Achmea Bank N.V.
Annual Report
2021

KvK 27154399

achmea
Bank

Contents

A word from the Chairman

Pierre Huurman,
Chairman of the Managing Board

Covid-19 continued to play a dominant role in people's daily lives throughout 2021. To safeguard the health of our employees and help minimize the spread of the virus, employees were again encouraged to work from home as much as possible. Having by now had plenty of practice in dealing with the situation, however, we were able to continue to provide a high level of service to our customers. Hybrid working, with colleagues working together virtually and physically from different locations, has become the new future for work at Achmea Bank.
Despite the Covid-19 pandemic and working predominantly from home, ratings in the yearly employee commitment survey were higher than last year in almost all categories. In particular, the high scores for commitment and enthusiasm were striking. We are extremely proud of those results. The scores give a good insight in the culture, atmosphere and cooperative spirit at Achmea Bank. This is the basis on which we will realize our ambitions for 2022. I would like to thank all the employees of Achmea Bank for their commitment and level of involvement.

The booming housing market, low mortgage rates, and national savings surplus have all had an important impact on our business. The amount of new mortgages increased to EUR 163 billion (2020: 137 billion). This was partly caused by the extremely low mortgage interest rates, which made it possible for consumers to get higher mortgage loans. Residential property prices continued to increase steadily in 2021. Prices in the last quarter of 2021 averaged 20.7% higher than in the same period in 2020.

Consumers saved money on a massive scale in 2021. The savings and current accounts of Dutch households increased by almost EUR 17 billion. As a consequence, all major banks introduced negative interest rates on private savings above a certain amount. Achmea Bank was unable to avoid this.

Achmea Bank has transformed itself into a network bank

Achmea Bank is a data driven network bank that, together with its internal and external partners, gives active interpretation to offer our customers financial solutions for today and tomorrow. We provide straightforward, transparent mortgage and savings products that are suited to the times we live in. We serve in full support of Centraal Beheer, which will be the most popular financial service provider in the Netherlands.

Financial result

The operating profit before tax for 2021 amounted to EUR 52 million (2020: EUR 37 million). Achmea Bank's capital position continues to be strong. For more details, see page 42 of this annual report.

Slight decrease of the mortgage portfolio

Last year, we formulated our ambitions for growth in the mortgage market. Mortgage origination increased in 2021 compared to the year before. However, due to the high volume of mortgage repayments there has been a decrease in the size of the portfolio, and the realization of our growth ambitions is taking longer than expected. Achmea Bank is currently conferring with its partners Syntrus Achmea and Centraal Beheer to find ways of accelerating the growth process. A slight upward trend in the number of proposals was already noticeable during the last month of 2021. We are confident that this positive trend will continue in 2022.

A word from the Chairman

Further expansion of the strategic partnership with a.s.r. in the field of mortgages

As part of its strategy as a data driven network bank, Achmea Bank acquired a mortgage portfolio worth EUR 0.5 billion from a.s.r. in November 2021. a.s.r. will continue to manage these mortgages for Achmea Bank. Both organizations have expressed their intention to enter into two further transactions in 2022 and 2023. Furthermore, Achmea Bank will take over new mortgages from a.s.r. over the course of the next three years, amounting to approximately EUR 190 million a year.

Achmea Bank issues EUR 0.5 billion in Soft Bullet Covered Bonds

The soft bullet covered bonds were issued at the end of September under the new Soft Bullet Covered Bond programme with a volume of EUR 5 billion. The transaction has been very well received in the capital market with wide-spread interest shown by European institutional investors. Through this transaction Achmea Bank is able to diversify its sources of funding and attract new external long-term funding. The proceeds will be used to refinance part of the existing Dutch mortgage portfolio.

Developing Advanced Internal Rating Based model

Achmea Bank is developing an Advanced Internal Rating Based model (A-IRB model) that enables us to assess the credit risks of our mortgage portfolios with more accuracy. On the one hand, the model is used to improve the quality of our processes in the credit cycle. On the other hand, the data that we collect during the different phases of the credit cycle are used to enhance the quality of our A-IRB model. In addition to improving the overall quality of our organization, this leads to a more efficient use of capital. We are well on track to submit the application package for A-IRB to De Nederlandsche Bank for application of the model.

We offer customers insight into their future financial situation through PSD2 services

In 2019, the European Payment Services Directive (PSD2) came into force. This directive provides customers (account holders) with the option of purchasing data driven services from service providers other than their own bank. By making use of this legislation in combination with new technology, customers are able to gain insight into their current and future financial situation. Achmea Bank sees this as an opportunity to support its customers in their financial well-being, and has obtained a PSD2 license to offer these services. Centraal Beheer and Achmea Bank are jointly developing a service that gives customers more insight into their financial position and into the periodic financial room to operate to build up capital and income for the future.

Sustainability as strategic theme

Sustainability, or in a broader sense Environmental Social Governance (ESG), is very important to Achmea and to Achmea Bank. Our ESG policy can be found on our website. Achmea Bank supports the Paris Climate Agreement of the Dutch financial sector. We measure our CO2 footprint and the climate risks of our portfolios. For more details, we refer to our Greenhouse Gas Emissions Report. We are constantly increasing the sustainability level of our mortgage portfolios and our aim is for the entire portfolio to have an average energy label rating of A (currently C) by 2030. Whenever possible, we also participate in initiatives in the market. Some of these are mentioned below.

Partnership for Carbon Accounting Financials

Achmea Bank has joined the Partnership for Carbon Accounting Financials (PCAF) and we are now using the PCAF methodology to calculate the CO2 footprint of our mortgage portfolio. The PCAF is a global partnership of financial institutions that work together to assess and disclose greenhouse gas emissions of loans and investments. With more than 100 banks and investors from five continents, the group is growing rapidly in North America, Latin America, Europe, Africa and Asia-Pacific.

Energy Efficient Mortgages NL Hub

Achmea Bank also become a member of the Energy Efficient Mortgages NL Hub (EEM NL Hub). The EEM NL Hub is an initiative by institutions in the Dutch housing and mortgage market, including mortgage originators, investors, service providers and other parties. Green mortgages will play an important role in financing the European climate plans. The 20 members of the EEM NL Hub are committed to promoting and facilitating the energy-efficiency of homes in the Netherlands through interpreting and applying the European guidelines for green mortgages. Mark Geubbels, Director of Finance & Risk at Achmea Bank, is chairman of the EEM NL Hub.

A word from the Chairman

United Nations Environmental Programme

Achmea Bank subscribes to the Responsible Banking Principles of the Finance Initiative of the United Nations Environmental Programme (UNEP-FI). The Responsible Banking Principles provide a standardized framework for reporting about alignment with the Paris Climate Agreement and the Sustainable Development Goals in an internationally recognized format.

Our ambitions as a component of Achmea's Retirement Services chain

Achmea Bank is part of the Achmea group's Retirement Services chain. We work in close cooperation with Centraal Beheer, Syntrus Achmea and Achmea Investment Management. Our collective ambition is to make the whole of the Netherlands financially fit and self-reliant by 2025. That is a far-reaching ambition which will take commitment, endurance, and believe. To succeed, we shall have to make optimal use of the strength in the chain *and* the strength of the Achmea Group.

Pierre Huurman
Chairman of the Managing Board of Achmea Bank

Achmea Bank in numbers

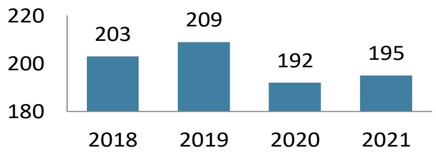
Non-financial highlights

Mission | Together with our business partners, we realize relevant financial solutions for today and tomorrow

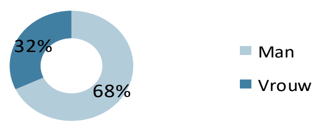
Our brands |

Centraal Beheer | Woonfonds de hypotheekuitvinders | acier Financieringen

FTE |



Total male - female ratio



Male – female ratio in senior leading positions

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Employee Engagement

Involvement	Enthusiasm	Employability	Customer
8,6 (8,0)	7,8 (7,7)	7,4 (7,4)	7,4 (7,6)

Achmea Bank in numbers

Financial highlights

Operating result (excl fair value result)

EUR 47 million

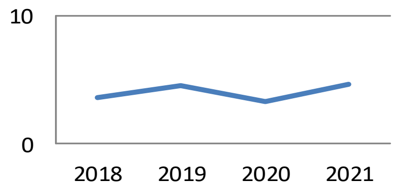
2020: EUR 42 million

Operating result before tax

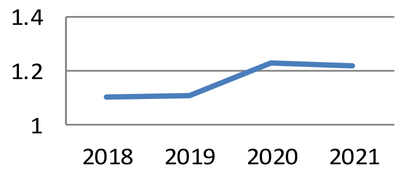
EUR 52 million

2020: EUR 37 million

Return on average equity |
in %



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



Core Equity Tier 1 |

20.9%

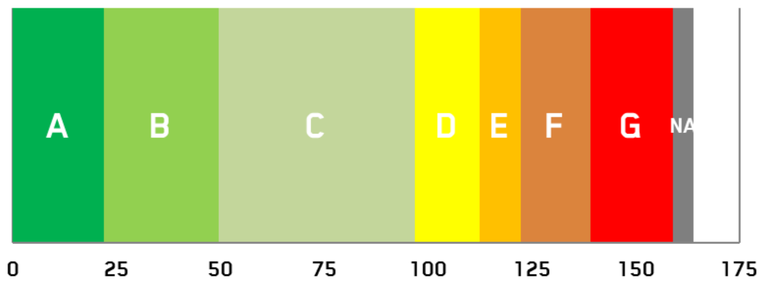
2020: 20.4%

Efficiency ratio(excl. changes in fair value) |

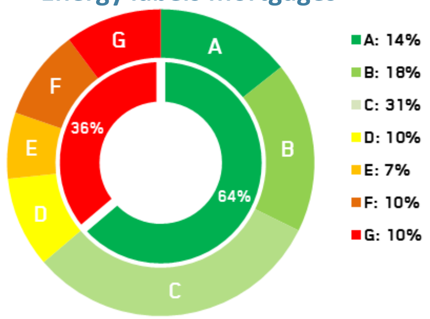
72.6%

2020: 69.9%

Attributed CO2-emissions mortgages (excl Acier)
in ktonne CO2e



Energy labels mortgages



Managing Board Report

The Managing 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’.

