Achmea Bank N.V.
Interim Report
2017

KvK 27154399

Executive Board Report

STATEMENT OF THE EXECUTIVE BOARD OF ACHMEA BANK N.V. (ACHMEA BANK)

The Executive Board reviewed the Achmea Bank Condensed Consolidated Interim Financial Statements and authorised them for submission to the Supervisory Board. The Achmea Bank Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2017 were authorised for issue in accordance with the resolution of the Executive Board on 2 August 2017.

The Executive Board of Achmea Bank declares that, to the best of its knowledge, the Achmea Bank Condensed Consolidated Interim Financial Statements 2017 give a true and fair view of the assets, liabilities, financial position and net profit of Achmea Bank. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with the International Financial Reporting Standards, including International Accounting Standards (IAS) and Interpretations as adopted by the European Union, specifically IAS 34 'Interim Financial Reporting'. The Executive Board of Achmea Bank is of the opinion that the information contained in these Condensed Consolidated Interim Financial Statements has no omissions likely to modify significantly the scope of any statements made. Furthermore, the Executive Board of Achmea Bank declares that the Board Report includes a fair view of the information required pursuant to section 5:25d, subsection 8 and 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Tilburg, 2 August 2017

The Executive Board

P.J. Huurman, Chief Executive Officer
P.C.A.M. Emmen, Director Finance & Risk (as of 1 April 2017)
V.J. Teekens, Director Operations

Executive Board Report

- Achmea Bank reported a profit before tax of EUR 13 million (EUR 10 million after tax) for the first half-year of 2017
- The Common Equity Tier 1 Capital Ratio stabilized at 19.1%
- Servicing of mortgage portfolio successfully migrated to Quion
- Achmea Bank agreed to implement a new system for administration of savings products

Achmea Bank reported a profit before tax of EUR 13 million (H1 2016 a loss of EUR 3 million) over H1 2017. This result includes the following exceptional items: release of the Acier loan loss provision of EUR 7 million, addition to the provision for penalty interest for early redemptions on mortgage loans of EUR 4 million and a positive fair value result of EUR 4 million.

The operating result for the first-half of 2017, excluding the above mentioned exceptional items, increased to EUR 6 million (H1 2016: EUR 1 million). Lower operating expenses of EUR 3 million and lower impairment charges relating to the regular portfolio of EUR 2 million were partly compensated by a lower interest margin of EUR 2 million. Furthermore the fees and commission income and expenses increased by EUR 2 million due to the origination of mortgages for Achmea Pensioen & Leven N.V.

The nominal value of the regular mortgage portfolio stabilized at EUR 10.8 billion. Production of new mortgages increased to EUR 0.5 billion (H1 2016: EUR 104 million), prepayments stabilized at EUR 0.5 billion (H1 2016: EUR 0.5 billion). As part of the retirement benefit strategy Centraal Beheer has been successfully positioned as a mortgage label. The origination of mortgages for Achmea Pensioen & Leven N.V. increased to EUR 0.3 billion (H1 2016: EUR 0.03 billion).

Wholesale funding decreased due to the redemption of DMPL X RMBS notes (EUR 0.5 billion). Since the end of 2016 the savings portfolio slightly increased to EUR 6.1 billion. Achmea Bank aims to replace its current, unregistered covered bond programme by a DNB registered conditional pass-through covered bond programme in H2 2017.

As per 1 May 2017 Achmea Bank has successfully migrated the servicing of its mortgage portfolio and a part of its lending process connected with the mortgage portfolio to Quion. Furthermore an agreement with Able was signed to migrate to EuroPort+ as a new administration system for savings products and payments. Through the strategic partnerships with Quion and Able, Achmea Bank aims to improve customer service, increase flexibility and achieve a structural cost reduction.

In 2017 Achmea Bank completed the acquisition of the remaining part of the loan activities of Staalbankiers N.V. by the transfer EUR 21 million of loans and EUR 36 million of saving deposits related to the former loan and savings portfolios of Staalbankiers.

The Common Equity Tier 1 Capital ratio stabilized at 19.1% as per June 2017 (19.1% at the end of 2016). The positive effect of the addition of the 2016 profit is compensated by the negative impact of the redemption of DMPL X and the impact of refinement in the valuation methodology of the underlying collateral. Since year-end 2016 Achmea Bank has retained its long-term outlook rating of A/stable (Fitch). Standard and Poor's revised the rating of Achmea Bank per 31 March 2017 from A-/ Stable to A-/Negative.

