Achmea Bank N.V. Annual Report 2020

KvK 27154399

Contents

A word from the Chairman

Pierre Huurman,
Chief Executive Officer

2020 was a turbulent year. The Covid-19 pandemic had far-reaching consequences for everyone, for us and our clients. We have been approached by customers with questions about the affordability of their mortgage. Self-employed people and independent entrepreneurs, in particular, quickly felt the financial impact of the Covid-19 crisis.

The crisis gave us the opportunity to show what we, as a bank, can provide for our customers. We deferred mortgage payments for clients who were unable to meet their obligations as a result of the pandemic. This way we gave substance to our social responsibility in these extraordinary times. We are pleased that the group of customers has remained limited and that many of these customers have been able and continue to meet their obligations during the year

We also adjusted our business operations to the new situation. To safeguard our employees' health and minimise the spread of Covid-19, our employees have been working from home since March 2020. Thanks to extensive digitalization, the services to our customers continued uninterruptedly. This called for a great deal of adaptability and resilience on the part of our employees. Consequently, we gave a lot of attention to employee wellbeing throughout the year. We are proud that, in spite of Covid-19, the commitment and level of involvement of our staff remains high.

The quality of our services continued on the same level, which is demonstrated by the confidence customers have in us. In fact, the Banking Confidence Monitor, which is performed annually, by the Dutch Banking Association showed that customer confidence in our main brand Centraal Beheer has increased.

Financial solutions for now and in the future

Achmea Bank offers its customers financial solutions for securing their financial future and for buying residential property. Together with our partners we provide straightforward and transparent mortgage and savings products through the Achmea brands Centraal Beheer and Woonfonds. In this way we play an important role in Achmea's retirement benefit strategy, and in the ambition of Centraal Beheer to be a general financial services provider.

Continuous improvement and innovation

Our customers' needs are changing all the time. Continuous improvement of our products and services ensures that we remain relevant. The ageing population in The Netherlands is leading towards new needs in terms of housing. For many seniors a large portion of their capital is tied up in their home. In 2020 the Krediet Hypotheek (Revolving Credit Mortgage) of Woonfonds won the Golden Lotus Award for most innovative mortgage product. This mortgage allows for turning dormant equity into freely available funds in a responsible way for such purposes as improving the sustainability of a home or to supplement a pension.

We have also made a number of improvements to our client portals. Investments in online services provision and digitalisation have contributed to a better provision of services and higher customer satisfaction scores. To remain relevant to our customers in the future, we must continue to be innovative. In 2020 Achmea Bank and Centraal Beheer explored whether PSD2 could be adopted to develop new services. In order to improve upon our innovative strength, we have decided to set up our new department of Strategy & Innovation. Starting January 1st 2021, this department will enable us to adapt to market developments, even more quickly, as well as strengthen our business model in the future.

Over the course of 2020 Achmea Bank implemented a new method for establishing the identity of our customers (Customer Due Diligence) that is less susceptible to fraud and complies with the new laws and regulations. Transaction monitoring has become even more essential for financial institutions for the effective detection of money laundering and the financing of terrorism. A new system of transaction monitoring for both savings and mortgage products was implemented.

A word from the Chairman

Also in 2020 Achmea Bank successfully registered for connection to the ‘Verwijzingsportaal Bankgegevens’ (Bank Data Retrieval Portal). The portal is a system for the automated provision of identification data requested by authorized investigative services and the Dutch Tax Authority.

Social involvement

Achmea Bank is aware of its social role and responsibilities and is actively interpreting to its duty of care vis-á-vis its clients. That also entails that consumers should be aware of the future affordability of their mortgage loans, including interest-only mortgages. In 2020 we followed up on our public awareness campaign dealing with interest-only mortgages. We informed customers about the risks relating to their mortgage loans, such as the continued affordability of their mortgage when they reach retirement age, their mortgage interest deduction lapses or the term of their mortgage expires.

The United Nations defined the Sustainable Development Goals (SDGs) in order to develop the world in a more sustainable way. Achmea Bank wants to contribute to (some of) the Sustainable Development Goals (SDGs). We have chosen to focus on the three SDGs, which are more or less aligned with our strategy, namely: Quality of education, Sustainable cities and communities and Climate action. See chapter Corporate Social Responsibility for further details.

In the course of 2020 we unfortunately had to discontinue some corporate social activities due to Covid-19. For instance we were no longer able to give guest lectures at primary and secondary schools. So we looked for other ways in which our employees could put their financial know-how to use in practise. Together with the Achmea Foundation we began offering the NIBUD training course ‘Help with Money Matters’ to Achmea Bank employees. The course enables bank employees to help friends, family, or anyone else in their circle of acquaintance with financial matters. Significant support, particularly in these extraordinary times.

Increasing importance of sustainability

One of our sustainability goals is to become carbon-neutral by 2030 in our business operations. In 2019 Achmea Bank signed the financial sector’s Climate Commitment, by which we aligned ourselves with the goals of the Paris objectives on climate change. In this context, we have started measuring the carbon footprint of our mortgage portfolio. We are keen to help our customers improve the sustainability of their homes, which is why we offer them extra options. Through the Woonfonds and Centraal Beheer brands, customers are informed pro-actively about the possibilities of making their homes more sustainable. In 2020 we joined the ‘Sectorcollectief Duurzaam Wonen’ (Sector Collective Sustainable Homes) whose goal is making sustainability an integral part of mortgage advice. Sustainability will remain a strategic topic together with our partners Syntrus Real Estate & Finance and Centraal Beheer going forward.

On course with implementing our strategy

In the course of 2020 we have been able to further strengthen our balance sheet. A covered bond of EUR 500 million was successfully placed, and at the beginning of November Achmea Bank acquired a portfolio of Dutch residential mortgages from BinckBank, part of the Saxo Bank Group. The acquisition of this portfolio – worth of about EUR 460 million – underscores Achmea’s growth ambitions in the field of mortgages, both organically and through acquisitions.

Significant progress was also made during the year in connection with the Advanced Internal Rating Based approach (Advanced IRB). Advanced IRB will help the Bank to make more accurate assessments in calculating Risk Weighted Assets, which are used to determine the degree of risk that a customer will fail to meet their obligations. In this way the Bank is better able to assess whether a particular financial product suits a particular client and vice versa. Making better and more accurate assessments ensures healthy portfolios and sound balance sheet management.

In October a large part of the mortgage operations of Achmea Bank, Centraal Beheer, and Syntrus Achmea were ‘merged’ together in two organisations: a mortgage servicing company at Syntrus Achmea in Amsterdam and a strong marketing organisation at Centraal Beheer in Apeldoorn. By making use of economics of scale and bundling of knowledge, Achmea can further improve their service and offerings to its customers by providing tailored and sustainable mortgage solutions. In this way Achmea can expand its market share in the mortgage market fuelling further growth of the balance sheet and financial performance of Achmea Bank.

Achmea Bank has also joined the Achmea Mortgages Investment Platform of Syntrus Achmea. This is a platform through which institutional investors can invest in their own portfolio of Dutch retail mortgages fulfilling their desired risk profile. All new mortgage production of Achmea Bank will be originated via this platform. The mortgages are marketed under the Centraal Beheer brand.

A word from the Chairman

Improved results

By focusing on our core activities and working together with selected partners, we have achieved a structural reduction in costs together with improvements in customer servicing, customer satisfaction scores, increased employee commitment and improved results. Financially, we have continued the upward trend of the past years. Our (underlying) operational result improved and our financial position has remained robust

Together with our brands and the new a mortgage servicing company at Syntrus Achmea, we are developing new products and provide services that are relevant to our customers at all times. Continual change remains pivotal in our (operational) management. After all, what we do today may not be so self-evident tomorrow. We cannot stand alone in this respect. We must work in collaboration with our customers, partners, capital providers, and employees in order to remain relevant and create value. Together, we are working to create a Bank that is ready for a prosperous and sustainable future.

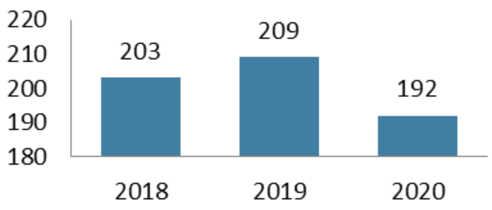
Pierre Huurman
Chairman of the Board of Achmea Bank

Achmea Bank at a glance

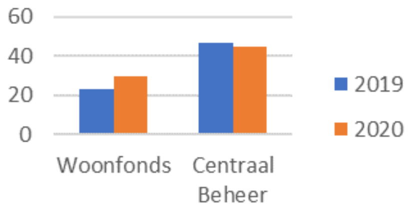
Mission | Together with our partners, we realize financial solutions for now and in the future

Our brands | Centraal Beheer | Woonfonds de hypotheekuitvinders | acier Financieringen

FTE |



NPS score | New costumers

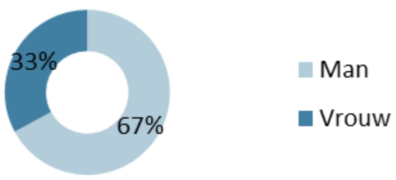


Male – female ratio in senior leading positions

♀ 3

♂ 5

Total male - female ratio



Employee Engagement

8,3 (7,8)	7,7 (7,7)	7,2 (7,3)	7,5 (7,5)
Involvement	Enthusiasm	Employability	Customer

Trust in the financial sector and trust in our brands According to the Dutch Banking Association (scale 0 – 5)

3,5 (3,4)	3,6 (3,6)
Centraal Beheer	Woonfonds de hypotheekuitvinders

Number of Covid-19 payment holiday

430 clients

Achmea Bank at a glance

Financial highlights

Operating result (excl exceptional items)

EUR 42 million

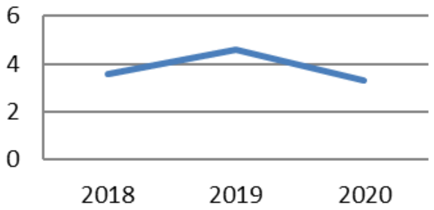
2019: EUR 34 million

Operating result before tax

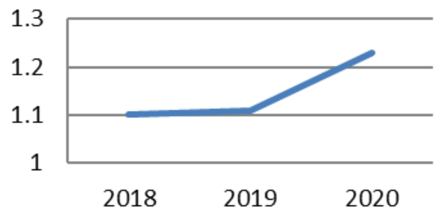
EUR 37 million

2019: EUR 50 million

Return on average equity |
in %



Net interest margin (excl. changes in fair value) |
in %



Core Equity Tier 1 |

20.4%

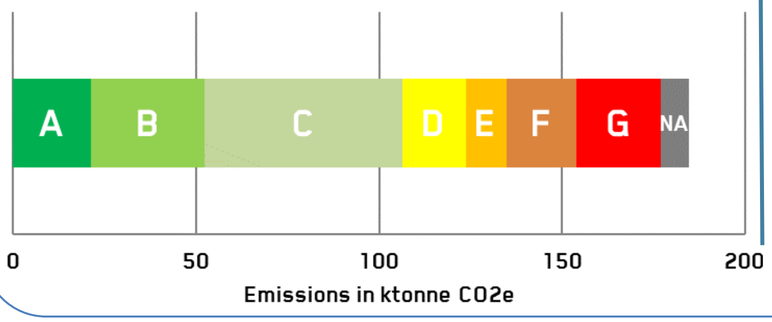
2019: 19.2%

Efficiency ratio (excl. changes in fair value) |

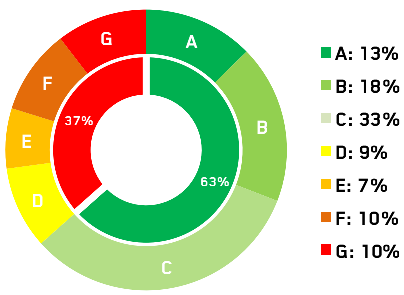
69.9%

2019: 78.0%

Attributed CO2-emissions mortgages



Energy labels mortgages



Executive Board Report

The Executive Board

Mr. Pierre Huurman, Mr. Mark Geubbels

About us

Achmea Bank N.V. (hereafter 'Achmea Bank') is a wholly owned subsidiary of Achmea B.V. Achmea B.V. is the ultimate parent company of Achmea Group, the largest insurance group in the Netherlands, with a history of more than 200 years. Our mission, strategy and identity are strongly connected with Achmea. We are a retail savings- and mortgage bank. We serve over 400.000 savings and approximately 70.000 mortgage clients through the Centraal Beheer and Woonfonds brands. We also manage and service a former Staalbankiers loan portfolio, better known as 'Acier Financieringen'.

Achmea Bank is a well-established originator and funder of mortgages with over 40 years of experience with a high quality mortgage portfolio with a relative low level of delinquencies. As a legal entity with a banking licence, Achmea Bank has a separate credit rating and direct access to the capital market. We are a frequent issuer in the debt capital markets. We ensure adequate liquidity and capital to meet our obligations to our customers and investors.

Achmea Bank is a customer-driven, efficient and agile bank. We aim for a high level of customer satisfaction. Customers expect outstanding service quality, simple and intuitive processes, 24/7 availability, self-service, transparency of products and pricing, personalization and tailoring, and a consistent approach across channels. We strive to offer our customers an excellent digital customer experience.

We are actively involved with our customers and society. Our staff are trustworthy, knowledgeable and professional. The duty of care is deeply embedded in our corporate culture. We are result oriented and have an professional, open and informal culture. We are located in Tilburg and employ around 200 people.

Business Model

Our business model is primarily based on the interest margin on mortgage products. We provide a full range of mainstream products primarily through the Centraal Beheer brand. In addition to the mainstream products we aim to target clients in underserved market segments with tailored solutions such as buy-to-let and mortgages for the self-employed. We also invests in mortgage portfolios of third parties.

We have a strong capital and liquidity position and a diversified funding mix with retail savings and wholesale funding. The major source (around 60%) of funding for Achmea Bank is through retail savings. We offer flexible and fixed-term products and bank annuities under the Centraal Beheer brand.

Executive Board Report

Mission

Achmea Bank has formulated the following mission statement: *Together with our business partners we realize financial solutions for now and in the future.* Through this mission we demonstrate that we want to help people to make well-considered financial decisions throughout their life by means of providing them insight, overview and comprehensible products. Together with Centraal Beheer, Achmea Pension Services, Achmea Investment Management and Syntrus Achmea we fulfil this mission in the following ways:

- We help young people to become aware of their (future) financial situation so they can make the right choices
- We help young parents to find a balance between their (future) financial stability and a busy life
- We help employees in the second half of their career with insight and solutions for an appropriate transition to retirement
- We help young retirees to use their financial assets to enjoy a carefree life as long as possible
- We help elderly people with a good pension and suitable (housing) solutions to remain independent for longer

Identity

In the recent years Achmea Bank has gone through a transition from a traditional bank where all activities were performed internally to a bank which focusses on its core activities. Non-core activities such as mortgage servicing have been outsourced to specialized parties. The focus on our core activities enables us to connect to new partners and the latest banking innovations more easily in the near future. And thus we are moving to becoming a 'Connected Bank' which is part of the digital financial ecosystems in The Netherlands, with an excellent data infrastructure.

Our employees are honest, knowledgeable and experts in their field. In all our actions, integrity is seen as vital to securing confidence in the Bank on a lasting basis. To this end, Achmea Bank nurtures a culture of openness in which people are able to raise integrity issues. We have a code of conduct in which we outline how we treat each other and how we deal with information, resolve conflicts of interest, manage incidents and handle complaints. In addition to the internal rules of conduct, external codes of conduct also apply for our employees, including the banker's oath. Our core values are professional, collaborative and result-oriented. This is how we interact with our stakeholders to achieve our goals.

Strategy

Achmea Bank is strategically important for Achmea. Achmea aims to be a leading player in retirement services in response to social and demographic trends and in anticipation of a shift towards more individualized needs for retirement solutions. Achmea has positioned itself strongly in this market and offers integrated propositions to consumers consisting of pension solutions, investment products, and savings and mortgage products. Achmea Bank plays a key role in the retirement services strategy of Achmea by providing savings and mortgage products.

Achmea Bank's strategy is based on 4 pillars:

1. Funder and originator of mortgages
2. Provider of retail savings products
3. Balance sheet transactions and portfolio optimizer
4. New (fee) business models

Centraal Beheer is our main brand for mainstream mortgage and savings products. Centraal Beheer is developing from a traditional insurer into a broad financial services provider in the field of insurance, saving, investing and mortgages. In addition to the mainstream market, Achmea Bank focusses on niche propositions to achieve better interest margins.

In October 2020 Achmea combined its mortgage operations within Syntrus Achmea Real Estate and Finance, the commercial activities will be concentrated in Apeldoorn. At the same time Achmea created a separate account for mortgages which allows institutional investors to build their own Dutch residential mortgage portfolio with the risk profile they desire. These mortgages are marketed under the Centraal Beheer brand. Achmea Bank N.V. was one of the first investors to join this platform. The combined mortgage operations of Achmea are intended to lead to:

- Improved range of attractive propositions for investors
- Increased market share by focusing on the power brand Centraal Beheer
- Lower costs and reduced operational risks by realizing economies of scale
- Combining skills and expertise within Achmea Bank, Centraal Beheer and Syntrus Achmea

Acquisition of third party credit portfolios is part of Achmea Bank's growth strategy. Acquiring portfolios both within and outside of Achmea increases (economies of) scale and enables the bank to attract additional assets with risk/return characteristics that fit well in our balance sheet. The focus is on mortgages with a duration that is significantly lower than typically originated in the current Dutch mortgage

Executive Board Report

market. In December 2020 Achmea Bank acquired a portfolio of Dutch residential mortgages from BinckBank, part of the Saxo Bank Group. The acquisition of this portfolio, with a size of approximately EUR 460 million, underlines our ambition to grow in mortgages.

In order to diversify the revenue base of Achmea Bank and create additional value for the Achmea brands we recently added a new pillar to our strategy. From January 1, 2021, we have set up a separate strategy & innovation department to develop new business models and partnerships based on our core competencies and banking licence such as PSD2 services.

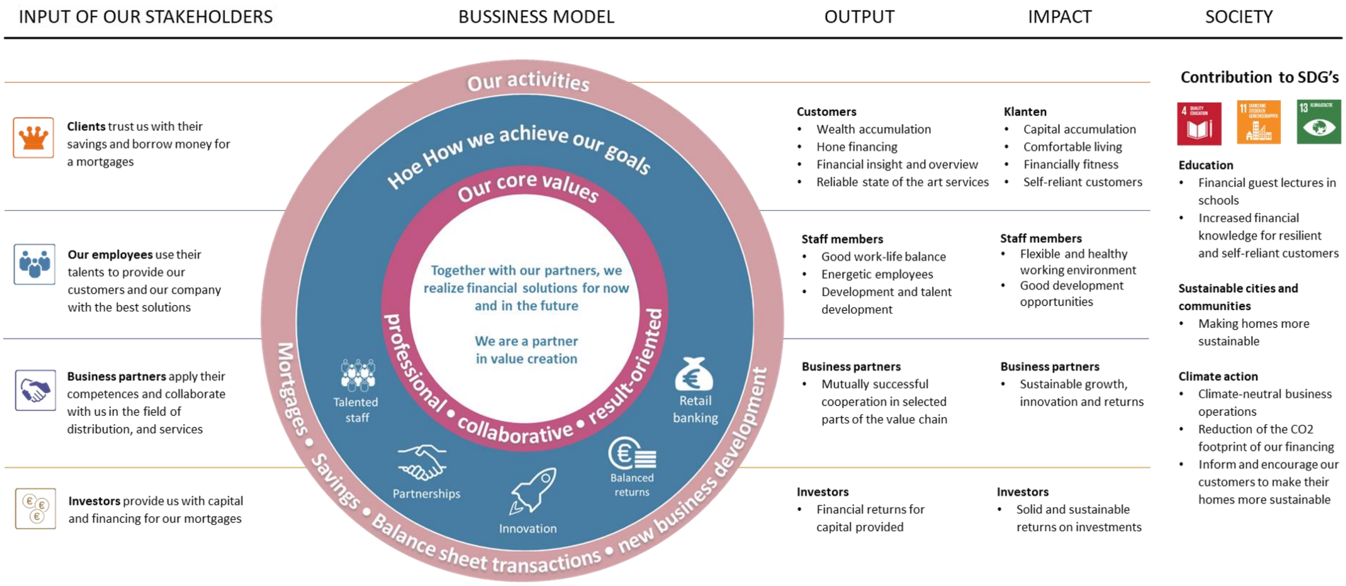
Goals

To improve interest margins and realize profitable growth Achmea Bank's had formulated the following strategic priorities

- Growth in mainstream mortgage market through the Achmea Mortgages Investment Platform and the Centraal Beheer brand
- Growth in selected niche markets
- Investments in credit portfolios of third parties with risk/return characteristics that fit well into our balance sheet
- Professionalizing credit risk management and thereby lowering capital requirements and increase ROE by implementing the Advanced IRB model for our mortgage portfolio(s) (With the exception of Acier portfolio, being a non-core/ inactive mortgage portfolio)
- Developing new (fee) business models, in order to further diversify our income, by leveraging our core competencies
- Optimizing funding mix among others through the set-up of a new Covered Bond Programme with a soft bullet structure
- Become a liquidity provider & portfolio optimizer for third parties

Value creation model

We want to create value for our customers, employees, (business) partners and investors by working in an entrepreneurial and innovative way on financial solutions for now and in the future. We do this by developing banking products and services with demonstrable social added value, in which the customer's interests are central. Our value creation model shows how we create long-term value for our



stakeholders and shows the relationship between our strategy, our business model and the results we aim for. The dialogue with our stakeholders guides our strategy, the business model and the impact we want to have on society.

Market developments

Residential real estate prices in The Netherlands continued to rise in 2020. The average sales transaction price in the last quarter was EUR 365.000, more than 11 percent higher compared to 2019. The main reason for the increasing residential real estate prices remains the lack of supply. The range of properties that are up for sale has shrunk considerably, while many people still want to buy a house. Additionally, the low mortgage interest rates makes buying attractive. As a result, competition is fierce among buyers, and first-time homeowners face great difficulty obtaining property.

Despite the Covid-19 crisis, the housing market remains resilient. This is largely due to the swift and generous Covid-19 measures taken by the government, which kept unemployment low and limited the number of bankruptcies. Furthermore interest rates declined to a record low. These factors resulted in a record number of mortgages concluded in 2020 of approximately EUR 155 billion (2019: 128 EUR billion).

Executive Board Report

For the first time in a year more than half a million (535 thousand) mortgages originated. That is almost 25 percent more than in 2019. The number of refinancings in particular increased sharply compared to 2019 (+ 47% compared to + 11% purchases).

Due to the strong growth, the total outstanding mortgage debt rose to more than EUR 750 billion in the past year. This is an increase of more than 10 percent since 2010.

Competition in the Dutch mortgage market continues to put pressure on margins for mainstream mortgage loans. This is mainly the result of the entry of non-bank providers in recent years. We therefore choose to target clients in underserved segments with tailored products such as Buy-to-Let and mortgage loans for the self-employed.

In 2020, Dutch households deposited almost EUR 42 billion in their (savings) accounts with Dutch banks. That is twice as many as in 2019. The main reasons for this are the Covid-19 measures (where shops and restaurants were closed and holidays cancelled) and the increased economic uncertainty during the Covid-19 crisis. In accommodating these savings, households seem to prefer liquid forms of savings, as the vast majority of the savings ended up in current and freely withdrawable savings accounts.
At the end of 2020, Dutch households had more than 487 billion euros in savings accounts with Dutch banks. That is nearly EUR 42 billion more than a year earlier. Compared to previous years, the increase in savings and payment balances at banks is exceptionally high and much more than the average savings over the past 10 years.

Financial performance

IN MILLIONS OF EUROS	2020	2019	CHANGE
Interest Income	335	343	−2%
Interest expense	194	218	−11%
Interest margin	**141**	**125**	**13%**
Changes in fair value of financial instruments	−5	16	n/a
Interest margin and changes in fair value of financial instruments	**136**	**141**	**−4%**
Other income	1	2	−50%
Fees and commission income and expense	9	8	13%
Operating income	**146**	**151**	**−3%**
Impairment of financial instruments and other assets	3	−4	n/a
Operating expenses	106	105	1%
Total expenses	**109**	**101**	**8%**
Operating profit before income taxes	**37**	**50**	**−26%**
Income tax expense	9	13	−31%
Net profit	**28**	**37**	**−24%**
Operating profit excluding exceptional items and fair value result	42	34	24%

RATIOS	2020	2019	
Return on average equity	3.4%	4.6%	
Efficiency ratio (operating expenses/interest margin, fees and other income)	69.9%	78.0%	
Common Equity Tier 1 Capital Ratio	20.4%	19.2%	
Total Capital Ratio	20.4%	19.2%	
Leverage ratio	6.0%	5.7%	
Net Stable Funding Ratio	126%	121%	
Liquidity Coverage Ratio	332%	249%	

Achmea Bank reported a profit before tax of EUR 37 million in 2020 (2019 EUR 50 million). The 2019 result included an one-off accounting result of EUR 18 million related to the a.s.r. transaction.

Executive Board Report

The operating result for 2020, excluding one-off results and fair value result, increased from EUR 34 million in 2019 to EUR 42million in 2020. The increase in operating result is mainly due to a higher interest margin of EUR 16 million. Impairment charges amounted EUR 3 million (2019 EUR +4 million).

2020 was dominated by the Covid-19 crisis. This crisis affects the social and economic living environment and thereby also our customers. Since March 2020, Achmea Bank offered the possibility of a payment holiday to mortgage customers with payment difficulties directly related to the Covid-19 crisis. During 2020 we were able to help almost 430 mortgage customers of Achmea Bank (0.5% of the total). With this payment holiday customers temporarily do not have to pay interest and principal on their mortgage loan. By deferring the mortgage payments, it is more likely that customers will not get into liquidity problems and can keep affording their homes. This is one of the solutions that Achmea Bank offered to its mortgage customers. The impact of Covid-19 on the loan loss provision is an increase of EUR 3 million, mainly caused by the update of the macro economic developments.

In 2020, Achmea Bank acquired a portfolio of Dutch residential mortgages from BinckBank, part of the Saxo Bank Group, with a size of EUR 0.5 billion. In 2020 the origination of new mortgages decreased with EUR 0.2 billion to EUR 1.6 billion, of which EUR 0.9 billion for Achmea Pensioen- en Levensverzekeringen N.V. (2019 EUR 1.0 billion). Combined with the acquired portfolio and prepayments of EUR 1.7 billion (2019 EUR 1.2 billion), the regular mortgage portfolio of Achmea Bank decreased from EUR 12.1 billion to EUR 11.6 billion by the end of 2020. Total assets under management, including mortgages originated for Achmea Pensioen- en Levensverzekeringen N.V. of Achmea Bank increased to EUR 14.3 billion.

In October 2020, Achmea Bank joined the Achmea Mortgages Investment Platform of Syntrus Achmea Real Estate & Finance. This platform is a separate account for mortgages which allows institutional investors to build their own Dutch residential mortgage portfolio with the risk and duration profile they desire. These mortgages are marketed under the Centraal Beheer brand. Achmea Bank is one of the first investors in this platform. The introduction of the Achmea Mortgages Investment Platform is another step forward for Achmea in the process of combining its mortgage activities. As of 1 October 2020, Achmea's operational mortgage activities have largely been placed within Syntrus Achmea. By joining forces of its mortgage activities and the introduction of the Achmea Mortgages Investment Platform, Achmea aims to increase its market share in the mortgage market in the coming years.

The savings portfolio remained stable at EUR 7.2 billion (2019 EUR 7.2 billion). In 2020 Achmea Bank redeemed EUR 0.9 billion RMBS notes and issued a 5Y conditional pass-through covered bond of EUR 0.5 billion. The Bank has a diversified funding mix, comprising retail funding as well as unsecured and secured wholesale funding. At year-end 2020, Achmea Bank has drawn EUR 0.4 billion on the refinancing operations (PELTROs) offered by the European Central Bank. The Bank retained its sound liquidity position with liquidity ratios well above limits. In February 2021, the Bank announced that the Bank is preparing for an additional Soft bullet Covered Bond Programme to further diversify its funding mix.

The Total Capital ratio increased to 20.4% (2019: 19.2%). The Total Capital ratio increased, mainly due to the addition of the net result 2019 and decrease of the mortgage portfolio. Achmea Bank currently applies the standardized approach to calculate the risk weighting of its assets. Achmea Bank is working towards the implementation of Advanced Internal Rating Based (AIRB) models for their regular mortgage portfolio(s).

In line with the recommendation of The European Central Bank and the European Banking Authority concerning dividend pay-outs, not to distribute any dividends, Achmea Bank proposes to add the net result of 2020 to the other reserves. Achmea Bank intends to pay out a total dividend of EUR 56 million, which equals to the distributable net result over 2019 and 2020, as soon as it is in accordance with the ECB recommendation to make such payment.

In June 2020, Fitch confirmed the Issuer Default Rating of A/Stable (Fitch). Standard and Poor’s confirmed the Issuer Credit Rating Outlook per 30 October 2020 at A-/stable.

In spite of Covid-19, the commitment and level of involvement of the staff remains high. The Executive Board would like to thank the colleagues of Achmea Bank for their contribution and commitment to the Bank, during this turbulent year.

Banking Code

Achmea Bank has implemented the banking code. The Code helps to increase awareness of the role of banks and their responsibilities towards society. Achmea Bank devotes a great deal of attention to the Code in its operations, risk management and in its dealings with customers and other stakeholders.
Achmea Bank publishes its full report regarding the “Application of Banking Code” on www.achmeabank.com.