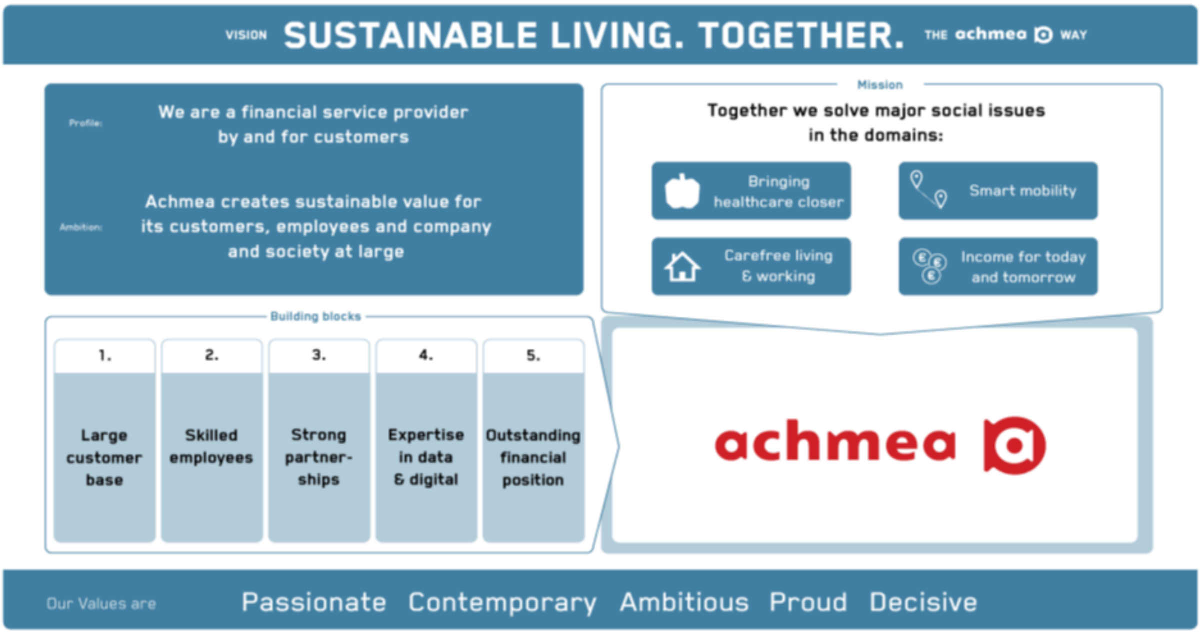
Achmea Bank is a well-established originator and funder of mortgages with over 40 years of experience with a high quality mortgage portfolio, as evidenced by a relative low level of delinquencies. As a legal entity with a banking licence, Achmea Bank has a credit rating and direct access to the capital 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 the retail bank of Achmea, a data driven network bank with growth ambition. Together with Centraal Beheer we strive to become the most beloved financial service provider. This requires a bank with simple and intuitive processes, integrated offers for our customers and a wide range of financial products and services. Over the last few years we have built on a solid customer- and data driven, efficient and agile bank with a strong financial position. Now Achmea Bank is ready for further growth and new partnerships which will contribute to an even more robust business model.

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 driven and have a professional, open and informal culture. We are located in Tilburg and employ around 200 people.

Mission
Achmea Bank is part of Achmea. Our mission, strategy and identity are therefore strongly connected with Achmea. In 2021 Achmea has clearly stated her vision as Sustainable Living. Together. Being a financial service provider by and for customers, Achmea has the ambition to create sustainable value for its customers, employees and company and society at large. Achmea wants to make a difference based on our mission to solve major social issues together. With this we focus on four domains: Bringing healthcare closer, Smart mobility, Carefree living & working and Income for today and tomorrow.

Managing Board Report



Achmea Bank contributes to the domains: carefree living & working and Income for today and tomorrow. This reflects in the mission statement of Achmea Bank: *Together with our business partners, we realize relevant financial solutions for today and tomorrow.* Through this mission we show 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 our colleagues in the Retirement Services space of Achmea: 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

Our mission statement fits the mission statement of the Achmea Retirement Services, “we realize financial solutions for now and in the future”. By adding “together with our business partners” Achmea Bank shows that we are part of the Retirement Services ecosystem and with being a Network bank we emphatically join forces with in- and external partners to reach our goals.

Identity

In the recent years Achmea Bank transformed from a traditional bank, where all activities were performed internally, to a bank which focusses on its core activities. Non-core activities have been outsourced to specialized parties, in order to strengthen our core and benefit from economies of scale, focus and/or their specialisation. The focus on our core activities enables us to connect to new partners and the latest banking innovations more easily in the future.

Achmea Bank is a data driven bank and leverages information in its day to day operation and decision making processes. In the past years we have made a considerable investment in our data infrastructure and data capabilities to ensure we create maximum value from both internally and externally available information. We use this information to monitor our portfolio, manage our financial and operational risks and to create new business opportunities. Building on this foundation, we expect increasingly more results in the following years.

Our employees are honest, knowledgeable and experts in their field. In all our actions, integrity is considered 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 passionate, contemporary, ambitious, proud and decisive. This is how we interact with our stakeholders to achieve our goals.

Managing Board Report

Strategy

Achmea Bank is strategically relevant 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 Retirement Services 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 its retail savings and mortgage products. Centraal Beheer is our main brand for mortgage and savings products. Centraal Beheer transforms from a traditional insurer into a broad financial services provider in the field of insurance, saving, (retail) investment and mortgages.

The 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 (niche markets) with tailored solutions such as buy-to-let and mortgages for the self-employed. We also invests in mortgage portfolios of third parties. Next to this we are building in partnerships that in the future can contribute to our business model and further diversification via fee income.

The strategy of Achmea Bank consists of 4 pillars:

1. Wealth accumulation: Provider of retail savings products
2. Mortgages: Funder of mortgages
3. Balance: acquisition mortgage portfolios and liquidity provider & portfolio optimizer
4. Partnerships: New (fee) business models

Wealth accumulation:
Achmea Bank develops and manages retail savings products in the third and fourth pillar. Saving products are an important part of the Retirement Services strategy and are essential for the positioning of Centraal Beheer as a broad financial services provider.

Mortgages:
Achmea as a concern has created a separate account (Achmea Mortgage Investment Platform, (AMIP)) for mortgages which allows institutional investors to build their own Dutch residential mortgage portfolio with the risk profile they desire. These mortgages are originated under the Centraal Beheer brand. Achmea Bank N.V. is one of the investors on this platform, providing a stable source of funding, 'skin in the game' and creates opportunities for investors to optimize holdings in mortgages.

Achmea Bank has a growth and diversification strategy (volume and margin based), therefore next to mainstream growth via the AMIP, Achmea Bank focusses on niche propositions to achieve better interest margins and is active in the field of acquiring third party mortgage portfolios.

Balance:
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 into our consolidated statement of financial position. The focus is on mortgages with a duration that is significantly lower than typically originated in the current Dutch mortgage market.

In November 2021, Achmea Bank acquired a mortgage portfolio of EUR 0.5 billion from a.s.r. This was a first step in what can grow into a strategic cooperation as both organisations have expressed the intention to conduct additional transactions of EUR 0.5 billion in both 2022 and 2023. In addition, Achmea Bank will acquire roughly EUR 0.2 billion of newly originated mortgages from a.s.r. annually for the next three years. The acquisition of this portfolio underlines our ambition to grow in mortgages.

Achmea Bank also explores other opportunities for further growth of our consolidated statement of financial position, such as the role of portfolio optimizer and liquidity provider. This role is aimed at creating flexibility for institutional investors and provide them the possibility to optimize their mortgage portfolio. In short, a mortgage portfolio will match the profile and targeted characteristics of an investor when building a portfolio but in due course of time duration will shorten and with that a mix that might be less suited for the investor. Setting up a cooperation with Achmea Bank to periodically sell parts of the portfolio provides a wheel to optimize portfolio in both consolidated statements of financial position.

Partnerships:
In order to diversify the revenue base of Achmea Bank and create additional value for Achmea and its brands in an ever changing financial world we also focus on developing new business models and partnerships.

Managing Board Report

New business models and partnerships are focused on three overall themes: wealth accumulation, balance sheet enhancement and cross-domain innovations. Within the topic "wealth accumulation" we concentrate on developing new financial products and services for Achmea especially Centraal Beheer customers. Balance sheet enhancement is focused on diversifying and enhancing the consolidated statement of financial position with new niche markets and alternative assets. Cross-domain innovations are based on using our core competencies and banking licence, such as PSD2 services.

In 2021 Achmea partnered with Bittiq to expand her services with PSD2. With PSD2 customers can share their transaction data with other companies. These companies use the data to give customers insights in their current and future financial situation. We want to help our customers to gain more comfort by having more insights and access to solutions. The PSD2-application of Bittiq contributes to this. Together with Centraal Beheer Achmea Bank develops other, new solutions for our customers.

Goals

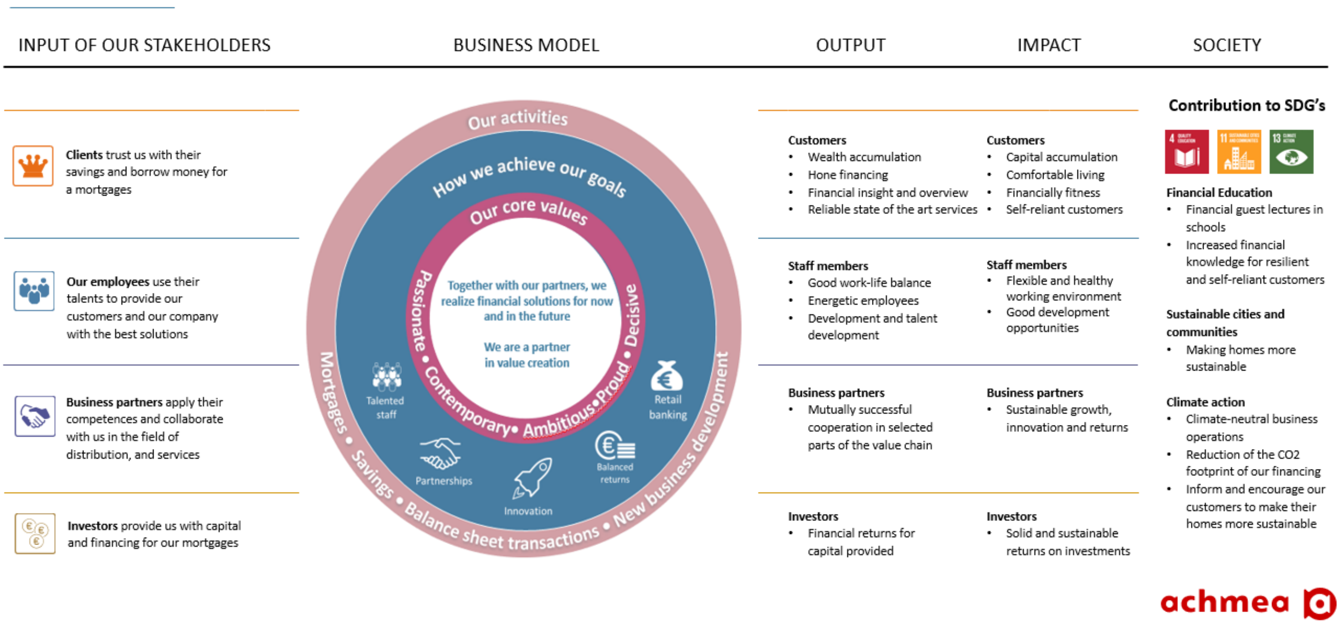
To improve interest margins and realize profitable growth Achmea Bank's had formulated the following strategic priorities:

- 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 consolidated statement of financial position
- 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

Achmea Bank wants to contribute by creating value for our customers, employees, (business) partners and investors. Our value creation model shows the relationship between the input of our stakeholders, our strategy, our business model and the results we aim for and the impact Achmea Bank creates for our stakeholders and society. Our mission and core values are the foundation of what we want to achieve and our way of working. We do this this by developing banking products and services with demonstrable social added value, in which the customer's interests are central. We work in an entrepreneurial and innovative way.