As of 1 April 2017 Mr. Pieter Emmen has succeeded Mr. Ronald Buwalda as Director of Finance & Risk of Achmea Bank.

INTEREST MARGIN

In H1 2017 the interest margin decreased by EUR 6 million, mainly as a result of decrease in penalty interest for compensation of early redemption of EUR 3 million and EUR 2 million lower income on the Bank's liquidity position. Lower interest income on the mortgage portfolio was compensated by lower funding costs for both the wholesale funding and the retail savings portfolio. Furthermore, the provision for penalty interest for early redemptions on mortgage loans, increased by EUR 4 million to a total of EUR 5 million, mainly caused by AFM guidelines of March 2017 which created further clarity about the mortgage credit directive from July 14th 2016.

FAIR VALUE EFFECTS

The fair value result amounted to a profit of EUR 4 million (H1 2016: EUR 4 million loss). The fair value result is an accounting result that is compensated for in other reporting periods, generally reflecting a pull to par as the underlying derivatives (used for hedging interest rate exposure) approach maturity.

OPERATING EXPENSES

The operating expenses decreased by EUR 3 million compared to the same period last year. This is mainly due to lower contribution of Achmea Bank in the general costs of Achmea B.V. for the preparation of the retirement benefit strategy (EUR 3 million). The servicing fees of Quion in H1 2017 amount to EUR 2 million, the outsourcing of mortgages is expected to result in significant cost savings from H2 2017 onwards. Furthermore, distribution costs decreased with EUR 2 million.

The operating expenses in H1 2017 includes an amount of EUR 6 million (H1 2016: EUR 6 million) for bank-related levies for the resolution fund and the deposit guarantee scheme.

RESULT OF THE ACIER PORTFOLIO

The result of the Acier portfolio, excluding releases of the loan loss provision, amounts to a loss of EUR 1 million. The interest margin of this portfolio amounts to EUR 1 million and the total operating expenses are EUR 2 million, and mainly consist of personnel costs. Achmea B.V. issued a capped guarantee to cover credit risk and legal claims related to this portfolio. Based on this contract Achmea Bank can claim a part of the credit losses and legal claims on the Acier portfolio with Achmea B.V. In H1 2017, Achmea Bank did not make use of this guarantee, since there was a net release of EUR 7 million . The releases of the loan loss provision were related to a limited number of individual loans and are not expected to be structural. The guarantee is calculated on an annual basis, therefore the releases in the loan loss provisions in the first half of 2017 may be compensated by possible credit losses in the second half of 2017.

PORTFOLIO PERFORMANCE

The net release of the loan loss provision amounts to EUR 8 million (H1 2016: EUR 2 million net addition), which is mainly driven by releases of the loan loss provision of the Acier portfolio of EUR 7 million.

The provision for the regular portfolio decreased from 13 basis points of the mortgage portfolio as per year-end 2016 to 9 basis points as per June 2017, mainly as a result of better economic circumstances. These better circumstances also lead to a decrease in the amount of write-offs to 3 basis points on an annual base (H1 2016: 10 basis points).

UNCERTAINTIES IN THE SECOND HALF YEAR OF 2017

The risks and uncertainties to which Achmea Bank is exposed are described in detail in the Risk Management paragraph of the Consolidated Financial Statements 2016. The Risk Management paragraph also describes the bank’s risk management and control system on the basis of strategic risk analysis and the identified significant risks.

There are no other material risks and uncertainties that need to be discussed in this respect.

OUTLOOK

In the current low interest environment pressure on interest income is expected to continue. Funding expenses are expected to decline further. Operating expenses, excluding regulatory levies, in the second half of 2017 are expected to slightly decline. Lower costs as a result of outsouring to Quion are partly compensated by higher project costs mainly related to regulatory projects. We expect the number of defaults in the regular portfolio to continue to decline. Given the specific character and macro-economic uncertainty we do not make predictions regarding loan impairments in the Acier portfolio and fair value effects. In all, we expect the net result in the second half of 2017 to be lower compared to the level of the first half.