Executive Board Report

Risk management

As part of an ongoing internal risk management process, the Bank has defined key risks and controls for its primary processes in the entire organization. The Bank continuously reviews and fine-tunes the monitoring and management of its financial and non-financial risks, including compliance related issues as Anti-Money Laundering and Customer Due Diligence. More detailed information about (financial

and/or operational) risk management can be found in the section 'Capital and Financial Risk Management'. Overall the Bank has shown further improvement in 2020 of its operational risk and Balance Sheet & Financial Risk management.

Capital position

The Total Capital ratio increased to 20.4% (2019: 19.2%). The Total Capital ratio increased, mainly due to the addition of the net result 2019 and decrease of the mortgage portfolio. Achmea Bank currently applies the standardized approach to calculate the risk weighting of its assets. Achmea Bank is working towards the implementation of Advanced Internal Rating Based (AIRB) models for their regular mortgage portfolio(s).

The Leverage Ratio (LR) is a regulatory capital adequacy measure under CRD IV/CRR. The LR is calculated as an institution's capital divided by that institution's total non-risk weighted exposures, expressed as a percentage. Achmea Bank complies with the internal minimum requirement for 2020 of 3.5% and the (expected future) external minimum requirements; the LR at 31 December 2020 was 6.0% (2019: 5.7%).

Liquidity position

Achmea Bank manages its liquidity positions prudently. The most important metrics used to monitor liquidity risk are the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Survival Period. The aim of the LCR is to ensure that the bank holds sufficient liquid assets to absorb the total net cash outflow during a 30-day period of stress. The aim of the NSFR is to ensure that long-term assets are financed with stable, longer term funding. The aim of the Survival Period is to ensure the bank holds sufficient liquidity to survive the most severe internal stress scenario for at least six months.

The Bank complies with all external and internal minimum liquidity requirements in 2020. At year-end 2020 the LCR was 332% (2019: 249%),the NSFR was 126% (2019: 121%) and the Survival Period (SP) was greater than 12 months (2019: greater than 12 months).

Outlook

Uncertainties remain with regard to the further course, duration and intensity of the Covid-19 pandemic and its consequences for the markets in which we operate, our products and customers. Our current estimations are based on the most accurate available information. It is currently unclear how the financial markets will develop in the near future. Frequent monitoring of the financial risks such as liquidity and capital is an integral part of the Bank's risk management system.

Tilburg, 11 March 2021

The Executive Board,

P.J. (Pierre) Huurman
M.J.M. (Mark) Geubbels

Supervisory Board Report




The supervisory board

Mr. Huub Arendse, Mr. Henny te Beest, Mr. Robert Otto, Mrs. Miriam van Dongen

Main developments in 2020

The Supervisory Board is responsible for supervising and advising the Executive Board on its conduct and general management of the business. Supervisory Board approval is required for important business-related decisions, such as strategic decisions, transfer of a significant part of the business, entering into or terminating a long-term partnership, major participations and investments, and the termination of employment of a large number of employees.

The Supervisory Board convened on eight occasions in 2020, four ordinary meetings and four extra meetings. During 2020, the impact of Covid-19 on the organisation has been a permanent item on the agenda the Supervisory Board. In addition, important items on the agenda included the full-year and half-year results, strategy, care for customers, capital and funding plans, ESG policy, the employee engagement survey, risk appetite and the status of strategic projects such as the transferring of the operational mortgage activities to Syntrus Achmea, the joining of the Achmea Mortgages Investment Platform and the mortgage portfolio acquisition from BinckBank.

One of the Supervisory Board's key duties is its involvement in developing Achmea Bank's strategy and monitoring its implementation. Achmea Bank's strategy focuses on strengthening the current business model and adding value to Achmea Group's retirement strategy. The Executive Board and the Supervisory Board discussed the strategy in a number of meetings. The Supervisory Board also invited staff members and managers of the Bank to inform the board about relevant developments.

In spite of Covid-19, the commitment and level of involvement of the staff remains high. The Supervisory Board would like to thank the Executive Board and staff of Achmea Bank for their contribution and commitment to the Bank, during last year.

Audit & Risk Committee

The Audit & Risk Committee is composed of all the members of the Supervisory Board, chaired by Mr Henny te Beest and is attended by the Executive Board, Internal Audit, Compliance and Operational risk department and the external independent auditor. The Audit & Risk Committee convened on thirteen occasions in 2020, 4 ordinary meetings and 9 extra meetings. The extra meetings were mainly a result of Covid-19. At these meetings the Audit & Risk Committee discussed the impact of Covid-19 on business continuity, mortgage customers, credit risk, solvency and liquidity. At the ordinary meetings the following subjects were discussed: customer due diligence, the systematic integrity risk analysis (SIRA), risk appetite statement and risk policies with regards to financial risk, operational risk, cybersecurity, compliance risk and outsourcing risks.

The Audit & Risk Committee also approved and monitored the internal and external audit plan and the progress made in the resolution of audit issues including IT and compliance related issues. The Audit & Risk Committee discussed the key financials and integrated risk reports. Furthermore, the Audit & Risk Committee discussed key financials, risk reports and the reports of the specific audits of the internal auditors and the independent auditor and reports of DNB and AFM.

Permanent education

Every year the members of the Supervisory Board and Executive Board attend a number of permanent education (PE) meetings. In 2020 several permanent education sessions were organized for Supervisory Board members. The main topics covered in 2020 in these sessions were soft controls and customer due diligence policies.

Supervisory Board Report

Attendance rates

The table on the right provides an overview of the attendance rates of the ordinary and extra meetings of each individual board member.

Name	The Supervisory Board	Audit & Risk Committee
H. Arendse	100%	100%
H. te Beest	88%	92%
R. Otto	100%	100%
J. Molenaar	100%	100%

Finance and risk

The Supervisory Board and the Audit & Risk Committee discussed Achmea Bank's financial position and performance based on the interim and annual results, in addition to discussing and approving the Annual Report for 2019. The Supervisory Board supported the Executive Board's commitment to achieve its financial ambitions: further cost reductions while continuing to invest in excellent (digital) customer service, innovations and strategic initiatives to increase financial return in the long term. The discussions on the annual and interim reports were also attended by the independent auditor.

Composition of the Supervisory Board

Members of the Supervisory Board are selected based on a profile which involves the required professional background, education, international experience, skills, diversity and independence. The composition of the Supervisory Board is such that the members can perform their duties properly because of the appropriate mix of experience and expertise.

There were several changes in the composition of the Board in 2020. Robert Otto has been appointed as a member of the Supervisory Board as of 21 January 2020. He succeeded Bianca Tetteroo who stepped down at the same time. Furthermore Miriam van Dongen has been appointed as a member of the Supervisory Board of Achmea Bank as of 21 December 2020. She succeeded Jan Molenaar, who could not be reappointed after his third term as a member of the Supervisory Board of Achmea Bank. The Supervisory Board would like to thank Bianca Tetteroo and Jan Molenaar for their important contribution to the Bank during their membership of the Supervisory Board over the past years.

The Supervisory Board is composed in a way that the requirements for independence are met. To avoid a conflict of interest between the Executive Board Achmea B.V. role and the Supervisory Board role, Robert Otto will not participate in parts of meetings of the Supervisory Board in case such a conflict of interest could possibly occur, which was not applicable in 2020.

The current composition of the Supervisory Board and Executive Board does not meet the minimum criteria with respect to diversity, which is mostly due to the limited size of the Boards. Achmea Bank will actively consider the diversity criteria for future appointments.

Name	Nationality	Sex	Role	First appointed	Term	Next reappointment
H. Arendse *(1958)*	Dutch	Male	Chairman	2017	First	2021
H.W. te Beest *(1950)*	Dutch	Male	Member	2015	Second	2023
Mrs. M. van Dongen (1969)	Dutch	Female	Member	2020	First	2024
R. Otto (1967)	Dutch	Male	Member	2020	First	2024

Self-assessment of the Supervisory Board

The Supervisory Board conducts an annual self-assessment of its own performance. In accordance with the Banking Code and best practices, the 2020 assessment was conducted internally.
The process consisted of a questionnaire and the results have been discussed within the Supervisory Board. The following topics were addressed in this assessment: the composition and competences of the Supervisory Board, governance and information provision, supervision of the Executive Board, supervision and advice, strategy and culture and developments of the Supervisory Board.
The overall conclusion of the evaluation is positive, the Board functions well and a further encouragement for the Supervisory Board to continue along the same lines. With the appointment of the new member of the Supervisory Board, the Supervisory Board continued to have a balance in composition with the right experience, required for a bank with the size and complexity of Achmea Bank. In addition, with this appointment diversity has again been restored. There is a good information provision and the dialogue with the Executive Board is open and transparent with room for in depth discussions.

Supervisory Board Report

Remuneration Committee

In 2018 the Supervisory Board decided that remuneration issues would be discussed by the entire board rather than in a separate Remuneration Committee. The Supervisory Board periodically evaluates remunerations in the context of the remuneration policy of Achmea Group. The Supervisory Board advised positively on the remuneration of the Executive Board as determined by the Group. More details regarding remuneration policies can be found in the Remuneration Report and on www.achmea.nl or www.achmea.com.

Tilburg, 11 March 2021

The Supervisory Board,

Mr. H. (Huub) Arendse, Chairman
Mr. H.W. (Henny) te Beest
Mrs. M.R. (Miriam) van Dongen (as of 21 December 2020)
Mr. R. (Robert) Otto

Corporate Social Responsibility

How we give back to society

Achmea Bank wants to make a real contribution to society. We strive for sustainable development for our customers, employees, our company and the society as a whole. That goes beyond offering financial services. We want to have a positive impact on society. We do this by, among other things, dedicating ourselves to financial education and by minimizing the impact of our business operations on the climate. Contributing to reducing climate change has been high on Achmea’s strategic agenda for many years and it is one of the focus areas of its SDG strategy. As an employer, we strive that our organization is a reflection of society and therefore we pay attention to gender and cultural diversity. We also pay a lot of attention to a healthy work-life balance of our employees have and invest continuously in education and employability. More detailed information on our CSR policies can be found on our website www.achmeabank.com/about-us/csr.

Care for our customers

Our primary contribution to social impact is through our daily work. With our products and services, we are relevant in the lives of more than 450.000 households. Our employees are reliable, professional and customer-oriented. In our daily work we put the customer's interest first. The duty of care is deeply engrained in our culture. The Covid-19 pandemic caused financial uncertainty for some of our clients. We immediately took a number of measures. Customers who could no longer pay their mortgage as a result of Covid-19 could make use of a payment holiday. Furthermore, we offered our employees training to help people in their own environment with money matters and budgeting. Employees who followed this training can help a friend, family member or someone else in their own environment with his or her finances. We also continued the campaign to approach customers with an interest-only mortgage who could potentially experience a payment problem in the future. Through an online mortgage check we offered insight in different scenarios such as the affordability of the mortgage on the retirement date or at the end of the term. About 70.000 mortgage customers were approached in 2020. The Dutch Banking Association performs an annual survey on how much confidence consumers have in the banking sector and in their own bank. The 2020 survey showed that confidence in our Centraal Beheer brand has increased and that confidence in our Woonfonds brand remained stable.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) are objectives set by the United Nations to develop the world in a sustainable way. Achmea Bank wants to contribute to these goals within its own sphere of influence. We focus on the areas where we have the greatest impact. We have chosen to focus on the three SDGs to which it can make the largest contribution.

Quality education (SDG 4)	We use our financial knowledge to increase the financial self-reliance and financial awareness of people through education.
Sustainable cities and communities (SDG 11)	We want to make a positive contribution to the sustainability of homes. We aim for our mortgage portfolio to have an average energy rating of A by 2030.
Climate action (SDG 13)	In our business operations we want to be as little harmful as possible for our environment. In 2030 we aim to be CO2 neutral.

Corporate Social Responsibility

Financial education (Quality education)

Financial education is not part of the Dutch education curriculum. We therefore believe it is part of our responsibility to contribute to education and information aimed at increasing the general level of knowledge about money matters so that people can make more responsible financial decisions. Through information on the websites of our brands, such as the Mortgage Academy of Centraal Beheer, we enable consumers to make well-considered choices.

Providing knowledge about financial matters starts at an early age. Achmea Bank is committed to financial education. Every year our employees provide guest lessons at primary schools during the "Week of the Money". By making children financially aware from an early age, the foundation is laid for financial self-reliance in adulthood. Due to Covid-19, the Dutch Banking Association developed an online variant, so that these lessons can also be given online in the future.

Sustainable living (Sustainable cities and communities)

A significant part of the carbon emissions in the Netherlands are caused by households. In order to realize the ambitions of the Paris climate agreement, a large part of the Dutch housing stock needs to be made more sustainable. As a mortgage provider, we have a social responsibility to contribute to the reduction of greenhouse gas emission stemming from houses we finance. The banks in the Netherlands, united in the Dutch Banking Association (NVB), have drawn up a climate statement committing themselves to the Paris Agreement. Achmea Bank has also signed this Agreement. In doing so we committed ourselves to report on the climate impact of our financing and draw up action plans to reduce the CO^2 emissions of our financing. We encourage our customers to make their homes more sustainable and offer solutions and financing options. Our brand Centraal Beheer Achmea has started offer solar panels and isolation for roofs, floors and walls. In 2020 we also became a member of the Sustainable Living Sector Collective (“Sectorcollectief Duurzaam Wonen”). About eighty parties in the Dutch mortgage market, including our Centraal Beheer and Woonfonds labels, have joined forces to accelerate the sustainability of the housing market. This collaboration aims to make sustainability a part of every mortgage advice. As part of this initiative our mortgage staff followed the online training ‘Advisor sustainable living’.

Sustainable working (Climate action)

In our operations we want to have as little impact as possible on our environment. Our energy consumption, waste and our CO2 emissions from commuting have a direct effect on the environment. Achmea aims to be CO_2 neutral from 2030 in our operations. To achieve this, we implement various measures, such as a sustainable purchasing process and reducing the use of energy from non-renewable sources. In addition, we offer the possibility to work from home. We also promote the use of sustainable means of transport such as bicycles, public transport, electric and shared cars. Furthermore, we only purchase circular furniture and other products. Every year, Achmea charts the CO_2 footprint of its entire business operations, looking at heating, lighting, water and paper consumption, waste, coolants, servers and mobility. A more detailed report on our results in the field of sustainability can be found in Achmea Group's annual report.

TCFD Climate-related Financial Disclosure

Combating climate change has been high on Achmea’s strategic agenda for many years. In 2019 Achmea Bank signed the Dutch Climate Agreement, thereby committing ourselves to report on the climate impact of our mortgages from 2020 onwards. Last year we published our first Green House Gasses (GHG) report based on methods provided by the Partnership for Carbon Accounting Financials (PCAF). Following this first important step, Achmea Bank has started implementing recommendations of the Financial Stability Board’s Task Force on Climate Related Disclosures (TCFD). This first report is structured along the four TCFD pillars: governance, strategy, risk management and metrics & targets.

What is the Task Force on Climate-related Financial Disclosures?

The Task Force on Climate-Related Financial Disclosures (TCFD) was created in 2015 by the G20’s Financial Stability Board (FSB) to develop consistent climate-related financial disclosures for use by companies, banks, and investors in providing information to stakeholders.

In 2019 the European Commission published guidelines on how to apply TCFD recommendations. These guidelines supplement the EU Non-Financial Reporting Directive (NFRD).

Corporate Social Responsibility

Governance

Achmea Bank believes we have a social responsibility to contribute to the mitigation of climate change. The responsibility for climate-related risk's and opportunities lies with Achmea Bank's Board of Directors. We started to integrate the Climate-related risks in our risk management process, which will be continued in 2021. We believe climate and sustainability risk is most effectively incorporated in existing committees. Our committees consist of both senior management and employees from varying departments. Each committee integrates sustainability in their relevant functions and reports on their efforts in climate-related issues to the Executive Board on a frequent and consistent basis.

Strategy

Achmea Bank is committed to the Dutch Climate Agreement and its ambition to reduce carbon emissions by 49% in 2030 relative to levels from 1990. We have also drawn up an Environmental, Social and Governance (ESG) policy concerning Sustainable Development Goals for sustainable cities and communities (SDG 11) and climate action (SDG 13). Achmea has started providing solutions to clients who want to make their homes more sustainable. For example, through our Centraal Beheer brand we offer solar panels and isolation for roofs, floors and walls.

Risk Management

Since climate-related risk is linked with other risk types such as credit risk, market risk, operational risk, strategic risk and reputational risk, it is managed as part of the existing risk governance. Physical risks have been identified as long-term threats, while transition risks are expected to materialize in the short to medium-term. In line with the steps of the risk management cycle, material risks are identified, assessed and, where relevant, mitigated and monitored.

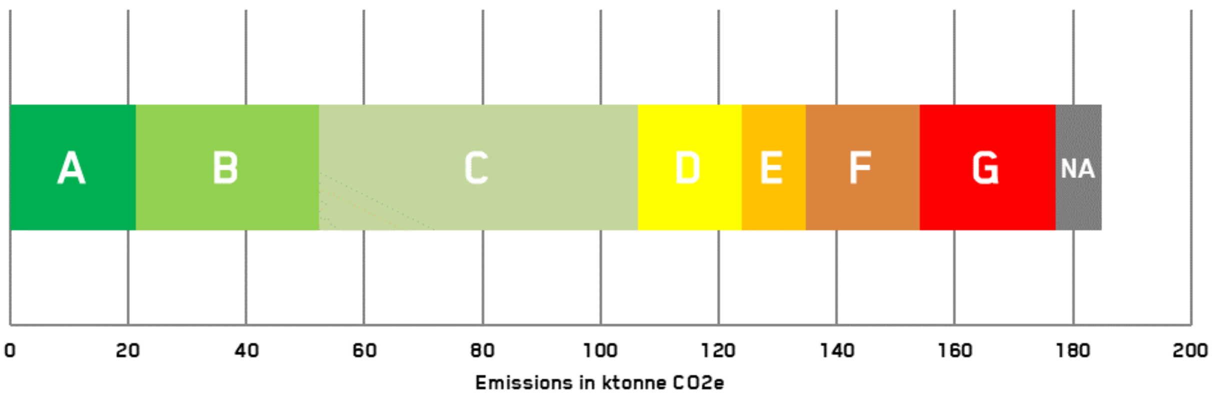
Metrics & Targets

Achmea Group reports annually on Scope 1 & 2 carbon emissions from business operations based on the GHG Protocol. Achmea Bank has started monitoring carbon emissions from our mortgage portfolio since 2019 and in-depth reports are published annually on www.achmeabank.com. Under the GHG Protocol, mortgage emissions qualify under Scope 3, category 15 - investments.

The emissions of our mortgage portfolio are based on average energy usage using methodology provided by PCAF. PCAF is an initiative of the Dutch Sustainable Finance Platform, chaired by the Dutch central bank (DNB).

Achmea Bank's mortgage emissions are calculated by multiplying the location specific average energy usage of collateral buildings in our mortgage portfolio with carbon emission factors. In line with PCAF accounting methods, the Scope 1 and 2 emissions associated with residential mortgages are attributed for 61% to Achmea Bank, using to the calculated Attribution Factor based on a loan-to-value approach. The Acier portfolio is excluded, due to its unique characteristics. In 2020 this amounted to a total of 184.8 ktonne CO2e and a carbon intensity of 17.0 ktonne CO2e/bn. EUR (outstanding loans based on nominal value).

Attributed CO2 emissions of our mortgage portfolio (ktonne)



Total outstanding loans (bn. EUR)	Attributed emissions (ktonne CO2e)	Carbon intensity (ktonne CO2e/bn.EUR)
€ 10.8	184.8	17.0

Achmea Bank N.V.
Financial Statements

Achmea Bank N.V. Financial Statements 2020

Consolidated statement of financial position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BEFORE APPROPRIATION OF RESULT			
IN THOUSANDS OF EUROS			
AS AT		31 DECEMBER 2020	31 DECEMBER 2019
	NOTE		
Assets			
Cash and balances with Central Banks	11	938,708	72,366
Derivative assets held for risk management	10	82,035	90,513
Loans and advances to banks	12	669,166	713,350
Loans and advances to public sector	13	652	675
Loans and advances to customers	6	12,092,263	12,632,401
Deferred tax assets	19	4,760	–
Prepayments and other receivables	14	46,092	147,468
Total Assets		**13,833,676**	**13,656,773**
Liabilities			
Derivative liabilities held for risk management	10	456,475	464,969
Deposits from banks	15	377,234	197,749
Funds entrusted	8	7,447,114	7,507,919
Debt securities issued	7	4,651,080	4,574,111
Provisions	16	1,200	3,600
Current tax liabilities	20	7,533	23,753
Deferred tax liabilities	19	0	930
Accruals and other liabilities	18	57,053	68,139
Subordinated liabilities	17	1,191	8,336
Total Liabilities		**12,998,880**	**12,849,506**
Share Capital		18,152	18,152
Share premium		505,609	505,609
Reserves		283,506	246,377
Net profit		27,529	37,129
Total Equity	**21**	**834,796**	**807,267**
Total Equity and Liabilities		**13,833,676**	**13,656,773**

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF EUROS			
FOR THE YEAR ENDED 31 DECEMBER		2020	2019
	Note(s)		
Interest income	9	334,996	343,137
Interest expenses	9	194,235	218,494
Interest margin	**9**	**140,761**	**124,643**
Changes in fair value of financial instruments	10	−5,022	15,922
Interest margin and changes in fair value of financial instruments		**135,739**	**140,565**
Other income	22	1,676	1,675
Fees and commission income and expense	23	9,316	8,025
Operating income		**146,731**	**150,265**
Impairment of financial instruments and other assets	6	3,488	−4,330
Operating expenses	24/25/26	106,114	104,998
Operating profit before taxes		**37,129**	**49,597**
Income tax expense	27	9,600	12,468
Net profit		**27,529**	**37,129**
Other comprehensive income/expense (non-permanent part of Equity)			
Fair value adjustments on items classified as fair value through Other comprehensive income	21	–	−2,133
Tax effect on Net fair value adjustments on items classified as fair value through Other comprehensive income		–	2,693
Other comprehensive income/expense net of income tax (non-permanent part of Equity)		**–**	**560**
Total comprehensive income for the period		**27,529**	**37,689**
Net profit:			
Attributable to owners of the parent		27,529	37,129
Net profit for the period		**27,529**	**37,129**
Total comprehensive income:			
Attributable to holders of equity instruments of the company		27,529	37,689
Total comprehensive income for the period		**27,529**	**37,689**

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED	SHARE CAPITAL	SHARE PREMIUM	FAIR VALUE RESERVE	PROFIT FOR THE YEAR	OTHER RESERVES	TOTAL EQUITY
IN THOUSANDS OF EUROS						
Balance at 1 January 2020	**18,152**	**505,609**	**–**	**37,129**	**246,377**	**807,267**
Total comprehensive income for the period						
Net profit	–	–	–	27,529	–	27,529
Other comprehensive income/expense, net of income tax						**–**
Fair value reserve:						**–**
Change in fair value net of income tax (will be fully recycled through P&L) (note 10)						–
Total comprehensive income for the period	**–**	**–**	**–**	**27,529**	**–**	**27,529**
Transaction with owners, recognised directly in equity						
Contributions by and distributions to Shareholders						
Dividends paid	–	–	–	–	–	–
Appropriation of profit 2019	–	–	–	–37,129	37,129	–
Total contributions by and distributions to Shareholders	**–**	**–**	**–**	**–37,129**	**37,129**	**–**
Balance at 31 December 2020 (note 21)	**18,152**	**505,609**	**–**	**27,529**	**283,506**	**834,796**
Balance at 1 January 2019	**18,152**	**505,609**	**–560**	**29,472**	**252,508**	**805,181**
Correction of accounting treatment penalty interest (net of tax)	–	–	–	–	–6,131	–6,131
Restated balance at 1 January 2019	**18,152**	**505,609**	**–560**	**29,472**	**246,377**	**799,050**
Total comprehensive income for the period						
Net profit	–	–	–	37,129	–	37,129
Other comprehensive income/expense, net of income tax						
Fair value reserve:	**–**	**–**	**–**	**–**	**–**	**–**
Change in fair value net of income tax (will be fully recycled through P&L) (note 10)	–	–	560	–	–	560
Total comprehensive income for the period	**–**	**–**	**560**	**37,129**	**–**	**37,689**
Transaction with owners, recognised directly in equity						
Contributions by and distributions to Shareholders						
Dividends paid	–	–	–	–29,472	–	–29,472
Appropriation of profit 2018	–	–	–	–	–	–
Total contributions by and distributions to Shareholders	**–**	**–**	**–**	**–29,472**	**–**	**–29,472**
Balance at 31 December 2019 (note 21)	**18,152**	**505,609**	**–**	**37,129**	**246,377**	**807,267**

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER			
IN THOUSANDS OF EUROS		2020	2019
Cash flow generated from operating activities	**Note(s)**		
Net profit		**27,529**	**37,129**
Adjustments for non-cash items in the result:			
Impairment on financial instruments and other assets	6	3,488	−4,330
Net interest and other income		−140,761	−126,318
Changes in fair value of financial instruments	10	−4,820	3,620
Other non-cash items		80,515	−106,840
Income tax expense	27	9,600	12,468
		−24,449	**−184,271**
Changes in operating assets and liabilities:			
Loans and advances to banks	12	84,032	34,695
Loans and advances to public sector	13	23	23
Loans and advances to customers	6	1,000,693	541,457
Prepayments and other receivables	14	76,519	−80,745
Changes in tax assets and liabilities	19/20	–	−2,098
Deposits from banks	15	179,570	−4,572
Funds entrusted	8	−132,511	102,910
Accruals and other liabilities	18	−11,087	26,346
Provisions	16	−2,400	−376
Interest received	9	284,062	331,450
Interest paid	9	−113,423	−134,716
Income tax paid	27	−31,510	−21,661
		1,333,968	**792,713**
Net cash flow generated from operating activities (1)		**1,309,519**	**608,442**
Cash flow generated from investing activities			
Investments in mortgages and savings	4	−458,594	−513,898
Interest-bearing securities sold		–	202,056
Net cash flow generated from/(used in) investing activities (2)		**−458,594**	**−311,842**
Cash flow generated from financing activities			
Repayments of Debt securities issued	7	−1,116,654	−990,787
Issues of Debt securites issued	7	1,178,738	669,931
		62,083	**−320,856**
Subordinated liabilities	17	−6,807	-
Dividend Payment		–	−29,472
Net cash flow generated from/used in financing activities (3)		**55,276**	**−350,328**
Net cash flow (1) + (2) + (3)		**906,201**	**−53,726**
Cash and cash equivalents as at 1 January*		73,357	127,083
Cash and cash equivalents as at 31 December*		979,558	73,357
Movements in cash and cash equivalents		**906,201**	**−53,726**
Reconciliation of movement in Cash and cash equivalents			
Cash and balances with Central Banks	11	866,341	−43,415
Loans and advances to banks on demand	12	39,860	−10,311
		906,201	**−53,726**

*Cash and cash equivalents includes the minimum cash reserve to be maintained at DNB and collateral posted at DNB, which is not at the Bank’s free disposal (2020: EUR 39.4 million (2019: EUR 43.2 million)).

Notes To The Consolidated Financial Statements

General

1. GENERAL INFORMATION

Achmea Bank N.V. is located at Spoorlaan 298, Tilburg (the Netherlands) with its registered office in The Hague (the Netherlands). It is registered at the Chamber of Commerce under number 27154399. The number of employees was 192 FTEs on 31 December 2020 (2019: 209 FTEs). The core products of Achmea Bank N.V. (‘the Bank’ or ‘Achmea Bank’) consist of savings products for private individuals and Residential mortgage loans for the Dutch market. The shares of the Bank are held by Achmea B.V.

The Bank’s consolidated financial statements for 2020 consist of the financial statements of all group companies in which the Bank has a controlling interest. Reference is made to paragraph 2F Basis of consolidation for an overview of the group companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied uniformly for all periods presented in these consolidated financial statements and by all group entities, unless otherwise stated.

The consolidated financial statements are presented in Euros, which is the parent company’s functional currency.

A AUTHORIZATION FINANCIAL STATEMENTS

The Bank´s consolidated financial statements for the year ended 31 December 2020 were authorized for issue in accordance with a resolution of the Executive Board on 11 March 2021. At the same date, the Supervisory Board gave its advice to the General Meeting of Achmea Bank to adopt the financial statements. The Executive Board may decide to amend the financial statements as long as these have not been adopted by the General Meeting. The General Meeting may decide not to adopt the financial statements, but may not amend these.

B BASIS OF PRESENTATION

The Bank´s consolidated financial statements 2020, including the 2019 comparative figures, have been prepared in accordance with the International Financial Reporting Standards - including International Accounting Standards (IAS) and Interpretations - as adopted by the European Union (hereafter EU and EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

Achmea Bank split the explanatory notes into the chapter 'notes to significant balance sheet and income statement items' and other items. The notes relating to Achmea Bank's core activities are included in 'significant parts of the balance sheet and income statement' and the remaining notes that do meet the criteria for quantitative and qualitative relative importance in the chapter ‘Other’ notes.

The specific accounting principles for individual balance sheet and income statement items are disclosed in the explanatory notes.

C EFFECTS COVID-19

During 2020, the Covid-19 pandemic had a significant impact on Achmea Bank. The outbreak in early 2020 resulted in strict government measures in The Netherlands. These measures had a significant impact on society as well as on Achmea Banks operations. The Covid-19 pandemic is impacting our customers and credit, market, liquidity and operational risks. It is currently unclear how the financial markets will develop in the near future. Frequent monitoring of the financial risks such as liquidity and capital is an integral part of the Bank’s risk management system. Achmea Bank closely monitors developments in the Bank’s liquidity and capital position. Furthermore, the developments on these risks are closely monitored by the Banks’s supervisors, the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). The Bank’s consolidated financial statements 2020 have been prepared on a going concern basis. Achmea Bank concludes that its capital and liquidity position is adequate to support the going concern assumption.