Our value creation model also shows how we create long-term value. The impact we aim to make, can fit both our stakeholders and society. We focus on activities which have impact on our strategic goals and Social Development Goals. The dialogue with our stakeholders guides our strategy, the business model and the impact we want to have on society.



Managing Board Report

Market developments

Residential real estate prices in the Netherlands continued to rise in 2021. The average sales transaction price in the last quarter was EUR 438.000, more than 20 percent higher compared to 2020. The main reason for the increasing residential real estate prices remains the shortage on the housing market. 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, pricing high and therefore 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 remained low. These factors resulted in a record number of mortgages concluded in 2021 of approximately EUR 163 billion (2020: 137 EUR billion). This year 515 thousand mortgages were originated. That is 8 percent more than in 2020. Due to the strong growth, the total outstanding mortgage debt rose to more than EUR 775 billion in the past year.

The presence of a high number of mortgage providers and with that 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. This motivated Achmea Bank already in 2016 to start to service clients in underserved segments with tailored products such as Buy-to-Let and mortgage loans for the self-employed.

The savings interest rates have been low in the recent years. As from mid-August, the Bank charges negative interest on saving balances above EUR 100,000, following the general development of the saving rates in the Netherlands. Despite of the low return on savings caused by the low savings interest rates, rising inflation and taxes based on fictitious return, the savings market has continued to grow in 2021. This was partly driven by the Covid-19 crisis which adjusted the spending pattern of Dutch households, which had more than 407 billion euros in savings accounts with Dutch banks. That is nearly EUR 17 billion more than only a year earlier.

Because of the current market conditions an increasing part of the Dutch households are looking for alternatives which yield a higher rate of return, like investments. One of the other options to obtain a higher return are bank annuities which offer tax advantages for the customer. The market for bank annuities have increased eightfold in the last decade.

Financial performance

IN MILLIONS OF EUROS	2021	2020	CHANGE
Interest Income	304	335	−9%
Interest expense	166	194	−14%
Interest margin	**138**	**141**	**−2%**
Changes in fair value of financial instruments	5	−5	n/a
Interest margin and changes in fair value of financial instruments	**143**	**136**	**5%**
Other income	1	1	0%
Fees and commission income and expense	1	9	−89%
Operating income	**145**	**146**	**−1%**
Impairment of financial assets	−9	3	n/a
Operating expenses	102	106	−4%
Total expenses	**93**	**109**	**−15%**
Operating profit before income taxes	**52**	**37**	**41%**
Income tax expense	13	9	44%
Net profit	**39**	**28**	**39%**
Operating profit excluding fair value result	47	42	12%

RATIOS	2021	2020	
Return on average equity	4.8%	3.4%	
Efficiency ratio (operating expenses/interest margin, fees and other income)	72.6%	69.9%	
Common Equity Tier 1 Capital Ratio	20.9%	20.4%	
Total Capital Ratio	20.9%	20.4%	
Leverage ratio	6.5%	6.0%	
Net Stable Funding Ratio	133%	126%	
Liquidity Coverage Ratio	297%	332%	

Achmea Bank N.V. reports an operating profit before tax of EUR 52 million (2020: EUR 37 million). The improvement of the operating profit is due to lower impairment charges (EUR 12 million), lower operating expenses (EUR 4 million) and a higher fair value result (EUR 10 million) which are partly being offset by lower fee income (EUR 8 million) and an interest margin decline of EUR 3 million.

The interest margin decreased from EUR 141 million to EUR 138 million. The lower interest margin relates to a decreased mortgage portfolio combined with lower margins for an amount of EUR 10 million due to the highly competitive mortgage market. This effect was partly compensated by the net interest margin on the acquired mortgage portfolios in 2020 and 2021 (EUR 7 million). Furthermore the compensation for early redemptions amounts to EUR 39 million (2020 EUR 34 million).

As of 1 October 2020, Achmea's operational mortgage activities have been centralised within Syntrus Achmea Real Estate & Finance (SAREF), as part of the strategy of Achmea to increase its market share in the Dutch mortgage market in the coming years. This transfer includes the origination of mortgages for Achmea Pensioen- en Levensverzekeringen N.V., which resulted in a decrease of fee income for Achmea Bank of EUR 8 million.

The fair value result (EUR 5 million) is an accounting result that is mainly compensated in other reporting periods, generally reflecting a pull to par as the underlying derivatives (used for hedging interest rate risk) approach maturity.

Improvement of the macro-economic outlook results in a positive development of housing prices in the Netherlands. Together with the impact of the implementation of a second generation of the IFRS 9 risk model, the loan loss provision decreased with EUR 14 million (2020: EUR 28 million) in 2021. This decline reflects the inherent low credit risk profile of the Achmea Bank’s mortgage portfolio.

Compared to 2020, operating expenses slightly decreased with EUR 4 million. The bank-related levies increased by EUR 4 million and the servicing costs related to the acquired portfolios rose by EUR 1 million, which were compensated by lower cost allocation of EUR 8 million as a result of the aforementioned mortgage originations and servicing centralization in 2020 and lower project costs of EUR 1 million.

In 2021 the Dutch mortgage market continued to be highly competitive and interest rates remained low. These factors resulted in high volumes of new mortgages and refinancing of existing mortgages, with an overall demand for longer fixed-rate periods. The origination of new mortgages for Achmea Bank through the Achmea Mortgages Investment Platform increased in 2021 with EUR 0.1 billion to EUR 0.8 billion. Combined with the acquired portfolio of EUR 0.5 billion and prepayments of EUR 1.9 billion (2020: EUR 1.7 billion), the mortgage portfolio of Achmea Bank decreased from EUR 11.6 billion to EUR 11.1 billion by the end of 2021.

In 2021, Achmea Bank acquired a portfolio of Dutch residential mortgages of EUR 0.5 billion from a.s.r. Achmea Bank and a.s.r. have expressed the intention to do similar transactions in 2022 and 2023. In addition, it is the intention that Achmea Bank acquires roughly EUR 190 million of newly originated mortgages from a.s.r. annually for the next three years. The latter are mainly mortgages with a short fixed-interest period.

The Bank has a diversified funding mix, comprising retail funding as well as unsecured and secured wholesale funding and retained its sound liquidity position with liquidity ratios well above regulatory limits. The savings portfolio remained relatively stable at EUR 7.3 billion (2020 EUR 7.2 billion). As of mid-August 2021, the Bank charges negative interest on saving balances above EUR 100,000, following the general development of the saving rates in the Netherlands. In 2021 Achmea Bank issued an inaugural EUR 0.5 billion covered bond under its new EUR 5 billion Soft Bullet Covered Bond Programme.

In line with the capital policy and Achmea Bank’s strong capital position, the bank paid EUR 56 million dividend to its shareholder Achmea B.V. This amount includes the 2019 and 2020 net distributable profit. Due the economic uncertainties surrounding Covid-19, Achmea Bank followed the Central Bank request to refrain from capital distributions in 2019 and 2020. After these restrictions were released at the end of September 2021, Achmea Bank paid the dividend over these years to Achmea B.V. in October 2021.

The Total Capital ratio increased to 20.9% (2020: 20.4%). Achmea Bank currently applies the standardized approach to calculate the risk weights of its assets. Achmea Bank is working towards the implementation of Advanced Internal Rating-Based (AIRB) approach for its regular

Managing Board Report

mortgage portfolio(s), which strengthens the bank's data driven strategy and credit risk management further and is expected to result in lower capital requirements.

S&P reaffirmed the Issuer Credit Rating Outlook on 2 August 2021 of A-/Stable and on 5 August 2021 Fitch reaffirmed the issuer Default Rating of A/Stable.

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. The Bank fully complies with the principles of The code.
Achmea Bank publishes its full report regarding the "Application of Banking Code" on achmeabank.com.

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 Risk Management. Overall the Bank has shown further improvement in 2021 of its operational risk and Balance Sheet & Financial Risk management.

Capital position

The Total Capital ratio increased to 20.9% (2020: 20.4%), mainly due to a decline in the mortgage volume, partially offset by the acquisition of the a.s.r. mortgage portfolio. Achmea Bank currently applies the standardized approach to calculate the risk weights of its assets. Achmea Bank is working towards the implementation of Advanced Internal Rating-Based (AIRB) approach for its regular mortgage portfolio(s), which strengthens the bank's data driven strategy and is expected to result in lower capital requirements.

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 2021 of 3.5% and the (expected future) external minimum requirements; the LR at 31 December 2021 was 6.5% (2020: 6.0%).

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 2021. At year-end 2021 the LCR was 297% (2020: 332%),the NSFR was 133% (2020: 126%) and the Survival Period (SP) was greater than 12 months (2020: greater than 12 months).

Outlook

We follow closely the geopolitical situation, the international measures and the effects thereof on the financial markets. Please note that Achmea Bank has no direct exposure to Ukraine and Russia. Next to the situation in Ukraine we are of course also closely monitoring other uncertain situations I.e. covid. Managing uncertainty is an inherent part of our line of business. Our capital and liquidity position, together with our risk management system, are safeguards to possible second order effects.

Tilburg, 11 March 2022

The Managing Board,

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

Supervisory Board Report

Mr. Huub Arendse, Mrs. Miriam van Dongen, Mr. Henny te Beest, Mrs. Daphne de Kluis

Main developments in 2021

The Supervisory Board is responsible for supervising and advising the Managing 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 2021, four regularly meetings and four extra meetings. Just like 2020, in 2021 the impact of Covid-19 on the organisation was regularly topic of conversation in meetings of 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 preparation for the implementation of Advanced IRB, the issuing of a EUR 500 million Soft bullet covered bond, the mortgage portfolio acquisition from a.s.r., EBA guidelines on outsourcing, privacy, customer due diligence (CDD) and SREP-decision by DNB.

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 Managing 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 Managing Board and staff of Achmea Bank for their contribution, commitment and their endurance 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 Managing Board, Internal Audit, Compliance and Operational risk department and the external independent auditor. As of the last quarter of this year also the Senior Manager of the Financial risk department attends the meetings. The Audit & Risk Committee convened on seven occasions in 2021, four regularly meetings and three extra meetings. At the regularly meetings the following subjects were discussed: Advanced Internal Rate Based modelling (AIRB), 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. 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 Managing Board attend a number of permanent education (PE) meetings. In 2021 several permanent education sessions were organized for Supervisory Board members. The main topics covered in 2021 in these sessions were Cybersecurity, CDD, Innovation and Outsourcing.

Supervisory Board Report

Attendance rates

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

Name	The Supervisory Board	Audit & Risk Committee
H. Arendse	100%	100%
H. te Beest	100%	100%
R. Otto	75%	75%
M. van Dongen	100%	100%
D. de Kluis	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 2020. The Supervisory Board supported the Managing 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. After ten years Achmea Bank was obliged to change the independent auditor. EY has taken over the audit of the financial statements.