Tilburg, 2 August 2017

The Executive Board

P.J. Huurman, Chief Executive Officer
P.C.A.M. Emmen, Director Finance & Risk (as of 1 April 2017)
V.J. Teekens, Director Operations

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE IN THOUSANDS OF EUROS	2017 REVIEWED	2016 REVIEWED
Interest income	219,064	251,857
Interest expenses	171,209	198,390
Interest margin	**47,855**	**53,467**
Changes in fair value of financial instruments	3,672	-3,813
Interest margin and changes in fair value of financial instruments	**51,527**	**49,654**
Other income	1,027	1,177
Fees and commission income and expenses	2,014	522
Operating income	**54,568**	**51,353**
Impairment on financial instruments and other assets	-7,860	1,744
Operating expenses	49,198	52,483
Operating profit before income taxes	**13,230**	**-2,874**
Income tax expenses	3,308	-719
Net profit	**9,922**	**-2,155**
Operating profit before income taxes regular Achmea Bank portfolio	5,325	-1,241
Operating profit before income taxes Acier portfolio	7,905	-1,633
Operating profit before income taxes Achmea Bank	**13,230**	**-2,874**
Net fair value adjustments on available-for-sale financial assets	-231	-101
Other comprehensive income for the period (will be fully recycled through P&L)	-231	-101
Total comprehensive income for the period	**9,691**	**-2,256**
Net profit:		
Attributable to owners of the parent	9,922	-2,155
Net profit for the period	**9,922**	**-2,155**
Total comprehensive income:		
Attributable to owners of the parent	9,691	-2,256
Total comprehensive income for the period	**9,691**	**-2,256**

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

IN THOUSANDS OF EUROS	30 JUNE 2017	31 DECEMBER 2016
	REVIEWED	AUDITED
Assets		
Cash and balances with Central Banks	223,959	658,325
Derivative assets held for risk management	207,864	255,510
Loans and advances to banks	996,010	1,117,344
Loans and advances to public sector	733	15,820
Loans and advances to customers	12,242,168	12,503,018
Interest-bearing securities	400,889	401,182
Current tax assets	2,182	2,182
Prepayments and other receivables	152,697	31,849
Total assets	**14,226,501**	**14,985,230**
Liabilities		
Derivative liabilities held for risk management	657,850	764,533
Deposits from banks	146,352	97,411
Funds entrusted	6,303,382	6,388,454
Debt securities issued	6,214,284	6,825,449
Provisions	4,928	1,065
Current tax liabilities	6,820	4,678
Deferred tax liabilities	26,490	25,401
Accruals and other liabilities	25,449	46,762
Subordinated liabilities	8,114	8,336
Total liabilities	**13,393,670**	**14,162,089**
Share capital	18,152	18,152
Share premium	505,609	505,609
Reserves	309,071	299,380
Total Equity	**832,832**	**823,141**
Total Equity and liabilities	**14,226,501**	**14,985,230**

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Share capital	Share premium	Fair value reserve	Profit for the year	Other reserves	Total equity
Balance as at 1 January 2017	**18,152**	**505,609**	**1,399**	**12,976**	**285,005**	**823,141**
Total comprehensive income for the period						
Profit or loss	-	-	-	9,922	-	9,922
Other comprehensive income, net of income tax						
Change in fair value net of income tax (will be fully recycled through income statement)	-	-	-231	-	-	-231
Total comprehensive income for the period	**-**	**-**	**-231**	**9,922**	**-**	**9,691**
Transaction with owners, recognised directly in equity						
Appropriation of profit 2016	-	-	-	-12,976	12,976	-
Total contributions by and distributions to owners	**-**	**-**	**-**	**-12,976**	**12,976**	**-**
Balance as at 30 June 2017	**18,152**	**505,609**	**1,168**	**9,922**	**297,981**	**832,832**
Balance as at 1 January 2016	**18,152**	**472,109**	**1,071**	**4,467**	**280,533**	**776,332**
Total comprehensive income for the period						
Profit or loss	-	-	-	-2,155	-	-2,155
Other comprehensive income, net of income tax						
Change in fair value net of income tax (will be fully recycled through income statement)	-	-	-101	-	-	-101
Total comprehensive income for the period	**-**	**-**	**-101**	**-2,155**	**-**	**-2,256**
Transaction with owners, recognised directly in equity						
Appropriation of profit 2015	-	-	-	-4,467	4,467	-
Total contributions by and distributions to owners	**-**	**-**	**-**	**-4,467**	**4,467**	**-**
Balance as at 30 June 2016	**18,152**	**472,109**	**970**	**-2,155**	**285,000**	**774,076**

