labels: accurate or cost inefficient

An energy label indicates the energy efficiency of a house, where classifications of energy labels range from the most efficient label A++++ to the least efficient label G. The energy label classification tells us something about how well a house is insulated and what installations are used for heating, cooling, ventilation and hot water. The aim is to make owners aware of energy consumption. In addition, buyers can estimate energy consumption and estimate which steps need to be taken to make their home more sustainable.

Since January 2015, an energy label for a house is compulsory when selling or renting out a residence. Up to 2020, an energy label could be obtained by a homeowner by filling out a questionnaire online and uploading photos of the property. By the end of 2020, due to new European directives, the Minister of the Interior and Kingdom Relations decided that an online application for the label will no longer be possible as of January 2021. From that point onward, the label must be provided by an energy advisor after a physical inspection of the house. The estimated cost for the inspection is between EUR 200 and EUR 300, compared to the average cost of only EUR 7.50 for the online application.

The sharp increase in costs has led to many unfavorable responses from interest groups like Vereniging Eigen Huis ("VEH") and political parties. VEH[1] argues that the new label only leads to increased costs and offers no added value to buyers. They propose to focus on the Climate Agreement by providing guidance on subjects like insulation measures, subsidies and financing options which is much more impactful for buyers. In a report to the Ministry of the Interior and Kingdom Relations from November 2020, research agency ATR states that the potential sustainability benefits of introducing the new label are unlikely to outweigh the higher costs.[2] They recommend postponing the introduction of the new requirements until the added value for reaching the climate objectives has been demonstrated. Ultimately, through an amendment[3] on the new regulation, the Chamber obliged the Minister to investigate the possibilities of applying for an energy label online, potentially with the intervention of an energy advisor such that this may be possible again from July 2021. Shortly after the introduction of the new methodology, a shortage of energy advisers has caused the government to alleviate the requirements.[4] As a result, the obligation to indicate the energy label in a sales or rental advertisement will be temporarily suspended. However, a definitive energy label must be available when the house is transferred.

The debate about the future of the current energy label will certainly continue in the coming months.

1 Vereniging Eigen Huis - Energielabel voor woningen

2 Adviescollege toetsing regeldruk - Heroverweeg invoering expertlabel energiebesparing

3 Tweede Kamer der Staten-Generaal - Gewijzigd amendement digitaal aanvragen energielabel

4 Rijksoverheid - BZK neemt maatregelen tegen wachttijden energielabel

House prices and property sales

The Dutch House Price Index ("HPI") increased 3.6% over 2021-Q1 and 10.3% YoY. This compares to house price increases of 2.0% QoQ and 8.8% YoY in 2020-Q4. Close to 67,000 properties were transferred during 2021-Q1, a 0.3% QoQ decrease and an 29.2% YoY increase (see Table 1, Figure 4-7 on the following pages for more details regarding regional differences).

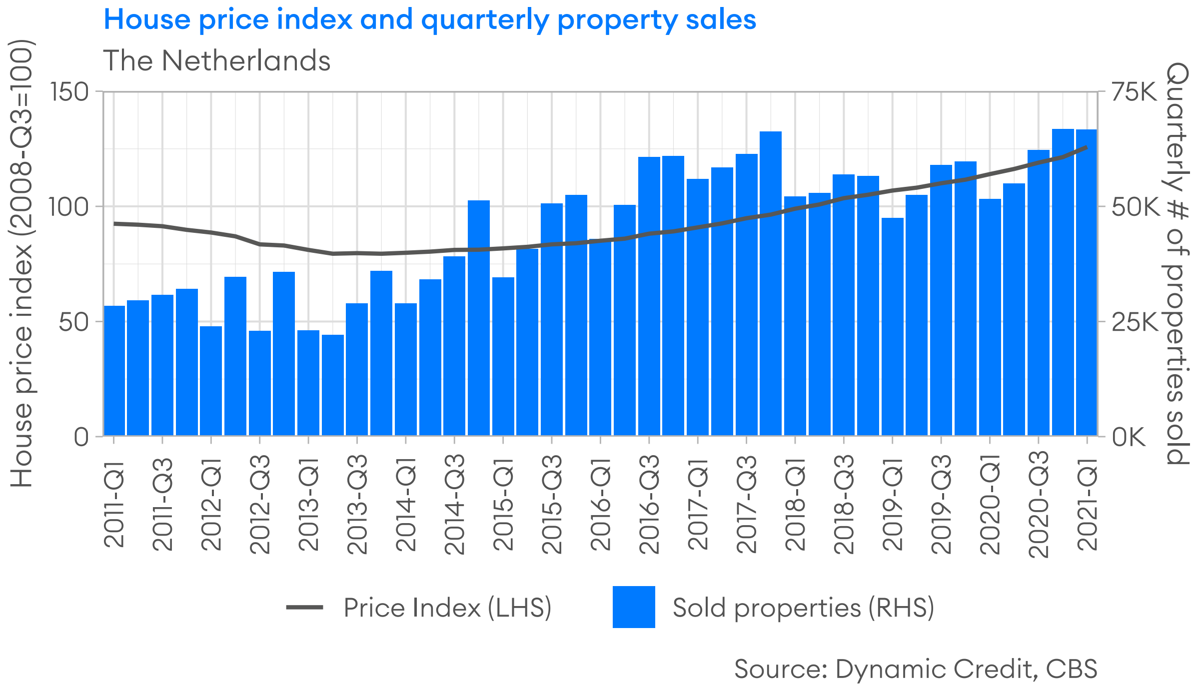


Figure 4: House Price Index of the Netherlands (2008-Q3=100) and monthly property sales. HPI until March 2021.

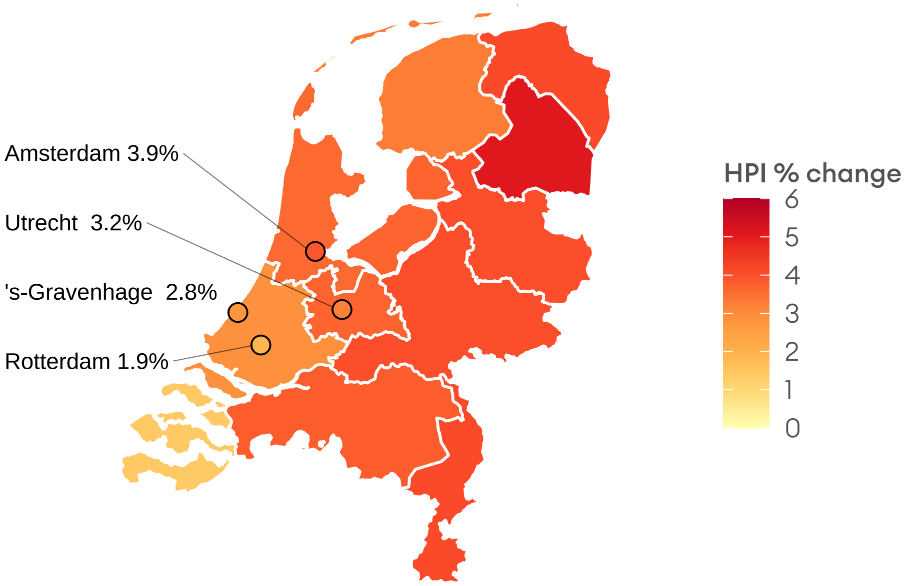
Transaction prices

Supplementary to the CBS data, the Dutch real estate association ("NVM") has access to real-time data on transaction prices. It should however be noted that the average transaction prices may not be representative for price developments of the entire housing stock.

Dutch real estate brokers see transaction prices increase nearly 15% YoY as supply drops to its lowest level since measurements started

The NVM reports an 14.7% YoY increase in the average transaction price during 2021-Q1. This is 3.1% more than reported in the previous quarter. On average, properties have been sold within 30 days, which is 9 days shorter than a year ago. There are now approximately 18,000 properties for sale (-41.2% YoY) and supply has not been this tight since measurements started in 1995. This is a 31% decrease as compared to the previous quarter, which was already the lowest supply in 20 years.

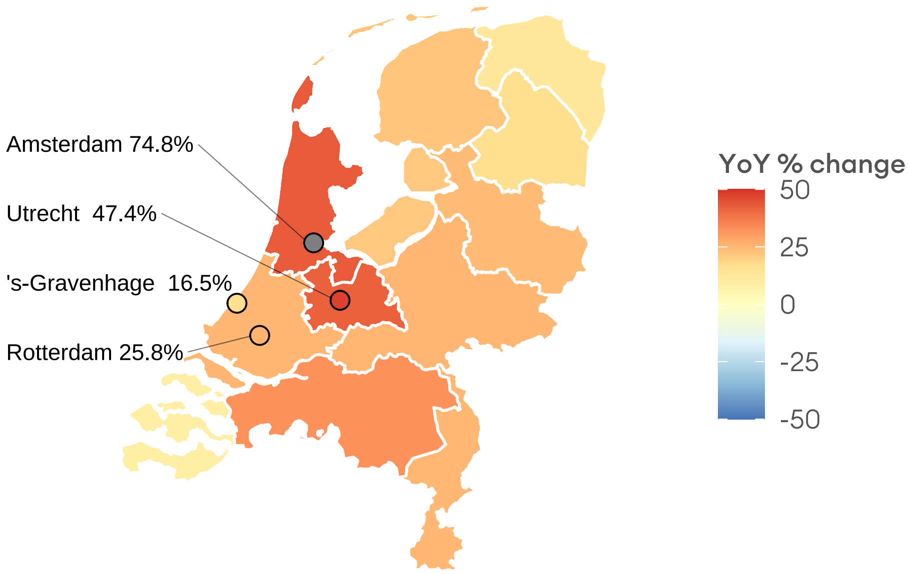
House Price Index QoQ change



Source: Dynamic Credit, CBS

Figure 5: Dutch House Price Index QoQ % change. 2021-Q1.