Composition of the Managing Board

The Managing Board of Achmea Bank composed of Pierre Huurman (Chairman) and Mark Geubbels. The current composition of the Managing Board does not meet the minimum criteria with respect to diversity, which is mostly due to the limited size of the Board. Achmea Bank will actively consider the diversity criteria for future appointments.

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 was a change in the composition of the Board in 2021. Daphne de Kluis has been appointed as a member of the Supervisory Board as of 12 October 2021. She succeeded Robert Otto who stepped down at the same time. The Supervisory Board would like to thank Robert Otto for his important contribution to the Bank during his 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 did not participate in parts of meetings of the Supervisory Board in case such a conflict of interest could possibly occur. The same applies to Daphne de Kluis. She will not participate in parts of meetings of the Supervisory Board in case a conflict of interest could possibly occur.

The current composition of the Supervisory Board does meet the minimum criteria with respect to diversity.

Name	Nationality	Sex	Role	First appointed	Term	Next reappointment
Mr. H. Arendse *(1958)*	Dutch	Male	Chairman	2017	Second	-
Mr. H.W. te Beest *(1950)*	Dutch	Male	Member	2015	Second	2023
Mrs. M. van Dongen (1969)	Dutch	Female	Member	2020	First	2024
Mrs. D. de Kluis (1969)	Dutch	Female	Member	2021	First	2025

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 2021 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 Managing Board, supervision and advice, strategy and culture and developments of the Supervisory Board. The Supervisory Board of Achmea Bank is aware that they have a different scope and depth in certain areas than the Supervisory Board of Achmea B.V. (e.g. strategy, HR components, remuneration,). The Board will further discuss scope and depth together with Achmea B.V. The conclusion of the self-assessment contains some recommendations on specific topics (e.g. share the information of bilateral meetings on a regular basis and the process of evaluation of the Managing Board).

Supervisory Board Report

The overall conclusion of the evaluation is positive, the Board functions well which is a further encouragement for the Supervisory Board to continue along the same lines. The Audit & Risk Committee consists of the same persons as the Supervisory Board. 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. The dialogue with the Managing Board is open and transparent with room for in depth discussions.

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 Managing Board as determined by the Group. More details regarding remuneration policies can be found in the Remuneration Report and on achmea.nl or achmea.com.

Tilburg, 11 March 2022

The Supervisory Board,

Mr. H. (Huub) Arendse, Chairman
Mr. H.W. (Henny) te Beest
Mrs. M.R. (Miriam) van Dongen
Mrs. D. (Daphne) de Kluis (as from 12 October 2021)

Environment, Social & Governance

Our vision on sustainability

Banks have an important societal role, which translates for Achmea Bank in managing savings and distribute credit and/ or funding for mortgages. It's therefore important to have and hold a trustworthy position with our customers and in general the Dutch society. As a partner in value creation we take our responsibility to be transparent about our ambitions and impact with regards to Environmental, Social and Governance issues. This means that we have and disclose clear goals and targets related to our impact on these topics. These efforts further supports our mission to we realize relevant financial solutions for today and tomorrow.

Our ESG-strategy and the Sustainable Development Goals

Our ESG-strategy entail three mission statements that describe our contribution to a sustainable living environment (*Environmental*), a contribution to accessibility for all in a participative society (*Social*) and reliable banking with integrity (*Governanc*e). Within these three mission statements, in which we've formulated our own contribution to these respective themes, we also outlined our contribution for and with our four most important stakeholder groups: our customers[1], our employees, our partners and our investors. For each of these contributions we list a metric or target by which we measure our impact or successful deployment of said activity.

With these activities and goals, we want to contribute to three sustainable development goals (SDG's) as described by the united nation, namely:

10. Reduce inequalities
11. Sustainable cities and communities
13. Climate action

As a mortgage provider, our impact on sustainable cities and climate action is apparent by our role in providing access to and shaping the Dutch housing market, and further explained within our environmental and social goals. Our contribution to SDG 10 is further explained within the section on social impact. We formerly prescribed these efforts to SDG 4 (quality education), but in updating our ESG-policy in 2021, we've broadened our scope of ambition from financial literacy and education to financial wellbeing. You can read more about our ESG-policy for the coming years on our website achmeabank.nl.

[1] In this section, the term 'customers' refers to the customers of our brand names Centraal Beheer and Woonfonds, as Achmea Bank also holds mortgage portfolio's formerly distributed under external brand names for which we don't provide customer services.

Environment, Social & Governance

Environmental

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. For the past years, we've published our Green House Gasses (GHG) reports based on methods provided by the Partnership for Carbon Accounting Financials (PCAF). Achmea Bank has started implementing recommendations of the Financial Stability Board's Task Force on Climate Related Disclosures (TCFD). This section 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).

Governance

Achmea Bank truly 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 believe climate related issues are most effectively managed when incorporated in existing processes. Therefore each department integrates sustainability in their relevant functions and reports on their efforts in climate-related issues to the Board of Directors on a frequent and consistent basis. Our Strategy & Innovation department also plays a coordinating role to align our efforts across teams. Achmea Bank has also taken a pro-active role in collaborating with external stakeholders. This year Achmea Bank has joined the newly established Energy Efficient Mortgage Netherlands Hub (EEM NL Hub), which aims to standardize practices in the green mortgage market and is chaired by our CFRO Mark Geubbels. We've also joined the Partnership for Carbon Accounting Financials (PCAF), where Achmea Bank will be at the forefront of developments involving measuring carbon footprint of our mortgage portfolio. We will continue to work with these renowned organizations in the future to better understand climate-related issues and align our methodologies with other large Dutch financial institutions.

Strategy

To identify and assess risks and opportunities in the climate and environmental sphere Achmea Bank takes note of multiple best practice frameworks. Amongst other initiatives, we conducted a self-assessment as issued by DNB in 2021 based on the ECB guideline for environmental and climate related risks, to measure our current performance and further strengthen our approach. DNB has also provided us with their feedback on our self-assessment for further improvements. Additionally, in 2021 we signed the Principles for Responsible Banking, which gives us further guidance on how to assess and improve our own climate impact. When applying these frameworks we take note of multiple developments in our business environment and competitive landscape, which lead us to a qualitative and quantitative analysis of the impacts of these developments on our risk categories as listed in our risk paragraph. The first steps of this assessment are explained below (in section 'Risk Management'), while we continue to improve our analyses in the coming years. Furthermore, these risks are gradually being integrated in our organization's strategic processes on two levels:

A. Adaptation – mainly through translating these risks within risk management processes in place. In this effort, we closely work with Achmea Group, since our frameworks and policies are woven together.
B. Mitigation – through our efforts to reduce our climate impact (of our scope 1, 2 and 3 emissions) and associated climate risks, which are mainly described in our ESG-policy. On this level, we also see opportunities for expanding our business model as supporter of the Paris agreement and financing the transition to a net-zero economy. As mentioned, this policy was updated in 2021 to reflect new developments.

Environment, Social & Governance

While deploying and updating these strategies, we take note of multiple scenario's concerning the acceleration of climate change and climate risk (as outlined in the five IPCC scenario's for global warming varying from 1.5 to 4.4 °C climate heating), as well as the orderly or disorderly introduction of climate policies, speeding up transition risks.

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 2021 Achmea Bank has partnered with Climate Adaptation Services (CAS), a Dutch research agency specialized in analysis of climate change impact. CAS has provided estimates concerning the likelihood of natural phenomena for individual collateral objects in our mortgage portfolio. This data allows us to assess risk levels of physical climate related risks, such as:

- Heat stress
- Water nuisance (rain & ground water levels)
- Wildfires
- Pole rot
- Land subsidence
- Flooding (likelihood & depth levels)

Furthermore, investigations have been initiated to understand the relevance of both physical risk and transition risk. These climate risk investigations will continue in 2022, including scenario analysis and stress testing. In line with the risk management cycle, further insights will be gathered that may lead to alterations of the risk appetite, credit risk policies and credit risk management practices.

Metrics & Targets

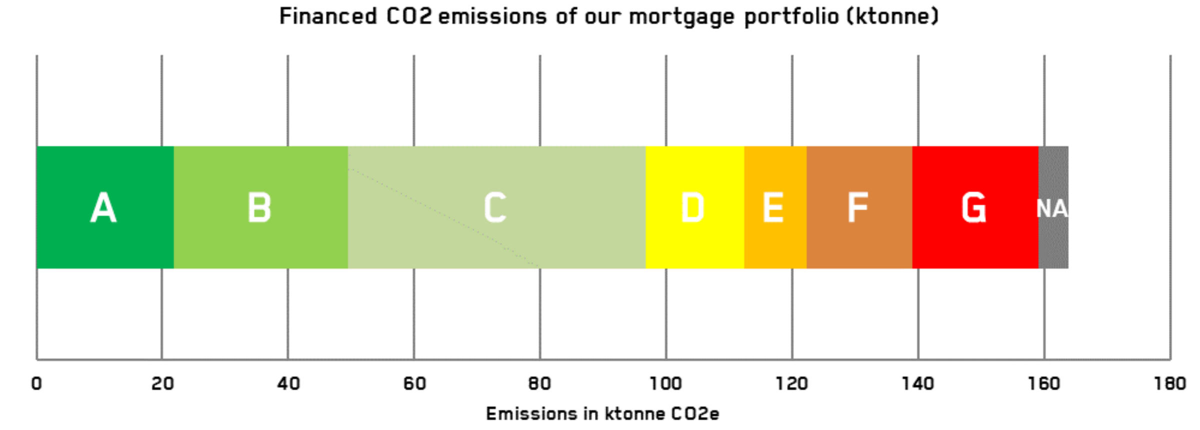
Achmea Bank has translated it's key goals and targets in four categories of stakeholders.

- Customers – target medium energy label A in our mortgage portfolio by 2030. We will continue to inform and incentivize our clients to improve the energy efficiency of their homes.
- Employees – target climate neutral operational activities by 2030. We aim to operate as a net-zero emission work environment in collaboration with Achmea Group. Achmea Group reports annually on Scope 1 & 2 carbon emissions from business operations based on the GHG Protocol. The annual reports can be found at achmea.nl.
- Partners – we wish to select and engage with our partners on sustainability practices. Therefore we aim to implement a procurement policy where climate ambition and risks of our (potential) partners will be assessed.
- Investors – measuring and improving green assets in our portfolio. We have the intention to offer green funding options to our investors in the future. Therefore Achmea Bank has collaborated with Achmea B.V. in creating a Green Finance Framework, which will allow Achmea Bank to issue green bonds. In this framework mortgage loans can be identified as green assets based on several criteria.

As the EU taxonomy is applicable as of 2022, Achmea Bank started to assess its eligible assets as first step to calculate the Green Asset Ratio (GAR).