Achmea Bank has based these assumptions and estimates on current insights and developments from the Covid-19 pandemic as at December 31, 2020. Achmea Bank assumes that in the event of (local) outbreaks, immediate action will be taken by the government and that, based on the knowledge gained, measures will be taken quickly and adequately (at local level) to prevent further spread. The effects of Covid-19 in 2020 and the measures taken by governments to limit the spread of Covid-19 will have important economic consequences.

Notes To The Consolidated Financial Statements

How big they are is uncertain. Our current estimations are based on the most accurate available information. The most important consequences and uncertainties for Achmea Banks financial position, including the impact of Covid-19 on the ECL calculation, are disclosed in Note 5 Risk management.

D INITIAL APPLICATION OF ACCOUNTING POLICIES

In 2020 the following amendments to Standards and Interpretations issued by the International Accounting Standard Board (IASB) were adopted:

- Amendments to IFRS 3 Business Combinations: Definition of a Business.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform Phase I.
- IAS 1 and IAS 8: Definition of Material.
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 16: Covid-19-Related Rent Concessions (implementation date for financial years starting from 1 June 2020).

These changes have no material impact on Achmea Bank's Total equity and Net result.

E CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

The following standards or amendments were issued in 2020 or prior years and are not early adopted by Achmea Bank in preparing its Consolidated Financial Statements 2020:

- Annual improvements to IFRSs- 2018-2020 (several small changes) (implementation date 1 January 2021)
- Amendments to IFRS 17 Insurance contracts (implementation date 1 January 2023)
- Amendments to IFRS 4: Insurance Contract (deferral of IFRS 17) (implementation date 1 January 2021)
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (implementation date 1 January 2023).
- Amendments to IFRS 3: References to Conceptual Framework (implementation date 1 January 2022).
- Amendments to IAS 37: Onerous Contracts— Cost of Fulfilling a Contract (implementation date 1 January 2022).
- Annual improvements to IFRSs- 2018-2020 ((implementation date 1 January 2022);
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (implementation date 1 January 2022).
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform - Phase II (implementation date depending on effective dates in the individual standards, January 1, 2021).

These changes are expected to have no material impact on Achmea Bank's Total equity and Net result.

PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

As of 2020, Achmea Bank adjusted its accounting treatment with retrospective application per 1 January 2019 for the accounting of interest compensation paid by customers on their mortgages part of the loans and advances to customers. In case customers of Achmea Bank decide to amend the interest rate before the fixed interest rate period has ended, this is no longer considered as a contract modification that leads to derecognition of the existing contract and recognition of a new contract, but as a change of the cash flows of the existing contract. The accounting consequence is that the full compensation for early redemptions is amortised over the remaining original fixed interest rate period, whereas before 2020 the compensation was directly recognised in the income statement in the year of modification. The net impact on Total Equity as at 1 January 2020 amounted to a decrease of EUR 6.3 million (1 January 2019: EUR 6.1 million), impact on Loans and advances to customers amounted to increase of EUR 8.4 million per 1 January 2019. Although the impact on prior years is not considered to be material in terms of accounting impact, the comparative figures of 2019 have been restated to reflect the cumulative impact of this adjustment.

Notes To The Consolidated Financial Statements

F BASIS OF CONSOLIDATION

Subsidiaries are all entities over which the Bank has control (based on the requirements of IFRS 10). The Bank controls an entity when the Bank is exposed to, or has rights to, the variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which power of control is transferred to the Bank and deconsolidated from the date that control ceases.

The consolidated financial statements of the Bank include the financials figures of the following companies:

- Dutch Mortgage Portfolio Loans XI B.V. (shares are held by Stichting DMPL XI Holding *)
- Dutch Mortgage Portfolio Loans XII B.V. (shares are held by Stichting DMPL XII Holding **)
- Dutch Residential Mortgage Portfolio I B.V. (shares are held by Stichting Holding DRMP I **)
- Dutch Residential Mortgage Portfolio II B.V. (shares are held by Stichting Holding DRMP II)
- Securitised Residential Mortgage Portfolio I B.V. (shares are held by Stichting Holding SRMP I)
- Achmea Conditional Pass-Through Covered Bond Company B.V. (shares are held by Stichting Achmea Conditional Pass-Through Covered Bond Company)
- Stichting Trustee Achmea Bank
- Stichting Incasso Achmea Hypotheken

*) Called and liquidated in 2019
**) Called and liquidated in 2020

All consolidated companies have their registered office in Amsterdam except for Stichting Trustee Achmea Bank which has its registered office in The Hague.

These entities (with the exception of Stichting Incasso Achmea Hypotheken, Stichting Trustee Achmea Bank and Achmea Conditional Pass-Through Covered Bond Company B.V.) are companies set up by the Bank for securitisation purposes of residential mortgage loans. There are no representatives of the Bank in the boards of these entities.

Achmea Bank set up a EUR 5 billion Conditional Pass Through Covered Bond Programme in 2017 (“ACPTCB”) to replace its soft bullet covered bond programme which was terminated in October 2017. The shares of Achmea Conditional Pass-Through Covered Bond Company B.V. are held by Stichting Achmea Conditional Pass-Through Covered Bond Company.

The Bank has a Trust agreement with Stichting Trustee Achmea Bank. Under this Trust agreement the Bank periodically pledges mortgage receivables to Stichting Trustee Achmea Bank as collateral for liabilities of and funds entrusted to the Bank.

The Stichting Incasso Achmea Hypotheken has been set up to collect and distribute payments on the mortgage receivables to the Bank and related group companies mentioned above.

The above-mentioned companies are consolidated based on an evaluation of the substance of their relationship with the Bank and the entity’s risks and rewards. If one of the following circumstances is applicable, the Bank controls and consequently consolidates an entity:

- The entity conducts its activities to meet Achmea Bank’s specific funding needs;
- The Bank has decision-making power to obtain the majority of the benefits of the entity’s activities;
- The Bank is able to obtain the majority of the benefits of the entity’s activities;
- By having a right to the majority of the entity’s benefits, the Bank is exposed to the entity’s credit risks on mortgages;
- There is a cash advance facility or liquidity fund applicable for the Special Purpose Vehicles (‘SPV’) to meet their liquidity needs;
- The entity has the majority of residual interest in the SPV.

All transactions with group companies are at arm’s length.

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value once control is lost.

Notes To The Consolidated Financial Statements

G ELIMINATION OF INTERGROUP TRANSACTIONS AND ACCOUNTS

Intragroup accounts and any unrealised gains and losses on transactions within the Bank or income and expenses from such transactions are eliminated.

H SEGMENT INFORMATION

In the internal reports used by the Executive Board to allocate resources and monitor performance targets to the operating segment, Achmea Bank is managed as a single operating segment. In 2020, Achmea Bank completed a balance sheet transaction, the acquisition of the BinckBank mortgage portfolio. Based on a detailed assessment on risk characteristics as well as underlying collateral of the portfolios, the Bank concluded that the portfolio is not materially different from its main mortgage portfolio. The Acier loan portfolio differs in characteristics from the typical Achmea Bank mortgages, this portfolio is classified as a so called non-core portfolio. The risk management paragraph and the notes to the Consolidated Financial Statements include separate information about the credit risk, mortgages and provisions for impairment of this portfolio.

I CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows has been set up according to the indirect method. Cash and cash equivalents comprise cash, bank balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of Achmea Bank's cash management processes are recognised as a component of Cash and cash equivalents.

J RECOGNITION, DERECOGNITION AND MEASUREMENT

A financial asset is recognised on the consolidated statement of financial position when it is probable that future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably. A financial liability is recognised on the consolidated statement of financial position when it is probable that an outflow of economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Financial assets (or parts of a financial asset) are derecognised when the contractual right to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. The Bank derecognises the financial asset when it no longer has control over the asset. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement in economic terms. The extent of continuing involvement is determined by the extent to which the Bank is exposed to changes in the value of the asset. Any cumulative unrealized gain or loss previously recognised in total equity is transferred from total equity to the statement of comprehensive income.

A financial liability (or part of financial liabilities) is derecognised from the balance sheet when, and only when it is extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expired).

On derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the statement of comprehensive income as a realised gain or loss.

Measurement

At initial recognition, Achmea Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not measured at fair value through profit or loss (FVtPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), as described in note 10, which results in an accounting loss being recognised in the income statement when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

Notes To The Consolidated Financial Statements

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is amortised over the remaining economic life of the instrument.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument (level 1). A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

If a market for a financial instrument is not active, the Bank calculates fair values using valuation techniques (level 3). Valuation techniques include using recent at arm’s length transactions between knowledgeable, willing parties (if available), references to the current value of other instruments that are substantially the same and discounted cash flow analyses. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specifically related to Achmea Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and validates them by using prices from observable and market transactions in the same instrument.

Fair value through OCI measurement

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument’s amortised cost which are recognised in profit or loss. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in ‘Net Investment income’. Interest income from these financial assets is included in ‘Interest income’ using the effective interest rate method.

K CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Achmea Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVtPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

A financial asset is measured at amortised cost when it meets both of the following conditions and is not designated at FVtPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only when it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at Fair Value through Other Comprehensive Income (FVOCI) at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes To The Consolidated Financial Statements

Business model assessment

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 (FVtPL).

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level as this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed as such whose performance is evaluated on a fair value basis are measured at FVtPL as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

L MODIFICATION

In some situations Achmea Bank renegotiates or otherwise modifies the contractual cash flows of financial assets and liabilities. When this happens, Achmea Bank assesses whether or not the new terms are substantially different to the original terms. Achmea Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in.

When the terms are substantially different, Achmea Bank derecognizes the original financial asset or liability and recognizes a 'new' asset or liability at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, Achmea Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

Notes To The Consolidated Financial Statements

When the terms are not substantially different, the renegotiation or modification does not result in derecognition, and Achmea Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset or liability and recognises a modification gain or loss in profit or loss. For the classification if terms are not substantially different, the Bank uses the difference in net present value as best indication. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

M IMPAIRMENT OF FINANCIAL ASSETS

The Bank recognizes loss allowances for expected credit losses (ECL) on all financial instruments that are not measured at FVTPL. The Bank uses a three stage model: 12 Month expected credit losses for performing loans (stage 1), life time expected credit losses for under-performing financial assets (stage 2) and life time expected credit losses for credit impaired financial assets (stage 3).

The highlights of the three stage model for impairment are:

- A financial instrument that is not credit impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Bank;
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired;
- If the financial instrument is credit impaired, the financial instrument is then moved to Stage 3;
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis;
- Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3);
- Undrawn loan commitments: the present value of the contractual cash flows that are due to the Bank and expect to receive if the commitment is drawn down.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank considers a financial asset to have low credit risk when their credit risk rating is equal to the globally understood definition of ‘investment grade’. For these financial assets the Bank doesn’t use a 3 stages ECL model to calculate the impairment charges. Further details are disclosed in the Risk Management paragraph.

N USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with IFRS requires judgements by management. Management makes estimates and assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities and of income and expenses. These estimates and assumptions are based on historical data and various other factors that are considered reasonable in the circumstances. The results of this process form the basis for judgements regarding the carrying amounts of assets and liabilities where the carrying amount cannot be derived from other sources. The actual figures may differ from these estimates.

The estimates and underlying assumptions are evaluated on an ongoing basis. The effects of the revisions of estimates are recognised in the year in which the revision takes place.

Any assumptions made by Management in the application of IFRS which have a significant impact on the financial results of current or future years are disclosed in the relevant notes and in paragraph 3 Critical estimates and judgements used in applying the accounting policies.

Notes To The Consolidated Financial Statements

O OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are netted in the consolidated statement of financial position if Achmea Bank:
- has a legally enforceable right to off set the asset and the liability; and
- intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

P FOREIGN CURRENCY

Monetary assets and liabilities in foreign currencies are converted into Euros at the exchange rate prevailing on the balance sheet date. The realised and unrealised translation gains or losses are recognised in the consolidated statement of comprehensive income. Income and expenses as well as non-monetary assets and liabilities arising from transactions in foreign currencies are converted at the exchange rate on the transaction date.

3. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING THE ACCOUNTING POLICIES

The Bank makes estimations and assumptions which affect the value of assets and liabilities reported during the current financial year. The estimations and assumptions are evaluated on an ongoing basis and are, where possible, based on historical data and future events that are considered reasonable given the circumstances. Where applicable, the impact of Covid-19 on critical estimates and judgements have been taken into account.

Recognition of deferred tax assets
Deferred tax assets are established for the tax benefit related to deductible temporary differences, carry forwards of unused tax losses and carry forwards of unused tax credits when, in the judgement of management, it is likely that the Bank will receive the tax benefits. A change in judgement could have a substantial effect on the value of the deferred tax asset. As there is no absolute assurance that these assets will ultimately be realised, management reviews the Bank´s deferred tax positions periodically to determine whether it is likely that the assets will be realised.

Fair value derivatives
The fair value of the derivatives held for risk management may fluctuate significantly from time to time due to fluctuations in market rates and is calculated by using a valuation model. Although the valuation model makes maximum use of observable market inputs and limits the use of estimates made by the Bank, determining fair value for these type of instruments is considered to be complex and subject to management estimates in choosing the appropriate observable market inputs and deriving indirect price indices for unobservable elements. The risk management paragraph includes further explanation on the calculation the fair value values of financials assets and liabilities including their inherent uncertainties and applied sensitivity analyses. The risk management paragraph includes further explanation on the calculation the fair value values of financials assets and liabilities.

Fair value Loans and advances to customers
The fair value of Loans and advances to customers is based on the present value of expected future cash inflows, using current market interest rates. The interest rate is based on the money market and capital market, both of which are in the public domain. If possible, the Bank makes use of variables that are observable in these markets. The effects of the Covid-19 crisis (in particular liquidity and default risks) have been evaluated in measuring the fair value of Loans and advances to customers. The changed economic conditions as a result of Covid-19 lead to an increased bandwidth within which assumptions and estimates in the valuation of unlisted investments, such as (mortgage) loans, fluctuate. This is related, among other things, to the extent to which deferral of interest and repayment of (mortgage) loans has an impact on future cash flows and the extent to which Covid-19 leads to an increased risk of bad debt of (mortgage) loans. The Bank’s lending involves mortgage loans to the Dutch market only, and therefor the impact of this on the fair value is limited.

Hedge accounting
The Bank has applied derivatives as fair value hedges on the interest rate risk inherent in its mortgage portfolio (macro hedge) as well as on the interest rate risk and currency risk related to debt securities issued (micro hedge). For the application of fair value hedge accounting, the Bank documents the relationship between the hedging instruments and the hedged items or positions, as well as the risk management objective and strategy at the inception of the transaction. The fair value of the hedged item (based on the risk being hedged) may fluctuate significantly from time to time due to fluctuations in market rates and is calculated using a valuation model. The valuation model makes maximum use of observable market inputs and limits the use of estimates made by the company.

Notes To The Consolidated Financial Statements

Measurement Expected credit loss

The measurement of the expected credit loss for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further explained in the risk management paragraph, section credit risk. This paragraph includes the sensitivity analysis of the expected loss models for the main mortgage portfolios of Achmea Bank. Furthermore, this paragraph includes all the Covid-19 assumptions for the measuring ECL.

Notes To The Consolidated Financial Statements

Notes to significant balance sheet and income statement items

4. ACQUISITIONS

ACCOUNTING POLICIES ACQUISITIONS

In 2020 Achmea Bank acquired a mortgage portfolio from BinckBank. This acquired portfolio has been treated as an acquisition of assets and liabilities and not a business combination according to the IFRS guidelines (IFRS 3). Achmea Bank identified and recognised the individual identifiable assets acquired. The cost of the portfolio are allocated to the individual identifiable assets on the basis of their relative fair values at the date of purchase.

Initial recognition of the mortgage portfolio is at fair value, subsequent measurement is at amortised cost. The amortised cost of the financial asset or financial liability is defined as the amount at which the financial asset or financial liability is measured at initial recognition plus or minus any difference between that initial amount and the notional amount. Difference between fair value at initial recognition and the notional amount should be amortised over the instrument's expected life or, where applicable, a shorter period.

The transaction price was determined at signing date with BinckBank, which was close to settlement date.

ACQUISITION MORTGAGE PORTFOLIO OF BINCKBANK

In 2020 Achmea Bank acquired a portfolio of Dutch residential mortgages from BinckBank, part of the Saxo Bank Group. The acquisition of this portfolio, with a size of approximately EUR 460 million notional amount, underlines Achmea's ambition to grow in mortgages. In recent years, this mortgage portfolio has been originated for the benefit of BinckBank, under the label 'bijBouwe' of the mortgage provider Dynamic Credit. The portfolio that has been acquired is a so-called closed book, meaning that no new mortgages will be originated although interest rate resets and further advances will be offered. Consequently, the transaction will not affect the borrowers in the mortgage portfolio. Achmea Bank is taking the place of BinckBank as the investor on the Dynamic Credit platform. This acquisition is in line with Achmea Bank's strategy of focusing on growth and scale.

The impact of the portfolio on the balance sheet at transaction date is presented in the table below:

IMPACT ON THE BALANCE SHEET ACQUISITION

IN THOUSANDS OF EUROS

AS AT INITAL RECOGNITION	BINCKBANK
Loans and advances to customers	
Loans and advances to customers at amortised cost	470,606
Less: Provision of impairment at initial recognition	−133
Cash and cash equivalents	
Cash balances	−470,459
Total Assets	**14**
Interest margin	−14
Total	**–**

Notes To The Consolidated Financial Statements

5. RISK MANAGEMENT

This chapter provides insight into the Bank's capital position, financial risks and the way Achmea Bank manages these risks. In this chapter, we provide the information that is required on the basis of IFRS 7 and IAS 1.

In addition, a separate Pillar 3 Report has been published on our website www.achmeabank.com.

This chapter describes the Bank's:

A. Risk strategy
B. Risk appetite
C. Risk governance
D. Covid-19
E. Solvency risk
F. Liquidity risk
G. Credit risk
H. Market risk
I. Operational risk (including cyber security, compliance, fraud and privacy)
J. Fair value financial assets and liabilities
K. Fair value hierarchy

A RISK STRATEGY

Achmea Bank's risk strategy supports management in the realisation of the business strategy by defining boundaries within which the bank would like to operate. The risk strategy focuses on:

- sound balance sheet management to control financial risks; and
- protection of Achmea Bank's identity and reputation: Achmea Bank aims to retain the confidence of its customers and other stakeholders.

The mission of the Risk Management department is to ensure the financial and operational stability and continuity of Achmea Bank. Risk Management safeguards a continuous monitoring of the risk profile and that risk management is implemented correctly, in line with legislation and market best practices.

B RISK APPETITE

Risk appetite is defined as the level of financial and non-financial risk the Bank is willing to take, given the Bank's business objectives. The risk appetite is translated into the minimum levels of liquidity and solvency and the maximum decline in results, the Bank is willing to accept under normal and extreme conditions. With respect to solvency and liquidity, the Bank aims to:

- achieve a responsible level of return on equity that guarantees access to the capital markets;
- maintain sufficient levels of capital and liquidity to meet internal and external requirements;
- be able to continue its business even in times of severe stress;
- avoid irresponsible concentration risks in its loan portfolio;
- maintain a sound balance sheet, including a diversified funding mix and an acceptable level of asset encumbrance; and
- have a conservative investment policy.

A further explanation of these items is provided in the following paragraphs, including the limits per individual risk type.
The risk appetite is a general policy which is reviewed at least annually. The department Balance Sheet Management & Financial Risk is responsible for the Risk Appetite Statement. The statement is approved by the Asset and Liability Committee (ALCo), the Finance and Risk Committee (F&RC), the Executive Board and ultimately the Supervisory Board.

Notes To The Consolidated Financial Statements

C RISK GOVERNANCE

The CEO is responsible for the effectiveness of non-financial risk management, the CFRO is responsible for effectiveness of financial risk management. The financial risk management department is led by the senior manager Balance Sheet Management & Financial Risk Management. The non-financial risk management department, i.e. operational risk, is led by the senior manager Compliance & Operational Risk management.

The Bank aims to maintain a sound balance between risk and return. Adequate risk management is key in order to support and monitor the Bank's core activities.

The Executive Board is responsible for defining and executing the Bank's strategy. An important element of the Bank's strategy is the consistent control of liquidity risk, counterparty risk, credit risk, interest rate risk, currency risk, operational risk and solvency risk.

The Executive Board is responsible for setting up effective processes that enable the Bank to hold sufficient capital and liquidity with respect to its objectives and the regulatory capital and liquidity adequacy requirements. Within this scope, the Executive Board delegated specific tasks to different committees (such as F&RC, Credit Committee and ALCo).

The Credit Committee, the Technical Committee, the Data Quality Board and the ALCo are sub-committees of the Finance & Risk Committee (F&RC). The F&RC is the ultimate decision-making body for new and amended policies regarding financial and operational risks. The F&RC is chaired by the CFRO, other members are the CEO and the senior managers of Balance Sheet Management & Financial Risk, Control and Compliance and Operational risk and Operations.

The Credit Committee focuses on the management of credit risk. This means that the Credit Committee has the responsibility for approving of and advising on credit policy frameworks and the implementation of it, for the monitoring of the development of the quality of the credit portfolio inclusive taking actions to act upon those developments, and for projects concerning (the organization of) credit risk within Achmea. Credit reports and reports about compliancy to the credit policies are sources for undertaking actions if needed, e.g. in case risk appetite indicators are negatively impacted. The Credit Committee is chaired by the CFRO of Achmea Bank. Other members of the Credit Committee are representatives of Balance Sheet Management & Financial Risk, Operations including Partner management and Control.

The ALCo focuses on the management of interest rate risk, market risk, professional counterparty risk (retail counterparty risk is the focus of the Credit Risk Committee), liquidity risk, funding risk and capital management. The ALCo bases its decisions partly on standard reports in which actual as well as forecasted figures with several (stress) scenarios are represented. In addition the ALCo supervises compliance with the relevant regulatory guidelines. The ALCo is chaired by the CFRO of Achmea Bank. Other members of the ALCo are representatives of Balance Sheet Management & Financial Risk, Control, (Group) Corporate Finance and (Group) Treasury.

D COVID-19

The Covid-19 pandemic has had a major impact on society, communities and the economy. Governments and central banks have responded with a variety of measures. The Covid-19 outbreak is having an impact on our customers, the financial markets and the risks to which Achmea Bank is exposed, including liquidity risk, credit risk and operational risk.

Liquidity and capital Risk

During 2020, Achmea Bank has closely monitored the impact of the Covid-19 crisis on the Bank's liquidity and capital position. Furthermore, the developments on these risks are closely monitored by the Banks's supervisors, the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM).

Despite a strong capital position Achmea Bank did not pay out any dividend in 2020 in line with the ECB/DNB recommendation to postpone dividend payouts and share buy backs until 2021. In addition, in June 2020 DNB confirmed that the own funds requirement, which is required to be held in excess of the minimum own funds requirement does no longer need to be made up entirely of Common Equity Tier 1 capital.

As a precaution Achmea Bank temporary strengthened its liquidity buffer in the first Covid-19 wave by temporarily increasing the size of the Asset Switch by EUR 500 million and drawing on the ECB liquidity facility (LTRO) for EUR 500 million. As soon as capital markets reverted back to more normal levels early June 2020 Achmea Bank issued a planned EUR 500 million covered bond after which the temporary liquidity measures were reduced. Achmea Bank concludes that its capital and liquidity position is sound and supports the going concern assumption.

Notes To The Consolidated Financial Statements

Credit Risk

2020 was dominated by the Covid-19 crisis. This crisis affects the social and economic living environment and also affects our customers. Since March 2020, Achmea Bank offered the possibility of a payment holiday to mortgage customers with payment difficulties directly related to the Covid-19 crisis. With this payment holiday customers temporarily do not have to pay interest and principal on their mortgage loan. By deferring the mortgage payments, it is more likely that customers will not get liquidity problems and can continue living in their homes. This is one of the solutions that Achmea Bank offered to its mortgage customers. The number of clients using the Covid-19 payment holiday is relatively low (0.3% of the total customers), as per December 2020. For all these customers, Achmea Bank has made payment arrangements, in line with the regular procedure for payment arrangements when clients are faced with financial difficulties. As a result, management recognised these clients as positions with a significant increase of credit risk and calculated the loan loss provision accordingly. By the end of December 2020, the impact on the ECL for mortgage customers which made use of the payment holiday amounts to EUR 1.2 million. Furthermore, Covid-19 had impact on the macroeconomic scenarios which are included in the ECL for the mortgages.

The major part of the mortgage portfolio of Achmea Bank consists of Dutch residential, owner occupied property loans and a proposition which allows buy-to-let. Covid-19 has not affected the increase of housing prices. Increasing housing prices result in lower loan to value ratios and lower credit risks. The impact on Covid-19 is therefore limited on the portfolio of Achmea Bank.

Reference is made to paragraph Expected credit loss for additional disclosures on the ECL calculation and additional analyses on Covid-19 prepared by management.

Operational Risk

The impact of the pandemic on operational risk manifests itself through employees, processes and systems. The main risks concern risks related to the wellbeing and safety of employees, the continuity of business-critical processes, the performance of (external) service providers and a possible increase in financial crime and fraud (including cybercrime). In addition, there is a reputation risk if Achmea Bank turns out to be unable to adequately deal with the crisis situation that has arisen, whereby it is also expected to take social responsibility towards customers. Achmea Bank has performed additional risk assessments and has taken (additional) measures at an early stage to mitigate these risks as much as possible. For instance, since March 2020 all employees work from home and the monitoring of service providers has been intensified during 2020. Additional and intensified monitoring has also been set up to prevent financial crime, including raising awareness among employees. Specific arrangements have been put in place for customers, such as a payment holiday for mortgage payments. The impact of the pandemic for Achmea Bank appears to be limited for the time being, with the bank having adapted adequately to the new situation, which is currently characterised as business as usual in the 'new normal'. During 2021 it will be assessed what structural consequences the pandemic will eventually have on Achmea Bank's business and internal control.

TRANSFER OPERATIONAL MORTGAGE ACTIVITIES

As of 1 October 2020, Achmea's operational mortgage activities have largely been placed within Syntrus Achmea. By joining forces of its mortgage activities and the introduction of the Achmea Mortgages Investment Platform, Achmea aims to increase its market share in the mortgage market in the coming years. In October 2020, Achmea Bank joined the Achmea Mortgages Investment Platform of Syntrus Achmea Real Estate & Finance (SAREF).
This platform is a separate account for mortgages which allows institutional investors to build their own Dutch residential mortgage portfolio with the risk and duration profile they desire. These mortgages are branded under the Centraal Beheer brand. Achmea Bank is one of the first investors in this platform. The introduction of the Achmea Mortgages Investment Platform is another step forward for Achmea in the process of combining its mortgage activities.

The operational mortgage activities which have been placed within SAREF includes the arrears management department. The policy framework related to credit risk are implemented and executed by SAREF. Achmea Bank manages credit risk by applying strict policies for underwriting, for regular management of existing clients and for arrears management. Achmea Bank has outsourced some of its tasks to SAREF, but is still responsible.

E SOLVENCY RISK

The Bank hold sufficient buffer capital to cover the risks arising from its operations. Pillar I of the Capital Requirements Regulation (CRR) contains rules for calculating the minimum amount of capital required, in relation to credit risk, market risk and operational risk. The Bank applies the standardized approach for credit risk to calculate the risk weightings of its assets. For operational risk the Bank applies the Basic Indicator Approach (BIA).

Notes To The Consolidated Financial Statements

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence in order to sustain the future development of the business. For credit risk, Achmea Bank currently applies the standardized approach to calculate the risk weighting of its assets. Achmea Bank is working towards the application of Advanced Internal Rating Based (AIRB) models. For operational risk the bank uses the basic indicator approach. As a result of a non-material net market risk, Achmea Bank's pillar I capital charge is nil.

The Dutch Central Bank (DNB) sets overall (capital) limits, based on its periodic Supervisory Review and Evaluation Process (SREP). The Bank complied with external and internal minimum capital requirements throughout the year with a Common Equity tier 1 Capital ratio of 20.4% and a Total Capital Ratio of 20.4% at 31 December 2020.

QUALIFYING CAPITAL AND CAPITAL RATIO

Risk weighted assets

The Bank reports the risk weighted exposure amounts in line with the CRR and CRD IV. In 2020 the total risk exposure amount (TREA) decreased with EUR 88 million from EUR 4.042 million to EUR 3.954 million, mainly due to a decrease in the mortgage portfolios, partially offset by the acquisition of the BinckBank mortgage portfolio, which had a EUR 121 million upward impact on TREA.

Dividend

In line with Achmea Group's policy to manage excess capital at group level, Achmea Bank has a dividend policy whereby dividend is paid out if the Bank's Total Capital Ratio exceeds a specific minimum level. The general meeting of April 17, 2020 has suspended the decision to distribute a dividend to shareholders until there is more clarity about the impact of Covid-19. Achmea Bank hereby responded to the recommendation from the European Central Bank (ECB) and De Nederlandsche Bank (DNB).

Common Equity Tier 1 Capital

In 2020 Tier 1 capital increased by EUR 31 million from EUR 776 million to EUR 807 million, mainly due to the addition of the 2019 result to retained earnings. Furthermore, the impact of the adjustment of the accounting treatment of interest compensation for early redemptions results in a decrease of EUR 6 million. As the Bank does not hold any hybrid tier 1 instruments, tier 1 capital equals its core tier 1 capital. The deductions in the table below mainly relate to prudent valuation (2020: EUR 0.1 million).

Tier 2 capital

As of 31 December 2020 an amount of EUR 0.7 million (2019: EUR 1 million) qualifies as Lower Tier 2 and consists of a subordinated loan.