Number of sold properties YoY change



Source: Dynamic Credit, CBS

Figure 6: Sold properties YoY % change. 2021-Q1 .

Area	Type	HPI (2008-Q3=100)	CPI adjusted HPI (2008-Q3=100)	YoY Price %	QoQ Price %	# Sold in quarter	YoY Sold %	QoQ Sold %
The Netherlands	Country	125.8	104.3	10.3	3.6	66,627	29.2	-0.3
Friesland	Province	117.0	97.0	11.0	3.3	2,320	22.2	-9.3
Groningen	Province	124.5	103.2	12.4	4.1	1,809	12.6	-21.2
Zeeland	Province	119.1	98.8	9.6	1.4	1,554	9.2	-20.9
Drenthe	Province	120.0	99.6	13.3	5.1	1,941	17.1	-8.6
Overijssel	Province	121.5	100.8	11.2	4.0	4,104	24.0	-5.3
Flevoland	Province	137.1	113.7	13.7	3.7	1,800	21.8	-1.5
Zuid-Holland	Province	130.8	108.5	9.5	2.9	13,286	25.3	-1.4
Gelderland	Province	118.5	98.3	11.3	4.0	7,713	25.3	2.0
Utrecht	Province	130.4	108.1	10.2	3.7	5,710	42.0	13.0
Limburg	Province	120.3	99.8	9.7	4.1	3,917	25.1	-7.2
Noord-Holland	Province	137.9	114.4	9.5	3.6	12,025	43.3	9.5
Noord-Brabant	Province	116.5	96.6	10.3	3.8	10,448	32.3	0.3
Utrecht	Municipality	158.4	131.4	10.1	3.2	1,595	47.4	14.3
Amsterdam	Municipality	160.1	132.8	6.0	3.9	4,029	74.8	30.1
's-Gravenhage	Municipality	143.9	119.3	9.4	2.8	1,831	16.5	-20.3
Rotterdam	Municipality	156.9	130.1	9.5	1.9	1,944	25.8	-8.9

Table 1: House prices and number of property sales changes in Dutch provinces and major municipalities 2021-Q1 Source: CBS.

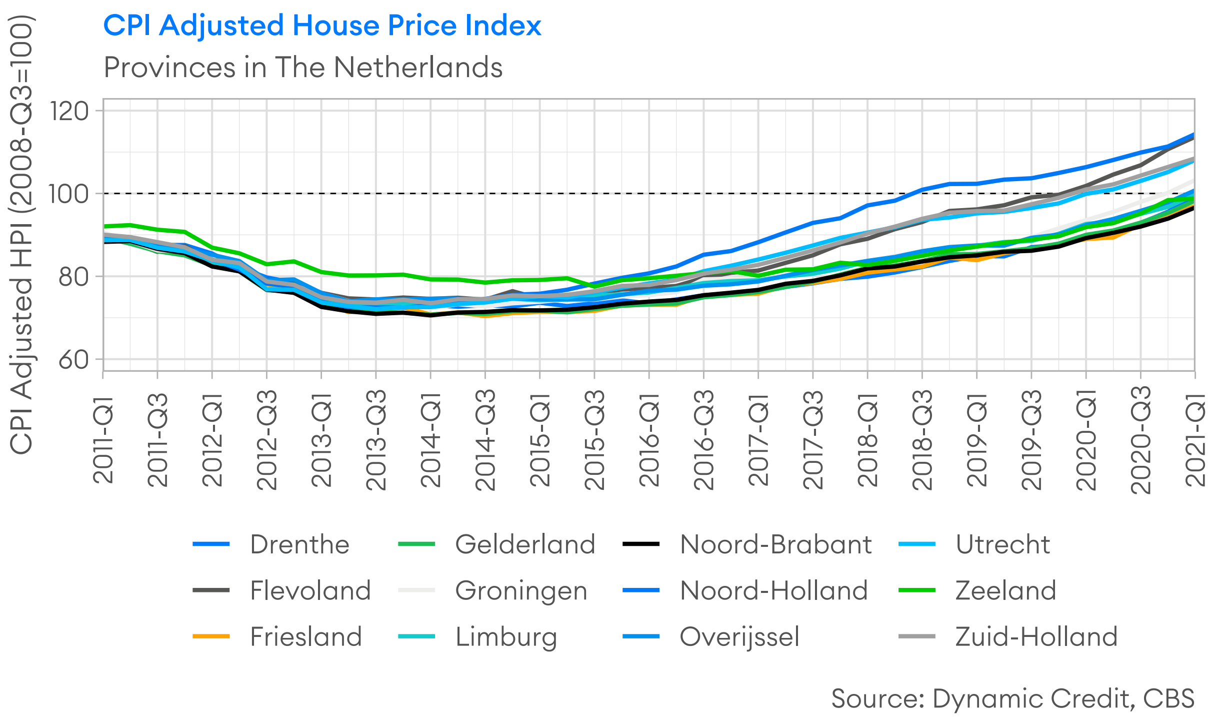


Figure 7: CPI Adjusted House price index of provinces in the Netherlands (2008-Q3=100). The data is indexed as of 2008-Q3 because this marks the pre-crisis high for the unadjusted House Price Index.

Expected housing prices developments

Rabobank[1] expects a housing prices increase of 8% in 2021. In 2022, they expect an increase of around 4% on average. This is a mayor increase over their predictions of 5.5% and 2.5% respectively in 2020-Q4. This is mostly due to the macroeconomic developments that are more positive than they expected at the time. An important driver is that unemployment will not increase as much as expected. Also, the persistent tightness of the housing market and the favorable financing options for house buyers will drive up house prices even further. The number of sold properties is expected to decrease from 236,000 in 2020 to 220,000 in 2021 and 210,000 in 2022. This is mostly due to the lack of available houses.

A cooling of the housing market is expected by ING[2]. The main reason for this is a slowdown in the growth of the number of households in 2021, as was observed in 2020. In 2020, the housing market shortage decreased by 30,000 houses. In their base scenario for 2021, ING expects a price increase in the first half of 2021 and a slight decrease from the second half of 2021 until the beginning of 2022. At the lowest point, the prices will be 2.5% below the peak of 2021. The number of transactions in 2021 is expected to be 10% less than in 2020. However, they do state that the uncertainty in their prediction is large.

House prices around the world

The increase in house prices in the Dutch housing market has been substantial over the past few years. However, this development does not only apply to the Dutch housing market. Everywhere in the developed world, house prices are increasing rapidly.[3] Figure 8 illustrates the nominal house prices for several countries and the average of all the countries from the OECD national database. The period chosen is from 2008-Q3 onwards, since the peak of the financial crisis. These countries were picked based on the size of their economy (Germany and USA) and to show the extreme cases (New Zealand). We observe that up to the end of the Euro Crisis (mid-2014) Dutch house prices decreased significantly in contrast to the average of OECD countries. However, after this point in time, the trend is similar for all countries present in the graph.

We also see that the house prices in New Zealand have risen sharply, more than the other selected countries. This may be caused by a combination of low borrowing costs and extreme scarcity on the housing market, partially caused by immigration. Also, New Zealand has had a faster than average economic recovery from the shock caused by the pandemic. From February 2020 until February 2021, house prices in New Zealand have increased more than 20%.[4] The median price of houses in the country increased to EUR 466,000. This extreme increase in house prices is not new to New-Zealand. Five years ago, the prices in Auckland already rose sharply due to the rapid increase in the number of citizens. [5]

The causes of these steep house prices across the developed world are generally attributed to lack of supply, cheap financing and high savings due to the pandemic, similar to the Netherlands. Extensive government and monetary support have mitigated negative impact on the income of (prospective) homeowners.

It should be noted the data of the OECD is not fully up to date for all countries.