Achmea Bank has started monitoring carbon emissions from our mortgage portfolio since 2019 and in-depth reports are published annually on 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, which is chaired by 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 60.4% to Achmea Bank, using to the calculated Attribution Factor based on a loan-to-value approach. In 2021 this amounted to a total of 163.9 ktonne CO_2e and a carbon intensity of 15.8 ktonne CO_2e/bn. EUR (outstanding loans based on nominal value). The Acier portfolio is excluded, due to its unique characteristics.

Environment, Social & Governance



Total outstanding loans (bn. EUR)	Financed emissions (ktonne CO2e)	Carbon intensity (ktonne CO2e/bn.EUR)
10.3	**163.9**	**15.8**

Social

Accessibility for all
We believe that participation within society is the basis for a sustainable society in the Netherlands, and therefore strive to contribute to accessibly to basic resources and adequate living conditions for all. As part of this effort, we take responsibility for labor and human rights conditions within our processes and production chains. Additionally, we deploy activities to better the financial wellbeing and independence of Dutch citizens. In the next paragraphs, we outline our most important targets and results in 2021 per stakeholder.

Customers
As a bank that focuses on the distribution on mortgages and savings accounts we play an important part in access to the Dutch housing market and wealth and wellbeing within Dutch society. In this role, we aim to contribute to the financial wellbeing of our customers. Our products and services help to provide overview, understanding and actionable insights in the financial situation of our customers, but our responsibility as a lending institution also stretches beyond that. In addition to applying a responsible credit policy, we therefore work with our customers when payment problems arise to find a solution that fits both the customers need as our responsibility as a financial institution. Our most important aim is to find a sound solution for every customer.

Employees
Our most important social role to our employees is the role of employer. We therefore have multiple policies in place that contribute to the wellbeing and development of our employees, like our developmental budget and our internal networks for diversity, such as our LGBTQIA+-network 'HolA!' and our PoC-network 'Kleurrijk Achmea'. As we share these policies and amenities with Achmea Group, more information can be found on achmea.nl. More information can also be found about our gender diversity policies and targets as an Insurance Group. Additionally, Achmea Bank also provides transparency in the gender distribution of its own subset of employees. Distribution in 2021 was 32%/68% (male/female). Our ambition on the social aspect of our employership is however also extended to our central theme of financial wellbeing in Dutch society. As part of our HR-policy our employees are allotted four additional days off for communal service. We aim to empower our employees to contribute to financial literacy and wellbeing. As a whole, our target is to host 50 yearly guest lections in primary schools for the initiative 'Bank voor de Klas' ('Bankers in the class room') of the Dutch Banking Assocation. In 2021, we contributed to 40 classes. Due to COVID-19, there were less opportunities to host these lectures due to primary school lockdown.

Partners
Our social responsibility also stretches to our partners with whom we work to deliver our services. Achmea Bank ensures that our outsourcing partners act according to ethical norms and international standards for labor and human rights, including the prohibition of child labor. Our most important aim here is to continue working according to our policies on these issues in our procurement activities, as can also be read in the 'Sustainability Statement' of Achmea Group. In addition to this, we continually monitor these norms in our engagement activities with our partners.

Environment, Social & Governance

Investors
As part of Achmea Group we are a company with a mutual background, that has a longstanding history in social an sustainable contributions in society. It is also in our investors' interest that their investments also are allocated towards such contributions. Therefore, we provide transparency in our ESG-ratings en strive to implement any feedback that such ratings may provide to improve our efforts. In 2021, we were rewarded a new risk rating by Sustainalytics, and improved our rating form a 24.3 to a 22.5 score (medium risk). This places us in the top 10th percentile of regional banks.

Governance

A reliable bank with integrity
Our governance reflects our position as a bank aimed towards social and sustainable contributions to society. In working with oversight, partners and employees we aim towards anchoring integrity within our management policies and sufficiently controlling our processes. Most importantly, we aim to take a customer central approach. The trust of our customers is therefore our most important metric on this front, which is measured yearly for our customer facing brands Centraal Beheer and Woonfonds in the Dutch Banking Assciation's 'Vertrouwensmonitor' ('Confidence monitor'). At the moment of publication, the monitor for 2021 is not out yet, but or 2020, these brands were awarded a score of 3.5 (Centraal Beheer) and 3.1 (Woonfonds). Additionally, we work on activities and targets with our different stakeholder groups.

Customers
To be truly customer centric, we are in constant dialogue with our customers. Amongst others this dialogue is constituted in our customer board, which has a role in the development of new services, products and communication efforts. To see whether our customer satisfaction reflects these efforts, we measure our Net Promotor Scores (NPS) of different processes. An important target for us is the NPS of our savings processes, since these processes are conducted in house within Achmea Bank an Group. Here we strive towards an NPS op 50 in 2030, while our target for 2021 was an NPS of 17. In 2021 the measured NPS was 18.

Employees
We are only able to fulfill our ambitions through the efforts and talents of our colleagues. To invest in their development is therefore important to us. For example, in the past years we've made efforts to improve work-life balance by introducing a 34-hour workweek, which came into effect. We want to facilitate them to do their best work, and to be regarded as an employer where all can thrive. Therefore, we measure the involvement an enthusiasm of our employees in our yearly Employee Engagement Poll ('Medewerker Betrokkenheidsonderzoek'). We strive for a minimal score of 8/10 on the metrics 'involvement' and 'enthusiasm'. In 2021, despite continuing COVD-19 circumstances, the score of these metrics was 8,6 (involvement) and 7,8 (enthusiasm).

Partners
The strategy of Achmea Bank entails outsourcing a lot of our non-core activities to partners. Therefore, it's of grave importance that our partners share our vision and our aims to apply good governance and customer centricity. Therefore, Achmea Bank continuously monitors the quality of the delivered goods and services by our partners. In regular engagement meetings, as agreed upon in each contract, we analyze the concerned services and where needed optimize them. As a reference point, we aim to be fully compliant to all guidelines by the European Banking Authority on procurement and contract monitoring activities. By 2021, all needed procedures and policies are in place to conclude that we are indeed fully compliant.

Investors
Achmea Bank has a wide range of capital and liquidity sources. These include savings, secured funding programs, and unsecured funding programs. We believe that the best way to maintain excellent relations with our stakeholders and the wider financial community is through open and honest dialogue. To this end, we have an accessible investor relations teams and an active dialogue with our investors. We strive to balance the interests of all stakeholders while honoring long time commitments to our customers. In terms of governance, our most important aim is to strive to maximum transparency by reporting on our ESG-metrics and approach as listed above.

Achmea Bank N.V.
Financial Statements

Achmea Bank N.V. Financial Statements 2021

Consolidated statement of financial position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BEFORE APPROPRIATION OF RESULT			
IN THOUSANDS OF EUROS			
AS AT		31 DECEMBER 2021	31 DECEMBER 2020
	NOTE		
Assets			
Cash and balances with Central Banks	11	780,114	938,708
Derivative assets held for risk management	10	61,769	82,035
Loans and advances to banks	12	592,694	669,166
Loans and advances to public sector	13	629	652
Loans and advances to customers	6	11,363,221	12,092,263
Deferred tax assets	18	1,879	4,760
Prepayments and other receivables	14	47,684	46,092
Total Assets		**12,847,990**	**13,833,676**
Liabilities			
Funds entrusted	7	7,515,211	7,447,114
Deposits from banks	15	55,535	377,234
Debt securities issued	8	4,050,709	4,651,080
Derivative liabilities held for risk management	10	339,695	456,475
Current tax liabilities	16	2,043	7,533
Accruals and other liabilities	17	65,040	57,053
Provisions	19	500	1,200
Subordinated liabilities	20	1,191	1,191
Total Liabilities		**12,029,924**	**12,998,880**
Share Capital		18,152	18,152
Share premium		505,609	505,609
Other reserves		255,036	283,506
Net profit for the period		39,269	27,529
Total Equity	**21**	**818,066**	**834,796**
Total Equity and Liabilities		**12,847,990**	**13,833,676**

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF EUROS			
FOR THE YEAR ENDED 31 DECEMBER		2021	2020
	Note(s)		
Interest income	9	304,208	334,996
Interest expenses	9	166,681	194,235
Interest margin	**9**	**137,527**	**140,761**
Changes in fair value of financial instruments	10	4,748	−5,022
Interest margin and changes in fair value of financial instruments		**142,275**	**135,739**
Other income	22	1,423	1,676
Fees and commission income and expense	23	743	9,316
Operating income		**144,441**	**146,731**
Impairment of financial assets	6	−9,293	3,488
Operating expenses	24/25/26	101,453	106,114
Operating profit before taxes		**52,281**	**37,129**
Income tax expense	27	13,012	9,600
Net profit for the period		**39,269**	**27,529**
Other comprehensive income/expense net of income tax (non-permanent part of Equity)		–	–
Total comprehensive income for the period		**39,269**	**27,529**

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED	SHARE CAPITAL	SHARE PREMIUM	NET PROFIT FOR THE PERIOD	OTHER RESERVES	TOTAL EQUITY
IN THOUSANDS OF EUROS					
Balance at 1 January 2021	**18,152**	**505,609**	**27,529**	**283,506**	**834,796**
Total comprehensive income for the period					
Net profit	–	–	39,269	–	39,269
Other comprehensive income/expense, net of income tax					**–**
Total comprehensive income for the period	**–**	**–**	**39,269**	**–**	**39,269**
Transaction with owners, recognised directly in equity					
Contributions by and distributions to Shareholders					
Dividends paid	–	–	–	−56,000	−56,000
Appropriation of profit 2020	–	–	−27,529	27,529	–
Total contributions by and distributions to Shareholders	**–**	**–**	**−27,529**	**−28,471**	**−56,000**
Balance at 31 December 2021 (note 21)	**18,152**	**505,609**	**39,269**	**255,035**	**818,066**
Balance at 1 January 2020	**18,152**	**505,609**	**37,129**	**246,377**	**807,267**
Correction of accounting treatment penalty interest (net of tax)	–	–	–	–	–
Restated 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:	**–**	**–**	**–**	**–**	**–**
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**