QUALIFYING CAPITAL AND CAPITAL RATIO

IN MILLIONS OF EUROS	2020	2019
Share capital	18	18
Share premium reserve	506	506
Reserves	283	252
Deductions		–
Common Equity Tier 1 Capital	**807**	**776**
Lower Tier 2	1	1
Total own funds	**808**	**777**
Total risk exposure amount	**3,954**	**4,042**
Common Equity Tier 1 Capital Ratio	**20.4%**	**19.2%**
Total Capital Ratio	**20.4%**	**19.2%**

Internal capital adequacy requirements

The Bank has implemented internal processes to align the required capital to the risks the Bank faces. These processes are described in the Internal Capital & Liquidity Adequacy Assessment Process (ICLAAP) manual. Among other things, the manual describes the governance structure, procedures, assumptions and methods used to determine the required capital. The Internal Capital Adequacy Assessment Process (ICAAP) safeguards that the Bank is able to meet and maintain both the current and future capital adequacy of the Bank on a continuous basis.

Capital contingency

The purpose of capital contingency is to ensure that appropriate measures are taken in case of a (imminent) solvency deficit. The Bank monitors its solvency position on a monthly basis. However, the Bank recognizes that unexpected internal or external events may adversely affect the capital position for a shorter or longer period and that this may jeopardize the continuity of the Bank. It is essential to be able to obtain sufficient capital at all times, not only in a going-concern situation but also in stress situations.

F LIQUIDITY RISK

The main purpose of liquidity risk management is to ensure that the Bank can meet its financial obligations at all times, i.e. both in going-concern and in periods of stress, at acceptable costs. Liquidity risk comprises two basic types of risk:

- Market liquidity risk: The risk that, e.g. because of a crisis in the financial markets, the Bank cannot liquidate its assets in a short period of time at acceptable costs.
- Funding liquidity risk: The risk that the Bank is not able to (re)finance itself in order to meet its obligations.

Balance Sheet Management & Financial Risk (2nd line of defence) is responsible for monitoring and reporting liquidity risk. Furthermore, the ALCo monitors liquidity risk on a monthly basis. The most important metrics used to monitor liquidity risk are the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Survival Period (SP). The SP reflects the period that the bank’s liquidity position remains positive in the most severe internal stress scenario. Additionally, the Bank performs a set of liquidity stress tests on a quarterly basis. The Bank manages its liquidity position prudently and complies with the minimum regulatory and internal requirements.

LIQUIDITY BUFFER

As part of adequate liquidity management it is necessary for banks to have a sufficient liquidity buffer to sustain unforeseen liquidity stress situations. The Bank has a strong liquidity stress testing framework which includes an idiosyncratic, a market-wide, a combined stress scenario and reverse stress testing. Some of the most important stress factors are:

- A bank run, resulting in a material outflow of retail savings;
- A large outflow of cash due to collateral calls on (interest rate) derivatives in an adverse interest rate scenario; and
- No access to the unsecured wholesale markets for a prolonged period.

As part of these stress tests the adequacy of the volume and composition of the liquidity buffer is frequently tested.

The Bank’s liquidity buffer mainly consists of on-demand Central Bank deposits and a portfolio of unencumbered high-quality liquid assets. At year-end the Bank held approximately EUR 899 million cash available on demand at the Dutch Central Bank (excluding the mandatory cash reserve). Furthermore, the Bank had a portfolio of liquid debt securities amounting to EUR 695 million at year-end 2020 (2019: EUR 1.057 million), comprising of unencumbered retained RMBS notes (A-notes SRMP-I) and Dutch and German government bonds. The latter are part of an Asset Switch agreement with Achmea Pensioen- en Levensverzekeringen N.V. in which the Bank transfers the legal ownership of a portfolio of Dutch mortgages to Achmea Pensioen- en Levensverzekeringen N.V. in exchange for a portfolio of government bonds at a market value ratio of 110:100. These debt securities can easily be used as collateral or sold. The favourable liquidity treatment of government bonds enhances the liquidity position of the Bank and provides more flexibility in the timing of new funding transactions in connection with managing the liquidity and its survival period. The target securities amount of the Asset Switch is EUR 500 million. At year-end 2020 EUR 587 million (2019: EUR 561 million) of mortgages at nominal value were exchanged for EUR 489 million (2019: EUR 487 million) of government bonds (market value).

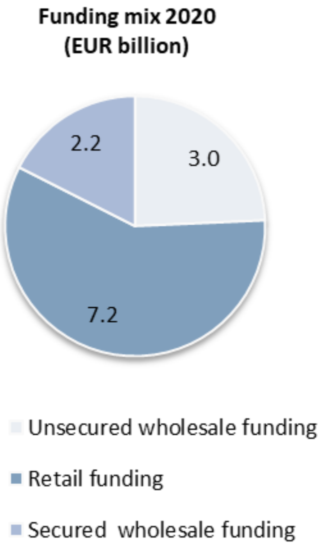
In addition, the Bank has a revolving credit facility agreement of EUR 200 million with Achmea B.V., which matures in March 2024.

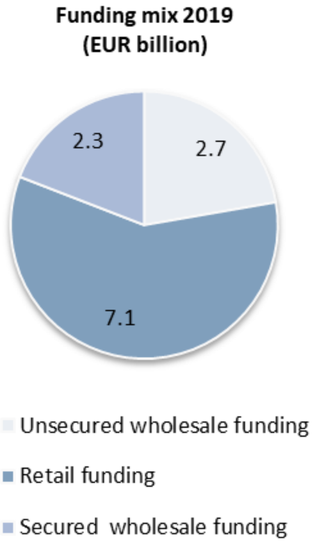
Notes To The Consolidated Financial Statements

FUNDING STRATEGY

The Bank has a diversified funding mix and uses retail financing as well as unsecured and secured wholesale financing. In addition, the Bank maintains different maturity profiles in its funding instruments to prevent potential future refinancing concentration risk.

The following graph shows the Bank's funding mix, excluding derivatives.





Retail funding

Achmea Bank attracts consumer savings under Achmea's Centraal Beheer label. The total savings portfolio consists of 50% available on demand accounts and 50% term deposits, excluding an amount of EUR 0.7 billion saving deposits linked to mortgages.

Secured wholesale funding

Securitisations
One of the Bank's funding sources is securitisation of residential mortgages (RMBS), although the volume has been declining in favour of covered bonds in recent years. As of 31 December 2020 the Bank has one outstanding RMBS (DRMP II) (2019: three outstanding securitisation transactions), with a total outstanding amount of EUR 0.3 billion (2019: EUR 1.2 billion), excluding retained notes for an amount of EUR 0.8 billion (2019: EUR 1.1 billion). In 2020 Achmea Bank redeemed EUR 0.9 billion RMBS notes. There are no RMBS notes held by other Achmea entities (2019: EUR 0.4 billion).

For RMBS, the Bank assigns a portfolio of mortgage receivables to a special purpose vehicle (SPV) which issues notes. The SPV uses the proceeds of the notes to finance the assigned mortgage receivables and uses the interest from the mortgage receivables to pay the interest on the notes. The director of these companies is Intertrust Management B.V.

Conditional pass-through covered bond programme
In 2017, Achmea Bank has set up a EUR 5 billion conditional pass-through covered bond programme.

The Achmea Conditional Pass-Through Covered Bond Company (ACPTCBC), a bankruptcy remote special purpose vehicle, provides the covered bond investors a guarantee for full payment of interest and principal on the outstanding bonds under the programme by pledging the mortgage receivables of Achmea Bank to the ACPTCBC and a parallel debt agreement with the Security Trustee. Investors benefit from a so-called 'double recourse' which means that in the event of default of the Bank an investor has recourse on the bank and on the underlying portfolio of high quality Dutch residential mortgage loans.

Notes To The Consolidated Financial Statements

The programme is UCITS eligible and is Dutch Central Bank (DNB) registered. Issuances under this programme are compliant with article 129 of CRR. The bonds are rated Aaa/AAA (Moody's/Fitch) and are listed on Euronext Amsterdam. In 2020 Achmea Bank issued Conditional Pass Through Covered Bonds of EUR 500 million. The total outstanding amount at year-end 2020 was EUR 1.5 billion (2019: EUR 1.0 billion).

In February 2021, the Bank announced that the Bank is preparing the set-up of an additional Covered Bond Programme. Achmea Bank intends to establish this programme, a so called Soft Bullet structure, in 2021, under which new Covered Bond issuances are expected to take place.

Trustee

The Bank has entered into a Trust Agreement under which it periodically pledges mortgage receivables to Stichting Trustee Achmea Bank as collateral for some of its banking liabilities, such as private loans and the Secured Medium Term Note (the 'Secured EMTN Programme'). In the event of default by the Bank, investors can recover their investments from the pledged mortgage receivables. The private loans covered by the Trustee guarantee amount to EUR 53 million (2019: EUR 53 million).

The Secured EMTN Programme was terminated in 2020 after the early redemption of the last remaining EUR 10 million note.

Unsecured wholesale funding

Unsecured EMTN Programme

Since 2012 the Bank has a EUR 10 billion Unsecured European Medium Term Note programme. The total outstanding amount under the Programme was EUR 2.1 billion at year-end 2020 (2019: EUR 2.1 billion), including CHF denominated loans for an amount of CHF 0.4 billion (2019: CHF 0.4 billion).

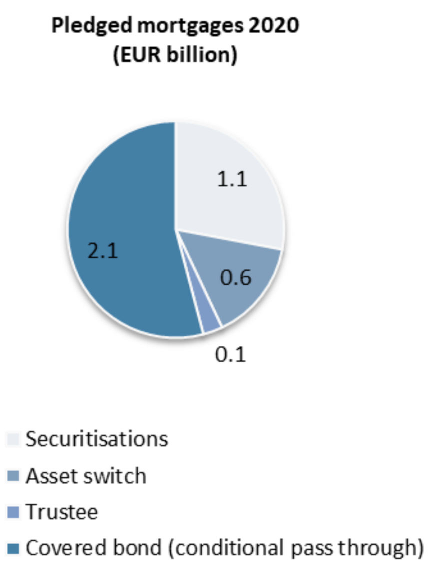
French commercial paper programme

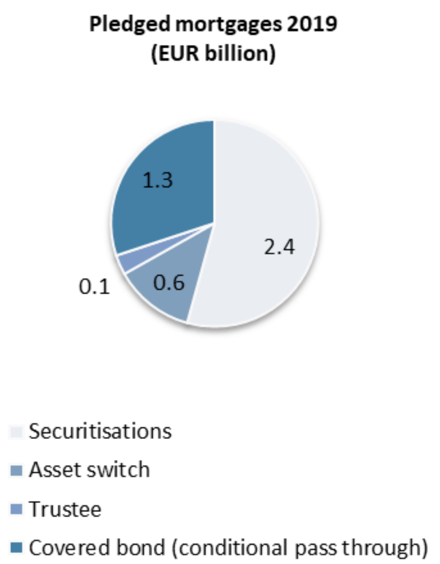
In 2013 the Bank set up a French commercial paper programme of EUR 1.5 billion. With this programme the Bank is able to access the international money markets for its short-term funding needs. The total outstanding amount under the programme was EUR 681 million as at year-end 2020 (2019: EUR 172 million).

PLEDGED MORTGAGES

In the ordinary course of business, Achmea Bank enters into transactions that result in the transfer of loans and advances to customers. The transferred financial assets continue to be recognised in their entirety or to the extent of the Bank's continuing involvement, or are derecognised in their entirety. The pledges by trust arrangements and the covered bond programme are not classified as transferred assets per IFRS paragraph 7.42d.

The pledges are as follows:





Notes To The Consolidated Financial Statements

Securitisations

OVERVIEW OF PLEDGED MORTGAGES PER SECURITISATION TRANSACTION

	2020		2019	
IN THOUSANDS OF EUROS	LOANS AND ADVANCES TO CUSTOMERS	RELATED DEBT SECURITIES	LOANS AND ADVANCES TO CUSTOMERS	RELATED DEBT SECURITIES
Dutch Mortgage Portfolio Loans XI B.V. *	–	–	–	–
Dutch Mortgage Portfolio Loans XII B.V. (DMPL XII) **	–	–	496,576	376,128
Dutch Residential Mortgage Portfolio I B.V. (DRMP I) **	–	–	594,804	433,389
Dutch Residential Mortgage Portfolio II B.V. (DRMP II)	354,758	259,848	449,950	357,892
Securitised Residential Mortgage Portfolio I B.V. (SRMP I)	739,701	–	882,538	–
	1,094,459	**259,848**	**2,423,869**	**1,167,409**

*) This company was called and liquidated in 2019.
**) This company was called and liquidated in 2020.

The net position (differences between Loans and advances to customers and related debt securities) consists mainly of the notes of the SPVs which are held by the Bank. The total exposure for the Bank on the transferred assets and liabilities amounted to EUR 785 million (2019: EUR 1,160 million) and is defined as the total value of the notes of the SPVs which are held by the Bank and the receivables on subsidiaries (SPVs). All the bonds issued by SRMP I B.V. and the B tranches of the bonds issued by DRMP II B.V. are held by the Bank.

Asset Switch
Achmea Bank has a liquidity facility at its disposal in the form of an Asset Switch for a maximum amount of EUR 1.0 billion, with a current target amount of EUR 0.5 billion. Under the Asset Switch agreement the Bank transfers the legal ownership of a portfolio of Dutch mortgages to Achmea Pensioen- en Levensverzekeringen N.V. in exchange for a portfolio of government bonds. The government bonds are recognised as part of Achmea Bank's liquidity buffer. Important advantages of the Asset Switch are the enhanced flexibility in the timing of attracting new funding and the relatively low charge compared to alternative forms of (on-balance) liquidity.

Transfer of Parts
In December 2019, Achmea Bank entered into a Transfer of Parts agreement with Achmea Pensioen- en Levensverzekeringen N.V. The purpose of this agreement is to reduce the credit risk of Achmea Pensioen- en Levensverzekeringen N.V. on Achmea Bank related to the saving deposits which are linked to mortgages of Achmea Bank. Within this agreement, only the legal ownership of the mortgages for the size of the saving deposits is transferred to Achmea Pensioen- en Levensverzekeringen N.V. and therefore continues to be recognized at the balance sheet of Achmea Bank. As per December 2020 the total amount of transferred mortgages is EUR 0.5 billion (2019: EUR 0.4 billion).

Trustee
As part of the pledges by means of trust arrangements, the Bank has pledged mortgage receivables to a Trustee as security for certain private placements of loans. In the event of default by Achmea Bank, investors can recover their investment from the pledged mortgage receivables.

Covered Bond
Third-party pledges on mortgage loans are also included in the conditional pass-through covered bond programme. The Bank acts as originator, issuer and administrator in the conditional pass-through covered bond programme. The payment of principal and interest on the bonds issued is guaranteed by a bankruptcy-remote SPV. The guarantee provided by this SPV is supported by mortgage receivables pledged by the Bank to the SPV. The outstanding amount of these pledged mortgage receivables will at all times be at least 6,5% higher than the bonds issued under the covered bond programme. For investors there is a so-called ‘double recourse’, which means that in the event of default of the Bank an investor has recourse on the bank and on the underlying mortgage portfolio.

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LIQUIDITY CONTINGENCY PLAN

The Bank has a Liquidity Contingency Plan (LCP) available in case of a liquidity stress event. The LCP is part of Achmea Bank's Recovery Plan. The Recovery Plan provides solutions to ensure the survival of the Bank for at least six months of severe liquidity stress. The recovery plan contains a range of possible measures to generate cash liquidity in times of need and is reviewed at least once a year.

The following table presents the undiscounted contractual cashflows of the financial liabilities of the Bank.

UNDISCOUNTED CONTRACTUAL CASH FLOWS OF THE LIABILITIES

AS AT 31 DECEMBER 2020	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS						
Deposits from banks	24,478	349,357	2,898	–	376,733	377,234
Funds entrusted	4,270,264	452,493	1,575,085	1,682,972	7,980,814	7,447,114
Debt securities issued	1,112,532	386,836	2,663,640	562,961	4,725,969	4,651,080
Subordinated liabilities	64	–	1,328	–	1,392	1,191
Derivative liabilities held for risk management	13,790	66,006	234,609	133,464	447,869	456,475
Total cashflows	**5,421,128**	**1,254,693**	**4,477,559**	**2,379,397**	**13,532,777**	**12,933,093**

AS AT 31 DECEMBER 2019	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS						
Deposits from banks	143,485	35,433	15,588	3,187	197,693	197,749
Funds entrusted	4,212,517	440,149	1,633,150	1,843,436	8,129,252	7,507,919
Debt securities issued	44,771	1,012,425	2,681,698	957,453	4,696,347	4,574,111
Subordinated liabilities	7,249	–	1,392	–	8,641	8,336
Derivative liabilities held for risk management	13,020	77,912	227,457	142,217	460,606	464,969
Total cashflows	**4,421,042**	**1,565,919**	**4,559,285**	**2,946,293**	**13,492,539**	**12,753,084**

The market value and interest of the derivatives are reported in the bucket of the maturity.

G CREDIT RISK

Credit risk is defined as the risk that a counterparty cannot (fully) meet its obligations to Achmea Bank and consists of retail credit risk and the credit risk related to exposures to professional counterparties. This includes both actual payment arrears and impairments due to deterioration of the creditworthiness of a counterparty. For payment arrears of clients, provisions are made.

LOAN PORTFOLIO

The loan portfolio consists of loans and advances to banks, public sector, retail customers and derivatives.

Achmea Bank's mortgages and consumer credits activities are concentrated in the Netherlands, except for a small number of Acier loans. Achmea Bank's exposures to banks, e.g. derivatives, are both to domestic and foreign counterparties. No geographical segmentation is applied.

Credit risk consists of risks relating to mortgage lending, consumer credits and risks relating to counterparties in funding transactions (e.g. swaps). Achmea Bank's total credit portfolio is categorized by source of risk:

- Professional counterparties (counterparty credit risk);
- The private sector (retail credit risk);
- Other credit risks and contingent liabilities and commitments.

Notes To The Consolidated Financial Statements

COUNTERPARTY CREDIT RISK

The counterparty risk on exposures to governments and financial institutions is primarily associated with investment activities and the Bank's cash management. When determining country limits and limits for financial institutions, Achmea Bank applies a risk mitigation policy that complies with the relevant Achmea group policy. To manage counterparty risk, the Bank imposes individual counterparty limits on both exposure and maturity. These limits are approved by the ALCo. Exposure is monitored on a daily basis by Achmea Treasury (1st line) and Balance Sheet Management & Financial Risk (2nd line). The credit risk exposure to professional counterparties is managed and monitored by the ALCo.

The Bank uses Credit Support Annexes (CSA) to reduce the risk exposures on derivative counterparties by means of (cash) collateral; for new over-the-counter derivatives -e.g. plain vanilla interest rate swaps- the European Market Infrastructure Regulation (EMIR) applies. No impairments on counterparty positions occurred in 2020. Furthermore, as at 31 December there are no concentrations of counterparty credit risk above the internally applied concentration limit.

The total net exposure mainly consists of the exposures on the top 10 professional counterparties (financial institutions). As at year-end the total net exposure for the top 10 amounted to EUR 333 million (2019: EUR 319 million) and is comprised of the total fair value of the derivatives versus the collateral positions and SPV related exposures. As at year-end of 2020 the net exposure for the derivative exposures amounted to EUR 18 million (2019: EUR 35 million) and consisted of the total fair value of the derivatives versus the collateral position, initial margin for central clearing and independent amounts for the back-to-back swaps.

The credit risk on the other financial assets of the Bank (investments and derivatives) are managed by means of the external credit ratings of the counterparties (Middle rating: Standard & Poor's, Moody's, DBRS and Fitch):

CREDIT RISK ON OTHER FINANCIAL ASSETS

AS AT 31 DECEMBER 2020				
IN THOUSANDS OF EUROS				
FINANCIAL ASSETS CATEGORISED PER MIDDLE RATING				
	→ A	< A	NOT RATED	TOTAL
Cash and balances with Central Banks	938,708	–	–	938,708
Derivative assets held for risk management	–	41,274	40,761	82,035
Loans and advances to banks	253,741	346,660	68,765	669,166
Loans and advances to public sector	–	652	–	652
Interest-bearing securities	–	–	–	–
	1,192,449	**388,586**	**109,526**	**1,690,561**

AS AT 31 DECEMBER 2019				
IN THOUSANDS OF EUROS				
FINANCIAL ASSETS CATEGORISED PER MIDDLE RATING				
	→ A	< A	NOT RATED	TOTAL
Cash and balances with Central Banks	72,366	–	–	72,366
Derivative assets held for risk management	13,301	41,287	35,925	90,513
Loans and advances to banks	178,003	487,660	47,687	713,350
Loans and advances to public sector	–	675	–	675
Interest-bearing securities	–	–	–	–
	263,670	**529,622**	**83,612**	**876,904**

The lowest rating at year-end 2020 was BB (EUR 0.7 million) (year-end 2019: rating BBB, EUR 22 million). The unrated exposure consists of the exposure to London Clearing House Limited. Most of the collateral positions are included in the category loans and advances to banks. At year-end 2020 part of the collateral position (EUR 12 million) is reported as liability and recognised under deposits from banks (credit rating A) (2019: EUR 18 million).

Notes To The Consolidated Financial Statements

RETAIL CREDIT RISK

Achmea Banks credit risk originates from residential mortgages. There are two measures which have an impact on the financial position of the bank, i.e. the provision (IFRS 9) and the capital charge (Standardized Approach). Achmea Bank currently applies the standardized approach to calculate the risk weighting of its assets. Achmea Bank is working towards the implementation of Advanced Internal Rating Based (AIRB) models.

Achmea Bank's policy on retail 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.

Regular Achmea Bank mortgage portfolio

The regular Achmea Bank mortgage portfolio, including the a.s.r. portfolio, Obvion portfolio (acquired in 2019) and the BinckBank portfolio (acquired in 2020), consists of residential, owner occupied property loans and a proposition which allows buy-to-let. Collateral for these loans consists of residential property, pledged life insurance policies or savings and security accounts.

Acquired mortgage portfolio

In 2020 Achmea Bank acquired a portfolio of Dutch residential mortgages from BinckBank, part of the Saxo Bank Group. The acquisition of this portfolio, with a size of approximately EUR 460 million, underlines Achmea's ambition to grow in mortgages. In recent years, this mortgage portfolio has been originated for the benefit of BinckBank, under the label 'bijBouwe' of mortgage provider Dynamic Credit. The portfolio that has been acquired is a so-called closed book, meaning that no new mortgages will be originated although interest rate resets and further advances will be offered. Consequently, the transaction will not affect the borrowers in the mortgage portfolio. Achmea Bank is taking the place of BinckBank as (one of the) investor(s) on the Dynamic Credit platform. This acquisition is in line with Achmea Bank's strategy of focusing on growth and scale.

Acier loan portfolio

The Acier loan portfolio differs in characteristics from the regular Achmea Bank mortgage portfolio. This portfolio may be defined as a run-off portfolio and is managed as such. The portfolio is managed by the former Achmea entity Staalbankiers credit department.

In 2020 the Acier loan portfolio decreased with EUR 67 million to EUR 723 million at year-end (2019: EUR 790 million). As at December 2020 the allowance for losses on loans and advances related to the Acier loan portfolio amounts to EUR 17.3 million (2019: EUR 21.7 million), which is a decrease of EUR 4.4 million compared to December 2020. Achmea B.V. issued a capped guarantee to Achmea Bank to cover credit risk and legal claims related to this portfolio. As a consequence of this guarantee, the impact of the impairment charges on the income statement is limited (EUR 0.2 million). In 2020 all credit losses on the Acier portfolio above 8 basis points were compensated by this guarantee. This threshold will be increased to 20 basis points as from 2021 onwards. The total amount of claims submitted to this guarantee is recognised on the balance sheet as a receivable on Achmea B.V.

CREDIT RISK MANAGEMENT

Credit Committees

Achmea Bank has two credit committees, one committee for all portfolios except Acier and one committee dedicated to the Acier loan portfolio. Both Credit Committees are chaired by the CFRO, other members of the Credit Committees (not limited) are the following department's managers: Balance Sheet & Financial Risk Management, Demand Management, Operations (Acier) and as standing invite Control. The Credit Committees monitor the risk profile (policies, procedures, products) and the mortgage portfolios' credit risk by means of the credit cycle. The credit cycle is the foundation on which credit risk management forms its objective and independent judgement about the overall credit risk profile.

Credit policy

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. Achmea Bank establishes (underwriting) policy frameworks on the basis of legislation. Credit Risk Management is responsible for the review of the updated and/or revised policies as part of their 2nd line of defence role. Credit risk is monitored by the Credit Committee.

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Credit approval

The underwriting policy sets the parameters to approve mortgage applications. Loan applications which do not meet the underwriting criteria can be discussed via a special procedure for non-compliant applications (in Dutch: 'buiten kader proces'). This procedure allows SAREF to approve non-compliant applications under increased scrutiny and by means of the so called 4-eye principle. Credit Risk Management monitors the non-compliant applications quarterly. With respect to Acier, the Credit Approval Committee chaired by the CFRO accepts loan applications, which are by the nature of the closed book character.

The Credit Risk Management department monitors the credit risk of the portfolio as part of their 2nd line of defence role. When actions are needed, the Credit Risk Management department will advise the Credit Committee and propose possible action(s). Possible actions are adjustment/review of the policies, such as Product Approval and Review Process (PARP), Underwriting policy and Credit Risk policy.

Arrears management

Stringent procedures are in place to monitor payment arrears. Borrowers that fail to pay the scheduled payment will be approached (by telephone) by the Special asset management department within 15 days. Customers with a high risk are approached first. If regular customer contact fails, a physical house call will be made within 35 days in arrears. In case of no contact and 3 sent reminders, the transfer within the special asset management department will take place at 2 months in arrears at the latest. Together they are responsible for arrears management and debt collection.

In the first period after a residual debt has arisen, the special asset management department collect in the available saving deposits. After approximately 3 months, the remainder claim has been written off.

Credit risk management acquired portfolios

Credit risk monitoring also takes place for the acquired porfolio's a.s.r., part of the Obvion mortgage portfolio and the BinckBank portfolio. These mortgages portfolio are comparable with the bank's own portfolio in terms of credit risk. Arrears Management of the acquired portfolios is outsourced to the parties that have issued the mortgages. Achmea Bank receives ISAE 3402 reports for all respective organisations.

Default and Forbearance

Forbearance measures may be applied in situations where the Bank considers the borrower unable to meet the terms and conditions of the contract due to financial difficulties. Depending on the nature of those difficulties, Achmea Bank may decide to modify the terms and conditions of the contract to maximise collection opportunities and minimise the risk of default. Forbearance is the temporary or structural modification of the terms and conditions. As from mid-2015 the Bank has been applying the following modifications:

- temporary payment holidays;
- temporary lowering of interest rate;
- interest or cost forgiveness;
- restructuring and/or extension of the loan; and/or
- partial debt write-off.

The registration of the forbearance measures of the acquired portfolios takes place at the issuing party. The relevant information for the portfolios is added to the banking systems of Achmea Bank.

In 2020 Covid-19 payment arrangements have resulted in increased arrears and defaults. Payment arrangements with a long duration have usually been agreed for settling the arrears (forbearance measures). As at 31 December 2020 the forborne exposure amounted to EUR 306 million (2019: EUR 308 million), of which EUR 173 million relates to performing forborne exposures (2019: EUR 193 million). The remaining part of EUR 133 million (2019: EUR 115 million) relates to non-performing forborne exposures.

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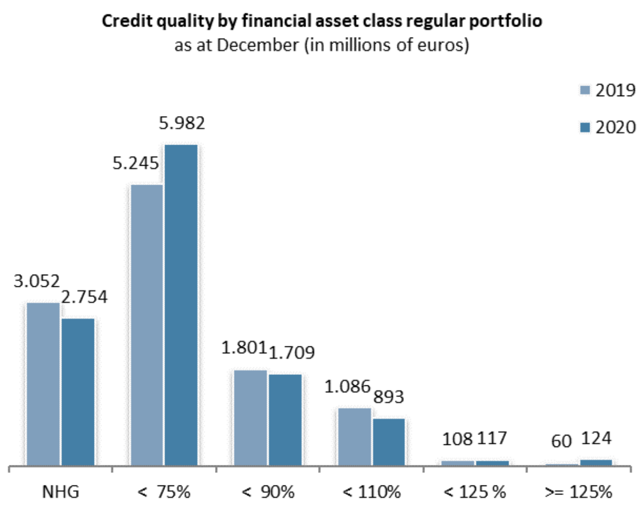
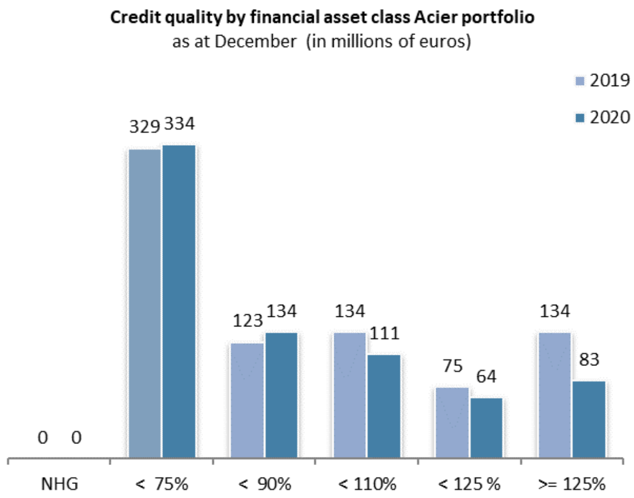
CREDIT QUALITY BY FINANCIAL ASSET CLASS

The following graph shows the credit quality of the mortgage loans based on Loan to Market Values for the Achmea Bank portfolio and Acier loan portfolio. The Loan to Market Value is the internally used classification of mortgages for the evaluation of credit quality. The graphs below are based on notional values of the mortgages. The carrying amount of loans and advances to customers is disclosed in note 6. For the regular mortgage portfolio, Achmea Bank uses Calcasa for the valuation of the underlying collateral in the residential mortgage portfolio. During 2020, the credit quality of the financial assets of both portfolios slightly increased mainly due to increased house prices.