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE IN THOUSANDS OF EUROS	2017 REVIEWED	2016 REVIEWED
Cash flow from operating activities		
Net profit	**9,922**	**-2,155**
Adjustments for non-cash items in the result:		
Impairment on financial instruments and other assets	-7,860	1,744
Net interest income and other income	-48,882	-54,643
Changes in derivatives held for risk management	-76,253	33,011
Changes in fair value of financial instruments	-3,672	3,813
Other non-cash items	93,855	-42,114
Income tax expense	3,308	-719
	-29,582	-61,063
Changes in operating assets and liabilities:		
Loans and advances to banks	150,377	53,477
Loans and advances to public sector	15,012	116,011
Loans and advances to customers	153,125	439,752
Prepayments and other receivables	-147,374	-18,744
Deposits from banks	48,952	16,380
Funds entrusted	-42,029	-4,083
Changes in tax assets and liabilities	-78	-496
Accruals and other liabilities	5,662	39,089
Interest received	241,705	251,716
Interest paid	-189,470	-215,969
	235,882	**677,134**
Net cash flow from operating activities (1)	**206,300**	**616,071**
Cash flow from investing activities		
Interest-bearing securities purchases	-166,492	-125,193
Interest-bearing securities sales	166,006	198,358
Net cash flow from investing activities (2)	**-486**	**73,165**
Cash flow from financing activities		
Repayments Debt securities issued	-930,326	-1,309,681
Purchases Debt securities issued	319,159	109,009
Debt securities issued	**-611,167**	**-1,200,672**
Net cash flow from financing activities (3)	**-611,167**	**-1,200,672**
Net cash flow (1) + (2) + (3)	**-405,353**	**-511,436**
Cash and balances with Central Banks as at 1 January	658,325	731,360
Cash and balances with Central Banks as at 30 June	223,959	161,179
Movement Cash and balances with Central Banks	**-434,366**	**-570,181**
Movement in Bank overdraft	29,013	58,745
Movement in cash and cash equivalents	**-405,353**	**-511,436**
Reconciliation of Cash and cash equivalents		
Movement Cash and balances with Central Banks	-434,366	-570,181
Movement Loans and advances to banks on demand	29,013	58,745
Movements in cash and cash equivalents	**-405,353**	**-511,436**

Notes to The Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

GENERAL

Achmea Bank N.V. is situated in Tilburg (the Netherlands) with its registered office in The Hague (the Netherlands). The core products of Achmea Bank N.V. (Achmea Bank, 'the Bank') consist of savings products for private individuals and owner-occupied residential mortgage loans for properties in the Netherlands.

BASIS OF PRESENTATION

The Condensed Consolidated Interim Financial Statements of Achmea Bank have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The accounting policies used to prepare these Condensed Consolidated Interim Financial Statements are in accordance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations as at 30 June 2017 as adopted by the European Union. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Achmea Bank N.V. Consolidated Financial Statements 2016. The Achmea Bank N.V. Consolidated Financial Statements 2016 are available on www.achmeamortgagebank.com. All amounts in the Condensed Consolidated Interim Financial Statements are in millions of euros unless stated otherwise.

CHANGES IN REPORTING

The accounting policies and methods of computation are the same as those applied in the 2016 Financial Statements.

The following Standards and Interpretations were issued in 2017 or prior years but have a future application date and are not yet applied by Achmea Bank in preparing its Condensed Consolidated Interim Financial Statements 2017.

IFRS 9 FINANCIAL INSTRUMENTS

Description
IFRS 9 introduces an approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. IFRS 9 states that an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income. The new model also results in a single impairment model being applied to all financial instruments. As part of IFRS 9, the IASB has introduced an expected-loss impairment model that will require entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses in case of a significant credit deterioration. IFRS 9 introduces a model for hedge accounting that aligns the accounting treatment with risk management activities. The standard is effective for reporting periods beginning on or after 1 January 2018, with early application permitted. This standard has been endorsed by the EU on November 22nd 2016.

Status implementation Achmea Bank
Achmea Bank has set up a multidisciplinary implementation team with members of Finance, Risk Management, and IT to prepare for IFRS 9 application. The project has several work streams, including the work streams for classification and measurement, impairment, hedge accounting and disclosure.

