

Disclaimer: This quarterly report is based on provisional figures for NHG that have not been audited.

## New NHG cost ceiling provides added value

In 2018 more homeowners took advantage of the opportunity to improve their customer situation via NHG than in the year before. In actual practice this means that borrowers benefit from low interest rates for loans with NHG; for high loan-to-value ratios these are approximately 20% lower than rates without NHG. Because of the lower mortgage rate, an annuity loan with NHG will be repaid sooner than the same loan without NHG. This then decreases the residual debt risk. The higher NHG cost ceiling as at 1 January 2019 provides added value for a larger group of first-time buyers, those trading up and those switching their mortgage. Home loans thus become more accessible and affordable and NHG contributes to a well-functioning housing market.

## Trends new guarantees

### GUARANTEES

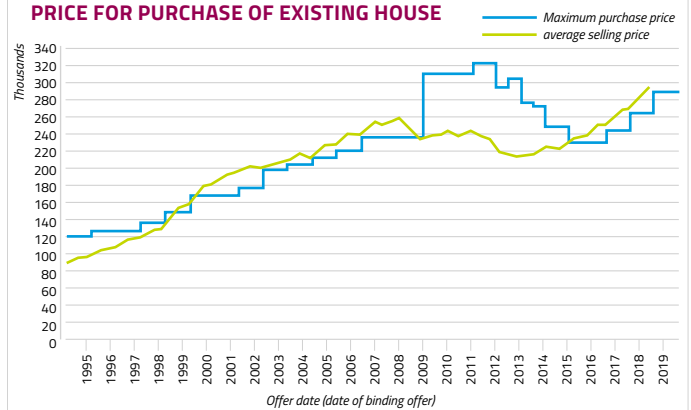
Volume rounded to nearest 100

	4 <sup>th</sup> Quarter		Year	
	2018	2017	2018	2017
<b>NHG total</b>	28,900	30,800	111,400	118,000
<b>NHG for house purchases</b>	22,300	26,400	88,500	101,200
<b>NHG for home improvements</b>	3,300	3,900	14,000	14,900
<b>NHG other</b>	3,300	500	8,900	1,800

### Decline in number of guarantees

The total NHG guarantees declined in the fourth quarter of 2018 by 6.2% year-on-year. The number of households that effected a mortgage loan with NHG to purchase a house declined in the fourth quarter of 2018 by 15.5% year-on-year. This drop was caused by a combination of the strong increase in house prices in the second half of 2018, the NHG cost ceiling of €265,000 and the year-on-year decline in the number of existing houses sold. In the fourth quarter, 2,600 of the 3,300 households in the NHG Other category (which includes the 1 euro mortgage switches) improved their customer situation by switching their mortgage to NHG. Of the total number of guarantees reported, the number of guarantees reported for the purchase of a house dropped from 85.7% in the last quarter of 2017 to 77.2% in the last quarter of 2018.

### MAXIMUM NHG PURCHASE PRICE AND AVERAGE SELLING PRICE FOR PURCHASE OF EXISTING HOUSE



### NHG cost ceiling follows average purchase price

The NHG cost ceiling determines the maximum purchase price of mortgaged property in order to be eligible for NHG loans: for purchases without energy-saving measures this maximum was €265,000 in 2018. In 2019 this ceiling will be increased to €290,000. Until 2017 the maximum purchase price was calculated based on the NHG cost ceiling and the additional costs.<sup>1</sup> The figure above shows both the development of the implicit maximum purchase price and the average purchase price of existing houses purchased by private individuals. It can be seen that the maximum purchase price follows the average purchase price.<sup>2</sup> During the credit crisis, when the NHG cost ceiling was increased (on 1 July 2009) from €265,000 to €350,000 and then gradually dropped to €245,000, the difference was much greater.

<sup>1</sup> See <https://www.nhg.nl/Professional/Advies-en-verstrekking/Aankoop-woning>

<sup>2</sup> Since 2017 the cost ceiling is calculated based on the average purchase prices in June, July and August of the year before and rounded to the nearest €5,000.

# Trends in control mechanisms and focus NHG

## CLAIMS MADE ON THE SURETYSHIP

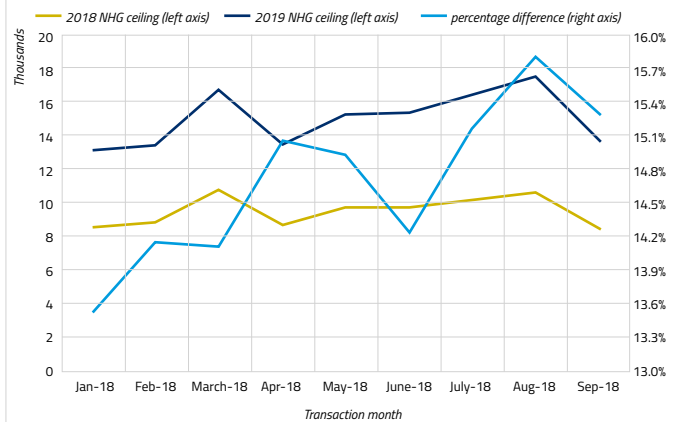
	4 <sup>th</sup> Quarter		Year	
	2018	2017	2018	2017
Number of loss claims submitted	182	456	1,007	2,124
% of loss claims processed	94%	100%	99%	100%
Number of loss claims honoured	157	415	905	1,912
Total loss amount under suretyship (A) *	3.0	10.4	18.4	51.9
Total loss amount paid out (B) *	2.8	9.3	16.8	48.8
Average loss amount paid out in EUR	17,897	22,528	18,607	25,512
Pay-out ratio (B/A)	94.0%	90.1%	91.7%	94.0%