1 Rabobank - Huizenprijzen verder opgestuwd door woningtekort en lage rente
2 ING - Woningmarkt houdt zich tot nu toe goed, maar onzekerheden voor 2021 blijven groot
3 The Economist - House prices are going ballistic
4 Financieel Dagblad - In Nieuw-Zeeland kun je beter niet proberen een huis te kopen
5 NOS - Nieuw-Zeelanders slapen vanwege hoge huizenprijzen in hun auto

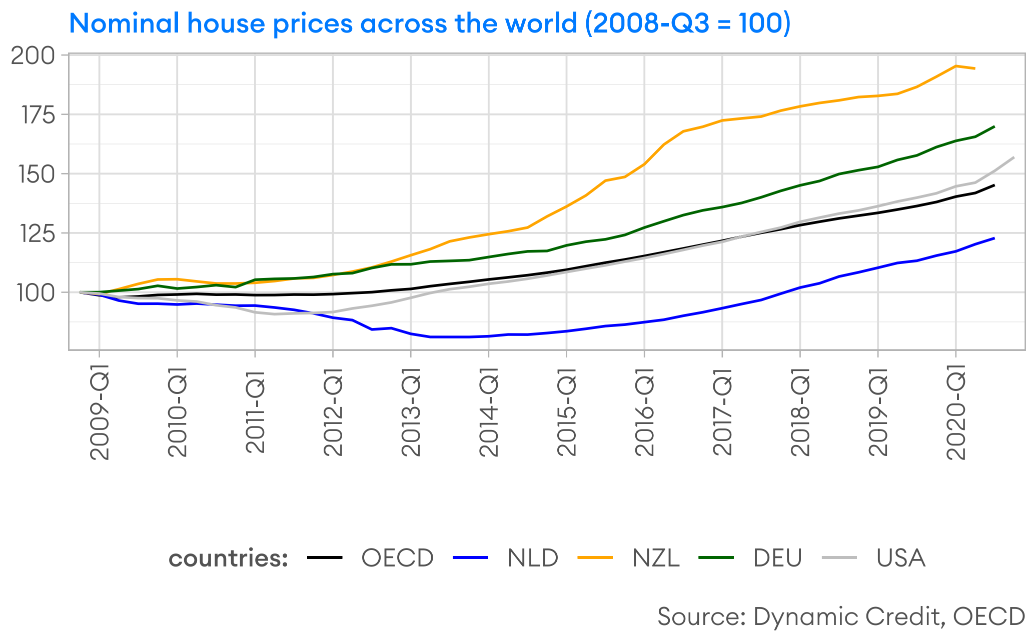


Figure 8: Nominal house prices across the world (2008-Q3=100).

Million-euro properties

Due to increasing Dutch house prices, the number of million-euro properties in The Netherlands rose by more than 40% in 2020, according to Calcasa,[1] a Dutch automated valuation firm. This is the largest YoY percentage increase since 2007. The country now counts 84,400 of these properties (2020-Q4), compared to 60,000 a year earlier. The number has been increasing every year since 2013. In that year, the total number was 14,360 and house prices were roughly 60% lower than they are today. To sum up, the number of million-euro properties has increased fivefold over the last 7 years. The price per square meter is now EUR 6,220 (+4.3%).

In Amsterdam and Rotterdam, the number of million-euro properties increased by only 20%, while outside the Randstad this number increased much more. Despite this development, Amsterdam is still leading in the number of million-euro properties, with 14,250 as of 2020. The number two city is The Hague with “only” 5,600 properties, which is a 51% increase compared to 2019.

1 Calcasa - Jaarverslag 2020 Miljoenenwoningen

NHG

Stichting Waarborgfonds Eigen Woningen ("WEW"), a central, privatised entity, is responsible for the administration and granting of the Nationale Hypotheek Garantie ("NHG Guarantee"). The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs of mortgage loans. Irrespective of scheduled repayments or prepayments made on a mortgage loan, the NHG Guarantee is reduced on a monthly basis by an amount which is equal to the principal repayment part of the monthly instalment, when such a mortgage loan will be repaid on a thirty-year annuity basis. Financial support from the Dutch government is formalised in a backstop agreement, under which the State is responsible for providing interest-free loans in case of need.

New NHG guarantees

Data from the Mortgage Data Network ("HDN") shows that over 2021-Q1, almost 41,000 NHG loans with a total balance of EUR 8 billion were offered through its network (8.9 billion in 2020-Q1). This corresponds to an NHG market share of 22.2% in terms of mortgage loans balance (25.7% in 2020-Q1).

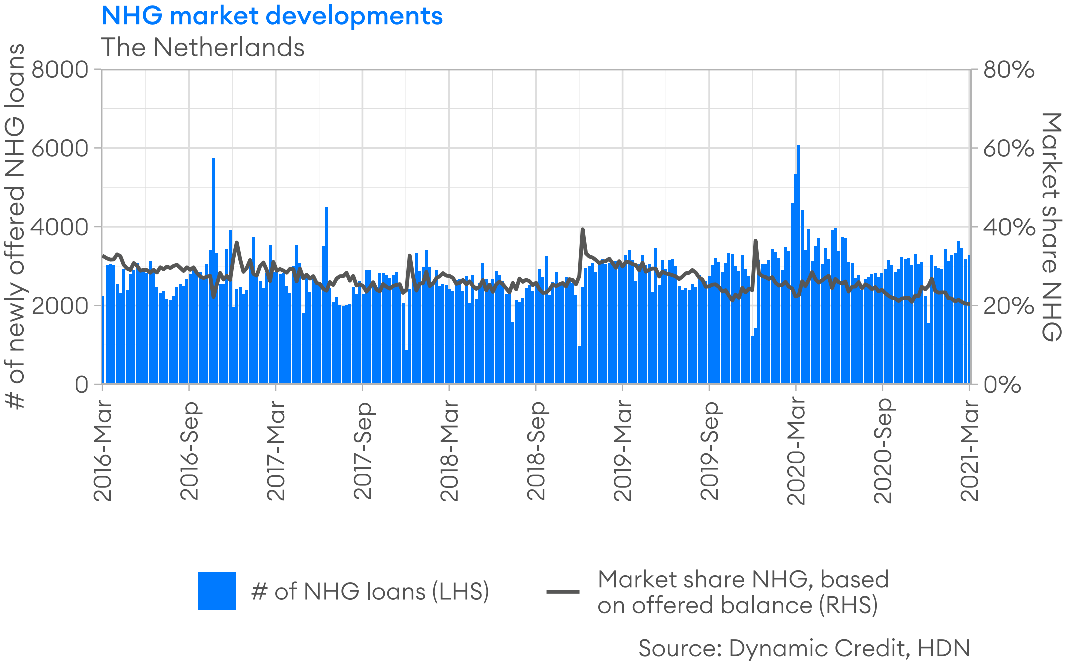


Figure 9: Number of new NHG guarantees and market share of NHG loans as a percentage of total originated balance through time. The x-axis refers to year and month.

Loss declarations[1]

The number of loss declarations submitted to WEW decreased with almost 62% from 71 in 2019-Q4 to 27 in 2020-Q4. The low number of loss declarations submitted is attributed by WEW to the still increasing house prices, offering of payment holidays and strong government measures to mitigate loss of income. The overall number of loss declarations decreased to 133 in 2020 from 384 in 2019 (-65%).

1 NHG - Kwartaalcijferst 2020-Q4

New Terms and Conditions

Per 1 July 2021 WEW is implementing improvements in their processes and Terms and Conditions. The summary below is limited to the substantive changes in the Terms and Conditions.

- **Hybrid appraisals:** Instead of the current full appraisal, NHG will allow for so-called hybrid appraisals ("hybride taxaties" or "desktoptaxaties") for mortgage loans up to a loan-to-value ratio of 90%. These hybrid appraisals determine the value of the collateral based on advanced statistical models, which value will be checked and approved by an appraiser. This way NHG wants to limit the costs for consumers in getting an NHG mortgage loan and still adhere to the valuation rules imposed by the EBA guidelines on loan origination and monitoring.
- **Interest rate deductibility interest-only mortgage loan (parts):** As of 2031 the first consumers will reach the end of their 30 years term of interest rate deductibility in relation to interest only mortgage loan (parts). NHG will require lenders to take the loss of interest rate deductibility on these loan parts into account in the affordability check, when this occurs within 10 years after the mortgage loan application. In these specific situations NHG will allow for interest-only mortgage loan (parts) without interest rate deductibility.
- **Negative BKR registration RN-3 with end date:** The NHG Terms and Conditions have been updated to reflect a change at the BKR in relation to registering NHG losses for which the borrower was discharged from any liability (an RN-3 registration). These registrations will be acceptable for NHG when the date of registration is equal to the end date of this registration in the BKR and the consumer has a letter from WEW which shows the borrower was discharged from any liability in relation to the loss.

3. Owner-Occupied Mortgages

Interest rate developments

Across all major risk classes and fixed rate periods, the top six most competitive rates fell on average by 13 bps from the end of 2020-Q4 to the end of 2021-Q1. NHG rate decreases averaged 12 bps across major fixed rate periods while the 60%, 80%, and 100% LTV segments saw average rate decreases of 11, 13, and 15 bps respectively.

Rates fell in 2021-Q1 with the largest decreases in the high LTV and long fixed-rate period segments buckets

For an overview of the evolution of mortgage rates, see Table 2 below.