Classification and measurement of financial instruments
Financial assets should be classified and measured in accordance with the business models of Achmea Bank as well as by the type of contractual cash flows of the underlying financial assets. Both elements determine whether they will be measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss account (FVtPL). Achmea Bank expects its IFRS9 classification and measurement for most financial instruments to be in line with IAS 39, therefore the impact of IFRS 9 is expected to be limited.

Hedge accounting
IFRS 9 allows entities to continue with hedge accounting as applied under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018. Achmea Bank has already decided to continue to apply hedge accounting as applied under IAS 39.

Impairment
The new IFRS 9 impairment requirements replace the IAS 39 criteria for the recognition of credit losses and change the impairment model from a incurred loss model to an expected loss model. Achmea Bank expect an increase of the loan loss provision for both the regular Achmea Bank portfolio as well as the Acier portfolio when implementing IFRS 9. The impact for the Acier portfolio will be compensated for

Notes to The Condensed Consolidated Interim Financial Statements

the biggest part by the guarantee of Achmea B.V. Currently the timing of this compensation is being studied to minimize the impact on capital ratio's.

IFRS 15 Revenue from Contracts with Customers

Description
The standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide accounting principles for transactions that were not previously addressed comprehensively (for example service revenue and contract modifications) and provide principles for multiple-element arrangements. IFRS 15 Revenue from Contracts with Customers is effective for reporting periods beginning on or after 1 January 2017, with early application permitted. In 2015, the IASB decided to defer the effective date from 1 January 2017 to 1 January 2018. In 2016 the IASB issued amendments to clarify a number of requirements in IFRS 15 with regard to the application of the standard. The IASB also issued amendments to ease the first application of the standard. This standard has been endorsed by the EU on September 22nd 2016.

Expected impact on Total equity / Net profit
We have evaluated the impact of this standard. As interest income is not in scope for IFRS 15, the standard will have no material impact on Total equity and Net result of Achmea Bank.

CONSOLIDATION AND ACCOUNTING FRAMEWORK

The Condensed Consolidated Interim Financial Statements comprise Achmea Bank and its subsidiaries. For the preparation of the Condensed Consolidated Interim Financial Statements managerial judgments, estimates and assumptions are used (e.g. for some of the reported assets and liabilities and the reported amounts of revenues and expenses for the accounting period). The actual outcome may deviate from these assumptions. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgments made by management in applying Achmea Bank's accounting policies and the key sources of estimation uncertainties were the same as those that were applied to the Consolidated Financial Statements of Achmea Bank for the year ended 31 December 2016.

RELATED PARTIES

Achmea Bank is a wholly-owned subsidiary of Achmea B.V. 'Related parties' refers to other companies in the group and members of the Supervisory Board and Executive Board of Achmea Bank. Banking transactions involve related parties as part of ordinary operations. Disclosures concerning the related parties are included in the Consolidated Financial Statements of Achmea Bank for the year ended 31 December 2016. There have been no changes in the nature or the size of the transactions involving related parties other than those arising from ordinary operations.

SEGMENTATION

In the internal reports used by the Executive Board to allocate resources to the operating segments and to monitor performance targets, Achmea Bank is identified as a single operating segment. Because the Acier portfolio differs in characteristics from the typical Achmea Bank mortgages, this portfolio is qualified as a non-core portfolio. The income statement contains a breakdown of the operating profit before income taxes for the regular Achmea Bank portfolio and the Acier portfolio. Furthermore, the financial risk management paragraph includes separate information about the credit risk profile of this portfolio.

ESTIMATES

In preparing the Condensed Consolidated Interim Financial Statements use was made of estimates and assumptions (including certain reported amounts in the Condensed Consolidated Interim Financial Statements for the period under review). The principal sources of estimates and the judgments made are the same as those used in preparing the Consolidated Financial Statements of Achmea Bank for the year ended 31 December 2016.

Notes to The Condensed Consolidated Interim Financial Statements

2. FINANCIAL PERFORMANCE

Achmea Bank reported a profit before tax of EUR 13 million (H1 2016 a loss of EUR 3 million) over H1 2017. This result includes the following exceptional items: release of the Acier loan loss provision of EUR 7 million, addition to the provision for penalty interest for early redemptions on mortgage loans of EUR 4 million and a positive fair value result of EUR 4 million.