\*based on loss claims honoured (x € 1,000,000)

### Decline in number of loss claims and average loss amount paid out

In 2018 well over one thousand households made a claim on NHG due to an unavoidable sale of their house at a loss; this is more than half of the number last year and approximately 0.075% of the number of active guarantees at year-end 2018. The average loss amount paid out declined year-on-year by well over 20% to approximately 17.9 thousand euros. NHG will continue in its efforts to prevent payment arrears on the one hand and customers from losing their homes on the other. In addition, by devoting structural attention to the quality of files NHG will be able, in cooperation with mortgage lenders, to pay out a large number of the loss claims and continue to achieve a high pay-out ratio.

## NUMBER OF MORTGAGES FOR THE PURCHASE OF AN EXISTING HOUSE WITHIN THE NHG CEILING



Source: Land Registry Office; edited by NHG.

### Additional possibilities for NHG

The increased NHG cost ceiling is expected to allow over 15% more purchases of existing houses to be financed with NHG at the start of 2019. Based on figures from the Land Registry Office it appears that, in the third quarter of 2018, about 15.5% of the existing houses with a maximum purchase price of €290,000 that were purchased with a mortgage loan came into the price category between the NHG cost ceiling in 2018 of €265,000 and the new ceiling in 2019 of €290,000. This additional room for financing a mortgage loan with NHG can be used not only by first-time buyers but also by those trading up and those switching their mortgage.

## Fund trends

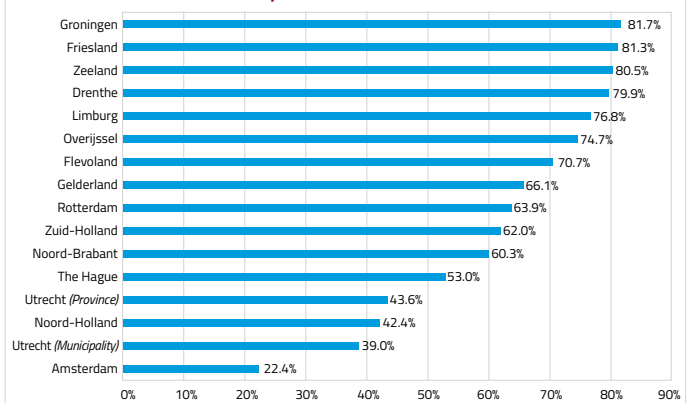
In 2018 the assets under management increased to a total of €1.255 billion. Despite the lower number of new guarantees, the income from suretyship fees from new guarantees resulted in an increase in assets under management, as the number of loss claims and the average loss amount declined at the same time. The fund's assets are deployed to support home owners in problem situations now and in future, and to absorb higher losses when the economic climate becomes unfavourable.

### FUND TRENDS

	Estimate as at 31-12-2018	Financial statements as at 31-12-2017	Financial statements as at 31-12-2016
Number of active guarantees	1,416,000	1,353,000	1,309,000
NHG liabilities x € 1 billion <sup>1</sup>	205	198	193
NHG assets under management x € 1 million <sup>2</sup>	1,255	1,104	970
Capital ratio <sup>3</sup>	0.61%	0.56%	0.50%

1. The maximum guaranteed liability is the sum of the nominal value minus the annuitised reduction of all current NHG loans.  
 2. The assets under management form the equity of WEW fund from which future losses will be paid.  
 3. The relationship between the maximum guaranteed liabilities and the assets under management.

## PERCENTAGE OF MORTGAGES WITH A MAXIMUM PURCHASE PRICE OF €290,000 IN SEPTEMBER 2018



Source: Land Registry Office; edited by NHG.

The above figure shows the number of mortgages within the NHG cost ceiling of 2019 in proportion to the total number of mortgages for existing houses purchased by private individuals in September 2018; this percentage has been determined for the twelve provinces and the four largest municipalities. Because of the high house prices in the Randstad conurbation (and Amsterdam in particular), only a small number of the transactions in the conurbation involving a mortgage loan are still eligible for NHG. At more than 80% this number is highest in the provinces of Groningen, Friesland and Zeeland. Minister Ollongren of the Ministry of the Interior and Kingdom Relations, indicated at the start of 2018 that she is not in favour of regional differentiation of the NHG cost ceiling because this could push prices up and result in additional complexity.<sup>3</sup>

3 See <https://www.rijksoverheid.nl/documenten/brieven/2018/04/20/afschrift-brief-aan-vereniging-eigen-huis>