Mortgage rate development for average of top 6 mortgage rates						
Fixed rate period	Risk class	2020-03-31	2020-12-31	2021-03-31	QoQ	YoY
5-year	NHG	0.91%	0.90%	0.75%	-0.15%	-0.16%
	60% LTV (non-NHG)	1.03%	1.02%	0.96%	-0.07%	-0.08%
	80% LTV (non-NHG)	1.13%	1.13%	1.03%	-0.10%	-0.10%
	100% LTV (non-NHG)	1.42%	1.46%	1.34%	-0.11%	-0.08%
10-year	NHG	0.98%	1.00%	0.89%	-0.11%	-0.09%
	60% LTV (non-NHG)	1.08%	1.11%	1.03%	-0.09%	-0.05%
	80% LTV (non-NHG)	1.22%	1.26%	1.16%	-0.10%	-0.07%
	100% LTV (non-NHG)	1.49%	1.58%	1.43%	-0.15%	-0.06%
20-year	NHG	1.34%	1.26%	1.18%	-0.08%	-0.16%
	60% LTV (non-NHG)	1.48%	1.49%	1.35%	-0.14%	-0.13%
	80% LTV (non-NHG)	1.60%	1.62%	1.48%	-0.15%	-0.13%
	100% LTV (non-NHG)	1.85%	1.95%	1.78%	-0.17%	-0.07%
30-year	NHG	1.68%	1.59%	1.45%	-0.15%	-0.23%
	60% LTV (non-NHG)	1.78%	1.80%	1.63%	-0.16%	-0.15%
	80% LTV (non-NHG)	1.84%	1.90%	1.73%	-0.17%	-0.11%
	100% LTV (non-NHG)	2.12%	2.22%	2.04%	-0.17%	-0.07%

Table 2: Average top-6 mortgage rates (excluding action rates) for mortgage loans with different fixed rate periods for four risk classes.

Spread developments[1]

Throughout 2021-Q1 mortgage spreads have decreased across all major fixed rate periods, because the decrease in mortgage rates was larger than the decrease in swap rates. The average spread decrease across major fixed rate periods and risk classes was 40 bps. Changes among fixed rate periods varied widely compared to the end of the previous quarter, with the biggest decreases in 30- year fixed rates (-54 bps) and the smallest decreases in 5-year fixed rates (-20 bps). Due to the decrease, spreads in 2021-Q1 were roughly equal to bottom 2020-Q1 levels.

Mortgage spreads decreased in 2021-Q1 by an average of 40 bps

For an overview of the evolution of mortgage spreads, see Table 3 below.

The information in the table below and the graphs in the Appendix can be interpreted as a representative gross spread for newly originated Dutch residential mortgage loans over time.

Spread development for average of top 6 mortgage rates

Fixed rate period	Risk class	2020-03-31	2020-12-31	2021-03-31	QoQ	YoY
5-year	NHG	1.23%	1.41%	1.16%	-0.25%	-0.07%
	60% LTV (non-NHG)	1.36%	1.53%	1.37%	-0.16%	0.01%
	80% LTV (non-NHG)	1.45%	1.64%	1.44%	-0.20%	-0.01%
	100% LTV (non-NHG)	1.75%	1.96%	1.76%	-0.21%	0.01%
10-year	NHG	1.14%	1.38%	1.02%	-0.36%	-0.12%
	60% LTV (non-NHG)	1.24%	1.49%	1.16%	-0.33%	-0.07%
	80% LTV (non-NHG)	1.39%	1.65%	1.30%	-0.35%	-0.09%
	100% LTV (non-NHG)	1.66%	1.97%	1.58%	-0.39%	-0.08%
20-year	NHG	1.30%	1.43%	1.00%	-0.43%	-0.30%
	60% LTV (non-NHG)	1.44%	1.67%	1.18%	-0.49%	-0.26%
	80% LTV (non-NHG)	1.57%	1.80%	1.31%	-0.50%	-0.26%
	100% LTV (non-NHG)	1.82%	2.14%	1.63%	-0.52%	-0.19%
30-year	NHG	1.58%	1.73%	1.20%	-0.53%	-0.38%
	60% LTV (non-NHG)	1.69%	1.94%	1.39%	-0.54%	-0.29%
	80% LTV (non-NHG)	1.75%	2.05%	1.50%	-0.55%	-0.26%
	100% LTV (non-NHG)	2.04%	2.37%	1.82%	-0.55%	-0.22%

Table 3: Spread of the average top-6 mortgage rates (excluding action rates) over duration matched swap rates for four risk classes. Source: Dynamic Credit, Hypotheekbond.

1 The EUSWxV3 swap is used, which uses quarterly resets and the floating leg is 3-month EURIBOR.

Mortgage Arrears

The Dutch National Credit Register BKR[1,2] reports that in 2020 the number of people with mortgage arrears of more than 3 months has decreased to just over 39,000 at the end of the year from just over 49,000 a year earlier. This is a decrease of almost 20%. Over the past 5 years the number has decreased linearly by about 60% in total from approximately 90,000 at the end of 2015. The Dutch municipalities with the highest percentage of citizens with mortgage arrears (>0.3%) are found in the north-east of the country and in the provinces of Zeeland, Zuid-Holland and Flevoland. Dutch cities in this category include Lelystad (0.92%), Almere (0.66%) and The Hague (0.49%). The percentage of people with mortgage arrears is lowest in the province of Utrecht.

Preventative payment arrangements

The number of preventative payment arrangements has increased significantly since the beginning of the COVID-19 pandemic, along with the number of payment holidays. A market-wide scheme was introduced at the beginning of the pandemic, which offered customers payment relief for a maximum of six months. This scheme has been extended several times and is expected to be phased out from June 2021 onwards. The number of preventative payment arrangement of at least 4 months in duration has increased from around 300 in March 2020 (close to the 5-year historic average) to nearly 2,500 at the end of September. A significant number of these payment arrangements have been repaid since. The number of repayment arrangements that were commenced after late payments saw its 5-year peak in the beginning of 2019 with just under 6,500 cases and has decreased since then to below 6,000 cases at the end of 2020.

Residual Debt

The number of people with outstanding residual mortgage debts has only marginally increased in 2020 to nearly 21,000 at the end of the year from just under 20,000 a year earlier (+5%). Outstanding residual debt cases have risen from just over 10,000 in 2017. Cases leveled off in 2020-H1, breaking a 3-year trend of consecutive increases, but picked back up in the second half of the year. Over the past 4 years all age categories saw increases in the number of cases except for those in the age brackets 25- 30 year and 31-40 year which both saw decreases since mid-2017 and mid 2018 respectively.

1 Stichting BKR - Hypotheekbarometer van Nederland
2 Stichting BKR - ypotheekbarometer: betalingsachterstanden op hypotheken dalen

4. Funding Update

RMBS

The activity in the Dutch RMBS market has recovered after the dip caused by the COVID-19 outbreak. In the first quarter of 2021, three RMBS deals were priced. The total distributed Dutch RMBS issuance of the first quarter is already EUR 2.3 billion compared to EUR 3.5 billion throughout 2020. The total retained issuance for the first quarter is EUR 1.7 billion compared to EUR 4.5 billion over 2020. The spread for Dutch RMBS senior AAA paper tightened from 32 bps in January to 21 bps toward the end of April.

The activity in the Dutch RMBS market has recovered after the dip caused by the COVID-19 outbreak

The first RMBS deal priced was Bastion BV 2021-1 NHG sponsored by MeDirect Bank and sized at EUR 414 million. The deal is STS compliant. The spread for the A rated notes was around 30 bps at issuance. The percentage of Interest-only mortgages is 3.9%. The current loan to value is 89.9% and the pool has 6 months of WA seasoning. This deal was preplaced with only a limited number of investors.

The second priced deal was Green Storm BV 2021-1 sponsored by Obvion. At the initial deal announcement, Obvion said all investors would be well considered for allocation, with possible preferential consideration for green investors. The deal is STS compliant and compliant with Green Bond Principles 2018. The pool is sized at EUR 532 million and consists for the most part of A-rated Classes with a spread of 15 bps excluding JLM interest. The remaining classes are from B to E, with a spread of 200 bps to 600 bps. They are all priced at 3m Euribor. The pool has a current loan to value of 70.8% and consists of 40.1% Interest-only loans. Additionally, the pool consists of 11.0% NHG guaranteed mortgage loan parts.

The final priced deal was Saecure 20 BV sponsored by Aegon Insurance and STS compliant. The deal was arranged by ABN AMRO. ABN AMRO, BofA Securities, BNP Paribas, Deutsche Bank, and Wells Fargo Securities were joint leads. The pool consists of mainly Class A and some Class B and C and the total is priced at EUR 700 million. The spread of the Class A notes is 14 bps. The pool has a seasoning of 71 month, a current loan to value of 70.6% and consists of 32.6% Interest-only loans.