The operating result for the first-half of 2017, excluding the above mentioned exceptional items, increased to EUR 6 million (H1 2016: EUR 1 million). Lower operating expenses of EUR 3 million and lower impairment charges relating to the regular portfolio of EUR 2 million were partly compensated by a lower interest margin of EUR 2 million. Furthermore the fees and commission income and expenses increased by EUR 2 million due to the origination of mortgages for Achmea Pensioen & Leven N.V.

3. FINANCIAL RISK MANAGEMENT

A INTRODUCTION

The Condensed Consolidated Interim Financial Statements do not include all financial risk management information and disclosures required in the Annual Financial Statements and should therefore be read in conjunction with the Consolidated Financial Statements 2016 of Achmea Bank. There have been no significant changes in the risk management department or in any of the risk management policies since year-end.

B CAPITAL MANAGEMENT

The Bank must hold sufficient capital buffers to cover the risks arising from its operations. Pillar I offers guidelines for calculating the minimum amount of capital that needs to be held, according to regulators, in relation to credit risk, market risk and operational risk. Under the rules, the capital adequacy requirements relating to these risks can be calculated in a number of ways with varying degrees of sophistication. The Bank uses the standardized approach to calculate the risk weightings of its assets.

The Bank's policy is to maintain a strong capital position in order to retain investor confidence as well as creditor and market confidence, and thus foster the future development of the business.

Under the Dutch Financial Markets Supervision Act (Wft), banks are required to maintain minimum capital ratios. The Bank fully complied with external and internal minimum capital requirements throughout the year with a Common Equity Tier 1 Capital Ratio of 19.1% and a total Capital Ratio of 19.2% as at 30 June 2017. The positive effect of the addition of the 2016 profit is compensated by the negative impact of the redemption of DMPL X and the impact of refinement in the valuation methodology of the underlying collateral.

QUALIFYING CAPITAL AND CAPITAL RATIO

IN MILLIONS OF EUROS	30 JUNE 2017	31 DECEMBER 2016
Share capital	18	18
Share premium reserve	506	506
Reserves	299	286
Deductions	-2	-2
Common Equity Tier 1 Capital	**821**	**808**
Lower Tier 2	5	5
Total own funds	**826**	**813**
Total risk exposure amount	**4,294**	**4,237**
Common Equity Tier 1 Capital Ratio	**19.1%**	**19.1%**
Total Capital Ratio	**19.2%**	**19.2%**
Total Capital Ratio excl. Acier portfolio	**16.6%**	**16.8%**

Notes to The Condensed Consolidated Interim Financial Statements

C CREDIT RISK

Credit risk is defined as the risk that a counterparty cannot (fully) meet its obligations to Achmea Bank. Credit risk consists of retail credit risk and the credit risk related to exposures to professional counterparties.

RETAIL CREDIT RISK

Achmea Bank's policy on credit risk revolves primarily around counterparty risks associated with residential mortgage loans. Appropriate underwriting criteria for new clients and active credit risk management for existing clients safeguard the quality of the mortgage loan portfolio.

Stringent procedures are in place to monitor payment arrears. Borrowers that are in arrears for more than three months are transferred to Late Collections of Achmea Bank's Default Management Department. This department is responsible for account management and debt collection.

COUNTERPARTY CREDIT RISK

The counterparty risk on exposures to governments and financial institutions is primarily associated with investment activities and cash management. When determining country limits and limits for financial institutions, Achmea Bank applies a risk mitigation policy that complies with the relevant group policy. To manage counterparty risk, the Bank imposes individual counterparty limits on both exposure and maturity. These limits are approved by the Asset and Liability Committee (ALCO) and the Finance & Risk Committee (F&RC) of the Bank.

Achmea Bank uses Credit Support Annexes (CSA) to reduce the exposure to counterparty risk on derivatives. No impairments were recognized on these counterparty positions in 2017.

As per June 2017 the net exposure to counterparty risk on derivatives amounted to EUR 92 million positive (year-end 2016: EUR 58 million positive) and consisted of the total fair value of the derivatives and the collateral position. This net exposure relates primarily to exposures of counterparties for which the bank has no CSA. The net balance sheet counterparty-risk-related value adjustment was EUR 0.3 million (year-end 2016: EUR 0.3 million). That includes both CVA and DVA exposure.