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER			
IN THOUSANDS OF EUROS		2021	2020
Cash flow generated from operating activities	Note(s)		
Net profit for the period		**52,281**	**37,129**
Adjustments for non-cash items in the result:			
Impairment on financial instruments and other assets	6	−9,293	3,488
Net interest and other income		−137,527	−140,761
Changes in fair value of financial instruments	10	−18,777	−4,820
Other non-cash items		57,133	80,515
Income tax paid	27	−15,620	−31,510
		−71,803	**−55,960**
Changes in operating assets and liabilities:			
Loans and advances to banks	12	54,744	82,376
Loans and advances to public sector	13	23	23
Loans and advances to customers	6	1,363,108	1,294,656
Prepayments and other receivables	14	−1,592	76,519
Deposits from banks	15	−318,525	180,448
Funds entrusted	7	692	−134,152
Accruals and other liabilities	17	7,987	−11,087
Derivatives	10	−53,575	−65,165
Provisions	19	−700	−2,400
Debt securities issued	7	−41,705	−43,432
Subordinated liabilities	17	−64	−444
		1,010,393	**1,377,343**
Net cash flow generated from operating activities (1)		**938,590**	**1,321,383**
Cash flow generated from investing activities			
Investments in mortgages	4	−516,923	−470,459
Net cash flow generated from/(used in) investing activities (2)		**−516,923**	**−470,459**
Cash flow generated from financing activities			
Repayments of Debt securities issued	8	−2,218,240	−1,116,654
Issues of Debt securities issued	8	1,673,059	1,178,738
		−545,181	**62,083**
Subordinated liabilities outflow	20	–	−6,807
Dividend Payment		−56,000	–
Net cash flow generated from/used in financing activities (3)		**−601,181**	**55,277**
Net cash flow (1) + (2) + (3)		**−179,514**	**906,201**
Cash and cash equivalents as at 1 January*		979,558	73,357
Cash and cash equivalents as at 31 December*		800,044	979,558
Movements in cash and cash equivalents		**−179,514**	**906,201**
Reconciliation of movement in Cash and cash equivalents			
Cash and balances with Central Banks	11	−158,592	866,341
Loans and advances to banks on demand	12	−20,920	39,860
		−179,514	**906,201**
Additional information on operational cash flows from interest and dividends	**9**		
interest received	9	258,147	284,062
Interest paid	9	−99,734	−113,423
		158,413	**170,639**

*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 (2021: EUR 42.0 million (2020: EUR 39.4 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 195 FTEs on 31 December 2021 (2020: 203 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 2021 consist of the financial statements of all group companies in which the Bank has a controlling interest. Reference is made to paragraph 2E 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 2021 were authorized for publication in accordance with a resolution of the Management Board on 11 March 2022. At the same date, the Supervisory Board gave its advice to the General Meeting of Achmea Bank to adopt the financial statements. The General Meeting may decide to amend or not to adopt the financial statements.

B BASIS OF PRESENTATION

The Bank´s consolidated financial statements 2021, including the 2020 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 statement of financial position and income statement items' and other items. The notes relating to Achmea Bank's core activities are included in 'significant parts of the statement of financial position 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 statement of financial position and income statement items are disclosed in the explanatory notes.

C INITIAL APPLICATION OF ACCOUNTING POLICIES

In 2021, the following new Standards, amendments to Standards and Interpretations issued by the IASB were adopted: These have no significant impact on Total equity as per 31 December 2021, Net result for 2021 and comparative figures of Achmea Bank N.V.:

- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9;
- Interest Rate Benchmark Reform (IBOR) - Phase II (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- Annual improvements to IFRSs- 2018-2020 (several small changes) (implementation date 1 January 2021)

Notes To The Consolidated Financial Statements

D CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

The following standards or amendments were issued in 2021 and endorsed by EU. These have no significant impact on Total equity as per 31 December 2021, Net result for 2021 and comparative figures of Achmea Bank N.V:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities, and Contingent Assets; and Annual Improvements 2018-2020 (implementation date 1 January 2022)

The following standards or amendments were issued in 2021 or prior years but are not endorsed by EU. These standards are not early adopted by Achmea Bank in preparing its Consolidated Financial Statements 2021:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current en Classification of Liabilities as Current or Non-current - Deferral of Effective Date (implementation date 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies (implementation date 1 January 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (implementation date 1 January 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (implementation date 1 January 2023).

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

CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND PRESENTATION

In 2021 Achmea Bank has implemented a 2nd generation ECL model for the provision for impairment of the regular mortgage portfolio. The 2nd generation ECL model is fully compliant with the new Definition of Default and contains different drivers for the ECL calculation and different stage criteria. The calibration of the 2nd generation model has been based on historical figures of a complete lifecycle of the underlying product from January 2007 – December 2019, instead of the shorter data period January 2013 – January 2017 for the 1st generation model. The implementation of the new model result in a release of the loan loss provision of EUR 5.7 million for the regular portfolio. In the past years The Loan-to-Market value has been decreased significantly because of the composition of the portfolio and rising house prices, resulting in an decrease of the LGD.
The impact of the implementation of the new Definition of Default and the calibration of the ECL model of the Acier portfolio result in a release of the loan loss provision of EUR 1.5 million.

In preparing the Consolidated Financial Statements 2021, Achmea Bank adjusted the presentation of some line items in the Consolidated Statement of Financial Position and the Consolidated Statement of Cash flows. These adjustments have no impact on Achmea Bank's Total equity and Net result.

E 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 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)
- Securitised Residential Mortgage Portfolio II B.V. (shares are held by Stichting Holding SRMP II*)
- Achmea Conditional Pass-Through Covered Bond Company B.V. (shares are held by Stichting Achmea Conditional Pass-Through Covered Bond Company)
- Achmea SB Covered Bond Company B.V. (shares are held by Stichting Achmea SB Covered Bond Company**)
- Stichting Trustee Achmea Bank
- Stichting Incasso Achmea Hypotheken

Notes To The Consolidated Financial Statements

*) Set up in 2020
**) Set up in 2021

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

The entities Dutch Residential Mortgage Portfolio II B.V., Securitised Residential Mortgage Portfolio I B.V. and Securitised Residential Mortgage Portfolio II 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”). The shares of Achmea Conditional Pass-Through Covered Bond Company B.V. are held by Stichting Achmea Conditional Pass-Through Covered Bond Company.

In 2021 Achmea Bank set up an additional EUR 5 billion Soft Bullet Covered Bond Programme (“SBCB”). From this programme EUR 0.5 billion has been issued in October 2021. The shares of Achmea SB Covered Bond Company B.V. are held by Stichting Achmea SB 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.

F 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.

G SEGMENT INFORMATION

In the internal reports used by the Management Board to allocate resources and monitor performance targets to the operating segment, Achmea Bank is managed as a single operating segment. In 2021, Achmea Bank completed the acquisition of the a.s.r. 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 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.

Notes To The Consolidated Financial Statements

H 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.

I RECOGNITION, DERECOGNITION AND MEASUREMENT

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Achmea Bank recognises the instrument at fair value including transaction cost (unless the financial instrument is classified as 'At fair value through profit or loss'). 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.

A financial asset (or part of a financial asset) is derecognised when the contractual rights to receive cash flows from the financial asset have expired or when the Bank has transferred substantially all risks and rewards of ownership. The asset will also be derecognised if the Bank does not have or no longer has control over the asset, even if the Bank does not transfer or retain the risks and rewards related to an asset.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Bank is exposed to changes in the value of the asset. Upon derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the Income Statement as a realised gain or loss. Any cumulative unrealised gains or losses previously recognised in Total equity are transferred from Total equity to the Income Statement.

Derecognition of financial liabilities

Financial liabilities are removed from the consolidated statement of financial position when the obligation is extinguished, i.e. when the contractual commitment is fulfilled, dissolved or expires.

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.

Derecognition of financial assets due to substantial modification of terms and conditions

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.

The Bank assumes that there is a substantial modification if the net present value of the contractual cash flows after modification, differs by more than 10% for the net present value of the contractual cash flows before modification.

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.

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

Notes To The Consolidated Financial Statements

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).

Derecognition of financial liabilities due to substantial modification of terms and conditions

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original effective interest rate. Any resulting difference is recognised immediately in profit or loss. For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, 10%.

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.

(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.

Day 1 profit or loss

When the transaction price of the financial assets differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in profit or loss . In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

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 2 and 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.

Notes To The Consolidated Financial Statements

Fair value through OCI measurement

Movements in the carrying amount are taken through Other Comprehensive Income (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.

J 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.

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.

Notes To The Consolidated Financial Statements

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.

K 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 as a separate category;
- 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. Loan applications are not considered as undrawn loan commitments.

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.

IFRS 9 permits a bank to assume, without further analysis, that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have 'low credit risk' at the reporting date. For low risk instruments for which the simplification is used, the entity would recognise an allowance based on 12-month ECL (IFRS 9.5.5.10). 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.

L 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.

Notes To The Consolidated Financial Statements

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.

M 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 offset the asset and the liability; and
- intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

N 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.

Measurement Expected credit loss
The measurement of the ECL 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. In 2021 Achmea Bank implemented an improved ECL, a so called 2nd GEN, model for the Regular mortgage portfolio as well as a recalibration of the ECL model for the Acier portfolio. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL and the impact of the improved model 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

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.

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.

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.

Notes To The Consolidated Financial Statements

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.

Notes To The Consolidated Financial Statements

Notes to significant consolidated statement of financial position and income statement items

4. ACQUISITION

ACCOUNTING POLICIES ACQUISITIONS

In 2021 Achmea Bank acquired a mortgage portfolio from a.s.r.. This acquired portfolio has been treated as an acquisition of assets 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 is defined as the amount at which the financial asset 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 is amortised over the instrument's expected life or, where applicable, a shorter period.

The transaction price was determined at signing date with a.s.r. which was close to settlement date.

ACQUISITION MORTGAGE PORTFOLIO OF A.S.R.

In 2021 Achmea Bank acquired a portfolio of Dutch residential mortgages from a.s.r. The acquisition of this portfolio, with a size of approximately EUR 0.5 billion notional amount, underlines Achmea's ambition to grow in mortgages. A.s.r. will continue to manage these mortgages for Achmea Bank. The two organisations have expressed the intention to conduct additional transactions of EUR 0.5 billion in both 2022 and 2023. In addition, Achmea Bank will acquire roughly EUR 0.2 billion of newly originated mortgages from a.s.r. annually for the next three years. These are mainly mortgages with a short fixed-interest period. This acquisition is in line with Achmea Bank's strategy of focusing on growth and scale.

The impact of the portfolio on statement of financial position at transaction date (EUR 0.5 billion transaction) is presented in the table below:

IMPACT ON THE STATEMENT OF FINANCIAL POSITION ACQUISITION

IN THOUSANDS OF EUROS

AS AT INITAL RECOGNITION	A.S.R.
Loans and advances to customers	
Loans and advances to customers at amortised cost	516,923
Cash and balances with Central Banks	
Cash balances	−516,923
Total Assets	–

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.

This chapter describes the Bank's:

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

RISK STRATEGY

Achmea Bank's risk strategy supports management in the realisation of the business strategy by defining boundaries within which the bank wants to operate in order to be and remain in control. 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.

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 consolidated statement of financial position, 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 Management Board and ultimately the Supervisory Board.

Notes To The Consolidated Financial Statements

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 Management 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 Management 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 Management 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, Business Intelligence & Data Analytics, Control and Compliance & Operational risk and Operations.

The Credit Committee focuses on the management of credit risk on its (residential) mortgage portfolios i.e. retail counterparty 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 including taking actions to act upon those developments, and for projects concerning (the organization of) credit risk within Achmea Bank. 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, Business & 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 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.

The Data Quality Board (DQB) is responsible for Data Governance within Achmea Bank. The DQB defines policies, roles and responsibilities with regard to data and monitors Data Quality of critical and non-critical data elements as well as the resolution of data issues. It also has a formal role in the approval of data definitions and the traceability of data form source to consumption (data lineage). The DQB is chaired by the senior manager of Business Intelligence & Data Analytics, other members are the senior managers of Balance Sheet Management & Financial Risk, Control, Business & Operations, IT and a representative of Compliance & Operational risk.