BTL

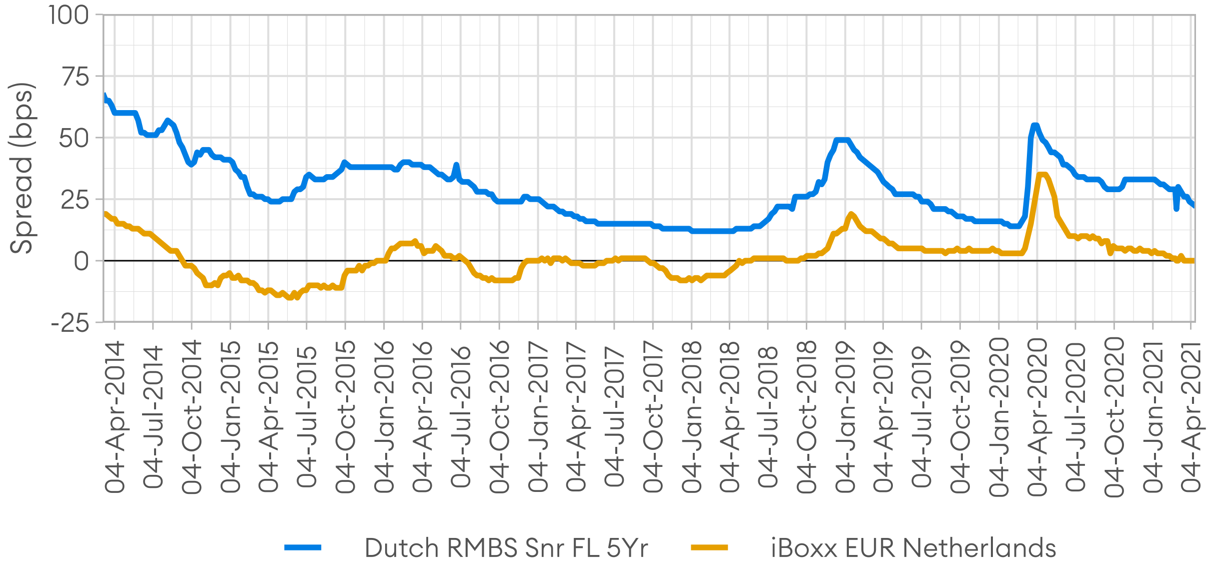
In the first quarter of 2021, two BTL deals were distributed. The first deal was Dutch Property 2021-1 and was sponsored by RNHB BV. The arrangers and joint lead managers on the deal were Barclays, BNP Paribas, HSBC and Natixis. The total deal was sized at EUR 522.8 million. The pool consists of mainly Class A notes and also parts of Class B to Class F notes, where the E and F classes were retained. The spreads range from 65 bps to 210 bps. The pool had a current loan to value of 63.6% and a seasoning of 13 months. The Interest-only loans make up 14.9% of the pool.

The second BTL deal was Jubilee Place BV 2021-1, sponsored by multiple Dutch lenders (Tulp Group, DMS and Casarion). The Classes range from A to E, with spreads ranging from 83 bps for the AAA rated class to 500 bps for the lowest rated BBB class. The pool was sized at EUR 289 million. The seasoning of the pool is 2.73 months, the current loan to value is 71.17% and the part Interest-only loans is 19.7%. The loans are predominantly repayment loans (80%) with the option to switch to IO when 60% LTV evidenced by a new full valuation.

Covered Bonds

Issuance by Dutch banks in the first quarter of 2021 amounted to EUR 1.2 billion. This is less than the amount that was issued last year after the first quarter (EUR 2 billion). The spread (iBoxx EUR Netherlands) decreased from 3 bps on the 15th of January to 0 bps on the 23rd of April.

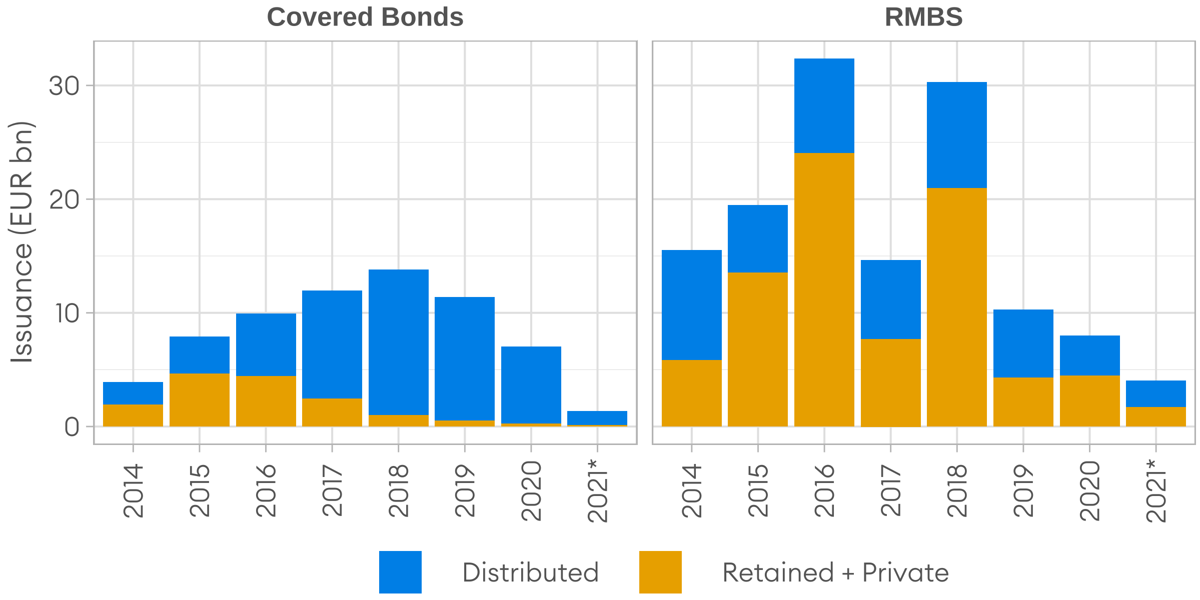
Mortgage funding spreads



Source: Dynamic Credit, JP Morgan

Figure 10: RMBS spread refers to indicative mid spread (DM) for representative generic RMBS bonds. iBoxx EUR Netherlands spread refers to spread versus mid swap rates. The data is as of 2021-Q1.

Mortgage funding issuance



* Data up to Q1
Source: Dynamic Credit, JP Morgan

Figure 11: Issuance of Dutch RMBS and covered bonds. The data is as of 2021-Q1.

Dutch RMBS market: Priced Dutch prime RMBS and BTL deals

One new Dutch prime RMBS and one BTL deal were priced during 2021-Q1

Date	Issuer	Series	Seller	Class	uro Amoui	Life	FXFL	Spread	Benchmark	M	SP	F	DBR	Retained	Comments
14-Jan-21	Bastion BV	2021-1 NHG	MeDirect Bank	A (preplaced)	350		FL	70	3 Mo. Euribor	Aaa			AAA	N	RMBS; EUR 414mm; WA CLTV 89.8%; WA Seasoning 6m; Self employed 3.9%; IO Loans 3.9%; 1,968 Obligors;
				A	25		FL	70	3 Mo. Euribor	Aaa			AAA	Y	
				B	39									Y	
				C	4									Y	
12-Mar-21	Green Storm BV	2021-1	Obvion	A	500	5	FL	75	3 Mo. Euribor	Aaa	AAA	AAA		N	RMBS; EUR 532mm; WA CLTV 70.8%; WA Seasoning 46m; IO Loans 40.1%; Self Employed 14%;
				B	9	5	FL	200	3 Mo. Euribor	Aa1	AA+	AA+		Y	
				C	9	5	FL	300	3 Mo. Euribor	Aa2	AA	A+		Y	
				D	9	5	FL	400	3 Mo. Euribor	A1	A-	BBB+		Y	
				E	5	2	FL	600	3 Mo. Euribor	Ba1				Y	
31-Mar-21	Saecure BV	20	Aegon Insurance	A	657	5	FL	70			AAA	AAA		N	RMBS; EUR 700mm; WA CLTV 70.6%; WA Seasoning 71m; IO Loans 32.6%; Self- Employed
				B	44	7	FX							Y	
				C	9	7	FX							Y	
17-Feb-21	Dutch Property Finance BV	2021-1	RNHB BV	A	441	3	FL	65	3 Mo. Euribor		AAA		AAA	N	Buy-to-let; EUR 522.8mm; WA CLTV 63.6%, WA Seasoning 13m, IO loans 14.9%; 1,898 Obligors;
				B	21	5	FL	110	3 Mo. Euribor		AA		AA	N	
				C	22	5	FL	140	3 Mo. Euribor		A+		A	N	
				D	24	5	FL	210	3 Mo. Euribor		BBB+		BBB	N	
				E	16									Y	
				F	10									Y	
26-Mar-21	Jubilee Place	2021-1	Multiple Dutch Lenders (Tulp Group, DMS and Casarion)	A	254	3	FL	83	3 Mo. Euribor	Aaa	AAA			N	Buy-to-let;EUR 289mm; 972 Obligors; WA CLTV 71.71%; WA Seasoning 2.73m; IO Loans 19.7%;
				B	15	5	FL	130	3 Mo. Euribor	Aa3	AA+			N	
				C	9	5	FL	150	3 Mo. Euribor	A1	AA-			N	
				D	7	5	FL	180	3 Mo. Euribor	Baa2	A-			N	
				E	4	5	FL	210	3 Mo. Euribor	Ba2	BB+			N	
				X	14	1	FL	500	3 Mo. Euribor	Ba3	B			N	

Table 4: Priced Dutch RMBS en BTL Deals in 2021-Q1. Source: Dynamic Credit, JP Morgan

DYNAMIC

5. Buy-to-let Mortgages

Rental price developments

The Dutch online rental property broker Pararius reports[1] that in the first quarter of 2021 the rental price per square meter for non-regulated rent has declined by 2.4% YoY in The Netherlands. Renters now pay EUR 16.34 per square meter. It is the first time since Pararius started measuring in 2011-Q1, that the prices declined in the 5 largest cities. In the previous quarter only Utrecht showed an increase.