Credit quality by financial asset class

The following table shows the credit quality of the mortgage loans based on Loan to Market Values for the Achmea Bank portfolio and the Acier portfolio. The Loan to Market Value is the internally used classification of mortgages for the evaluation of credit quality.

IN MILLIONS OF EUROS		
REGULAR ACHMEA BANK PORTFOLIO	30 JUNE 2017	31 DECEMBER 2016
	Reviewed	Audited
NHG	2,809	2,731
< 75%	3,913	3,690
< 90%	1,254	1,284
< 110%	1,769	2,326
< 125 %	705	666
>= 125%	252	59
Total	**10,702**	**10,756**

ACIER PORTFOLIO (RESIDENTIAL PART)	30 JUNE 2017	31 DECEMBER 2016
	Reviewed	Audited
NHG	-	-
< 75%	324	335

Notes to The Condensed Consolidated Interim Financial Statements

< 90%	80	79
< 110%	145	161
< 125 %	71	65
>= 125%	264	293
Total	**885**	**933**

Of the total amount of loans and advances to customers, an amount of EUR 86 million (year end 2016: EUR 117 million) is past due but not impaired.

The allowance for losses on loans and advances related to the loan portfolio amounts to EUR 52.5 million (year end 2016: EUR 73.4 million), of which EUR 43.1 million (year end 2016: EUR 61.9 million) relates to the Acier portfolio.

As compared to year-end 2016 there has been no material change in the classification of the bank's other financial assets. Investments and derivatives are categorised by external credit ratings (Standard & Poor's).

D LIQUIDITY

In the first half of 2017, Achmea Bank redeemed the notes of DMPL X (EUR 0.5 billion) at first optional redemption date. The amount of savings remained stable at EUR 5.9 billion (year end 2016: EUR 5.9 billion).

Compared to year end, there has been no material change in the undiscounted contractual cash flows of financial liabilities.

E FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

Fair value is the price that an asset could be sold for or that would need to be paid to transfer a liability in an orderly transaction between market participants at measurement date.

- Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2:

Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or valuation techniques where all significant inputs are directly or indirectly observable from market data

- Level 3:

Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and for which those inputs have a significant effect on the valuation. The total of gains and losses reported for financial instruments with a level 3 fair value (including the effect of related derivatives) came to a net profit of EUR 1.0 million (first half year 2016: net profit EUR 1.5 million) which was included in the statement of comprehensive income as part of the Changes in fair value of financial instruments. The addition to the legal reserves for the financial assets at fair value through profit and loss is part of the addition of the profit of prior years to the reserves. The fair value of the financial assets at fair value through profit and loss exceeds its amortised cost by EUR 8.0 million (December 2016: 7.7 million).

Use of valuation techniques and the valuation process for level 2 and 3 instruments

No changes were made to the valuation techniques of level 2 and 3 instruments in H1 2017.

Loans and advances to customers (level 3)

Part of the total loans and advances to customers is measured at fair value. These loans are valued using pricing models based on the net present value of estimated future cash flows. The pricing models are based on current market data such as the euro swap curve. In addition to the euro swap curve, there are also unobservable market inputs. The unobservable market inputs include a spread which is

Notes to The Condensed Consolidated Interim Financial Statements

embedded in the discount curve. The total spread is based on the pricing of mortgages within the market and varies from 84 to 251 basis points.

An increase of the spread by 10 basis points results in a decrease in the fair value of loans and advances to customers measured at fair value of EUR 0.9 million.

Although the bank opines that its estimates of fair value are good approximations, the use of different methodologies or assumptions could lead to different measurements of fair value.

Changes in the fair value hierarchy in 2017

No changes were made in the classification of the fair value hierarchy in 2017.

FAIR VALUE HIERARCHY FINANCIAL INSTRUMENTS

AS AT 30 JUNE 2017				
REVIEWED				
IN THOUSANDS OF EUROS				
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets held for risk management				
Interest rate swaps	-	61,068	-	61,068
Currency swaps	-	68,880	-	68,880
Foreign exchange derivatives	-	2,416	-	2,416
Back to back swaps and interest caps	-	75,500	-	75,500
	-	**207,864**	**-**	**207,864**
Financial assets designated at fair value				
through profit or loss				
Investment securities	-	-	-	-
Private sector loans and advances	-	-	253,803	253,803
	-	**-**	**253,803**	**253,803**
Financial assets held for sale				
Interest-bearing securities	400,889	-	-	400,889
	400,889	**207,864**	**253,803**	**862,555**
Financial liabilities				
Derivative liabilities held for risk management				
Interest rate swaps	-	582,350	-	582,350
Currency Swaps	-	-	-	-
Foreign Exchange derivatives	-	-	-	-
Back to back swaps and interest caps	-	75,500	-	75,500
	-	**657,850**	**-**	**657,850**