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. In 2021 the results of these measures became visible and had a positive impact on public health and economy. The Dutch economy has returned to pre-crisis level. The individual payment arrangements that Achmea Bank offered in 2020, have been ended in 2021 and the ECL model calculating credit risk, is using its regular macro-economic scenario and parameter update without any additional assumptions on Covid-19. Also the capital markets reverted back to normal and liquidity risk management was business as usual in 2021. Most employees are still working from home most of the time, and Achmea explores a hybrid mix of remote working and work-in-office arrangements. The forms that remote working will take, and the resultant risks, will also continue to evolve. Therefore risk assessments are carried out periodically to identify (new) risks and take measures accordingly.

Notes To The Consolidated Financial Statements

At the end of 2020 Achmea Bank participated in the Pandemic Emergency LTRO (PELTRO), borrowing EUR 350 million from the ECB to mid-2021. Achmea Bank has a continuously strong capital and liquidity positions and only made use of PELTRO as a low cost option to bridge the gap until finalisation of its new soft-bullet covered bond program.

In March 2020, as a result of the pandemic, the ECB recommended banks not to pay dividends. In July 2021 the ECB decided not to extend this recommendation beyond September. In October 2021 a dividend amount of EUR 56 million was paid out to Achmea B.V., representing the 2019 (EUR 23 million) and 2020 (EUR 28 million) distributable net profits plus a small amount of the other reserves (EUR 5 million). Achmea Bank's capital position remains strong even after the dividend pay-out.

IBOR TRANSITION

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 strong 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 are amended to RFRs.

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 has been 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 had regular meetings in 2020 and 2021. The WG has identified the activities and processes that are relevant for the transition effort of the bank and has all be finalized successfully. These efforts focused on OTC interest rate derivatives and mortgages with an (explicit) IBOR component, mainly Eonia and Swiss Libor. Swiss Libor has been replaced by SARON and Eonia has been replaced by €STR, per January 2022.

SOLVENCY RISK

The Bank holds 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. Pillar II of the CRR calculates capitalisation of ‘other risks’. The Bank currently applies the standardized approach for credit risk to calculate the risk weightings of its assets. Achmea Bank is however working towards the application of Advanced Internal Rating Based (AIRB) models. For operational risk the Bank applies the Basic Indicator Approach (BIA). As a result of a non-material net market risk, Achmea Bank's pillar I capital charge is nil.

On June 2021 the amendments on the CRR, so called CRRII, apply. A new method for calculating counterparty credit risk (SA-CCR) has been introduced with limited impact on the Achmea Bank figures.

The Bank's policy is to maintain a strong and cost-efficient capital base to maintain investor, creditor and market confidence in order to sustain the future development of business.

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 20.9% and a Total Capital Ratio of 20.9% at 31 December 2021.

REQUIRED AND AVAILABLE CAPITAL

Risk weighted assets

The Bank reports the risk weighted exposure amounts in line with the CRR II and CRD V. In 2021 the total risk exposure amount (TREA) decreased with EUR 228 million from EUR 3.954 million to EUR 3.726 million, mainly due to a decrease in the mortgage portfolios, partially offset by the acquisition of the a.s.r. mortgage portfolio, which had a EUR 153 million upward impact on TREA.

Notes To The Consolidated Financial Statements

Dividend

In line with Achmea Group's policy to manage excess capital at group level and given Achmea Bank's strong capital position, a dividend of EUR 56 million was paid out to its shareholder Achmea B.V. This amount includes the 2019 and 2020 net distributable profit plus a small amount of the other reserves (EUR 5 million). As a result of COVID-19, the regulator has asked banks to refrain from dividend/capital distributions in 2020. Achmea Bank followed up on this advice but decided to pay-out dividend in 2021 at the moment that restrictions no longer hold.

Common Equity Tier 1 Capital

In 2021 Common Equity Tier 1 capital decreased by EUR 28 million from EUR 807 million to EUR 779 million, mainly as a result of the pay-out of the 2019 net result that was added to the other reserves in 2020 (due to COVID-19 related dividend pay-out restrictions). As the Bank does not hold any additional tier 1 instruments, tier 1 capital equals its core equity tier 1 capital.

Tier 2 capital

As of 31 December 2021 no subordinated loan qualifies as Lower Tier 2 (2020: EUR 0.7 million).

AVAILABLE CAPITAL AND CAPITAL RATIO

IN MILLIONS OF EUROS

	2021	2020
Share capital	18	18
Share premium reserve	506	506
Other Reserves	255	283
Common Equity Tier 1 Capital	**779**	**807**
Lower Tier 2	–	1
Total own funds	**779**	**808**
Total risk exposure amount	**3,726**	**3,954**
Common Equity Tier 1 Capital Ratio	**20.9%**	**20.4%**
Total Capital Ratio	**20.9%**	**20.4%**
Total SREP Capital Requirement (TSCR)	**10.9%**	**12.6%**

Internal capital adequacy requirements and capital contingency

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. Amongst 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 both the current and future capital adequacy requirements of the Bank on a continuous basis. The purpose of capital contingency is to ensure that appropriate measures are taken in case of a (imminent) solvency deficit.

Requirement for own funds and Eligible Liabilities

Pursuant to the Single Resolution Mechanism (SRM) Regulation, on 17 December 2021 De Nederlandsche Bank (DNB) in its capacity of National Resolution Authority (NRA) set the Minimum Requirement for own funds and Eligible Liabilities (MREL) for Achmea Bank at 10.9% of the Total Risk Exposure Amount (MREL-TREA) and at 3% of the Total Exposure Measure (MREL-TEM). At year-end 2021 the amount of available own funds was EUR 779 million, which adequately covers both requirements of EUR 405 million (MREL-TREA) and EUR 357 million (MREL-TEM).

Notes To The Consolidated Financial Statements

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 737 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 2,135 million at year-end 2021 (2020: EUR 695 million), comprising of unencumbered retained RMBS notes (A-notes SRMP-I and A-notes SRMP-II) and Dutch 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 2021 EUR 590 million (2020: EUR 587 million) of mortgages at nominal value were exchanged for EUR 479 million (2020: EUR 489 million) of government bonds (market value).

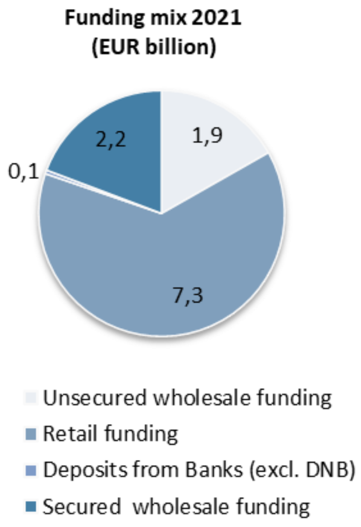
In addition, the Bank has a revolving credit facility agreement of EUR 200 million with Achmea B.V. with an original maturity date in March 2024, which was terminated early per 7 March 2022.

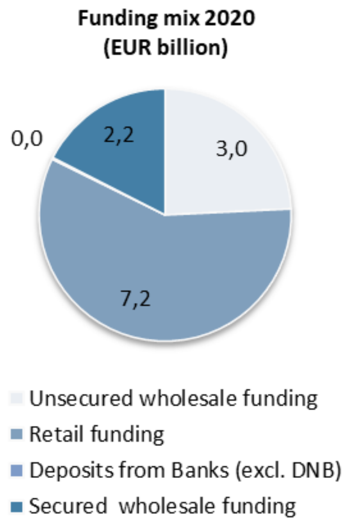
FUNDING STRATEGY

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.

Notes To The Consolidated Financial Statements

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 55% available on demand accounts and 45% term deposits, excluding an amount of EUR 0.6 billion saving deposits linked to mortgages.

Secured wholesale funding

Covered Bond

In 2021 Achmea Bank has set up a EUR 5 billion Soft Bullet Covered Bond (SBCB) Programme in addition to its conditional pass-through covered bond (CPTCB) programme which was established in 2017. In September the Bank issued its inaugural EUR 0.5 billion 15 years SBCB. The total outstanding amount of covered bond at year-end 2021 was EUR 2 billion (2020: EUR 1.5 billion).

The bonds issued under both programmes are backed by high quality Dutch residential mortgage loans. Investors benefit from a so-called 'double recourse' which means that in the event of a default of the Bank an investor has recourse on the bank and on the underlying mortgage portfolio.

The programmes are UCITS eligible and Dutch Central Bank (DNB) registered. All issuances under these programmes are compliant with article 129 of CRR and AAA-rated.

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 2021 the Bank has one external outstanding RMBS (DRMP II) (2020: one external outstanding securitisation transaction), with a total outstanding amount of EUR 0.2 billion (2020: EUR 0.3 billion), excluding retained notes for an amount of EUR 1.9 billion (2020: EUR 0.8 billion). There are no RMBS notes held by other Achmea entities.

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.

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. 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 48 million (2020: EUR 53 million).

Notes To The Consolidated Financial Statements

Other funding
At the end of 2020 Achmea Bank participated in the Pandemic Emergency LTRO (PELTRO), borrowing EUR 350 million from the ECB to mid-2021.

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 1.4 billion at year-end 2021 (2020: EUR 2.1 billion), including CHF denominated loans for an amount of CHF 0.4 billion (2020: CHF 0.4 billion).

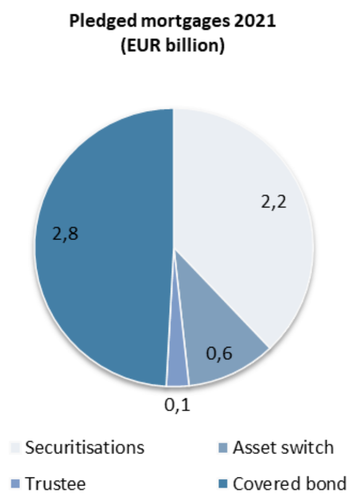
French commercial paper programme
In 2013 the Bank set up a French commercial paper programme of EUR 1.5 billion. With this programme the Bank is able to access the international money markets for its short-term funding needs. The total outstanding amount under the programme was EUR 0.5 billion as at year-end 2021 (2020: EUR 0.7 billion).

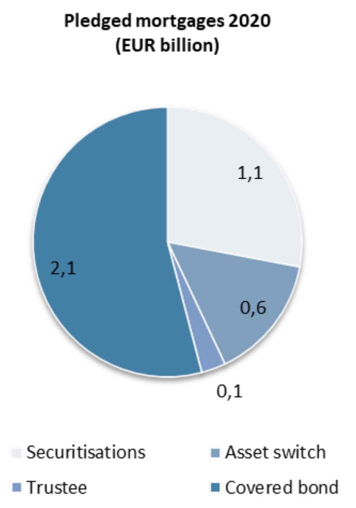
Other Unsecured wholesale funding
The Bank has deposits with financial and non-financial institutions. Total outstanding amount EUR 0.1 billion (2020: EUR 0.2 billion)

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

	2021		2020	
IN THOUSANDS OF EUROS	LOANS AND ADVANCES TO CUSTOMERS	RELATED DEBT SECURITIES	LOANS AND ADVANCES TO CUSTOMERS	RELATED DEBT SECURITIES
Dutch Residential Mortgage Portfolio II B.V. (DRMP II)	282,829	190,357	354,758	259,848
Securitised Residential Mortgage Portfolio I B.V. (SRMP I)	600,258	–	739,701	–
Securitised Residential Mortgage Portfolio II B.V. (SRMP II)*	1,270,025	–	–	–
	2,153,112	**190,357**	**1,094,459**	**259,848**

*) This company was set up 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 1.9 billion (2020: EUR 0.8 billion) 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, SRMP II and the B tranches of the bonds issued by DRMP II 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 consolidated statement of financial position Achmea Bank. As per December 2021 the total amount of transferred mortgages is EUR 0.3 billion (2020: EUR 0.5 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 relevant for issues under the Bank’s covered bond programmes. The Bank acts as originator, issuer and administrator in the conditional pass-through covered bond programme and the soft bullet 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.