The prices in Amsterdam have been declining since the last quarter of 2019, and rental prices are now 7.4% lower than a year ago. This is the largest decline since Pararius started measuring and prices are now at the 2015-Q3 level. The decline follows a decreased immigration flow from expats into The Netherlands caused by the global pandemic. In Amsterdam this effect has been especially pronounced given that the capital has been a popular destination for international skilled workers.

Prices have declined in Noord-Holland, Zuid-Holland and Limburg, where the former two are the most expensive provinces in the country. Noord-Holland, which contains for example Amsterdam, Amstelveen, Alkmaar and Haarlem, has experienced a 6.8% decline YoY (to EUR 20.03 per square meter). Zuid-Holland, which contains for example Rotterdam, Den Haag and Leiden, has seen a decrease of 3.5% (to EUR 15.43 per square meter). Limburg is one of the least expensive provinces and has seen a 1% decrease (to EUR 11.39 per square meter).

The rental price of apartments has been decreasing since the third quarter of 2020. The last quarter showed a 6.2% YoY decrease to EUR 17.12 per square meter. The average price of family homes increased with 1.2% to EUR 12.89 per square meter.

The broker states that the non-regulated rental market is unbalanced due to a demand surplus. With a large share of housing stock being subsidized rent (33% versus 7% non-regulated rent and 60% owner-occupied) finding housing becomes more difficult for the group that earns too much for subsidized rent and too little to purchase. The outflow (and subsequently the inflow) of renters in the subsidized segment is very low while it is nearly impossible to get tenants out of these homes if they become ineligible. There are even examples of landlords owning multiple properties that live in subsidized rental properties themselves. Private landlords can have a very important role for the non-regulated rental market. Increased rental housing supply caused by private landlords entering this sector will eventually lead to higher supply and lower rental prices.

The broker reiterates that the measures implemented by the government to decrease the attractiveness of buy-to-let investments, such as requiring owner-occupancy and increasing property transfer tax, will only have effect on demand. The steep increase in house prices and transactions is again caused by demand surplus and these measures have very limited effect on total demand. Supply-demand economics prescribe that in such situation the most effective measure is a structural change in supply to reach a new equilibrium.

1 Pararius - Huurprijsdaling ingezet in alle G5-steden

Maximum rent increases

On 23 March the Senate voted in favor of a new law that limits the yearly rent increase in the non-regulated market to inflation plus 1%. Minister of the Interior and Kingdom Relations Ollongren proposed to cap it at inflation plus 2.5% but that proposal was rejected. The law follows a legislative proposal from Member Nijboer (PvdA) from June 2020, Parliament voted in favour of the proposal on 9 February 2021.

Rate and spread development

Dynamic Credit launched its consumer buy-to-let platform in the Netherlands1,2 in 2019. Besides the unique feature of offering borrowers an LTV of 90%, the product also sets itself apart by offering a 30-year fixed rate period.

As can be seen in Table 5 below, the average rates decreased. Changes among fixed rate periods varied compared to the end of the previous quarter, with 80%-LTV rates seeing the biggest decreases (-11 bps) and 90%-LTV rates seeing on average the smallest rate decrease (-5 bps). Compared to owner-occupied spreads, buy-to-let spreads have decreased across all major fixed rate periods with on average 25 bps (owner-occupied: 40 bps). It should be noted that Dynamic Credit is the only active lender in the high LTV (>85%) segment.

Market rate and spread development for consumer buy-to-let rates

		BTL rates			Spreads		
Fixed rate period	LTV	2020-12-31	2021-03-31	QoQ	2020-12-31	2021-03-31	QoQ
1-year	50%	2.32%	2.20%	-0.12%	2.87%	2.74%	-0.13%
	60%	2.42%	2.29%	-0.13%	2.97%	2.84%	-0.13%
	70%	2.47%	2.33%	-0.14%	3.02%	2.88%	-0.14%
	80%	2.92%	2.72%	-0.20%	3.47%	3.27%	-0.20%
	90%	3.45%	3.40%	-0.05%	4.00%	3.95%	-0.05%
5-year	50%	2.34%	2.27%	-0.07%	2.84%	2.69%	-0.15%
	60%	2.44%	2.36%	-0.08%	2.94%	2.78%	-0.16%
	70%	2.47%	2.39%	-0.08%	2.98%	2.81%	-0.17%
	80%	2.96%	2.90%	-0.06%	3.47%	3.32%	-0.15%
	90%	3.50%	3.45%	-0.05%	4.01%	3.87%	-0.14%
10-year	50%	2.43%	2.33%	-0.10%	2.82%	2.49%	-0.33%
	60%	2.53%	2.42%	-0.11%	2.92%	2.58%	-0.34%
	70%	2.57%	2.47%	-0.10%	2.97%	2.63%	-0.34%
	80%	3.06%	2.98%	-0.08%	3.46%	3.15%	-0.31%
	90%	3.65%	3.60%	-0.05%	4.06%	3.78%	-0.28%
20-year	50%	2.73%	2.67%	-0.06%	2.94%	2.54%	-0.40%
	60%	2.83%	2.76%	-0.07%	3.04%	2.63%	-0.41%
	70%	2.89%	2.82%	-0.07%	3.11%	2.70%	-0.41%
	80%	3.28%	3.20%	-0.08%	3.51%	3.09%	-0.42%
	90%	3.80%	3.75%	-0.05%	4.05%	3.66%	-0.39%

Table 5: Interest rate and spread development for consumer buy-to-let rates in the Netherlands.
Source: Dynamic Credit, Hypotheekbond.

6. News

The following sections provide an update on the (macro)economic environment.

Macroeconomic update[1]

In the Euro Area real GDP declined by 0.7% QoQ in the fourth quarter. However, this is substantially less than the drop of 2.2% that was expected in December despite stricter containment measures in most member countries following increasing daily infections amidst the global pandemic. The result is mainly caused by stronger than expected foreign demand and learning effects from previous periods of more stringent lockdown measures, as society adjusts to the new situation.

The macroeconomic projections of the ECB staff show a rebound in the second half of 2021. This will be mainly driven by two factors. Firstly, the distribution of vaccines will enable the reopening of society. Secondly, monetary and fiscal policy measures, including the Next Generation EU (NGEU) funds and the huge stimulus bills announced by Biden in the US, support recovery. From the second quarter of 2022 onwards real GDP is expected to exceed its pre-pandemic level. This is one quarter earlier than was projected in December.

Inflation (HICP, annual percentage change) increased significantly from -0.3% in December 2020 to 0.9% in January. This was mainly driven by a sizable change in the components of the HICP weights, reflecting changes in consumer behavior as a result of the pandemic. The expectation for 2021 is that inflation rebounds from 0.3% in 2020 to 1.5% in 2021, peaking at 2% in the fourth quarter. In 2022, a drop to 1.2% is expected, followed by an increase to 1.4% in 2023. The upward revision of inflation compared to the December projections is mainly related to higher oil prices.

Monetary policy[2]

During the first quarter of 2021, not much has changed compared to the previous quarter. Most of the actions taken by the ECB were reconfirmed by the Governing Council. The actions are stated below.

After the size of the pandemic emergency purchase programme ("PEPP") was increased to a total size of EUR 1,850 billion in the previous quarter, no adjustment were made in the first quarter of 2021. The difference compared to last quarter is that the Governing Council expected (in March) that purchases under the PEPP would be conducted at a "significantly higher pace" than during the first months of 2021. This was based on a joint assessment of financing conditions and the outlook on inflation.

No major changes were announced by the ECB in the first quarter of 2021

The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively. The rates were last changed in September 2019. The Governing Council expects the rates to remain at their current levels or even lower until inflation "robustly converges to a level sufficiently close to, but below, 2%".

1 Eurosystem staff macroeconomic projections for the euro area, March 2021
2 ECB: Monetary policy decisions, 11 March 2021 and 22 April 2021

The net purchases under the asset purchase programme ("APP") continue at a monthly pace of EUR 20 billion, while the Governing Council also continues to provide liquidity through the third series of targeted longer-term refinancing operations ("TLTRO III").