AS AT 31 DECEMBER 2016				
AUDITED				
IN THOUSANDS OF EUROS				
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets held for risk management				
Interest rate swaps	-	83,159	-	83,159
Cross Currency swaps	-	72,959	-	72,959
Foreign exchange derivatives	-	11	-	11
Back to back swaps and interest cap	-	99,381	-	99,381

Notes to The Condensed Consolidated Interim Financial Statements

	-	**255,510**	**-**	**255,510**
Financial assets designated at fair value				
through profit or loss				
Loans and advances to customers	-	-	260,555	260,555
	-	**-**	**260,555**	**260,555**
Financial assets held for sale				
Interest-bearing securities	401,182	-	-	401,182
	401,182	**255,510**	**260,555**	**917,246**
Financial liabilities				
Derivative liabilities held for risk management				
Interest rate swaps	-	663,529	-	663,529
Cross Currency swaps	-	-	-	-
Foreign exchange derivatives	-	1,623	-	1,623
Back to back swaps and interest cap	-	99,381	-	99,381
	-	**764,533**	**-**	**764,533**

MORTGAGE LOANS AT FAIR VALUE

IN THOUSANDS OF EUROS	2017	2016
	REVIEWED	REVIEWED
Balance as at 1 January	**260,555**	**288,955**
Repayments	-7,046	-15,284
Fair value movement	294	1,073
Balance as at 30 June	**253,803**	**274,744**

Financial instruments not measured at fair value for which the fair value is disclosed

The table below shows an overview of the financial instruments that are not measured at fair value but for which the fair value is disclosed.

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

IN THOUSANDS OF EUROS	JUNE 2017	JUNE 2017	DECEMBER 2016	DECEMBER 2016
	CARRYING	FAIR	CARRYING	FAIR
	AMOUNT	VALUE	AMOUNT	VALUE
Financial assets				
Loans and advances to banks and public sector	996,743	996,740	1,133,164	1,133,248
Loans and advances to customers	11,988,366	12,372,790	12,242,463	12,512,422
Financial liabilities				
Deposits from banks	146,352	146,384	97,411	97,434
Funds entrusted	6,303,382	6,388,785	6,388,454	6,507,622
Debt securities issued	6,214,284	6,250,891	6,825,449	6,947,899
Subordinated liabilities	8,114	9,498	8,336	9,967

Notes to The Condensed Consolidated Interim Financial Statements

CONTINGENT LIABILITIES AND COMMITMENTS

Compared to year-end 2016 there has been no material change in the contingent liabilities and commitments, except for irrevocable facilities. Irrevocable facilities concern all liabilities relating to irrevocable undertakings which may lead to credit losses, including offers accepted by customers for mortgage loans and credit facilities amounting to EUR 313 million (December 2016: EUR 148 million).

4. SUBSEQUENT EVENTS

There are no subsequent events which impact the understanding of the Interim Financial Statements.

AUTHORISATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Tilburg, 2 August 2017

The Board of Directors,
Mr. P.J. Huurman, Chief Executive Officer
Mr. P.C.A.M. Emmen, Director Finance and Risk (as of 1 April 2017)
Mr. V.J. Teekens, Director Operations

The Supervisory Board,
Mrs. P.H.M. Hofsté, Chairman
Mr. J.B.J.M. Molenaar
Mr. H.W. te Beest
Mrs. B.E.M. Tetteroo (as of 1 August 2017)
Mr. H. Arendse (as of 1 August 2017)

To: The Supervisory Board of Achmea Bank N.V.

Review report

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2017 of Achmea Bank N.V., the Hague, which comprises the condensed consolidated statement of financial position as at 30 June 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the period then ended and the selected explanatory notes.
The executive board is responsible for the preparation and presentation of this (condensed) interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 2 August 2017
PricewaterhouseCoopers Accountants N.V.

C.C.J. Segers RA

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