EXPECTED CREDIT LOSS

Achmea Bank applies IFRS 9 for the impairment calculations. The IFRS 9 criteria for the recognition of credit losses is based on an expected loss model. Fundamental elements of IFRS 9 impairments are a) the calculation methodology of 12 Month and lifetime expected credit losses and b) the breakdown of all financial assets in three stages: 12 Month expected credit losses for performing loans (stage 1), life time expected credit losses for financial assets which shows a significant deterioration of credit risk relative to initial recognition (stage 2) and life time expected credit losses for credit impaired financial assets (stage 3).

The Expected Credit Loss (ECL) models for the Regular and Acier portfolio consist of several sub-models which are common in the banking world. The sub-models are amongst others: Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Discounting. All models are validated by Group Model Validation. The model development continued to follow the model lifecycle and the third annual in-depth review (which can trigger changes or redevelopment) was performed. The lifecycle of the ECL model is broken down in five generic key process stages (Origination, Design, Implementation, Operations, In-Depth review). In the Operations phase an In-Depth review is performed periodically and in the case of IFRS9 models this is once a year. Depending on regulatory requirements and business value the frequency could be higher or lower; however more than two reviews per year would not suit the governance and less than one In-Depth review in three years would introduce a risk of loss of expertise and potentially unacceptable model risk.

To be compliant with the IFRS 9 requirements for impairment, Achmea Bank has divided its impairment eligible portfolio into three parts:

- Regular mortgage portfolio
- Acier portfolio
- Other portfolios

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Regular mortgage portfolio

IFRS 9 impairment requirements for the regular mortgage portfolio are implemented in Achmea Bank as an expected credit loss (ECL) based methodology and approach. The expected credit loss approach comprises separate ECL models for PD, LGD, EAD, full prepayment rate and discounting.

In line with the IFRS 9 requirements, the total regular portfolio is divided in three stages:

- Stage 1: Mortgages without significant credit risk deterioration since initial recognition (12 months ECL)
- Stage 2: Mortgages with significant increase in credit risk (SICR) since initial recognition (Lifetime ECL)
- Stage 3: Credit-impaired mortgages (Lifetime ECL) (non-performing)

ECL calculation is performed on financial instrument level, which corresponds to the individual loan part level within Achmea Bank. However, since both probability of default and default status are defined on facility level, stage allocation for ECL modelling under IFRS 9 is also performed on facility level. As a result, all loan parts within one facility are allocated to the same stage. At each reporting date, this decision tree is assessed for each facility in the regular mortgage portfolio of Achmea Bank.

According to this logic, if a facility is in default, it is allocated to Stage 3. Performing assets are assigned to Stage 2 if there has been significant increase in credit risk since initial recognition. Two criteria are taken into account to identify facilities with significant increase in credit risk:

- Quantitative criterion: if a facility's rating grade calculated based on one-year probability of default at reporting date is equal to or worse than the threshold rating grade for its initial rating grade, such facility is allocated to Stage 2;
- Qualitative criterion, or backstop: if a facility is 30 days past due or more, such facility is allocated to Stage 2.

The ECL calculation is based on a weighted average of three scenario's: base, up and down. The most important macro-economic parameters of these scenarios are house prices, GPD index, unemployment, yield curve, income and inflation.

Acier portfolio

The ECL model for the Acier portfolio is based on the same general principles and model building blocks as described above for the regular portfolio. However, the Acier loan portfolio differs in characteristics from the regular Achmea Bank mortgage portfolio. Therefore, a different model design and calibration is used for Acier. The impairment approach for this portfolio is a combination of the results of the ECL for the homogenous parts of the portfolio via the ECL model and an individual assessment for a number of large exposures. The homogenous part of the Acier portfolio consists of mortgages with the same characteristics. 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 from Achmea B.V.

Other portfolios

IFRS 9 requires an impairment calculation for all financial assets at amortised cost or at fair value through OCI. The Bank calculated the impairment charges for the other portfolios (Loans and advances to Banks, interest bearing securities and other receivables), based on the IFRS 9 exemption for financial assets with low-credit risk. The models are mainly based on the credit rating of the counterparty.

Acquired portfolio

In 2020 Achmea Bank acquired a mortgage portfolio of BinckBank. Reference is made to chapter 4 Acquisitions for more details regarding the acquisition. The calculation of the expected credit losses for the acquired portfolio is based on the same assumptions as for the regular portfolio. For this portfolio Achmea Bank carried out a representativeness analysis. The representativeness framework consists of five building blocks on which the portfolio is assessed. These are scope of application, risk characteristics, market conditions, standards and policies and definition of default.
Based on this analysis Achmea Bank concludes that the new portfolio is sufficiently homogeneous to use the same assumptions for the calculation of the impairment charges as for the regular portfolio and that for the IFRS 9 calculation purposes no adjustment is required: the expected credit losses model for the regular portfolio could be used (and is used) as best estimate values undue cost and effort.

The representativeness assessment is repeated annually to spot potential divergence during the In-Depth Review and in 2020 this has been included in the In-Depth Review for the IFRS9 Regular mortgage portfolio.

Measuring ECL

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and the Loss Given Default (LGD) cumulative full prepayment rate (CFPR), defined as follows:

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- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over remaining lifetime.
- The EAD is based on the amounts the Bank expects to be owned at the time of default.
- The LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per exposure.
- The CFPR is the expected prepayment percentage cumulated either over the next 12 months or remaining lifetime.

Definition of default

The current definition is based on the new standard as laid down in the latest Guidelines of EBA (EBA GL Default definition (EBA-GL-2016-07) (2016)). This Definition of Default is also used in the calculation of the IFRS 9 provision.

A retail mortgage facility is in default when at least one of the following criteria is met:

- A facility is materially past due for more than 90 days
- The obligor of the facility is unlikely to pay
- Cross default at discretion of Special asset management. Cross defaults are assessed as part of an unlikely to pay assessment performed by Special asset management.

An obligor of an 'other credit risk exposure' is in default when at least one of the following criteria is met:

- The obligor is materially past due for more than 90 days
- The obligor is unlikely to pay
- Cross defaults. A cross default assessment is part of the unlikely to pay decision by ALCo.

The frequency of assessing the default criteria will be done on an ad-hoc basis and is triggered if:

- Any amounts have not been paid at the date they were due;
- Credit ratings are downgraded to below investment grade (<BBB).

Impact Covid-19

As mentioned in the beginning of this risk management paragraph, the Bank offered the possibility of a payment holiday to mortgage customers with payment difficulties directly related to the Covid-19 crisis. The number of clients using the Covid-19 payment holiday is relatively low (0.3% of the total mortgage customers), the outstanding amount is EUR 31 million and an amount of EUR 1.2 million is included in the IFRS 9 provision.

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. In the context of the Covid-19 crisis, Achmea Bank has conducted an extensive analysis of whether the model can also be used in the current crisis. Part of this is an extensive analysis of all assumptions used- and limitations of the model to determine the impact of the Covid-19 crisis. From this analysis we concluded that the models are still fit-for-purpose and no overlays on the ECL calculation or manual adjustment on data are needed. The coming period the model will be monitored to see if the long-term effects of Covid-19 are sufficiently captured within the current model.

Forward looking information

The assessment of Significant increase in credit risk (SICR) and the calculation of the ECL both incorporate macro-economic information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Forecast of these economic variables are updated via an expert panel and provide the best estimate of the economy over the next three years and a longer period. The Covid-19 crisis has an impact on the macroeconomic scenario's which are used for the ECL calculation. During 2020 the expert panel closely monitored the development of the macroeconomic scenario's to update the scenarios at a higher frequency. The most significant period-end assumptions used for the ECL estimate as at 31 December 2020 are set out below. These scenarios are approved by the ALCo of the Bank. The scenario´s base, up and down were used for the regular mortgage portfolio as well as the Acier portfolio. The up and down scenarios are expressed as deltas on top of the base scenario. Sensitivity analysis on the most important variables are included at the end of this paragraph.

BASE SCENARIO

SUBJECT	BASE 2020	BASE 2021	BASE 2022	BASE 2023	LT (10JR)
House price index (yoy%) (Regular mortgage portfolio)	7.0%	−1.0%	0.0%	0.0%	1.5%
House price index (yoy%) (Acier)	6.0%	−2.0%	−1.0%	0.0%	1.5%
GDP (yoy%)	−4.7%	3.0%	2.3%	2.3%	1.0%
Unemployment rate (level)	4.4%	5.8%	5.1%	5.1%	5.0%

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DOWN SCENARIO (RELATIVE TO BASE SCENARIO)

SUBJECT	DOWN 2020	DOWN 2021	DOWN 2022	DOWN 2023
House price index (yoy%) (Regular mortgage portfolio)	−4.0%	−4.0%	−8.0%	−3.0%
House price index (yoy%) (Acier)	−4.0%	−4.0%	−8.0%	−3.0%
GDP (yoy%)	−1.5%	−1.4%	−1.4%	−1.4%
Unemployment (level)	3.0%	2.0%	1.0%	1.0%

UP SCENARIO (RELATIVE TO BASE SCENARIO)

SUBJECT	UP 2020	UP 2021	UP 2022	UP 2023
House price index (yoy%) (Regular mortgage portfolio)	1.0%	4.0%	2.0%	1.0%
House price index (yoy%) (Acier)	1.0%	4.0%	2.0%	1.0%
GDP (yoy%)	0.5%	0.5%	0.5%	0.5%
Unemployment (level)	−1.0%	−1.0%	−1.0%	−1.0%

The outcome of the ECL is the result of three scenario’s (base, up and down). The base scenario was included for 60%, the up and down scenario for 20% each. In December 2020 the expert panel has decided to continue the current weighting of the up and down scenario. The current percentages for the main drivers included in the down scenario is sufficient to represent the current uncertainty following Covid-19.

For financial assets which have a low credit risk, the Bank calculates only 12 month expected credit losses. The Bank considers a financial asset to have a low credit risk when their credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Based on the above mentioned assumptions, the breakdown of the loss allowances of financial instruments in stages can be specified as follows:

BREAKDOWN OF THE LOSS ALLOWANCES OF FINANCIAL INSTRUMENTS IN STAGES

IN MILLIONS OF EUROS	PER 31 DECEMBER 2020				PER 31 DECEMBER 2019			
	STAGE 1	STAGE 2	STAGE 3	TOTAL IMPAIRMENT	STAGE 1	STAGE 2	STAGE 3	TOTAL IMPAIRMENT
Cash and balances with Central Banks	–	–	–	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–	–	–
Loans and advances to public sector	–	–	–	–	–	–	–	–
Loans and advances to customers	3.1	13.1	12.1	28.3	1.8	13.9	14.7	30.4
Interest bearing securities	–	–	–	–	–	–	–	–
Prepayments and other receivables	0.1			0.1	0.1	–	–	0.1
Total	**3.2**	**13.1**	**12.1**	**28.4**	**1.9**	**13.9**	**14.7**	**30.5**

The following tables show the transfers between stages from the opening to the closing balance for Loans and advances to customers. There are no transfers between stages for the other financial assets.

TRANSFERS BETWEEN IMPAIRMENT STAGES (GROSS BASIS PRESENTATION)

GROSS CARRYING AMOUNT / NOMINAL AMOUNT

	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
IN MILLIONS OF EUROS	TO STAGE 2 FROM STAGE 1	TO STAGE 1 FROM STAGE 2	TO STAGE 3 FROM STAGE 2	TO STAGE 2 FROM STAGE 3	TO STAGE 3 FROM STAGE 1	TO STAGE 1 FROM STAGE 3
2020						
Loans and advances to customers	134.3	152.3	17.5	29.0	49.8	6.9
Total	**134.3**	**152.3**	**17.5**	**29.0**	**49.8**	**6.9**
2019						
Loans and advances to customers	102.9	135.8	17.7	51.5	19.4	6.6
Total	**102.9**	**135.8**	**17.7**	**51.5**	**19.4**	**6.6**

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The breakdown of gross carrying amount in stages, as per 31 December 2020, is EUR 11.2 billion for stage 1, EUR 0.4 billion in stage 2 and EUR 0.1 billion in stage 3. (31 December 2019: EUR 11.5 billion for stage 1, EUR 0.5 billion in stage 2 and EUR 0.1 billion in stage 3). The following table show the reconciliation from the opening to the closing balance of the loss allowances.

LOSS ALLOWANCE LOANS AND ADVANCES TO CUSTOMERS REGULAR PORTFOLIO

IN THOUSANDS OF EUROS	STAGE 1	STAGE 2	STAGE 3	TOTAL
	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	
Loss allowance as at 1 January 2020	**1,472**	**3,708**	**3,545**	**8,725**
Movements with P&L impact				
Transfers:				
Of which, transfer from stage 1 to stage 2	−45	1,527	–	1,481
Of which, transfer from stage 1 to stage 3	−21	–	2,033	2,012
Of which, transfer from stage 2 to stage 1	69	−1,430	–	−1,361
Of which, transfer from stage 2 to stage 3	–	−295	831	536
Of which, transfer from stage 3 to stage 1	3	–	−173	−169
Of which, transfer from stage 3 to stage 2	–	694	−1,208	−514
Movements due to recognition/derecognition	124	−1,155	−1,140	−2,171
Other movements	1,096	1,223	788	3,107
total net P&L charge during the period	**1,226**	**562**	**1,132**	**2,920**
Movements with no P&L impact				
Acquired mortgage portfolios	94	3	37	133
Write-offs	−135	−36	−563	−734
Loss allowance as at 31 December 2020	**2,657**	**4,237**	**4,151**	**11,044**
	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	
Loss allowance as at 1 January 2019	591	2,895	4,077	7,564
Movements with P&L impact				
Transfers:				
Of which, transfer from stage 1 to stage 2	−39	1,140	–	1,101
Of which, transfer from stage 1 to stage 3	−7	–	685	678
Of which, transfer from stage 2 to stage 1	38	−1,071	–	−1,033
Of which, transfer from stage 2 to stage 3	–	−230	643	413
Of which, transfer from stage 3 to stage 1	1	–	−83	−82
Of which, transfer from stage 3 to stage 2	–	618	−1,563	−945
Movements due to recognition/derecognition	233	−483	−786	−1,036
Other movements	448	723	930	2,101
total net P&L charge during the period	**674**	**697**	**−174**	**1,197**
Movements with no P&L impact				
Acquired mortgage portfolios	253	115	377	745
Write-offs	−46	–	−736	−782
Loss allowance as at 31 December 2019	**1,472**	**3,708**	**3,545**	**8,725**

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LOSS ALLOWANCE LOANS AND ADVANCES TO CUSTOMERS ACIER PORTFOLIO

IN THOUSANDS OF EUROS	STAGE 1	STAGE 2	STAGE 3	TOTAL
	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	
Loss allowance as at 1 January 2020	**382**	**10,153**	**11,181**	**21,716**
Movements with P&L impact				
Transfers:				
Of which, transfer from stage 1 to stage 2	−8	142	–	134
Of which, transfer from stage 1 to stage 3	−2	–	235	233
Of which, transfer from stage 2 to stage 1	91	−1,075	–	−984
Of which, transfer from stage 2 to stage 3	–	−55	542	487
Of which, transfer from stage 3 to stage 1	–	–	–	–
Of which, transfer from stage 3 to stage 2	–	6	−47	−41
Movements due to recognition/derecognition	−8	−61	−4,183	−4,252
Other movements	−11	−181	5,115	4,923
total net P&L charge during the period	**62**	**−1,224**	**1,662**	**500**
Movements with no P&L impact				
Write-offs	–	–	−4,956	−4,956
Loss allowance as at 31 December 2020	**444**	**8,929**	**7,887**	**17,260**

	STAGE 1	STAGE 2	STAGE 3	TOTAL
	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	
Loss allowance as at 1 January 2019	**622**	**13,267**	**21,568**	**35,457**
Movements with P&L impact				
Transfers:				
Of which, transfer from stage 1 to stage 2	−717	717	–	–
Of which, transfer from stage 1 to stage 3	–	–	–	–
Of which, transfer from stage 2 to stage 1	19	−19	–	–
Of which, transfer from stage 2 to stage 3	–	−19	64	45
Of which, transfer from stage 3 to stage 1	–	–	−8	−8
Of which, transfer from stage 3 to stage 2	–	3	−17	−14
Movements due to recognition/derecognition	−9	−506	−6,448	−6,963
Other movements	475	−3,290	4,296	1,481
total net P&L charge during the period	**−232**	**−3,114**	**−2,113**	**−5,459**
Movements with no P&L impact				
Write-offs	−8	–	−8,272	−8,281
Loss allowance as at 31 December 2019	**382**	**10,153**	**11,181**	**21,716**

The loss allowance recognised in the period is impacted by a variety of factors:

- transfers between stage 1 and stages 2 or 3 due to significant increase or decrease of credit risk or becoming credit-impaired in the period, and the consequent step up or step down between 12-month and lifetime ECL
- additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period.
- Impact on the measurement of ECL due to changes in PD’s, EAD’s and LGD´s in the period, arising from regular updates of inputs of models.
- Foreign exchange effects for assets denominated in foreign currencies (Acier portfolio) and other movements.

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SENSITIVITY ANALYSIS ON EXPECTED CREDIT LOSSES

For the main mortgage portfolios, Achmea Bank performs a sensitivity analysis for the base scenario (excluding the “up” and “down” on the main drivers of the ECL models). In the scenario analysis the effect of applying other assumptions for these risk drivers and applying other weights is calculated. The following table shows the sensitivity to the main drivers of the ECL. Per the end of 2020, we have adjusted the scenario’s in the light of the economic situation.

The main drivers for the regular mortgage portfolio are:

- House price index: the ECL includes house price index predictions for the coming three years separately and for the period > 3 years.
- Unemployment rate: the ECL includes predictions for unemployment rate for the coming three years separately and for the period > 3 years.

SENSITIVITY TO THE MAIN DRIVERS OF THE ECL FOR THE REGULAR MORTGAGE PORTFOLIO

PER 31 DECEMBER 2020						
IN MILLIONS OF EUROS						
SCENARIO	ORIGINAL SITUATION	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE
Base		2.3	2.7	3.7	8.8	
Unemployment rate -1%	6%	2.5	3.0	4.1	9.6	0.9
House prices index -9%	−1%	2.2	2.7	3.6	8.5	−0.3
House prices index +3%	−1%	1.9	2.6	3.7	8.3	−0.5
Combined		2.6	2.9	3.8	9.2	
Base_Up_Down 60;10;30	60%;20%;20%	2.8	3.1	3.9	9.7	0.5

PER 31 DECEMBER 2019						
IN MILLIONS OF EUROS						
SCENARIO	ORIGINAL SITUATION	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE
Base		1.3	2.4	3.1	6.9	
Unemployment rate +1%	4%	1.8	2.5	3.1	7.5	0.6
House prices index -13%	3%	1.5	2.7	3.5	7.8	0.9
House prices index -1%	3%	1.3	2.4	3.2	6.8	−0.0

The sensitivity figures includes the acquired portfolios, which has a limited impact on the sensitivity figures.

The main drivers of the ECL model for the Acier portfolio are:

- Probability of Default drivers; the main drivers of the PD are Affordability (indicator for payment behaviour), BKR (official credit registration) and LTV. The table below shows the impact of different weights.
- Cure rate: cure rate reflects the possibility that a non-performing loan recover to a performing loan. There are different cure rates for base scenario, LTV< 100% and enforcement.
- Haircut: the ECL models include a haircut, which reflect an adjustment of the collateral value resulting in an indication of the transaction price in case of a forced sale.
- House price index: the ECL includes house price index predictions (%) for the coming three years separately and for the period > 3 years.

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SENSITIVITY TO THE MAIN DRIVERS OF THE ECL FOR THE ACIER PORTFOLIO

PER 31 DECEMBER 2020						
IN MILLIONS OF EUROS						
SCENARIO	ORIGINAL SITUATION	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE
Base scenario		0.1	5.6	1.4	7.1	
PD drivers weights 75;15;10	33%;33%;33%	0.1	3.9	1.4	5.3	−1.8
PD drivers weights 50;30;20	33%;33%;33%	0.1	4.4	1.4	5.9	−1.2
PD drivers weights 60;25;15	33%;33%;33%	0.1	4.1	1.4	5.6	−1.5
Cure rate for base/ LTV < 100% / Enforcement (50/100/0)	25%/50%/0%	0.0	3.8	1.4	5.3	−1.8
Cure rate for base/ LTV < 100% / Enforcement (40/80/0)	25%/50%/0%	0.0	4.6	1.4	6.0	−1.1
Haircut 15%	20%	0.0	4.9	1.1	6.1	−1.0
Haircut 25%	20%	0.1	6.4	1.7	8.2	1.1
Haircut 30%	20%	0.2	7.2	1.9	9.3	2.2
house prices for year 1/2/3/>3 (scenario 5%/5%/5%/2%)	-2%/-1%/0%/0%	0.1	2.7	1.4	4.2	−2.9
house prices for year 1/2/3/>3 (scenario 5%/5%/5%/0%)	-2%/-1%/0%/0%	0.1	3.5	1.4	4.9	−2.2
Combined		0.1	6.1	1.4	7.5	
Base_Up_Down 60;10;30	60%;20%;20%	0.1	6.7	1.4	8.1	0.6

PER 31 DECEMBER 2019						
IN MILLIONS OF EUROS						
BASE SCENARIO	ORIGINAL SITUATION	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE
Base		0.4	9.4	11.2	21.0	
PD drivers weights 75;15;10	weights: 33;33;33	0.4	7.7	11.2	19.3	−1.7
PD drivers weights 50;30;20	weights: 33;33;33	0.4	8.3	11.2	19.9	−1.1
PD drivers weights 60;25;15	weights: 33;33;33	0.4	7.9	11.2	19.5	−1.5
Cure rate for base/ LTV < 100% / Enforcement (50/100/0)	25/50/0	0.4	8.0	11.2	19.5	−1.5
Cure rate for base/ LTV < 100% / Enforcement (40/80/0)	25/50/0	0.4	8.6	11.2	20.2	−0.8
Haircut 15%	20%	0.4	8.9	10.8	20.2	−0.8
Haircut 25%	20%	0.4	10.5	11.6	22.5	1.5
Haircut 30%	20%	0.5	11.4	11.9	23.8	2.8
house prices for year 1/2/3/>3 (scenario 5%/5%/5%/2%)	5%/3%/2%/2%	0.4	8.4	11.2	20.1	−0.9
house prices for year 1/2/3/>3 (scenario 5%/5%/5%/0%)	5%/3%/2%/2%	0.4	9.4	11.2	21.0	0.0
Combined		0.4	8.9	7.9	17.3	
Base_Up_Down 60;10;30	60%;20%;20%	0.4	9.5	7.9	17.9	0.6

These sensitivity analyse have been calculated for the homogenous part of the Acier portfolio.

Notes To The Consolidated Financial Statements

MODIFICATION

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in

Only if the terms are substantially different, the Bank derecognises the original financial assets and recognises a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different the Bank continues the current contract.

During 2020 the Bank has no financial assets with lifetime expected credit losses whose cash flows were significantly modified.

H MARKET RISK

One of the Bank's objectives is to generate a positive interest margin on its banking operations. The Bank's market risk mainly results from interest rate risk in its banking book. The Bank has a strict policy on mitigating foreign currency risk and uses financial instruments to hedge interest rate risk and foreign currency risk.

The Balance Sheet Management & Financial Risk department is responsible for monitoring and managing the Bank's market risk. Transactions on the financial markets are executed by Achmea Treasury department and Corporate Finance department. The Bank's risk exposure is discussed during ALCo meetings, so timely and appropriate action is taken if necessary.

The Bank does not engage in proprietary trading.

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Introduction

Interest rate risk is the present or future risk of a decline in total equity and interest income due to changes in market interest rates. The Bank hedges the interest rate risk arising from its mortgage lending and funding operations mainly by means of interest rate derivatives (swaps), but also with investments (for example government bonds) and (long-term) funding instruments like retail savings.

Interest rate risk is managed from both an income and value perspective:

- Effects of a change in interest rate on the economic value of the total equity and interest income; and
- Effects of a change in interest rate on the income statement (and therefore in the net result).

Effects of a change in the interest rate on total equity

The impact on total equity is based on the market value of all financial instruments. It is not directly visible in the income statement or in the consolidated statement of the financial position as most instruments are recognised at amortised cost.

The Bank uses various methodologies to monitor the impact of IRRBB:

- Duration of equity: measures the sensitivity of the market value of equity due to a parallel shift (shock) of the interest rates of one basis point;
- Sensitivity analysis: measures the effect on the market value of total equity of an event that is exceptional, but relevant to the Bank. It comprises a sudden, parallel shift of the interest rate curve (swap curve) by 200 basis points (up and down). The impact of a non-parallel shift can be higher than that of a parallel shift. The sensitivity analysis recalculates the market value of the entire portfolio under the above mentioned scenarios;
- Income at Risk: measures the impact on the interest income by a fluctuation of the interest rates.

Notes To The Consolidated Financial Statements

These sensitivity analyses are also used in management reports and discussed in ALCo. The outcome of the sensitivity analysis is within the internally applied limits.

DURATION OF EQUITY

IN YEARS	2020	2019
Duration of Equity	2.2	2.5

The table above shows that the duration of total equity of Achmea Bank decreased from 2.5 years as at 31 December 2019 to 2.2 years as at 31 December 2020.

SENSITIVITY ANALYSIS – ECONOMIC VALUE OF EQUITY (EVE)

IN MILLIONS OF EUROS	2020	2019
Change in the interest rate of 200 basis points negative	−1.5	−8.9
Change in the interest rate of 200 basis points positive	−44.3	−58.1

The effect of a 200 basis point upward shift of the yield curve on the EVE is EUR -44 million at 31 December 2020, compared to EUR -58 million at 31 December 2019. The lower impact of the 200 basis points upward scenario is mainly due to linear effects (i.e. a lower duration of equity) and CPR effects. In the +200 bp scenario, the CPR will drop and mortgages will stay longer on the balance sheet. For 2020 the longer remaining mortgages are more beneficial than in 2019 because the market interest rate in 2020 is lower than in 2019.

Effects of a change in the interest rate on income statement

Income at Risk measures the sensitivity of the net interest income when the underlying interest rates are raised by -200 basis point (in line with EBA guidelines), with a time horizon of one year.

SENSITIVITY ANALYSIS - INTEREST INCOME

IN MILLIONS OF EUROS	2020	2019
Income at Risk	−10.6	−11.5

The Income at Risk decline is mainly due to changing gaps in the first year and negative interest rates. Furthermore, because of persistent low rates, clients have been shifting towards longer tenors, thus there is a reduction in both floating mortgages and in mortgage resetting within 12 months.

FOREIGN CURRENCY RISK

With respect to foreign currencies, the Bank´s policy is to fully hedge its exposure to foreign currency risk. The Bank´s exposure at 31 December 2020 is limited to the CHF mortgage in the Acier loan portfolio.

Part of the Acier loan portfolio is denominated in CHF (EUR 388 million at year-end 2020). This position is partly hedged by CHF 400 million (EUR 370 million) unsecured loans. The remaining CHF exposure is hedged on a monthly basis with foreign exchange derivatives. The net valuation effect over 2020 amounts to a EUR 0.4 million gain (2019: EUR 0.2 million gain) and is recognised in changes in fair value of financial instruments.

FOREIGN CURRENCY EXPOSURE

IN THOUSANDS OF EUROS	2020			2019		
	Total exposure	**hedging instruments**	**Net exposure**	**Total exposure**	**hedging instruments**	**Net exposure**
Assets						
Swiss Franc	388,705	393,312	−4,607	411,783	−419,392	−7,609
	388,705	**393,312**	**−4,607**	**411,783**	**−419,392**	**−7,609**
Liabilities						
Swiss Franc	–	–	–	–	–	–
	–	–	–	–	–	–

Notes To The Consolidated Financial Statements

Net						
Swiss Franc	388,705	393,312	−4,607	411,783	−419,392	−7,609
	388,705	**393,312**	**−4,607**	**411,783**	**−419,392**	**−7,609**

The remaining exposure on Swiss Franc relates to the CHF mortgages and lies within the limits of the Bank's objective to minimize foreign currency exposure.

The following exchange rates have been used:

	CLOSING RATE		AVERAGE RATE	
	2020	2019	2020	2019
Swiss Franc	1.0802	1.0854	1.0828	1.1062

I OPERATIONAL RISK (INCLUDING CYBER SECURITY, COMPLIANCE, FRAUD AND PRIVACY)

Operational risk is defined as the risk of loss arising from inadequate or failing internal processes, employees or systems, or from external events. This can lead to a financial loss, but also to reputational damage. Reputational risk is not seen as a separate risk category, but as a form of damage that can arise from the risks that Achmea Bank runs.

The Bank has a framework for identifying, evaluating, monitoring and managing operational risks including compliance risks and risks surrounding information security and business continuity. This framework comprises the following processes:

- Risk identification and classification through risk self-assessments, audits and top-down risk analysis on the reliability of the financial statements;
- Risk measurement through key risk indicators, a central incidents database and incident reporting and analysis; and
- Risk mitigation, acceptance and monitoring through follow-up of outstanding actions and audit findings.

The responsibility to manage operational risks is primarily assigned to the operational and commercial departments (first line of defense).