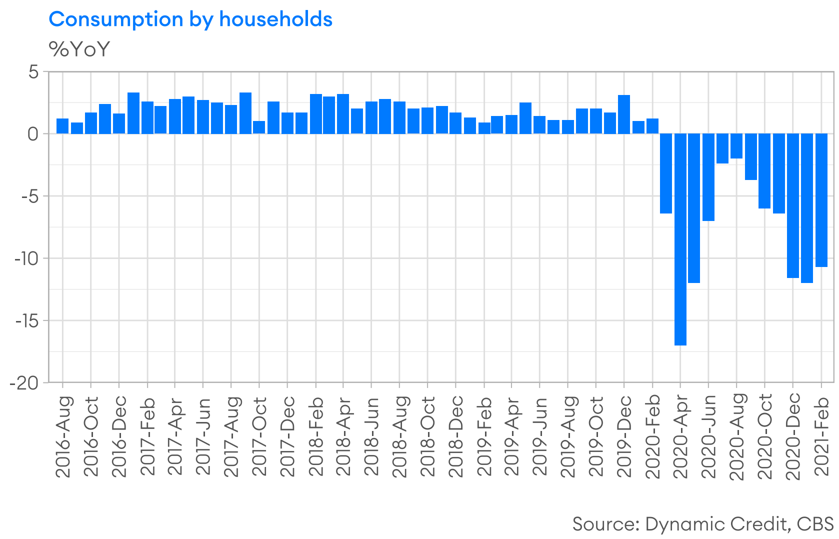


Figure 12: YoY change in consumption by Household in The Netherlands. As of February 2021.

Consumption[1]

In the past twelve months, domestic household consumption has been lower in each month compared to a year earlier. In December and January consumption declined by approximately 12.0%, while in February the consumption of households in the Netherlands was 10.7% lower compared to February 2020. The decrease in spending in these three months can be mainly attributed to the closing of shops classified as "non-essential", which means shops that do not sell food and care products.

Household consumption spending decreased by 10.7% in February, mainly due to mandatory closing of non-essential shops.

Unlike last quarter, the biggest drop in consumer spending in February was in durable goods, such as clothing, home furniture and electrical appliances (-18.2% YoY). In January, the spending on durable goods was even lower, with a decline of 25.4% (YoY). As of February, it was possible for consumers to pick up orders at the physical non-essential stores. Next to the drop in spending on durable goods, the spending on services such as visits to hairdressers, restaurants and entertainment also declined significantly (-15.1%), with a lot of these services closed for the entire month of February. Contrasting is spending on food, beverages and tobacco, which increased by 8.3%. This pattern has been visible for the past twelve months.

Dutch GDP estimates[2]

In the fourth quarter economic growth was stable throughout the quarter with a very small decline of -0.1% (GDP is published with a 1.5-month lag by the Central Bureau of Statistics and the 2021-Q1 number has not been published at the time of writing), while the YoY decline was 2.8%. Where consumption spending (both consumers and government) was the biggest driver of the third quarter growth, it slightly declined by 1% in the fourth quarter. The increase in import (2.4%) and

1 CBS - Consumptie huishoudens krimpt met bijna 11 procent in februari
2 CBS - Bbp, productie en bestedingen

export (3.1%) of goods had a positive effect on the QoQ growth, while the import and export of services had negative contribution. The same pattern with respect to import and export can be observed for the YoY decline.

Dutch business environment[1][2]

In 2020, 20% more companies were dissolved compared to 2019 with a total of 140,000 company dissolutions according to Statistics Netherlands ("CBS"). This is the third year in a row that this number has increased, but the increase was greater in 2020 than it was before. Especially in the third and fourth quarter the number increased, while the first and second quarter were more in line with 2018 and 2019. The share of business closures, which is measured relative to the total enterprise population, increased from 5.9% in 2018 to 7.4% in 2020.

Almost 89% of the businesses that were dissolved had only one person employed, while 10% of the cases concerned businesses with 2 to 9 persons employed and less than 1% represented businesses with 10 to 249 employees. Among the dissolved companies with more than one employee where mostly restaurants, cafeterias and lunchrooms, while the number of dissolved cafés remained stable compared to 2019.

While in February 2021 the number of corporate bankruptcies was at its lowest point since January 1991, the number increased in March with 56 to a monthly total of 163 companies that filed for bankruptcy. This level of bankruptcies is still lower than it was a year ago, when the number of bankruptcies was close to 300. Government support measures may play a significant role here. However, due to a higher than ever increase in company births and the record low number of bankruptcies, the total number of companies increased last year.

The enterprise population has been steadily rising over the past decade, with enterprise birth rates exceeding enterprise deaths. The outbreak of the corona virus did not change this trend. The highest growth rates can be observed in the education sector (8.2%), mainly driven by companies offering study guidance. Within the health and welfare sector a similar trend is observed, with home care enterprises contributing to the strong growth of the sector. Another interesting but not so surprising development was the increase in the number of online shops. More than 13,000 online shops were added in 2020, which is 24% more than in 2019. The biggest drop was observed in the accommodation and food related sectors.

Unemployment[3]

In the first quarter of 2021, the number of unemployed people declined by more than 10% to a total of 326,000 people. From the beginning of 2021 up to March, this is an average monthly decline of 14,000. The level of unemployment has been falling since August, when the number of unemployed peaked at 426,000. The equivalent percentage of unemployed versus the total labor force was 3.5% at the end of March, where it was 4.6% at the end of August. Currently, the unemployment rate is still higher than it was a year earlier, when it was 2.9%.

While the number of unemployed is still decreasing, the number of provided unemployment (WW) benefits has been relatively stable over the quarter. In March, 282,000 WW benefits were provided, compared to 286,000 by the end of December. Relative to one year ago, 12.7% more WW benefits were provided, when 250,000 people where eligible for benefits.

1 CBS - 68 thousand more companies in 2020 despite COVID-19

2 CBS - 20 percent more business closures in 2020

3 CBS - Unemployment further down

When looking within the group of people with WW benefits, it is worth mentioning that the number of young people with WW benefits declined with 6.7% relative to one month earlier, while the age groups "27 to 49" and "50 and over" remained relatively stable. Increases in the number of benefits were recorded in the cleaning, retail trade and food, beverages and tobacco sectors. In the seasonally sensitive agriculture sector, the largest drop was observed with a 6.3% decline.

Government support measures

Driven by the continuation of the containment measures throughout the first quarter and the likely presence in the coming months, the Dutch Government continued existing support programs and introduced new programs, two of them sector specific. Developments with respect to these support measures are listed below:[1]

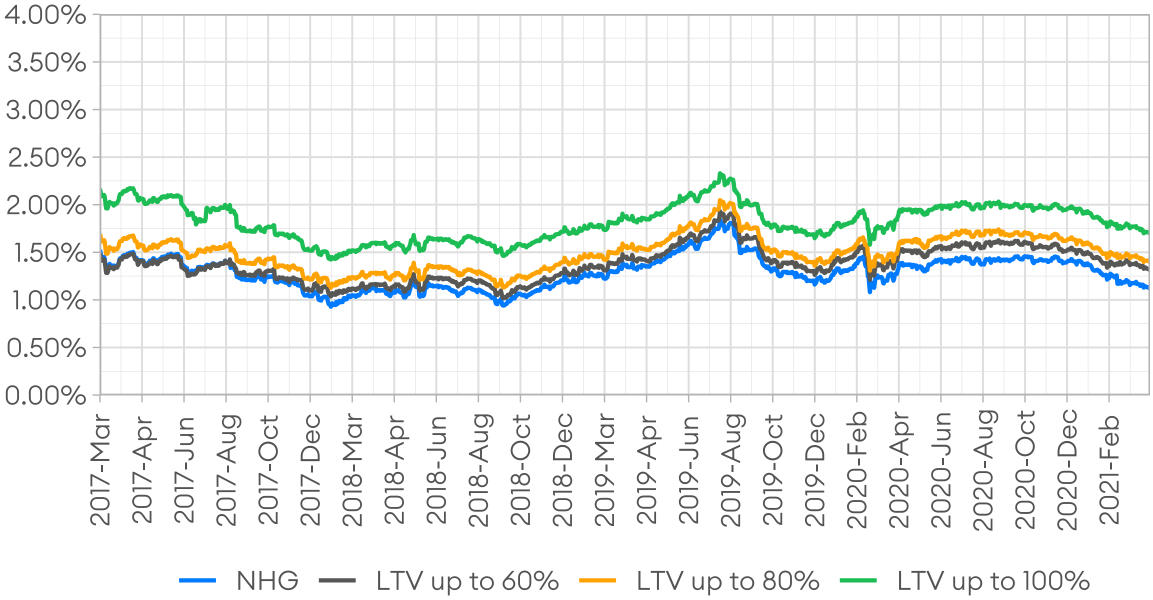
- **Temporary bridging measure for employment opportunities ("NOW"):** In the first three months of 2021 approximately 54,000 employers have applied for the funding of employment expenses. It is estimated that the salaries of more than half a million employees continue to be paid. This program will run until 1 July 2021.
- **Reimbursement of fixed costs ("TVL"):** The fixed costs compensation for companies that were forced to (partially) close their business will receive a 100% subsidy to compensate for fixed costs in Q2, where the subsidy was 85% before.
- **Temporary bridging measure for self-employed ("TOZO"):** The repayment date for self-employed persons who have taken out a working capital loan has been moved from 1 January 2021 to 1 July 2021.
- **Temporary Support Necessary Costs ("TONK"):** This measure can be requested since March and is there for people who can no longer pay necessary costs such as housing costs due to a decline in income (COVID-19 related). This support measure has already been expanded by EUR 130 million to a total of EUR 260 million and will be implemented by municipalities.
- **Guarantee fund for the events sector:** The government supports the event sector with an 80% compensation for incurred costs in case events need to be cancelled due to COVID-19 related restrictions. The remaining costs can be reimbursed in the form of a loan. A reservation of EUR 385 million has been made for this scheme.
- **Voucher credit scheme for traveling industry:** The European Commission approved a credit facility of EUR 400 million to support traveling agencies who would otherwise run into problems because they had to repay issued travel vouchers to travelers.

