

NHG: STRENGTHENING THE CASE FOR INVESTING IN DUTCH MORTGAGES

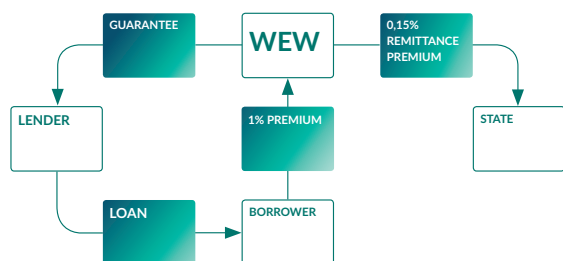
This factsheet gives you the main highlights of NHG and a quick reference to interesting facts for institutional and other investors who are considering investing in the Dutch mortgage market.

INTRODUCTION

The National Mortgage Guarantee scheme (NHG in Dutch) contributes to the unique strength of the mortgage market in the Netherlands. The Dutch housing market has many specific characteristics thanks to full right of recourse and good social security provisions (relating to pensions, unemployment benefits and incapacity for work). What makes this market even more unique is that the Homeownership Guarantee Fund (WEW in Dutch) offers extra certainty through its NHG-scheme. For house buyers, mortgage lenders and for investors.

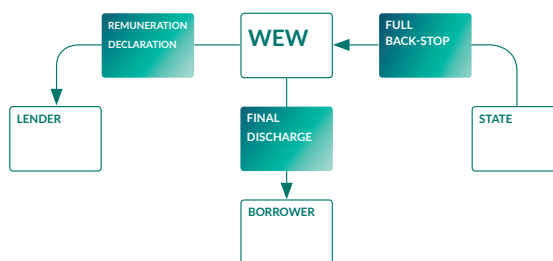
WHAT YOU NEED TO KNOW

- The Dutch government unconditionally stands surety for all guarantee commitments made by WEW. This minimizes the counterparty risk of WEW being unable to meet its financial obligations.



Origination of an NHG mortgage

to the residual debt. It also includes interest arrears (including penalties) and costs necessitated by the sale. What remains for lenders is a fixed own risk margin of 10%, which is applicable on mortgages that fall under the new tax regime (from 2014).



Process of declaration & final discharge

- Therefore it's no wonder that WEW has been awarded **triple A rating** (Fitch) and **Aaa** (Moody's).
- For lenders, the NHG-scheme **has a mitigating effect on credit risk**. NHG provides extensive cover; the surety is not limited
- The NHG's function as a credit risk mitigant (or CRM) is **recognized in the key regulatory frameworks**. It is included in the risk weighting of mortgages on the balance sheet of mortgage lenders. For banks, under the EU Capital Requirements Regula-

tion (CRR) and Capital Requirements Directive (CRD-IV), NHG is considered to be a CRM both in the standardized approach and in banks' internal models. For insurers, NHG is recognized as a CRM in Solvency II, although only in the internal models of insurers.

- **Over 50% of Dutch mortgages are issued with NHG.** In other words, these risk mitigating effects cover a significant share of the Dutch housing market.

AND IN PRACTICE: THE IMPACT OF NHG

During the financial crisis the Dutch government raised the threshold value¹ of NHG to support the housing market. This meant that even in challenging times more people were able to take out a safe NHG-backed mortgage and could still buy their own home. This crisis measure is an example of how WEW contributed to a healthy housing market. And throughout the crisis years the fund maintained a robust position. Even in one of the deepest financial crises seen in decades the WEW did not have to call on the Dutch government for back up.

Overall NHG contributes to the stability and liquidity of the mortgage system in the Netherlands, even when times are bad.

¹ Prior to this the NHG threshold value was linked to the average purchase price of homes in the Netherlands.

ABOUT NHG AND THE HOMEOWNERSHIP GUARANTEE FUND (WEW) HELPING HOMEOWNERS, SUPPORTING THE HOUSING MARKET.

- AUTONOMOUS, NOT-FOR-PROFIT, PRIVATE ORGANIZATION.
- IMPROVES HOMEOWNERS' ACCESS TO DUTCH HOUSING MARKET
- +/- €190 BILLION IN MORTGAGE LOANS
- +/- 1.3 MILLION ACTIVE GUARANTEES