The most important operational risks are the risks related to information security and cyber- crime, risks associated with the digitization of our services and liability claims from products and services. The risks for cyber-crime are high, due to malware and ransomware attacks by cyber criminals using changing techniques. Risks concerning the security of websites and privacy-sensitive information also remain high. This is due to the digitization of our services whereby changes are made to our websites and IT environment. The risk of irresponsible handling of big data is increasing in a world where data plays an increasingly important role. The reputation of banks as part of the financial sector is still under pressure. Everything that a bank does is assessed in a social context.

Risk control measures

The operational risk policy describes how the operational risk is managed. For specific risk events, additional policies and procedures also apply, such as for information security, business continuity and outsourcing:

- Information security: The whole of activities that focus on the permanent realization of an optimal level of availability, integrity and confidentiality of information and information systems in order not to jeopardize business continuity, not to harm the interests of customers, to protect and prevent financial damage and image damage. comply with laws and regulations. Control measures have been included for this in the Internal Control Framework, focusing on the following themes: Cyber security, IT Architecture, Data center Facilities, IT Operations, Logical access security and change management.
- Business Continuity Management (BCM): This includes recognizing threats and their potential impact, determining the minimum required level of services to customers and other stakeholders, and implementing and testing measures to prevent major disruptions of business-critical chains and the impact of the disruptions is limited to an acceptable proportion. Control measures have been included for this purpose in the Internal Control Framework, aimed at preventing long-term system failure and back-up and recovery of data and systems.
- Outsourcing: Outsourcing processes must take place carefully and in a controlled manner, based on a risk / return assessment and written documentation of mutual obligations. To this end, the Internal Control Framework contains control measures aimed at contracting, compliance with Service Level Agreements and registration of outsourcing.

The risk management cycle is monitored continuously by means of a broad-based internal control framework. At least every three months the risk management cycle is discussed in detail by the Finance & Risk Committee. Risk management governance, processes, techniques and methods are outlined in the operational risk policy, which is reviewed every year. The internal control framework supports

Notes To The Consolidated Financial Statements

the risk management process by determining the effectiveness of the controls in its key risk areas. The Bank applies the basic indicator approach for calculating its operational risk capital charge under Pillar I of the Basel framework.

No security incidents occurred in the previous year which significantly harmed or affected the provision of services to clients, nor did any loss or damage occur as a result of instances of fraud.

Fraud

Achmea Bank recognizes that the risk of fraud is an important risk for the integrity of its business operations. Fraud has negative consequences for the relationship between employees, customers and other stakeholders and Achmea Bank, and for the image of Achmea Bank and the industry in which it operates. This is why fraud management is an important part of operational risk management and the Control Framework. Some important principles in this respect are:

- Achmea Bank pursues an active fraud policy and never accepts fraud ('zero tolerance')
- The development of new and the modification of existing products and services go through the Product Approval and Review Process (PARP). This identifies the vulnerability of the product to fraud at an early stage so preventive measures can be taken;
- Potential customers are tested if they are included in any applicable fraud registers;
- Achmea Bank imposes requirements regarding the professional competence of employees whose area of focus is fraud and facilitates (training) in this area;
- The processes must be designed to prevent fraud (e.g. segregation of duties and authorisations). Systems must enforce the process design (including competence tables and system checks);
- Employees are aware of the developments in the field of fraud control;
- Achmea Bank takes appropriate measures against customers, partners or employees who have committed fraud and, in principle, reports such fraud.

For internal fraud, the following additional elements apply:

- The Achmea Code of Conduct sets out the values and norms that apply within Achmea.
- The selection of employees by means of testing prior to employment (pre employment screening) plays an important role in internal fraud control.

Privacy

Personal data are processed within Achmea Bank on a daily basis. In order to protect the privacy of all those involved, it is very important that the processing of personal data is done carefully and in compliance with the laws and regulations on the protection of personal data. Achmea wants to be compliant with these laws and regulations, and therefore a Privacy Policy has been drafted, which is also applicable to Achmea Bank. The policy provides guidelines for, among other things:

- The lawful and unlawful processing of personal data
- Transparency and disclosure obligation
- The rights of the data subject
- Personal data storage time-limits
- The security of personal data by means of appropriate technical and organisational measures
- The (timely) reporting of data breaches
- The execution of DPIAs.

The policy has been translated into the Control Framework, on the basis of which the privacy risks within Achmea Bank are managed and monitored and compliance with the Dutch privacy law is ensured. Also Achmea Bank has appointed a Privacy Officer, who acts as the point of contact for all privacy-related matters within the organization and towards service providers.

Notes To The Consolidated Financial Statements

J FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

Fair value is the value at which an asset or liability can be sold or traded by parties who are aware of the market value of the asset or liability in question, who are willing to enter into the transaction and who operate independently of each other.

The table below shows the fair value and carrying amount of the financial assets and liabilities at amortised costs.

FAIR VALUE FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

IN THOUSANDS OF EUROS	CARRYING AMOUNT 2020	FAIR VALUE 2020	CARRYING AMOUNT 2019	FAIR VALUE 2019
Financial assets				
Loans and advances to banks	669,166	669,166	713,350	713,350
Loans and advances to customers and public sector	12,092,915	12,282,947	12,641,466	13,002,360
Financial liabilities				
Deposits from banks	377,234	377,719	197,749	197,820
Funds entrusted	7,447,114	7,677,189	7,507,919	7,751,917
Debt securities issued	4,651,080	4,670,854	4,574,111	4,630,575
Subordinated liabilities	1,191	1,413	8,336	8,665

If a financial instrument is traded in an active and liquid market, the quoted price or value is the best indicator for the fair value.

The most appropriate market price for an asset held or a liability to be issued will often be the current bid price and, for an asset to be acquired or liability held, the current offer or asking price. If the Bank holds assets and liabilities with opposite market risks, mid rates are used as a basis for determining the fair value.

If no market price is available on an active market, the fair value is calculated on the basis of the discounted value or another valuation method based on the market conditions on the reporting date. Generally accepted methods in the financial market are the present value model and option valuation models. An accepted valuation method includes all factors that market participants deem to be important for pricing. This method should also be consistent with the accepted economic models for the valuation of financial instruments.

Principles for determining fair value:

- The market price is the best basis for valuation (if available). The use of internal estimates and assessments is kept to a minimum;
- The estimation method (valuation method) is only adjusted if 1) this results in an improvement in the valuation or 2) there is insufficient information available.

The fair value for Cash and Cash equivalents, prepayments and other receivables and accruals and other liabilities are in line with the carrying amount.

NOTES TO ESTIMATION OF THE FAIR VALUES

Loans and advances to banks (Level 2)

The fair value of Loans and advances to banks is based on the present value of expected future cash inflows, using current market interest rates.

Loans and advances to customers or public sector (Level 3)

The fair value of Loans and advances to customers or public sector is based on the present value of expected future cash inflows, using current market interest rates. The interest rate is based on the money market and capital market, both of which are in the public domain. If possible, the Bank makes use of variables that are observable in these markets. The effects of the credit crisis (in particular liquidity and default risks) have been evaluated in measuring the fair value of Loans and advances to customers. The Bank's lending involves mortgage loans to the Dutch market only. In calculating the fair value of the Acier loan portfolio, the Bank applies an additional spread for higher credit risk.

Notes To The Consolidated Financial Statements

Deposits from banks, funds entrusted and debt securities issued (Level 2)

The fair value of Deposits from banks, Funds entrusted and Debt securities issued is based on the discounted present value of the expected future cash outflows, using current market interest rates.

In measuring the fair value of these items, a mark-up is applied to the effective rate of interest, including a spread which is based on the spread of the pricing of mortgages within the Bank. This mark-up has been determined specifically for each risk profile and each interest-rate band on the basis of quotes used by the market participants.

Subordinated liabilities (level 2)

The fair value of the Subordinated liabilities is based on the discounted present value of the expected future cash outflows, using current interest rates for subordinated loans with a similar risk profile and a similar remaining term to maturity.

The table below gives a breakdown of financial instruments that are measured after initial recognition at fair value, grouped into three levels (fair value hierarchy) and based on the significance of the inputs used in determining fair value.

K FAIR VALUE HIERARCHY

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

AS AT 31 DECEMBER 2020 IN THOUSANDS OF EUROS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Derivative assets held for risk management				
Interest rate swaps	–	81,151	–	81,151
Foreign exchange derivatives	–	80	–	80
Back-to-back swaps and interest caps	–	804	–	804
	–	**82,035**	**–**	**82,035**
Financial liabilities				
Derivative liabilities held for risk management				
Interest rate swaps	–	455,667	–	455,667
Foreign exchange derivatives	–	5	–	5
Back-to-back swaps and interest caps	–	804	–	804
	–	**456,476**	**–**	**456,476**

AS AT 31 DECEMBER 2019 IN THOUSANDS OF EUROS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Derivative assets held for risk management				
Interest rate swaps	–	83,408	–	83,408
Foreign exchange derivatives	–	18	–	18
Back-to-back swaps and interest caps	–	7,087	–	7,087
	–	**90,513**	**–**	**90,513**
Financial liabilities				
Derivative liabilities held for risk management				
Interest rate swaps	–	457,435	–	457,435
Foreign exchange derivatives	–	447	–	447
Back-to-back swaps and interest caps	–	7,087	–	7,087
	–	**464,969**	**–**	**464,969**

Notes To The Consolidated Financial Statements

Explanation of the levels:

- 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 where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. Achmea Bank does not have any financial instruments with a level 3 classification on the face of the balance sheet.

Changes in the fair value hierarchy in 2020

During 2020 no changes were made in classification of fair value hierarchy.

NOTES TO THE FAIR VALUE HIERARCHY

Valuation techniques used and valuation process for level 2 and 3 instruments

Depending on the specific assets, the Bank has set valuation policies and procedures for determining fair value. The paragraphs below explain the valuation processes and methods used for each type of financial instrument, as well giving the relevant inputs.

Interest rate derivatives (level 2)

Fair values of interest rate derivatives represent amounts estimated to be received from or paid to a third party in the settlement of these instruments. These derivatives 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. The market data for interest rate derivatives mainly consists of the overnight index swap curve. For one counterparty the curve has been switched to €str. The impact on the fair value was compensated by cash, the impact was limited.

Foreign exchange derivatives (level 2)

Fair values of foreign exchange derivatives represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives 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. The market data for foreign exchange derivatives consist mainly of the currency and the spot exchange rate. The effect of the interest component in the valuation of the related interest period is limited due to the short term of these derivatives.

Back-to-back swaps and interest caps (level 2)

The fair value of the back-to-back swaps represents amounts estimated to be received from or paid to a third party in settlement of these instruments. These swaps 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, which include e.g. the swap curve of the related interest period including contract fees and margin. For DRMPII and SRMP I the Bank entered into a back-to-back interest cap.

Notes To The Consolidated Financial Statements

6. LOANS AND ADVANCES TO CUSTOMERS

ACCOUNTING POLICIES LOANS AND ADVANCES TO CUSTOMERS

Loans and receivables are financial instruments with fixed or determinable payments that are not listed on an active market. These receivables arise when the Bank lends funds or provides services directly to a debtor without the intention to trade the receivables. Consumer loans are included in the 'Loans and receivables' and are predominantly mortgages. The 'Loans and advances' also include loans to real estate management companies and loans which are secured by commercial real estate.

Classification and measurement
Loans and advances to customers 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). Based on the business model assessment all mortgages are classified for as hold to collect and the passed for the SPPI test. The value of the mortgage portfolio is initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Reference is made to chapter I Classification and measurement of the Summary of significant accounting policies.

Impairment
The Bank recognizes loss allowances for expected credit losses (ECL) on all loans and advances to customers. According to the IFRS guidelines, the Bank uses a three stage model: 12 Month expected credit losses for performing loans (stage 1), life time expected credit losses for under-performing financial assets (stage 2) and life time expected credit losses for credit impaired financial assets (stage 3).

Treatment of uncollectible loans and advances in the accounts
If all or part of a loan or interest payment proves to be uncollectible, the amount identified as uncollectable is written off from the corresponding provision for impairment losses. Amounts that are subsequently collected are recognised as income.

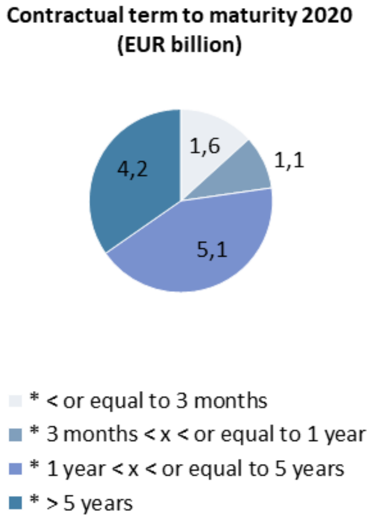
LOANS AND ADVANCES TO CUSTOMERS

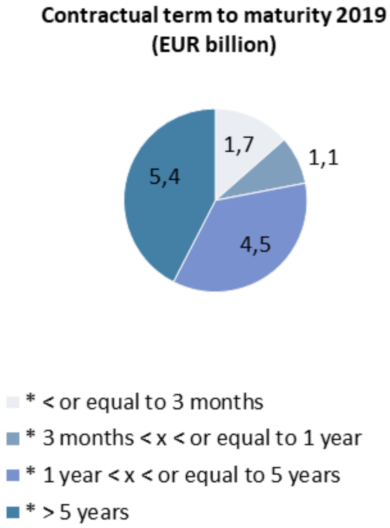
IN THOUSANDS OF EUROS	2020	2019
Loans and advances to customers at amortised cost	11,382,050	11,873,011
Less: Provisions for impairment	11,044	8,725
Total loans and advances to customers regular Achmea Bank portfolio	**11,371,006**	**11,864,286**
Loans and advances to customers Acier loan portfolio at amortised cost	738,517	789,830
Less: Provisions for impairment Acier loan portfolio	17,260	21,716
Total loans and advances to customers	**12,092,263**	**12,632,401**

As at December 2020 the allowance for losses on loans and advances related to the Acier loan portfolio amounts to EUR 17.3 million (2019 EUR 21.7 million). Achmea B.V. issued a capped guarantee to Achmea Bank to cover credit risk and legal claims related to this portfolio. Based on this contract Achmea Bank can claim a large part of the credit losses and legal claims with respect to the Acier portfolio with Achmea B.V. The acquired portfolio is reported as part of the regular portfolio.

The remaining contractual term to maturity of the Loans and advances to customers net of provision, including an expected prepayment rate of 9.5% (2019: 7.7%) for both portfolios, is:

Notes To The Consolidated Financial Statements





The Loans and advances to customers of the regular Achmea Bank portfolio consist of residential mortgage loans on properties in the Netherlands only. In 2020 Achmea Bank acquired a new mortgage portfolio. Reference is made to chapter 4 Acquisitions for more details regarding these portfolios. The calculation of the expected credit losses for this portfolio is based on the same assumptions as for the regular portfolio. For the new portfolio Achmea Bank carried out representativeness analysis on a number of important characteristics of this portfolio. Based on this analysis Achmea Bank conclude that the portfolio is sufficiently homogeneous to use the same assumptions for the calculation of the impairment charges as for the regular portfolio and that for the IFRS 9 calculation purposes no adjustment is required: the expected credit losses model for the regular portfolio could be used as best estimate values undue cost and effort. The Acier loan portfolio consists of mortgage loans secured by mainly Dutch real estate and mortgage loans secured by commercial real estate or real estate management companies.

MOVEMENT SCHEDULE LOANS AND ADVANCES TO CUSTOMERS (REGULAR ACHMEA BANK PORTFOLIO)

IN THOUSANDS OF EUROS			2020		2019
Balance as at 1 January			**11,864,287**		**10,198,063**
Changes nominal portfolio	Loans granted	739,865		766,342	
	Acquired portfolios	458,594		1,968,834	
	Repayments	−1,695,597		−1,212,230	
			−497,138		**1,522,946**
Fair value hedge accounting	Revaluation basis adjustment mortgages	−45,786		7,554	
	Amortisation basis adjustment mortgages	55,957		4,372	
			10,171		**11,926**
Allowances for losses on loans and advances	Initial recognition acquired portfolios	−133		−745	
	Additions	−19,765		−2,605	
	Releases	16,845		1,408	
	Write-offs	733		782	
			−2,320		**−1,160**
Amortised cost adjustment acquired portfolios					
	Initial recognition	12,751		132,590	
	Amortisation	−38,805		−5,126	
			−26,054		127,464
Other movements			**22,060**		**5,048**
Balance as at 31 December			**11,371,006**		**11,864,287**

Notes To The Consolidated Financial Statements

The carrying amount of the fair value hedge adjustment is EUR 440 million (2019: EUR 352 million). The increase impact on the amortisation of the acquired portfolios is due to the moment of acquisition of the portfolio's in 2019 (1 December 2019). The 2020 figures include 12 months of amortisation.

MOVEMENT SCHEDULE LOANS AND ADVANCES TO CUSTOMERS (ACIER LOAN PORTFOLIO)

IN THOUSANDS OF EUROS			2020		2019
Balance as at 1 January			**768,114**		**850,083**
Changes nominal portfolio	Repayments	−56,447		−92,799	
			−56,447		**−92,799**
Allowances for losses on loans and advances	Additions	−11,384		−4,828	
	Releases	10,883		10,288	
	Write-offs	4,956		8,281	
			4,455		**13,741**
Other movements			**5,135**		**−2,911**
Balance as at 31 December			**721,257**		**768,114**

7. DEBT SECURITIES ISSUED

ACCOUNTING POLICIES DEBT SECURITIES ISSUED

This item includes bonds and other debt securities.

Debt securities issued are initially recognised at fair value net of transaction costs. Subsequently Debt securities issued are valued at amortised cost using the effective interest method. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. The Bank initially recognises Debt securities issued on the date that they are originated. The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or when they expire. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

IN THOUSANDS OF EUROS	2020	2019
* Residential Mortgage Backed Securities	259,848	1,166,589
* Achmea Conditional Pass Through Covered Bond Programme	1,496,335	996,065
* European Medium Term Notes Programme	–	9,997
* Senior Unsecured Loans	2,118,999	2,144,650
* Commercial paper	681,153	172,167
Total notional amounts	**4,556,336**	**4,489,468**
Accrued interest	29,068	29,385
Fair value adjustment	66,579	55,464
Amortised cost	−903	−206
Carrying amount	**4,651,080**	**4,574,111**

The notes held by the Bank (EUR 0.8 billion) are eliminated upon consolidation and as such not presented in the table above.
The fair value adjustment is the fair value of bonds which are included in a hedge relation as at 31 December 2020. The differences between the movement of the nominal amounts and the net cash flow from debt securities issued as recognised in the cash flow statement are due to amortisation, which are included in the nominal amounts.

The weighted average interest rate for the year 2020 was 1% (2019: 1%).

Notes To The Consolidated Financial Statements

Debt securities issued according to remaining contractual term to maturity are as follows:

IN THOUSANDS OF EUROS	2020	2019
* < or equal to 3 months	1,109,315	41,389
* 3 months < x < or equal to 1 year	377,547	1,001,823
* 1 year < x < or equal to 5 years	2,608,239	2,591,682
* > 5 years	555,979	939,218
	4,651,080	**4,574,111**

Further details on Debt securities issued are disclosed in the Risk Management paragraph.

8. FUNDS ENTRUSTED

ACCOUNTING POLICIES FUNDS ENTRUSTED

This includes all non-subordinated liabilities other than debts to credit institutions and those included in debt securities issued.

Funds entrusted are initially recognised at fair value net of transaction costs. Subsequently financial liabilities are valued at amortised cost using the effective interest method. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. The Bank recognised financial liabilities initially on the trade date, which is the date that the Bank becomes a party to the contractual provisions of the instrument. The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or when they expire. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

IN THOUSANDS OF EUROS	2020	2019
* < or equal to 3 months	4,295,790	4,230,755
* 3 months < x < or equal to 1 year	434,680	421,618
* 1 year < x < or equal to 5 years	1,431,489	1,476,057
* > 5 years	1,285,155	1,379,489
	7,447,114	**7,507,919**

Funds entrusted include an amount of EUR 0.8 billion (2019: EUR 0.8 billion) related to liabilities to saving deposits linked to mortgages.

9. INTEREST MARGIN

ACCOUNTING POLICIES NTEREST MARGIN

For all instruments measured at amortised cost, interest income and interest expenses are recognised in the statement of comprehensive income using the effective interest method.

The effective-interest method is a method for the calculation of the amortised cost of a financial asset or a financial liability and for the allocation of interest income and expenses to the relevant period. The calculation of the effective interest rate is based on an estimation of all contractual cash flows of the financial instrument, excluding unexpected credit losses.
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

• Purchased originated credit impaired (‘POCI’) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
• Financial assets that are not ‘POCI’ but have subsequently become credit-impaired (or ‘Stage 3’), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

The calculation of amortised cost includes all fees paid or received and other terms and conditions which are an integral part of the effective interest rate.

Notes To The Consolidated Financial Statements

INTEREST MARGIN

IN THOUSANDS OF EUROS	2020	2019
Interest income (amortised cost items)	334,996	342,643
Interest income (other)	–	494
Interest expenses (amortised cost items)	194,235	217,856
Interest expenses (other)	–	638
Interest margin	**140,761**	**124,643**

Interest income (amortised cost items)

The total interest income can be specified as follows:

IN THOUSANDS OF EUROS	2020	2019
Loans and advances to customers	331,610	339,094
Other interest income	3,386	3,549
	334,996	**342,643**

Interest income on Loans and advances to customers mainly includes interest income on mortgage loans.

Interest expenses (amortised cost items)

The total interest expenses can be specified as follows:

IN THOUSANDS OF EUROS	2020	2019
Funds entrusted	74,572	81,700
Debt securities issued	54,683	55,149
Interest expenses related to derivatives	61,194	73,053
Other interest expenses	3,786	7,954
	194,235	**217,856**

Other interest expenses mainly include funding costs other than interest and negative interest on loans and advances to banks.

10. CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS, DERIVATIVES AND HEDGE ACCOUNTING

ACCOUNTING POLICIES DERIVATIVES AND CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

Derivatives
Derivatives are assets or liabilities which are measured at fair value. The fair value of derivatives held may fluctuate significantly from time to time due to fluctuations in market rates and currencies. The Bank uses the following derivative financial instruments for hedging purposes.

Hedge accounting
The Bank has designated derivatives as fair value hedges on the interest rate risk inherent in its mortgage portfolio (macro hedge) as well as on the interest rate risk and currency risk related to debt securities issued (micro hedge). For the application of fair value hedge accounting, the Bank documents the relationship between the hedging instruments and the hedged items or positions, as well as the risk management objective and strategy at the inception of the transaction.

The Bank formally records whether the derivatives used in the hedging transactions are effective in offsetting changes in the fair value of hedged items, both at the start and for the duration of the hedging relationship. A hedging relationship is effective when the effectiveness lies prospectively between 95% and 105% and retrospectively between 80% and 125%. Effectiveness is measured by dividing the change in fair value of the hedging instruments by the change in fair value of the hedged item (based on the risk being hedged). To ascertain the effectiveness, the Bank performs both prospective and retrospective testing.

Notes To The Consolidated Financial Statements

Macro hedging
The Bank periodically assesses the fair value change of the macro hedge in the hedged part of the portfolio of mortgage loans attributable to the hedged risk, on the basis of the expected interest reset date. When the Bank assesses the hedge being effective, it recognises the fair value change in the hedged part of the portfolio of mortgage loans. It is reported as a gain or loss in the statement of comprehensive income and in the consolidated statement of financial position item Loans and advances to customers.

In accordance with its hedging policy, the Bank terminates the hedging relationships and then defines the new hedging relationships for hedge accounting purposes on a monthly basis. For the terminated hedging relationships, the Bank starts with the amortisation to the statement of comprehensive income of the applicable part of the Loans and advances to customers. This asset is amortised using the effective interest method over the remaining term to maturity of the relating hedged items.

Micro hedging
The Bank periodically assesses the fair value change of the micro hedge in the hedged part of the Debt securities issued attributable to the hedged risk, on the basis of the expected interest reset date. When the Bank assesses the hedge being effective, it recognises the fair value change in the hedged part in the consolidated statement of financial position of Debt securities issued and the gain or loss in the statement of comprehensive income.

The Bank measures the change in fair value of the derivatives and recognises it as a gain or loss in the statement of comprehensive income. The fair value of the derivatives is recognised in the consolidated statement of financial position as an asset or a liability.
If there is ineffectiveness, this is expressed in the statement of comprehensive income as the difference between the change in fair value of the hedged position and the change in fair value of the hedging instrument.

Changes in fair value of financial instruments

The total changes in fair value of financial instruments can be specified as follows:

IN THOUSANDS OF EUROS	2020	2019
Effectiveness results of fair value hedge accounting	7,319	5,063
Amortisation effects	−9,213	−8,929
Other fair value effects	−3,128	19,788
Changes in fair value of financial instruments	**−5,022**	**15,922**

The effectiveness of fair value hedge accounting is in line with the fluctuation of the interest rates during 2020.

The amortisation effects are related to the hedge of mortgages and the hedge of Debts securities issued.

Other fair value effects of 2019 mainly consist of an accounting result of EUR 20 million positive related to the acquired a.s.r portfolio. The accounting result mainly reflects the increased fair value (spread and interest curve) of the acquired mortgages due to increased competition and related pressure on mortgage rates in the period from signing (21 March 2019) to closing (1 December 2019) of the transaction.

Ibor

Currently, a world-wide transition is taking place from interbank offered rates (IBORs) to alternative benchmarks: risk free rates (RFRs). This transition was initiated as a policy response to two developments. First, a number of traditional interest-rate benchmarks, notably LIBOR, were affected by market manipulations that severely undermined integrity. Second, the underlying market for unsecured interbank funding experienced a marked decrease in transactions and continues to do so, eroding the degree to which IBORs represent the funding costs of financial institutions. In the EU, the transition to alternative interest-rate benchmarks is governed by the Benchmarks Regulation (BMR). This Regulation, applicable to a range of benchmarks including interest rate benchmarks. Pursuant to the BMR, IBOR-based contracts need to be amended to RFRs or provided with a fallback option by 1 January 2022 at the latest.

Within Achmea, IBOR transition working groups (WG) have been set up, both on an entity level (Achmea Bank) and on group level (Achmea). For Achmea Bank a multidisciplinary WG is active to manage the transition process, which comprises representatives of Control, Business (including “Acier”), Operational Risk & Compliance, Legal and Financial Risk /ALM departments of Achmea Bank, Group Treasury and Group Corporate Finance. The working group started in 2020 and has regular meetings. The WG has identified the activities and processes that are relevant for the transition effort of the bank. These efforts focus on OTC interest rate derivatives and mortgages with an (explicit) IBOR component, mainly Euribor and Swiss Libor. Swiss Libor is expected to be replaced by SARON. In mid-2020, LCH Clearnet’s

Notes To The Consolidated Financial Statements

transition from EONIA to €ster has resulted in a limited impact (EUR 0.1 million) on the valuation of the interest rate swaps, which was compensated by a "one-off cash compensation.
At 31 December 2020, for an amount of EUR 4.1 billion (2019: EUR 3.9 billion) derivatives are included in the macro hedge and for an amount of EUR 2.0 billion (2019: EUR 1.8 billion) derivatives are included in the micro hedge. In addition for an amount of CHF 0.4 billion derivatives are included in the micro hedge. In case of new hedge relations, the Bank assumes that the transition to alternative benchmark rates won't have a material impact on the prospective tests

Fair value hedges

The Bank applies fair value hedge accounting for part of the mortgages and the related interest rate derivatives (macro hedge accounting) in order to hedge the interest rate risk of the mortgages. The hedged item consists of a portfolio of mortgages while the hedging instrument consists of a portfolio of interest rate swaps.

The Bank also entered into derivative transactions in order to limit the interest rate risk of its funding operations. The Bank applies fair value hedge accounting (micro hedge accounting) for those derivatives. The hedged item consists of individual external loans while the hedging instrument consists of interest rate swaps.

Any ineffectiveness effect related to fair value hedge accounting is reported in the income statement as part of the effectiveness result of fair value hedge accounting.

The effectiveness results related to the macro hedges and micro hedges are specified below.

FAIR VALUE CHANGES HEDGES

IN THOUSANDS OF EUROS	GAIN	LOSS	NET 2020	NET 2019
Macro hedge				
Fair value changes in hedged items	113,987	87,186	26,801	20,519
Fair value changes in hedging instruments	97,187	114,977	−17,790	−15,770
	211,174	**202,163**	**9,011**	**4,749**
Micro hedge				
Fair value changes in hedged items	28,311	46,844	−18,532	−18,221
Fair value changes in hedging instruments	44,159	27,319	16,840	18,535
	72,470	**74,162**	**−1,692**	**314**
Total hedge				
Fair value changes in hedged items	142,298	134,030	8,269	2,297
Fair value changes in hedging instruments	141,346	142,296	−950	2,765
	283,644	**276,326**	**7,319**	**5,063**

Derivatives held for risk management

Interest rate swaps

Swaps are a form of 'over-the-counter' (OTC) derivatives which result in an economic exchange of cash flow items, such as currencies or interest rates. Achmea Bank N.V.'s credit risk corresponds to the swap contract replacement costs in the event of a counterparty default. This risk is continuously monitored, taking into account the current fair value, the notional amount and the liquidity in the market. To control its credit risk, the Bank only executes contracts with reputable counterparties and sets individual limits per counterparty. The Bank uses CSA's (Credit Support Annex) to reduce the exposure to counterparty risk on derivatives.

Foreign exchange derivatives

Foreign exchange derivatives are used to hedge the foreign exchange positions of the CHF mortgages of the Acier loan portfolio. The currency position is monitored on a monthly basis and every month this position is hedged with derivatives with a maturity of one month.