1 Rijksoverheid - Nieuwsberichten over Coronavirus: financiële regelingen

Appendix

Spread average top 6 per risk class

5-year fixed rate period

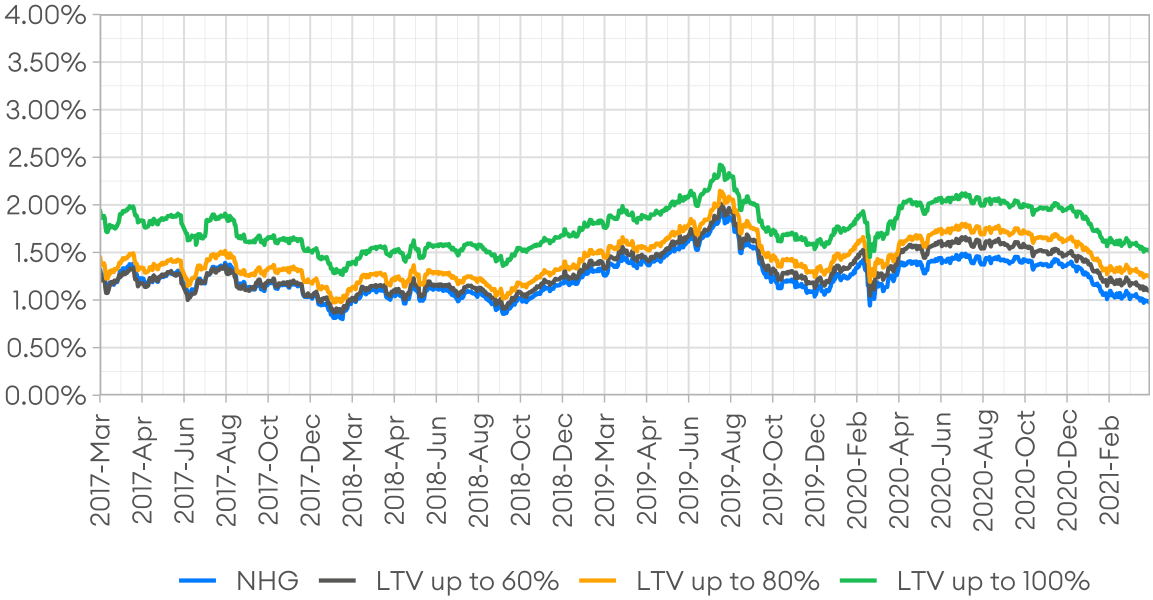


Source: Dynamic Credit, Hypotheekbond

Figure A1: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 5-year fixed rate period for four risk classes. Up to and including 27/4/2021.

Spread average top 6 per risk class

10-year fixed rate period



Source: Dynamic Credit, Hypotheekbond

Figure A2: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 10-year fixed rate period for four risk classes. Up to and including 27/4/2021.

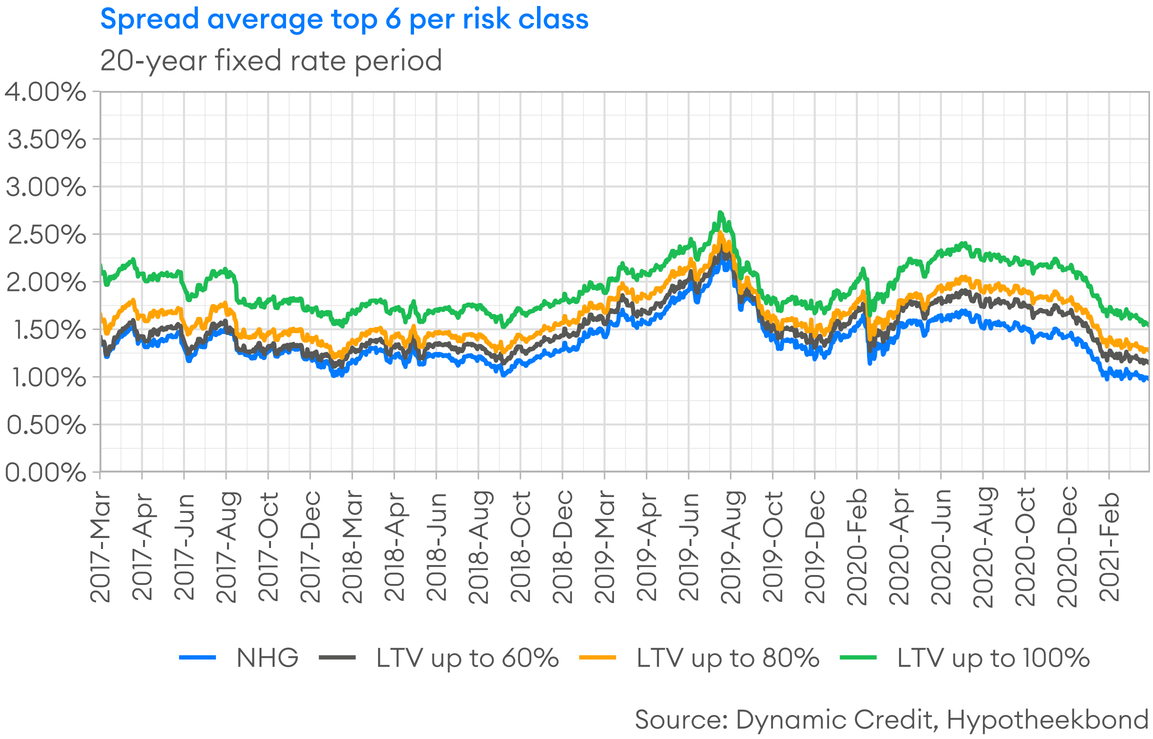


Figure A3: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 20-year fixed rate period for four risk classes. Up to and including 27/4/2021.

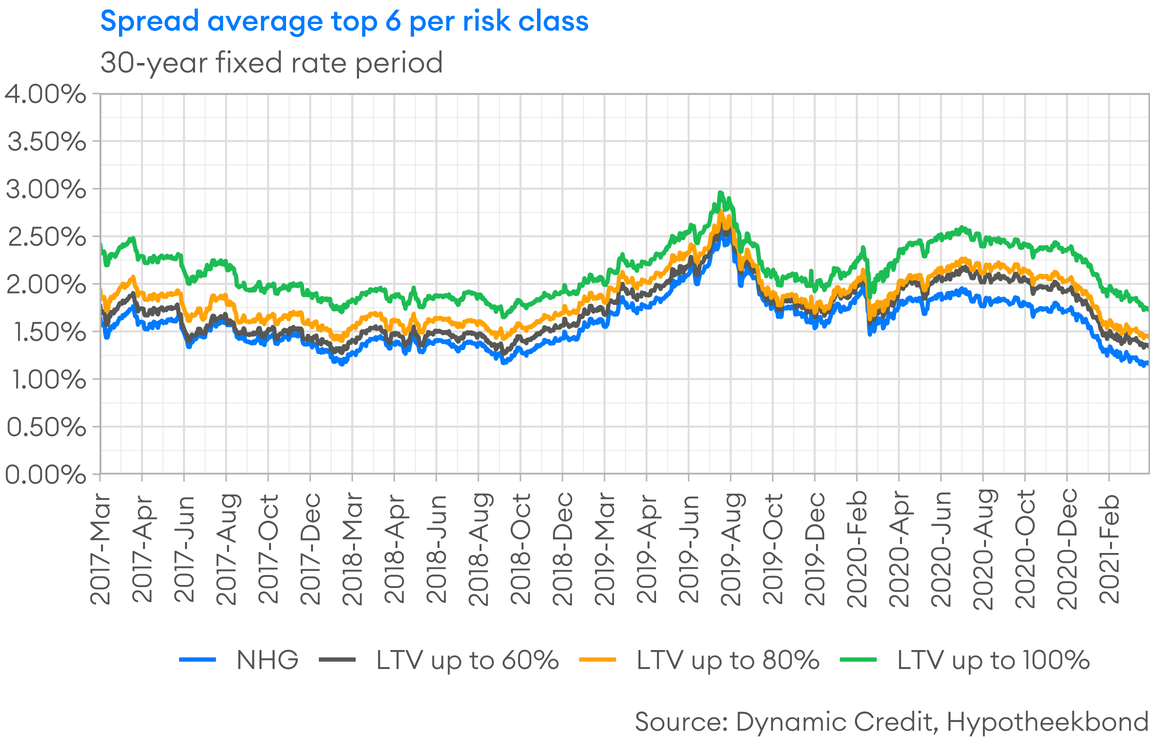


Figure A4: Spread of the average top-6 price leader mortgage rates (excluding action rates) for mortgage loans with a 30-year fixed rate period for four risk classes. Up to and including 27/4/2021.

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