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Back-to-back swaps and interest Caps

Back-to-back swaps have been used in securitisation transactions and are swap agreements between the Bank and a swap counterparty to hedge the interest rate exposure arising between the floating rate liabilities and the fixed rate mortgages.
By means of this swap agreement, the Bank pays the swap counterparty the interest expenses on the notes and the swap counterparty pays the Bank the interest received on the mortgage receivables less third party expenses and less a fixed excess spread. As per 31 December 2020 all Back-to-back swaps have been matured.
An interest rate cap has been used in the securitisation transactions DRMPII and SRMP I. This is an agreement between the Bank and an interest rate cap provider to hedge the interest rate exposure arising between the floating rate liabilities and the fixed rate mortgages. The interest rate cap agreements for DRMPI, DRMPII and SRMP I require the interest rate cap provider, against payment of the initial interest rate cap premium, to make payments to the extent the 3 months Euribor interest rate for any given interest period exceeds the agreed upon cap strike rate of 3.5%.

The Bank uses Credit Support Annexes (CSA) to reduce counterparty risk exposure on derivatives by means of (cash) collateral; for new over-the-counter derivatives -e.g. plain vanilla interest rate swaps- the European Market Infrastructure Regulation (EMIR) applies.

The remaining contractual term to maturity of the Derivatives held for risk management is:

DERIVATIVES

AS AT 31 DECEMBER 2020 IN THOUSANDS OF EUROS ASSETS	NOTIONAL AMOUNT	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	BETWEEN ONE YEAR AND FIVE YEARS	MORE THAN FIVE YEARS	TOTAL FAIR VALUE
Interest rate swaps	3,142,495	9,422	400	35,070	36,259	81,152
Foreign exchange derivatives	21,529	80	–	–	–	80
Back-to-back swaps and interest caps		–	–	804	–	804
Total derivative assets		**9,503**	**400**	**35,874**	**36,259**	**82,035**
Liabilities						
Interest rate swaps	3,744,000	–	6,807	143,156	305,704	455,667
Foreign exchange derivatives	1,481	5	–	–	–	5
Back-to-back swaps and interest caps		–	–	804	–	804
Total derivative liabilities		**5**	**6,807**	**143,960**	**305,704**	**456,475**

AS AT 31 DECEMBER 2019 ASSETS	NOTIONAL AMOUNT	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	BETWEEN ONE YEAR AND FIVE YEARS	MORE THAN FIVE YEARS	TOTAL FAIR VALUE
Interest rate swaps	3,012,721	334	–	38,284	44,790	83,408
Foreign exchange derivatives	6,042	18	–	–	–	18
Back-to-back swaps and interest caps		–	5,637	–	1,450	7,087
Total derivative assets		**352**	**5,637**	**38,284**	**46,240**	**90,513**
Liabilities						
Interest rate swaps	3,279,000	1,169	11,788	109,635	334,844	457,435
Foreign exchange derivatives	44,822	447	–	–	–	447
Back-to-back swaps and interest caps		–	5,637	–	1,450	7,087
Total derivative liabilities		**1,616**	**17,425**	**109,635**	**336,293**	**464,969**

All derivatives are used for risk management purposes and to mitigate the Bank's currency and interest exposure as explained in paragraph G Market risk of the Risk management paragraph. For most of the derivatives Achmea Bank applies hedge accounting.

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Notes to other items

11. CASH AND BALANCES WITH CENTRAL BANKS

ACCOUNTING POLICIES CASH AND BALANCES WITH CENTRAL BANKS

Cash and cash equivalents comprise cash balances as well as call deposits with the Dutch Central Bank (DNB). Current account overdrafts which are repayable on demand and which form an integral part of Achmea Bank's cash management are part of the Cash and cash equivalents in the statement of cash flows.

Based on the business model assessment Cash and balances with Central Banks are classified for the business model holding to collect and passed the SPPI test.

Cash and cash equivalents are measured at amortised cost.

IN THOUSANDS OF EUROS	2020	2019
Cash and balances with Central Banks	938,708	72,366

At the end of 2020 the minimum cash reserve to be maintained at DNB and collateral posted at DNB, which is not at the Bank's free disposal amounted to EUR 39.4 million (2019: EUR 43.2 million).

12. LOANS AND ADVANCES TO BANKS

ACCOUNTING POLICIES LOANS AND ADVANCES TO BANKS

Loans and advances to banks refer to receivables from banks, other than Interest-bearing securities. Based on the business model assessment Loans and advances to banks are classified for the business model hold to collect and passed the SPPI test.
Loans and advances to banks are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

IN THOUSANDS OF EUROS	2020	2019
Loans and advances to banks	669,166	713,350

IN THOUSANDS OF EUROS	2020	2019
* Not available on demand	628,315	712,359
* On demand	40,851	991
	669,166	**713,350**

The amount not available on demand is composed of collateral for derivatives (CSA) and the bank accounts related to securitisation transactions and Stichting Incasso Achmea Hypotheken.

13. LOANS AND ADVANCES TO PUBLIC SECTOR

ACCOUNTING POLICIES LOANS AND ADVANCES TO PUBLIC SECTOR

Based on the business model assessment Loans and advances to public sector are classified for the business model hold to collect and passed the SPPI test. Loans and advances to public sector are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

This item comprises funds lent to public authorities.

Notes To The Consolidated Financial Statements

IN THOUSANDS OF EUROS	2020	2019
Loans and advances to public sector	652	675

At December 2020 the total outstanding amount is non-current (2019: total amount is non-current).

14. PREPAYMENTS AND OTHER RECEIVABLES

ACCOUNTING POLICIES INTEREST – PREPAYMENTS AND OTHER RECEIVABLES

Based on the business model assessment prepayments and other receivables are classified for the business model hold to collect and passed the SPPI test. Prepayments and other receivables are initially measured at fair value. After initial recognition Prepayments and other receivables are measured at amortised cost using the effective interest method.

IN THOUSANDS OF EUROS	2020	2019
Prepayments and other receivables	46,092	147,468
	46,092	**147,468**

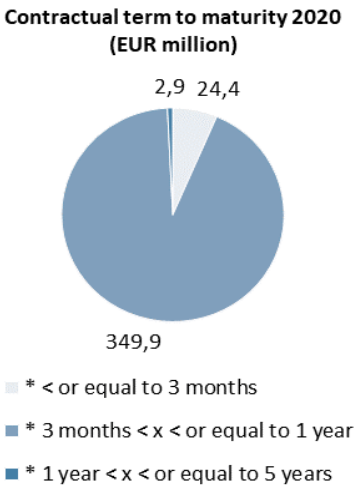
Prepayments and other receivables mainly consist of amounts related to production and repayments of mortgages. In 2020 an amount of EUR 13 million (2019: EUR 107 million) relates to the production for Achmea Pensioen en Levensverzekeringen N.V. For an analysis of receivables within Achmea, we refer to the separate related-parties disclosure (note 29). In 2020 an amount of EUR 0.5 million is non-current (2019: EUR 0.8 million).

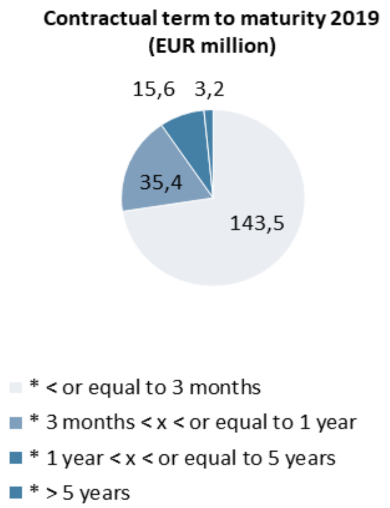
15. DEPOSITS FROM BANKS

ACCOUNTING POLICIES DEPOSITS FROM BANKS

Deposits from banks are initially measured at fair value less attributable transaction costs. After initial recognition, deposits from banks are measured at amortised cost, the difference between cost and redemption value being recognised in the statement of comprehensive income using the effective interest method over the term of the loans.

The remaining contractual term to maturity of the Deposits from banks is:





Notes To The Consolidated Financial Statements

In 2020, Achmea Bank raised 350 million of funding from the Dutch central bank with a remaining term of 7 months. In 2019, central bank funding amounted to 140 million with a remaining term of 1 day.

16. PROVISIONS

ACCOUNTING POLICIES PROVISIONS

Provisions are recognised when Achmea Bank has a present legal or constructive obligation as a result of past events. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

IN THOUSANDS OF EUROS	2020	2019
Balance as at 1 January	3,600	150
Addition	–	3,826
Releases	−1,546	–
Amounts used	−854	−376
Balance as at 31 December	**1,200**	**3,600**

In 2018 and 2019, the Dutch Authority for the Financial Markets (AFM), responsible for supervising the operation of the financial markets, has expressed its view to all relevant parties in the Dutch mortgage market that clients with an interest-only mortgage should be made more aware of the inherent risks to this mortgage type and be activated to make choices on the relevant alternatives to redeem the outstanding loan in the remaining period up to the legal maturity date. Consequently, on the initiative of the Dutch Banking Association (NVB), Dutch banks have started an awareness campaign, which is duly adhered to and accordingly executed by Achmea Bank. Achmea Bank has provisioned an amount of EUR 1.2 million for potential refunds and compliance related costs pursuant to its voluntary retroactive adjustment of its risk premium policy related to mortgages with variable interest. During 2020 the compensation for all other mortgage products have been finalized, which results in a release of EUR 1.5 million. The total amount of the provisions is current.

17. SUBORDINATED LIABILITIES

ACCOUNTING POLICIES SUBORDINATED LIABILITIES

Subordinated liabilities are initially recognised at fair value net of transaction costs. Subsequently financial liabilities are valued at amortised cost using the effective interest method. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Subordinated liabilities are recognised on the date that they are originated.

The Subordinated liabilities are as follows:

IN THOUSANDS OF EUROS	INTEREST RATE (%)	2020	2019
Loan 1999/2020	5.57	–	7,144
Loan 1999/2024	5.68	1,191	1,192
		1,191	**8,336**

The interest expenses for 2020 amounted to EUR 0.1 million (2019: EUR 0.4 million). The total amount of the subordinated liabilities is non-current.

18. ACCRUALS AND OTHER LIABILITIES

ACCOUNTING POLICIES ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities are initially measured at fair value. After initial recognition accruals and other liabilities are measured at amortised cost using the effective interest method.

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IN THOUSANDS OF EUROS	2020	2019
Accruals	10,464	8,776
Other liabilities	46,588	59,363
	57,053	**68,139**

Accruals and other liabilities include an amount of EUR 36.5 million (2019: EUR 51.9 million), relating to liabilities to Achmea Group companies. For an analysis of these liabilities within Achmea Group, we refer to the separate related-parties disclosure (note 29). The total amount of Accruals and other liabilities is current.

19. DEFERRED TAX ASSETS AND LIABILITIES

ACCOUNTING POLICIES DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is recognised to allow for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax assets and/or liabilities are based on the expected manner in which the carrying amounts of the assets and liabilities will be realised or settled in the future, using rates that are fixed on the balance sheet date. A deferred tax asset is only recognised when it is probable that taxable profits will be available in the future which can be used for the realisation of the asset. The amount of the deferred tax assets will be reduced when it is no longer probable that the related tax benefit will be realised. The most important temporary differences at Achmea Bank N.V. between the reported carrying amounts and the tax bases of the items concerned relate to the measurement of derivative financial instruments, Loans and advances to customers and Debt securities issued at fair value and at amortised cost.

There is a legally enforceable right to settle deferred tax positions and there is an intention to settle on a net basis. This is not applicable for current tax positions.

Deferred tax is calculated for all temporary differences at an effective tax rate of 25% for 2021 and for the other years. The Deferred tax assets and liabilities are related to the following items:

DEFERRED TAX

	ASSETS		LIABILITIES		BALANCE	
IN THOUSANDS OF EUROS	2020	2019	2020	2019	2020	2019
Valuation differences due to differences in tax base	19,039	510	–	5,268	19,039	-4,758
Tax position asset/liability	**19,039**	**510**	**–**	**5,268**	**19,039**	**-4,758**
TAX RATE	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net deferred tax	**4,760**	**128**	**–**	**1,318**	**4,760**	**-1,190**
Correction on corporation tax due to change in tax rate	–	– 23	–	– 283	–	260
Net deferred tax	**4,760**	**105**	**–**	**1,035**	**4,760**	**-930**

SPECIFICATION VALUATION DIFFERENCES BETWEEN COMMERCIAL AND FISCAL ACCOUNTING TREATMENT

IN THOUSANDS OF EUROS	2020	2019	2020	2019	2020	2019
Derivative assets held for risk management	358,130	–	–	−354,318	358,130	354,318
Debt securities issued	70,893	–	–	−55,464	70,893	55,464
Accrued interest	–	–	–	–	–	–
Loans and advances to customers	−409,984	510	–	415,050	−409,984	−414.540
Tax position asset/liability	**19,039**	**510**	**–**	**-5,268**	**19,039**	**-4,758**
TAX RATE	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net deferred tax	4,760	128	–	-1,318	4,760	-1,090
Correction on corporation tax due to change in tax rate	–	−23	–	283	–	260
Net deferred tax	**4,760**	**105**	**–**	**-1,035**	**4,760**	**-930**

From deferred tax assets and liabilities an amount of EUR 0.8 million is current (2019: EUR 1.9 million), the remainder is non-current.

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CHANGES TO TEMPORARY DIFFERENCES

IN THOUSANDS OF EUROS	BALANCE AS AT 01-01-2020	RECOGNISED IN RESULT	RECOGNISED IN EQUITY	BALANCE AS AT 31-12-2020
2020				
Valuation differences due to differences in tax base	−4,758	24,531	-734	19,039
Tax position asset/liability	**−4,758**	**24,531**	**-734**	**19,039**
TAX RATE	25.0%	25.0%	25.0%	25.0%
Net deferred tax	**−1,190**	**6,133**	**-184**	**4,760**
Correction on corporation tax due to change in tax rate	260	-260	–	–
Net deferred tax	**−930**	**5,873**	**-184**	**4,760**

IN THOUSANDS OF EUROS	BALANCE AS AT 01-01-2019	RECOGNISED IN RESULT	RECOGNISED IN EQUITY	BALANCE AS AT 31-12-2019
2019				
Interest-bearing securities	–	–	–	–
Valuation differences due to differences in tax base	−7,570	3,559	−747	−4,758
Tax position asset/liability	**−7,570**	**3,559**	**−747**	**−4,758**
TAX RATE	25.0%	25.0%	25.0%	25.0%
Net deferred tax	**−1,893**	**890**	**−187**	**−1,190**
Correction on corporation tax due to change in tax rate	260		–	260
Net deferred tax	**−1,633**	**890**	**−187**	**−930**

20. CURRENT TAX ASSETS AND LIABILITIES

ACCOUNTING POLICIES CURRENT TAX ASSETS AND LIABILITIES

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period and is recognised in the statement of comprehensive income.

The net current corporate tax liabilities of EUR 7.5 million (2019: tax liabilities EUR 23.8 million) refers to the tax payable for the reporting period and for previous periods. The Bank is part of a fiscal unity with Achmea B.V., settlement of tax liabilities is handled centrally by Achmea B.V.

21. TOTAL EQUITY

As at 31 December 2020 the authorised share capital amounted to EUR 90 million (2019: 90 million), divided into 90 million shares (2019: 90 million) each with a nominal value of EUR 1 (2019: EUR 1). As at 31 December 2020 18,151,663 shares had been issued and paid up in full (2019: 18,151,663 shares).

The General Meeting of Achmea Bank has decided on 17 April 2020, in accordance with the recommendations from both the European and Dutch Central Banks concerning dividend pay-outs, no to distribute any dividend and to add the result for the 2019 financial year to the other reserves.

As of 2020, Achmea adjusted its accounting treatment with retrospective application per 1 January 2019 for the accounting of interest compensation paid by customers on their mortgages part of the loans and advances to customers. The net impact on Total Equity (other reserves) as at 1 January 2020 amounted to a decrease of EUR 6.3 million (1 January 2019: EUR 6.1 million).

The 2019 result included an accounting result related to the a.s.r. transaction. The transaction prices for the mortgages and savings were set at signing date (21 March 2019) with the exception of the impact of interest rate movements that are offset against the value development of the derivatives that were part of the transaction to hedge this interest rate risk. The accounting result mainly reflected the increased fair value of the acquired mortgages due to increased competition and related pressure on mortgage rates in the period from signing (21 March 2019) to closing (1 December 2019) of the transaction. The accounting result was added to the legal reserve. As at 31 December 2020, the total legal reserve amounts to EUR 11.3 million (2019: EUR 14 million) and is included as part of the other reserves. Furthermore, the remainder part of the other reserves consist of retained earnings.

Notes To The Consolidated Financial Statements

In line with the recommendation of The European Central Bank and the European Banking Authority concerning dividend pay-outs, not to distribute any dividends, the Executive Board of Achmea Bank proposes to add the net result of 2020 to the other reserves. Achmea Bank intends to pay out a total dividend of EUR 56 million, which equals to the distributable net result over 2019 and 2020, as soon as it is in accordance with the ECB recommendation to make such payment.

22. OTHER INCOME

ACCOUNTING POLICIES OTHER INCOME

Other income includes amounts received relating to receivables which have been written off in previous periods.

IN THOUSANDS OF EUROS	2020	2019
Other Income	1,676	1,675

23. FEES AND COMMISSION INCOME AND EXPENSE

ACCOUNTING POLICIES FEES AND COMMISSION INCOME AND EXPENSE

Fees and Commission income and expense includes commission paid and received relating to mortgages and saving products. The Bank received fees from Achmea Pensioen- en Levensverzekeringen N.V. with regard to mortgages originated and serviced for Achmea Pensioen- en Levensverzekeringen N.V.

Fees and commission is recognised as the related service is performed. These fees are recognised in the income statement in the same period.

IN THOUSANDS OF EUROS	2020	2019
Fees and commission income	9,403	8,136
Fees and commission expense	87	111
	9,316	**8,025**

The increased income on fees an commission is due to increased production of mortgages for the balance sheet of Achmea Pensioen- en Levensverzekeringen N.V. and the increased portfolio of Achmea Pensioen- en Levensverzekeringen N.V. serviced by the Bank.

24. OPERATING EXPENSES

ACCOUNTING POLICIES OPERATING EXPENSES

Operating expenses includes staff costs and administrative expenses and are presented in the following table.

IN THOUSANDS OF EUROS	2020	2019
Staff costs	25,036	29,092
Administrative expenses	81,078	75,906
	106,114	**104,998**

Compared to 2019, operating expenses remained stable at EUR 106 million (2019: EUR 105 million). The servicing costs increased by EUR 4 million and the bank-related levies increased by EUR 3 million, both related to the acquired portfolios. In 2020 the reorganisation costs decreased by EUR 6 million mainly related to the concentration of the operational mortgage activities. In line with 2019, operating expenses in 2020 include an amount of EUR 12 million for bank-related levies for the resolution fund and the deposit guarantee scheme (2019: EUR 9 million). The concentration of the operational mortgage activities in Amsterdam and Apeldoorn, result in a decrease of FTE's, which was almost fully compensated by the reallocation of the IT people to Achmea Bank. The number of employees decreased from 209 FTE to 192 FTE at the end of 2020.

25. STAFF COSTS

ACCOUNTING POLICIES EMPLOYEE BENEFITS

All staff, including the Executive Board, is employed by Achmea Interne Diensten N.V., a subsidiary of Achmea B.V. Achmea Interne Diensten N.V. has placed the pension commitments for employees of Achmea Bank N.V. with Stichting Pensioenfonds Achmea (SPA). The pension scheme for the employees of Achmea is a so-called Collective Defined Contribution (CDC) scheme. The financial and actuarial risks (including risk of longevity) are in essence transferred to the employees, implying among other things that the future increase on vested rights for current employees has become conditional on the funded status within the plan. The related CDC contributions are allocated by Achmea Interne Diensten N.V. to Achmea Bank N.V. on the basis of pensionable salary of current employees. IAS 19 Employee Benefits is applicable to Achmea Bank N.V. based on the situation that the defined benefit plans share risks between entities under common control. For the disclosures on the IAS 19 Employee Benefits (based on IAS 19.150) reference is made to the financial statements of Achmea B.V. (www.achmea.com).

IN THOUSANDS OF EUROS	2020	2019
Wages and salaries	12,999	13,166
Pension costs	3,962	3,407
Compulsory social security obligations	1,510	1,929
Other staff costs	6,565	10,590
	25,036	**29,092**

The average number of employees during 2020 was 204 FTEs (2019: 205 FTEs). Achmea Interne Diensten N.V. employs all personnel including the Executive Board of Achmea Bank. All the employees work in the Netherlands. Achmea Interne Diensten N.V. allocates the pension expenses to the various entities of Achmea Group. Allocation is based on the pensionable salary of employees currently working for Achmea Bank. In 2020 there were no adjustments or claw backs in connection with (past) remuneration to members of the Executive Board.

26. INDEPENDENT AUDITOR’S FEES

The independent auditor’s fees related to the Bank are disclosed in the consolidated financial statements of Achmea B.V. This is in line with article 2: 382a.3 of the Dutch Civil Code.

Our auditor, PricewaterhouseCoopers Accountants N.V., has rendered, for the period to which our statutory audit relates, in addition to the audit of the statutory financial statements the following services to the company and its controlled entities:

- Statutory audit of the SPVs and Achmea Conditional Pass Through Covered Bond Company;
- Audit of the regulatory reports to be submitted to De Nederlandsche Bank;
- ISAE type II DGS;
- Agreed upon procedures interest rate risk;
- Agreed upon procedures Stichting Trustee Achmea Bank;
- Several comfort letters related to funding programmes.

27. INCOME TAX EXPENSES

RECONCILIATION OF THE EFFECTIVE TAX RATE

IN THOUSANDS OF EUROS	2020	2019
Operating profit before taxes	37,129	49,597
Nominal tax rate	25.0%	25.0%
Nominal tax expenses	9,282	12,399
Non-deductable amounts	−125	–
Correction on corporation tax due to change in tax rate	443	68
Effective tax expenses	**9,600**	**12,468**
Effective tax rate	**25.9%**	**25.1%**

Notes To The Consolidated Financial Statements

The Bank is part of a fiscal unity with Achmea B.V. for company tax purposes and VAT. The effective tax expenses consist of EUR 15.7 million current tax and EUR 6.1 million deferred tax.

28. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

In the course of 2020 several instances of legal proceedings are pending against the bank. However, based on legal advice, the Executive Board does not expect the outcome of the various proceedings to have a material effect on the company’s financial position at 31 December 2020.

Guarantee

Achmea B.V. has issued a capped guarantee to Achmea Bank to cover credit risk and legal claims in connection with the acquired loan activities of Staalbankiers (2015 and 2016). The maximum amount for the duration of the financial guarantee is EUR 350 million. The contract for the financial guarantee will end in line with the maturity of the related loans. As at year-end 2020, the total amount claimed by Achmea Bank is EUR 20 million (2019: EUR 20 million).

Contractual obligations

At year-end 2020 the Bank had contractual obligations for the coming year with Achmea Group companies amounting to EUR 48.3 million (2019: EUR 36.1 million), primarily in connection with outsourcing of the servicing of the regular mortgage portfolio, ICT-related contracts and with Centraal Beheer for distribution.

The Bank had external contractual obligations for the coming year to Quion amounting to EUR 6.9 million (2019: EUR 10.1 million) in connection with outsourcing of the servicing of the regular mortgage portfolio, EUR 2.5 million (2019: EUR 2.2 million) in contractual obligations to Able for the servicing of the saving portfolio, EUR 2.4 million in contractual obligations for the servicing of the mortgage portfolio of Achmea Pensioen- en Levensverzekeringen N.V., EUR 2.3 million in contractual obligations to a.s.r. for the servicing of the a.s.r. mortgage portfolio and EUR 1 million in contractual obligations for the servicing of the acquired mortgage portfolio of BinckBank.

Irrevocable facilities

This refers to all liabilities relating to irrevocable undertakings which could lead to credit losses, including mortgage loan proposals for EUR 321 million (2019: EUR 148 million), construction accounts of EUR 31 million (2019: EUR 34 million) and undrawn credit facilities of credit mortgages of EUR 14 million (2019: EUR 10 million).

Fiscal unity

The Bank forms a fiscal unity with Achmea B.V. for company tax purposes and VAT. Within this fiscal unity the Bank is severally liable. The tax expenses are settled in the current account with the Group.

Post foreclosure claim

Achmea Bank has a residual claim after write-off of mortgage receivables of EUR 41 million (2019: EUR 42 million). The expected net recovery of this exposure is limited.

Notes To The Consolidated Financial Statements

29. RELATED PARTIES

IDENTITY OF RELATED PARTIES

Achmea Bank N.V. is a wholly-owned subsidiary of Achmea B.V. (incorporated in the Netherlands).

Related parties are other companies within the Achmea Group, of which Achmea B.V. is the ultimate parent company, and members of the Supervisory and Executive Boards of Achmea Bank. Rabobank Group is a major shareholder of Achmea B.V. and is also deemed to be a related party. Within the scope of ordinary business operations, a number of banking transactions take place with related parties.

A sum of EUR 0.8 billion (2019: EUR 0.8 billion) is included under Funds entrusted for liabilities to non-banking institutions within Achmea B.V. All investments of Achmea Pensioen en Levensverzekeringen N.V. in securitisation programmes are redeemed in 2020 (2019: EUR 0.4 billion)

Achmea B.V. has issued a capped guarantee to Achmea Bank to cover credit risk and legal claims in connection with the acquired loan activities of Staalbankiers (2015 and 2016). The maximum amount for the duration of the financial guarantee is EUR 350 million. The contract for the financial guarantee will end in line with the maturity of the related loans. As at year-end 2020, the total amount claimed by Achmea Bank is EUR 20 million (2019: EUR 20 million).

The Bank entered into an Asset Switch agreement with Achmea Pensioen- en Levensverzekeringen N.V. in order to improve its liquidity position. In addition, the Bank has a revolving credit facility agreement of EUR 200 million with Achmea B.V. The movements in Loans and advances from and to related parties are a result of repayments and additional borrowings.

ANALYSIS OF RECEIVABLES, DEBTS AND LOANS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

INTERCOMPANY POSITIONS

IN THOUSANDS OF EUROS	2020	2019
Assets		
Prepayments and other receivables	17,926	107,219
	17,926	**107,219**
Liabilities		
Funds entrusted	771,244	796,798
Secured bank loans	–	376,210
Accruals and other liabilities	46,577	51,891
	817,821	**1,224,899**

PREPAYMENTS AND OTHER RECEIVABLES FROM RELATED PARTIES

IN THOUSANDS OF EUROS	2020	2019
Achmea B.V.	201	399
Achmea Pensioen- en Levensverzekeringen N.V.	13,396	102,238
Achmea Interne Diensten N.V.	4,330	4,583
	17,926	**107,219**

INTEREST INCOME ON RECEIVABLES TO RELATED PARTIES

IN THOUSANDS OF EUROS	2020	2019
Interamerican Assistance General Insurance Company SA	23	11
Interamerican Property and Casualty Insurance Company SA	57	73
Interassistance Road Assistance Services SA	1	–
Athinaiki General Clinic SA	4	1
	85	**85**

FUNDS ENTRUSTED AND SECURED BANK LOANS

IN THOUSANDS OF EUROS	2020	2019
Achmea Pensioen- en Levensverzekeringen N.V.	753,438	1,151,891
Interamerican Property and Casualty Insurance Company SA	11,120	15,177

Notes To The Consolidated Financial Statements

Interassistance Road Assistance Services SA	399	–
Interamerican Assistance General Insurance Company SA	4,958	5,473
Athinaiki General Clinic SA	1,332	467
	771,247	**1,173,008**

DEPOSITS FROM BANKS AND OTHER LIABILITIES

IN THOUSANDS OF EUROS	2020	2019
Syntrus Achmea Real Estate & Finance B.V.	2,540	–
Staal Beheer N.V.	−281	–
Achmea Interne Diensten N.V.	10,347	7,933
Achmea Pensioen- en Levensverzekeringen N.V.	33,971	43,958
	46,577	**51,891**

INTEREST EXPENSES ON LOANS AND ADVANCES TO RELATED PARTIES

IN THOUSANDS OF EUROS	2020	2019
Achmea B.V.	200	44
Achmea Pensioen- en Levensverzekeringen N.V.	30,400	35,272
	30,600	**35,316**

COMMISSION INCOME RELATED PARTIES

IN THOUSANDS OF EUROS	2020	2019
Staal Beheer N.V.	281	281
Achmea Pensioen- en Levensverzekeringen N.V.	8,484	7,427
	8,765	**7,708**

OTHER EXPENSES RELATED PARTIES

IN THOUSANDS OF EUROS	2020	2019
Achmea Interne Diensten N.V.	–	1,164
	–	**1,164**

30. REMUNERATION EXECUTIVE BOARD AND SUPERVISORY BOARD

REMUNERATION OF SUPERVISORY BOARD MEMBERS

IN THOUSANDS OF EUROS	2020	2019
Short term remuneration	141	152
	141	**152**

REMUNERATION OF EXECUTIVE BOARD MEMBERS

IN THOUSANDS OF EUROS	2020	2019
Short-term employee benefits	655	607
Post-employment benefits	95	73
	750	**680**

The post-employment benefits consist of pension costs. In the above figures of 2020, costs from 2019 are included.

The members of Executive Board and Supervisory Board are classified as key management personnel. There is no key management personnel that held a mortgage loan during 2020 at Achmea Bank.

Notes To The Consolidated Financial Statements

31. EVENTS AFTER REPORTING PERIOD

There are no events after reporting period which impact the understanding of the financial statements.

AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

Tilburg, 11 March 2021

The Executive Board,
Mr. P.J. (Pierre) Huurman
Mr. M.J.M. (Mark) Geubbels

The Supervisory Board

Mr. H. (Huub) Arendse, Chairman
Mr. H.W. (Henny) te Beest
Mrs. M.R. (Miriam) van Dongen (as of 21 December 2020)
Mr. R. (Robert) Otto

Company Statement of financial position of Achmea Bank N.V.

COMPANY STATEMENT OF FINANCIAL POSITION

BEFORE APPROPRIATION OF RESULT IN THOUSANDS OF EUROS AS AT THE YEAR ENDED 31 DECEMBER	2020	2019
Assets		
Cash and balances with Central Banks	938,708	72,366
Derivative assets held for risk management	81,231	87,718
Loans and advances to banks	445,663	463,662
Loans and advances to public sector	652	675
Loans and advances to customers	12,092,263	12,632,401
Deferred tax assets	4,760	–
Prepayments and other receivables	243,562	324,043
Receivables from subsidiaries	4,715	2,937
Total Assets	**13,811,554**	**13,583,801**
Liabilities		
Derivative liabilities held for risk management	456,475	459,332
Deposits from banks	377,234	197,749
Funds entrusted	7,371,786	7,303,099
Borrowings	4,704,287	4,711,598
Provisions	1,200	3,600
Current tax liabilities	7,533	23,753
Deferred tax liabilities	–	930
Accruals and other liabilities	57,052	68,136
Subordinated liabilities	1,191	8,336
Total Liabilities	**12,976,758**	**12,776,533**
Equity		
Share Capital	18,152	18,152
Share premium	505,609	505,609
Reserves	283,506	246,378
Net profit	27,529	37,129
Total Equity	**834,796**	**807,268**
Total Equity and Liabilities	**13,811,554**	**13,583,801**

Borrowings include deemed loans to SPVs for an amount of EUR 0.3 billion (2019: EUR 1.2 billion), the other part are debt securities issued.

Company Income Statement of Achmea Bank N.V.

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER	2020	2019
IN THOUSANDS OF EUROS		
Interest income	334,996	343,137
Interest expenses	194,235	218,494
Interest margin	**140,761**	**124,643**
Changes in fair value of financial instruments	−5,022	15,922
Interest margin and changes in fair value of financial instruments	**135,739**	**140,565**
Other income	1,676	1,675
Fees and commission income and expense	9,316	8,025
Operating income	**146,731**	**150,265**
Impairment on financial instruments and other assets	−3,488	−4,330
Operating expenses	106,114	104,998
Operating profit before taxes	**37,129**	**49,597**
Income tax expenses	9,600	12,468
Net profit	**27,529**	**37,129**

Statement of changes in company equity of Achmea Bank N.V.

STATEMENT OF CHANGES IN COMPANY EQUITY

BEFORE PROFIT PROPORATION	SHARE CAPITAL	SHARE PREMIUM	FAIR VALUE RESERVE	PROFIT FOR THE YEAR	OTHER RESERVES	TOTAL EQUITY
IN THOUSANDS OF EUROS						
Balance at 31 December 2019	**18,152**	**505,609**	**–**	**37,129**	**246,377**	**807,267**
Total comprehensive income for the period						
Net profit	–	–	–	27,529	–	27,529
Fair value reserve:						
Change in fair value net of income tax (will be fully recycled through P&L) (note 14)	–	–	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**–**	**27,529**	**–**	**27,529**
Contributions by and distributions to Shareholders						
Dividends paid						–
Appropriation of profit 2019	–	–	–	−37,129	37,129	–
Total contributions by and distributions to Shareholders	**–**	**–**	**–**	**−37,129**	**37,129**	**–**
Balance at 31 December 2020 (note 22)	**18,152**	**505,609**	**–**	**27,529**	**283,506**	**834,796**
Balance at 1 January 2019	**18,152**	**505,609**	**−560**	**29,472**	**252,508**	**805,182**
Correction of accounting treatment penalty interest (net of tax)	–	–	–	–	−6,131	−6,131
Restated balance at 1 January 2019	**18,152**	**505,609**	**−560**	**29,472**	**246,377**	**799,051**
Total comprehensive income for the period						
Net profit	–	–	–	–	–	–
Other comprehensive income/expense, net of income tax	–	–	–	37,129	–	37,129
Fair value reserve:						
Change in fair value net of income tax (will be fully recycled through P&L) (note 14)	–	–	560	–	–	560
Total comprehensive income for the period	**–**	**–**	**560**	**37,129**	**–**	**37,689**
Contributions by and distributions to Shareholders						
Dividends paid	–	–	–	−29,472	–	−29,472
Appropriation of profit 2018	–	–	–	–	–	–
Capital contribution	–	–	–	–	–	–
Total contributions by and distributions to Shareholders	**–**	**–**	**–**	**−29,472**	**–**	**−29,472**
Balance at 31 December 2019 (note 22)	**18,152**	**505,609**	**–**	**37,129**	**246,377**	**807,267**

As at 31 December 2020 the authorised share capital amounted to EUR 90 million (2019: 90 million), divided into 90 million shares (2019: 90 million) each with a nominal value of EUR 1 (2019: EUR 1). As at 31 December 2020 18,151,663 shares had been issued and paid up in full (2019: 18,151,663 shares).

The General Meeting of Achmea Bank has decided on 17 April 2020, in accordance with the recommendations from both the European and Dutch Central Banks concerning dividend pay-outs, no to distribute any dividend and to add the result for the 2019 financial year to the other reserves.

As of 2020, Achmea adjusted its accounting treatment with retrospective application per 1 January 2019 for the accounting of interest compensation paid by customers on their mortgages part of the loans and advances to customers. The net impact on Total Equity (other reserves) as at 1 January 2020 amounted to a decrease of EUR 6.3 million (1 January 2019: EUR 6.1 million).

The 2019 result included an accounting result related to the a.s.r. transaction. The transaction prices for the mortgages and savings were set at signing date (21 March 2019) with the exception of the impact of interest rate movements that are offset against the value development of the derivatives that were part of the transaction to hedge this interest rate risk. The accounting result mainly reflected the increased fair value of the acquired mortgages due to increased competition and related pressure on mortgage rates in the period from signing (21 March 2019) to closing (1 December 2019) of the transaction. The accounting result was added to the legal reserve. As at 31 December 2020, the total legal reserve amounts to EUR 11.3 million (2019: EUR 14 million) and is included as part of the other reserves. Furthermore, the remainder part of the other reserves consist of retained earnings.

In line with the recommendation of The European Central Bank and the European Banking Authority concerning dividend pay-outs, not to distribute any dividends, the Executive Board of Achmea Bank proposes to add the net result of 2020 to the other reserves. Achmea Bank intends to pay out a total dividend of EUR 56 million, which equals to the distributable net result over 2019 and 2020, as soon as it is in accordance with the ECB recommendation to make such payment.

GENERAL

The company financial statements form part of the consolidated financial statements of Achmea B.V.

In respect to the measurement basis for assets and liabilities and for determination of the results, the Bank has made use of the option in article 2:362 (8) of the Dutch Civil Code. This means that the accounting policies used are identical to the IFRS standards applied to the consolidated financial statements of Achmea Bank.
Concerning the Company cash flow statement of Achmea Bank N.V., use has been made of the principle according to Section 360.106 of the Dutch Accounting Standards (RJ).

Reference is made to the notes to the consolidated financial statements for more information regarding the items in the company financial statements.

The legal ownership of the securitized mortgages has been transferred to the SPVs, the economic ownership of these mortgages remains with the Bank. Back-to-back swaps are used in securitisation transactions, in the company financial statements only the swaps of Achmea Bank are recognised. The fair value of the Back-to-back swaps of the SPVs are recognised as part of the other receivables. The fair value movement in 2020 has been recognised in the income statement as part of the fair value result. The income and expenses of the SPV are recognised in the company financial statements. Because of the characteristics of the B and C notes, they didn´t pass the SPPI test. Therefore the measurement of the B and C notes in the company financial statements is at fair value instead of amortised cost. In respect to article 100.107a of Dutch accounting principles (RJ), the impairment charges related to intercompany positions has been eliminated in the company financial statements as part of the carrying amount of the financial assets and the impact of the valuation differences on the B and C notes has been eliminated as part of the carrying amount of the interest bearing securities.

PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

As of 2020, Achmea Bank adjusted its accounting treatment with retrospective application per 1 January 2019 for the accounting of interest compensation paid by customers on their mortgages part of the loans and advances to customers. In case customers of Achmea Bank decide to amend the interest rate before the fixed interest rate period has ended, this is no longer considered as a contract modification that leads to derecognition of the existing contract and recognition of a new contract, but as a change of the cash flows of the existing contract. The accounting consequence is that the full compensation for early redemptions is amortised over the remaining original fixed interest rate period, whereas before 2020 the compensation was directly recognised in the income statement in the year of modification. The net impact on Total Equity as at 1 January 2020 amounted to a decrease of EUR 6.3 million (1 January 2019: EUR 6.1 million), impact on Loans and advances to customers amounted to increase of EUR 8.4 million per 1 January 2019. Although the impact on prior years is not considered to be material in terms of accounting impact, the comparative figures of 2019 have been restated to reflect the cumulative impact of this adjustment.

Authorization of company financial statements

Tilburg, 11 March 2021

The Executive Board,
Mr. P.J. (Pierre) Huurman
Mr. M.J.M. (Mark) Geubbels

The Supervisory Board

Mr. H. (Huub) Arendse, Chairman
Mr. H.W. (Henny) te Beest
Mrs. M.R. (Miriam) van Dongen (as of 21 December 2020)
Mr. R. (Robert) Otto

Other Information

Profit appropriation according to the articles of association

The appropriation of profits is subject to Article 18 of the Articles of Association of Achmea Bank N.V. as follows:

Article 18 Profits and losses
18.1. Profits shall be at the unrestricted disposal of the General Meeting;
18.2. The Bank shall only be entitled to make payments to the shareholders and other parties entitled to distributable profits if its total equity exceeds the amount of the issued capital plus the reserves to be maintained by law;
18.3. Profits shall only be distributed after the adoption of financial statements showing that such distribution is permissible;
18.4. The General Meeting may decide that an interim dividend shall be distributed, including an interim distribution from the reserves, subject to the provisions of article 2:105.4, of the Dutch Civil Code;
18.5. Dividends shall be made payable directly after their declaration, unless another date is determined by the General Meeting;
18.6. Dividends that have not been collected within five years of becoming payable shall accrue to the Bank.

Other information

Independent auditor's report

To: the general meeting and the supervisory board of Achmea Bank N.V.

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of Achmea Bank N.V. ('the Bank' or 'the Company') together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Achmea Bank N.V. give a true and fair view of the financial position of the Company as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Achmea Bank N.V., the Hague.
The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the following statements for 2020: the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.
- The financial statements comprise:
- the company statement of financial position as at 31 December 2020;
- the company income statement and the statement of changes in company equity; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Achmea Bank N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

Achmea Bank N.V. is a bank that provides residential mortgage loans and saving products to private customers. Besides savings, the Bank obtains a substantial part of its funding in the form of unsecured and secured notes issued on the capital markets. The Group is comprised

Other information

of several components and therefore, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below. A relevant matter when designing our audit approach and defining our audit scope is that the Company has been outsourcing parts of its processes to third party service organisations over the last years (we refer to 'The scope of our group audit' section below).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain including the impact of COVID-19. In note 3 'Critical estimates and judgements used in applying the accounting policies' of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Of the five areas mentioned, we considered the loss allowance for loans and advances to customers as most significant as also set out in the section 'Key audit matters' of this report. The significance of this matter is primarily driven by the significant estimation uncertainty and the related higher inherent risks of material misstatement in this area. Furthermore, we identified application of hedge accounting as a key audit matter, mainly following the subjectivity around fair value valuation, the size of the derivatives portfolio held for risk management purposes and its detailed, formal and technical requirements driving the accounting treatment. Inadequate application or documentation of these requirements may have a material impact on the Bank's financial results and financial position.

Other areas of focus in our audit were the acquisition of the mortgage portfolio of BinckBank N.V. ('BinckBank') with a nominal value of €458.6 million and the respective implications in terms of both internal control and financial reporting of the centralisation of mortgage activities within Achmea B.V. ('project Optimaal'). Though these are areas of focus in our audit, these were not the matters of most significance in the audit of the financial statements of the current period, and therefore were not considered to be key audit matters.

As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit team had the appropriate skills and competences needed for the audit of a bank. We therefore included specialists in the areas of IT, accounting of financial instruments, taxation, and experts in the areas of valuation and credit modelling of financial instruments in our team.

Impact of COVID-19 on our 2020 audit approach

Following the COVID-19 outbreak, auditors are facing challenges in performing the financial statements audit. In response to that, we have been applying agility in working remotely. Inquiries and meetings with management were done via video conferencing. Teams and team members were reminded of the importance of staying alert to the quality of evidence and to perform sufficient and appropriate tests over the audit evidence obtained to be satisfied that the Group's records are complete, accurate and authentic. The following highlights the areas of focus in our audit that were primarily impacted by COVID-19:

- the impact on the Company's control environment due to remote working. We have carried out video conferencing meetings with screen-sharing as part of procedures in evaluating the Company's controls design, implementation and operational effectiveness. We also have paid specific attention to the reliability and continuity of IT systems;
- the impact on the Company's fraud risks exposure and operational incidents. Our procedures are explained in the section 'Our focus on the risk of fraud and non-compliance with laws and regulations';
- the impact on the Company's capital and liquidity position;
- the Company's impairment allowances on loans and advances to customers and fair value of financial assets and liabilities. Uncertainty of the current environment and the continual changing nature of the unprecedented impact of the COVID-19 pandemic, has added further complexity and challenges when auditing accounting estimates. Our procedures included assessments of these accounting implications and the relevant disclosures in the financial statements in accordance with the financial reporting framework applied by the Bank. Reference is made to the section 'Key audit matters'; and
- the impact on our audit materiality, including the basis on which our materiality is determined as outlined in the section 'Materiality', which we have reconsidered in light of the impact of COVID-19 in terms of financial results and operational impact.

Other information

The outline of our audit approach was as follows:

Materiality

- Overall materiality: €3.5 million (2019: €3.0 million).

Audit scope

- We conducted audit work on Achmea Bank N.V. and all of its subsidiaries.
- For ITGCs and the mortgage administration, the Group makes use of several service organisations for which we gained comfort through other auditors.

Key audit matters

- Loss allowance for loans and advances to customers.
- Application of hedge accounting.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€3.5 million (2019: €3.0 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 2.5% of interest margin which is the same percentage as was applied as a basis for materiality in prior year.
Rationale for benchmark applied	We considered, as a point of reference, (average) profit before tax as a materiality benchmark as it generally is seen as best representing the common information needs of users of the financial statements of a bank. Given the results of the Group over the last couple of years including several one-off items, we deemed this not to be the most appropriate benchmark to be applied. In assessing other benchmarks, we believe interest margin, being an important financial metric for the general performance of the bank including reflecting the link between return on assets and cost of funding, is an appropriate benchmark to use. We note that this is consistent with the benchmark applied over the last three years. The results of the Company have not been significantly impacted by the implications of COVID-19 and therefore, we deem a consistent use of the benchmark interest margin to be appropriate.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €175,000 (2019: €150,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Achmea Bank N.V. is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of Achmea Bank N.V. The group audit encompassed all components included in the consolidation of Achmea Bank N.V. as disclosed in note F on page 28 of the financial statements.

Other information

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team. In our view, due to their significance and/or risk characteristics, each of these components required an audit of its financial information. In performing work on these components, the Group engagement team performed the work and, therefore, did not make use of component auditors.

Banks in general depend heavily on the reliability and continuity of their information technology (IT) environment. We engaged our IT specialists to assist us in assessing the information technology general controls (ITGCs) at the Group to the extent necessary for the purpose of our audit. This includes the assessment of policies and procedures applied by the Group to ensure IT operates as intended and provides reliable data for financial reporting purposes. Furthermore, our IT specialists supported us in our key report testing and IT application controls testing. Our approach was also tailored towards the fact that, as noted before, the Group makes use of several service organisations (within the Achmea B.V. group as well as externally) in its day-to-day operations. We obtained evidence over the controls performed by the service organisation through obtaining and assessing ISAE 3402 type 2 reports and leveraging on work performed by external auditors of the service providers within the Achmea B.V. group.

The Bank has outsourced the largest part of its mortgage administration services to Quion Groep B.V. and Stater Nederland B.V. In our assessment of the mortgage portfolio balance and related transactions, we obtained sufficient and appropriate audit evidence over the controls performed by the service organisations through assessing the ISAE 3402 type 2 assurance reports rendered by independent auditors and specific special purpose auditor's reports related to the mortgage portfolio of Achmea Bank N.V.

In this context, we have been involved in planning of the work by the external auditors of Quion Groep B.V. and Stater Nederland B.V. and assessed their independence, capability and objectivity. We discussed progress and interim findings of the audit and, finally, evaluated the ISAE 3402 type 2 assurance report, to the extent necessary for the purpose of our audit, and specific special purpose auditor's reports related to the mortgage portfolio of Achmea Bank N.V. once they were finalised including performing an audit file review.

Based on these procedures performed, we concluded that we could rely on the work of these auditors for the purpose of our audit.

For the testing of the Group's internal control framework, we also made use of the work performed by internal audit in those areas we deemed that use is appropriate. In making this assessment, we have considered factors in the context of audit standard 610 'using the work of internal auditors', such as our assessment of the level of risk and the amount of judgement involved related to the associated financial statement line item(s). Where we deemed the risk associated with the financial statement line item(s) to be significant, or where a degree of judgement was required, we performed testing of internal controls independently. In order to make use of the work performed by internal audit we evaluated their objectivity, level of competence and application of a systematic and disciplined approach. We also performed a review of the documentation of the work performed by internal audit that included reperformance for those areas where we make use of their work.

By performing the procedures above, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the Group's consolidated financial statements.

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit with respect to fraud are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations our objectives are:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

Other information

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with management. We refer to paragraph 'I. Operational risk (including cyber- security, compliance, fraud and privacy)' in section '5. Risk Management' of the annual report where the executive board included its risk assessment and risk control measures. We also refer to sections 'executive board report' and 'supervisory board report' where the executive and supervisory boards reflect thereon.

Fraud

As in all of our audits, in assessing the risks of material misstatement in the financial statements, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the executive board that may represent a risk of material misstatement due to fraud. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls, performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the Bank. Finally, we incorporated elements of unpredictability in our audit.

We refer to the key audit matter 'Loss allowance of loans and advances to customers' which is an example of our approach related to areas with higher risk due to accounting estimates where management makes significant judgements.

Laws and regulations

There is an industry risk that emerging compliance or litigation areas have not been identified and/or addressed by the executive board for financial statement purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes.

In line with Standard 250 we made a distinction between those laws and regulations which:

- have a direct effect on the determination of material amounts and disclosures in the financial statements. We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the determination of material amounts and disclosures in the financial statements (e.g. Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft)),
  but where compliance may be fundamental to the operating aspect of the business, to the Company's ability to continue its business or to avoid material penalties. As to the other laws and regulations, we inquired with management and/or those in charge with governance as to whether the Bank is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we describe the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

We note that the key audit matters related to 'loss allowance for loans and advances to customers' and 'application of hedge accounting' are recurring. These relate to the Group's primary business processes and objectives and did not change significantly compared to prior year.

Key audit matter	***Our audit work and observations***
Loss allowance for loans and advances to customers *See note M on page 32 of the summary of significant accounting policies 'impairment of financial assets', paragraph 'measurement expected credit loss' on page 34 of the critical estimates and judgements used in applying the accounting policies, and notes 'D COVID-19' and 'expected credit loss' on pages 37 and 48 of the risk management chapter.* The gross loans and advances to customers as at 31 December 2020 amount to €12,121 million (€12,663 million as at 31 December 2019), the total impairment as at 31 December 2020 amounts to	*Control design and operating effectiveness* We assessed the ISAE 3402 type 2-reports of the service organisations with respect to the mortgage processing and administration services as described in the section 'The scope of our group audit'. We additionally evaluated the design and tested the operating effectiveness of key controls in the following areas: • the internal credit risk management process to assess the loan quality classification to identify impaired loans; • the methodology and controls applied in measuring and

Other information

€28.3 million (€30.4 million as at 31 December 2019). In accordance with the requirements of IFRS 9 ‘Financial instruments’, the Bank applies a three-stage expected loss impairment model.

The Bank determines loan impairments in stage 1 by recognition of loss allowances measured at an amount equal to the twelve-month expected credit losses,
in stage 2 by recognition of loss allowances measured at an amount equal to the lifetime expected credit losses for underperforming financial assets, and in stage 3 by recognition of loss allowances measured at an amount equal to the lifetime expected credit losses for
credit-impaired financial assets.

The Bank manages its loans through two separate portfolios and as such has divided its loans and advances to customers into those two portfolios:

- regular mortgage portfolio (loss allowance €8.7 million as at 1 January 2020 and €11.0 million as at 31 December 2020);
- Acier loan portfolio (loss allowance €21.7 million as at 1 January 2020 and €17.3 million as at 31 December 2020).

The Bank built ECL models for both portfolios separately as the Acier loan portfolio (gross carrying value €0.7 billion) differs in characteristics from the regular mortgage portfolio (gross carrying value €11.4 billion). The impairment approach for this portfolio is, therefore, a combination of the results of the ECL model for the homogeneous parts of the portfolio and an individual assessment for a number of large exposures, the heterogeneous part of the portfolio.

Model methodology and inputs

In the models the Bank applies amongst others probability of default (PD), loss given default (LGD) and exposure at default (EAD). For the definition of these variables, refer to note ‘expected credit loss’ on page 48 of the financial statements. The critical data as input for these models are retrieved primarily from the core banking source systems. Next to these elements, three global macro-economic scenarios (base, up and down) are incorporated as assumptions into the models and the probability of the scenarios is weighted in order to determine the expected credit losses. When data limitations or other inherent model limitations are identified, expert judgement is applied to the model outputs.

Loan by loan impairment allowance Acier portfolio

For the larger exposures in the Acier portfolio,
the Bank compares the outcome of the model with its individual assessment. The account manager determines the loan by loan impairment amount based on the most likely scenario taking into account timely identification of impairment triggers, expected future cash flows (including the value and recoverability of the corresponding collateral) and discount rates.

Judgements and estimation uncertainty

The judgements and estimation uncertainty in the impairment

determining significant increase in credit risk;

- the review and approval process that management has in place for timely, accurate and complete determination of stage 3 specific impairment allowances; and
- the review and approval process that management has in place for the outputs of the impairment models, and the top-level adjustments that are applied to the model outputs.

Based on the testing of controls, we determined that it was appropriate to place reliance on the above controls for the purpose of our audit.

Assessment of model-based impairments

With support of our internal valuation experts, we tested how management made the estimate on the model-based impairments (stage 1 and 2) by inquiry and evaluation of the applied model methodology, by review and partial reperformance of the model validation reports of Group Model Validation of Achmea B.V., by evaluation of the macro-economic scenarios and macro-economic variables applied and through the assessment of stage transfers as at 31 December 2020.

Taken the complexity of the model, together with our internal valuation experts and IT specialists, we performed the following:

- determined that the model was assessed fit for purpose and periodic model monitoring is in place to ensure the models are still suitable for their intended use;
- determined that appropriate change control policies and procedures are in place over maintenance, recalibration and validation of the impairment models;
- determined that management has appropriate skills and knowledge in using and maintaining the model;
- performed substantive procedures over maintenance of completeness and accuracy of data and significant assumptions through the estimation process including reconciliation to external mortgage administrations of Quion and Stater;
- tested operating effectiveness of relevant controls (e.g. controls around automated interfaces) that safeguard completeness and accuracy of significant assumptions and data throughout the estimation process;
- determined whether the significant assumptions (e.g. macro-economic scenarios, PDs, LGD’s and EAD’s) used by management to develop the estimate are appropriate in the context of the applicable financial reporting framework; and
- determined whether the data (e.g. contractual terms of financial assets, macro-economic predictions) is appropriate in the context of the applicable financial reporting framework and is relevant and reliable in the circumstances.

Finally, together with our internal valuation experts, we specifically addressed the implications of COVID-19 on the ECL models by performing the following:

- we performed inquiries with the departments Risk Modelling, Special Recovery & Restructuring (‘*Bijzonder beheer*’), and Financial Control;

Other information

allowance of loans and advances to customers are primarily linked to the following aspects:

- the identification of impaired loans including the assessment for which loans credit risk has significantly (de)/increased since inception (indicating stage transfers);
- the determination of the future cash flows based on the appropriate use of key parameters (such as forward-looking information) and the valuation of the recoverable collateral for the specific loan by loan impairment allowance. Furthermore, the probability weighting of each impairment scenario in this category is inherently subjective in nature;
- the assumptions regarding the PDs, LGDs and EADs applied including the assumptions applied in respective overlay models in the model-based impairment allowances (stages 1, 2 and 3);
- the uncertainties related to the incorporation of the implications of COVID-19 in the ECL models (macro-economic scenarios and predictions, model performance, etc.); and
- any management judgement applied next to the model-based impairment allowances impacting the overall resulting allowance (stage 2).

Given the above, we consider this area to be subject to a higher degree of estimation uncertainty, where the estimate is impacted by a higher level of complexity, subjectivity and other inherent risk factors (e.g. COVID-19). Therefore, we consider the impairments of loans and advances to customers as a key audit matter in our audit.

- we verified whether changes were needed and whether appropriate changes were made to models, underlying assumptions and/or staging policy following the implications of COVID-19;
- we reconciled the applied updated macro-economic predictions with the latest publications of the external parties (i.e. CPB and DNB); and
- we assessed the sensitivity analysis performed by management related to, amongst others, the applied macro-economic forecasts.

Based on the aforementioned procedures considered the methodology and inputs to be in line with market and industry practice.

Assessment of loan by loan impairment allowance Acier portfolio (stage 3)

Considering the inherent estimation risk of individually impaired loans in the Acier portfolio, we performed risk-based sample testing for which we selected samples from:

- the total loan portfolio to gather evidence as to the correct classification of exposures as being stage 1, 2 or 3; and
- the stage 3 population to gather evidence as to the appropriate estimate for the impairment allowance made by management.

We analysed the latest developments at the borrower as described below and considered whether the key judgements applied in the impairment allowance are acceptable for the balance as at 31 December 2020.

We specifically performed the following procedures:

- assessing the classification as a performing or non-performing loan based on the (non-)existence of triggering events;
- assessing the revision proposals and discussed individual items with management;
- reconciliation of the valuation of the corresponding collateral to underlying appraisal reports and/or other information and the inspection of legal agreements and supporting documentation in order to confirm the existence and legal right to collateral;
- recalculation of the loan loss allowance.

Finally, we assessed the adequacy of the disclosures, including disclosures on estimation uncertainty and judgements, to assess compliance with the disclosure requirements included in EU-IFRS.

Application of hedge accounting

See subparagraph 'hedge accounting' in note 3 'critical estimates and judgements used in applying the accounting policies' on page 33 and note 10 on page 67 'changes in fair value of financial instruments, derivatives and hedge accounting'.

The Bank has designated derivatives held for risk management purposes in two hedging strategies:

Control design and operation effectiveness

Our audit included testing of the Bank's internal controls with respect to its hedge accounting strategies and relevant hedge accounting documentation and calculation. We determined that we could rely on these controls for the purpose of our audit.

Substantive audit procedures

We have considered the prospective and retrospective

Other information

fair value hedges on interest rate risk in its mortgage portfolio (macro hedge) and interest rate risk and currency risk related to debt securities issued (micro hedges). The derivatives are measured at fair value through profit or loss and amount to €82.0 million of assets and €456.5 million of liabilities.

As required by EU-IFRS, the Bank has hedge accounting documentation in place describing the relationship between the hedging instrument(s) and the hedged item(s), as well as the risk management objective and strategy at the inception of the transaction. The Bank formally records whether the derivatives used in the hedge relationships are effective in offsetting changes in the fair value of the hedged items, both at the start and for the duration of the hedge relationship. This is done via prospective and retrospective testing.

effectiveness testing to assess whether the hedge relationships are effective and for a selection that the hedge effectiveness has been calculated accurately.

We found the outcome of the effectiveness testing to be consistent with our own independent calculations and the methodology applied in line with the technical requirements. Furthermore, we have reconciled the outcome of the retrospective effectiveness testing resulting in an ineffectiveness which, as required by EU-IFRS, has been correctly recorded as hedge adjustment in the statement of comprehensive income. We tested, for a selection of items, whether the hedge documentation as prepared by management meets the requirements of IAS 39 and whether the interest rate swaps are eligible for hedge accounting.
We determined that the hedge relationships were supported by appropriate documentation and other supporting evidence.

Given the subjectivity around fair value valuation, the size of the derivatives portfolio held for risk management purposes and the complexity of the hedge accounting standards included in EU-IFRS, we considered this to be a significant element of our audit.

Finally, we assessed the completeness and accuracy of the disclosures relating to derivatives and hedge accounting to assess compliance with disclosure requirements included in EU-IFRS.

Report on the other information included in the annual report

In addition to the financial statements and our auditor’s report thereon, the annual report contains other information that consists of:

- a word from the chairman;
- Achmea Bank at a glance;
- executive board report;
- supervisory board report;
- corporate social responsibility;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the executive board report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Achmea Bank N.V. on 29 April 2011 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 6 April 2011. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of ten years.

Other information

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 26 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 11 March 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by C.C.J. Segers RA

Other information

Appendix to our auditor's report on the financial statements 2020 of Achmea Bank N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.

- Concluding on the appropriateness of the executive board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Other information

Colophon

This is the English version of our 2020 annual report. There is no Dutch version of this report. The annual report can be downloaded from our website achmeabank.com.

We are happy to receive your reaction concerning this annual report via the address mentioned below.

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