Notes To The Consolidated Financial Statements

ENCUMBERED AND UNENCUMBERED ASSETS

The extent of asset encumbrance provides insight into the collateral used and available for funding to be raised or for other reasons.

ENCUMBERED AND UNENCUMBERED ASSETS

AS AT 31 DECEMBER 2021

IN MILLIONS OF EUROS	ENCUMBERED ASSETS	UNENCUMBERED ASSETS	UNENCUMBERED RECEIVED COLLATERAL ASSETS (OFF BALANCE)
	CARRYING AMOUNT	CARRYING AMOUNT	
Loans on demand	–	799	
Loans and advances other than loans on demand	3,539	8,112	
of which: mortgage loans	3,221	7,841	
Other assets		398	
Assets of the reporting institution	**3,539**	**9,309**	**479**

AS AT 31 DECEMBER 2020

IN MILLIONS OF EUROS	ENCUMBERED ASSETS	UNENCUMBERED ASSETS	UNENCUMBERED RECEIVED COLLATERAL ASSETS
	CARRYING AMOUNT	CARRYING AMOUNT	
Loans on demand	–	979	
Loans and advances other than loans on demand	3,575	8,707	
of which: mortgage loans	3,155	8,478	
Other assets	–	573	
Assets of the reporting institution	**3,575**	**10,259**	**489**

At year-end 2021, EUR 3.5 billion of the assets was encumbered (2020: EUR 3.6 billion), on account of:
- outstanding covered bonds;
- outstanding securitisations;
- outstanding trustee;
- outstanding asset switch;
- collateral deposited in relation to outstanding derivative positions.

The limited change in 2021 was primarily the result of a lower volume of collateral deposited in relation to derivative positions, the redemption of the PELTRO that was offset by the increase of the issue of the SBCB. The total encumbered assets mainly consist of pledged mortgages related to bonds issued under the covered bond programme. The total amount of liabilities related to total encumbered assets is EUR 3.0 billion (2020: EUR 3.1 billion). Covered bonds and securitisations involve overcollateralisation, which means that the volume of encumbered mortgages exceeds the notional principal of the covered bond.

Unencumbered Assets
The unencumbered part of the assets amounts to EUR 9.3 billion (2020: EUR 10.3 billion). Securitised mortgages of which the bank itself holds the bonds are not considered to be encumbered, except if these bonds are used as collateral.

Unencumbered received collateral assets (off balance)
The unencumbered received collateral consist of the government bonds from the asset switch. These bonds are used as collateral in repurchase transactions. At year-end 2021 and 2020 there are no outstanding repurchase transactions.

Collateral received
The Bank received a total amount of EUR 6 million in collateral at year-end 2021. This consists entirely of cash deposits that serve collateral for the positive fair value of outstanding derivatives.

Notes To The Consolidated Financial Statements

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 financial assets and liabilities by contractual maturity of the Bank.

FINANCIAL ASSETS AND LIABILITIES BY CONTRACTUAL MATURITY

AS AT 31 DECEMBER 2021	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS					
Cash and balances with Central Banks	779,114			1,000	780,114
Derivative assets held for risk management	188	3,699	38,051	19,831	61,769
Loans and advances to banks	274,129	51,847	153,778	112,940	592,694
Loans and advances to public sector	15	41	179	394	629
Loans and advances to customers	322,630	899,588	3,819,956	6,321,047	11,363,221
Other assets	47,237	239	739	1,348	49,563
Total cashflows assets	**1,423,313**	**955,413**	**4,012,703**	**6,456,560**	**12,847,990**
Derivative liabilities held for risk management	2,272	5,782	118,725	212,916	339,695
Deposits from banks	184	755	52,937	1,659	55,535
Funds entrusted	4,579,563	361,875	1,416,904	1,156,869	7,515,211
Debt securities issued	383,928	1,042,754	2,107,457	516,570	4,050,709
Subordinated liabilities	57	–	1,134	–	1,191
Other liabilities	58,364	8,719	500	–	67,583
Total cashflows liabilities	**5,024,368**	**1,419,885**	**3,697,657**	**1,888,014**	**12,029,924**
Net liquidity gap	**−3,601,055**	**−464,472**	**315,046**	**4,568,546**	**818,066**

AS AT 31 DECEMBER 2020	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS					
Cash and balances with Central Banks	937,708			1,000	938,708
Derivative assets held for risk management	9,503	400	35,874	36,258	82,035
Loans and advances to banks	248,764	69,495	182,467	168,439	669,166
Loans and advances to public sector	16	46	195	396	652
Loans and advances to customers	326,434	894,177	3,919,676	6,951,976	12,092,263
Other assets	45,309	279	1,821	3,443	50,852
Total cashflows assets	**1,567,734**	**964,397**	**4,140,032**	**7,161,512**	**13,833,676**
Derivative liabilities held for risk management	5	6,807	143,960	305,703	456,475
Deposits from banks	24,400	349,936	2,898		377,234
Funds entrusted	4,296,159	434,311	1,431,489	1,285,155	7,447,114
Debt securities issued	1,109,315	377,547	2,608,239	555,978	4,651,080
Subordinated liabilities	57		1,134		1,191
Other liabilities	46,606	16,540	1,238	1,402	65,786
Total cashflows liabilities	**5,476,542**	**1,185,141**	**4,188,957**	**2,148,239**	**12,998,880**
Net liquidity gap	**−3,908,808**	**−220,744**	**−48,925**	**5,013,273**	**834,796**

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

Notes To The Consolidated Financial Statements

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

UNDISCOUNTED CONTRACTUAL CASH FLOWS OF THE LIABILITIES

AS AT 31 DECEMBER 2021	← 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	292	755	52,772	1,658	55,477	55,535
Funds entrusted	4,555,771	380,060	1,538,954	1,473,372	7,948,158	7,515,211
Debt securities issued	384,375	1,053,013	2,151,432	531,486	4,120,306	4,050,709
Subordinated liabilities	64	–	1,263	–	1,327	1,191
Derivative liabilities held for risk management	10,762	52,593	157,110	113,440	333,905	339,695
Total cashflows	**4,951,264**	**1,486,421**	**3,901,531**	**2,119,956**	**12,459,173**	**11,962,341**

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**

CREDIT RISK

Within Achmea Bank, credit risk is defined as ‘the risk that the bank suffers a financial loss or a material decrease in solvency, due to the fact that a borrower or counterparty does not meet the financial or other contractual obligations to the bank or due to a significant deterioration of the creditworthiness of the specific borrower or counterparty’. To cover credit risk 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);

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.

Notes To The Consolidated Financial Statements

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 2021. 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 338 million (2020: EUR 333 million) and mainly concern direct debit accounts related to mortgage repayments and the total fair value of the derivatives versus the collateral positions. As at year-end of 2021 the net exposure for the derivative exposures amounted to EUR 19 million (2020: EUR 18 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 2021

IN THOUSANDS OF EUROS

FINANCIAL ASSETS CATEGORISED PER MIDDLE RATING

	→ A	< A	NOT RATED	TOTAL
Cash and balances with Central Banks	780,114	–	–	780,114
Derivative assets held for risk management	–	25,011	36,758	61,769
Loans and advances to banks	260,702	291,418	40,574	592,694
Loans and advances to public sector	–	629	–	629
	1,040,816	**317,058**	**77,332**	**1,435,206**

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
	1,192,449	**388,586**	**109,526**	**1,690,561**

The lowest rating at year-end 2021 was BBB (EUR 12.3 million) (year-end 2020: rating BB, EUR 0.7 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 2021 part of the collateral position (EUR 6 million) (2020: EUR 12 million) is reported as liability and recognised under deposits from banks (credit rating A).

RETAIL CREDIT RISK

Achmea Banks credit risk arises 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 primarily deals with 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.

Notes To The Consolidated Financial Statements

Regular Achmea Bank mortgage portfolio

The regular Achmea Bank mortgage portfolio, including the acquired portfolios, 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 2021 Achmea Bank acquired a portfolio of Dutch residential mortgages from a.s.r.. The acquisition of this portfolio, with a size of approximately EUR 0.5 billion, underlines Achmea's ambition to grow in mortgages. The two organisations have expressed the intention to conduct additional transactions of EUR 0.5 billion in both 2022 and 2023. In addition, it is also the intention that Achmea Bank acquires roughly EUR 0.2 billion of newly originated mortgages from a.s.r. annually for the next three years. 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 by a separate team and credit department within Achmea Bank.

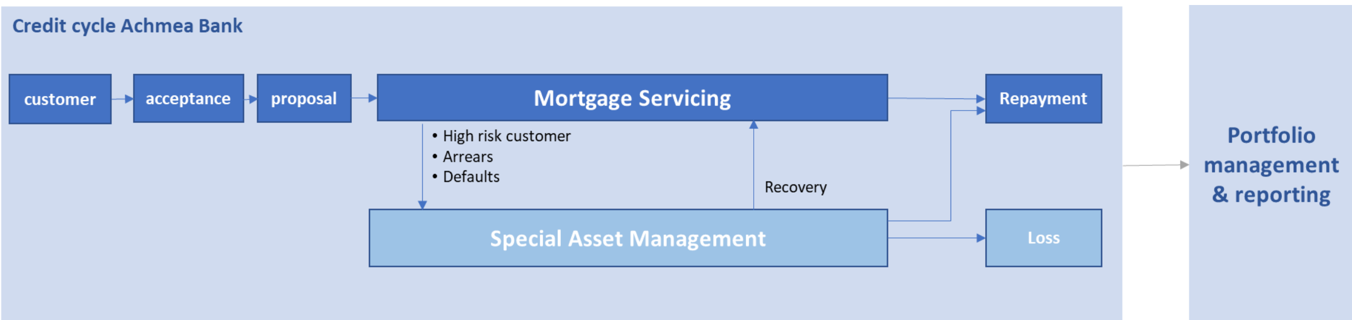
In 2021 the Acier loan portfolio decreased with EUR 62 million to EUR 680 million at year-end (2020: EUR 742 million). Achmea B.V. issued a capped guarantee to Achmea Bank to cover credit risk and legal claims related to this portfolio. The total amount of claims submitted to this guarantee is recognised on the consolidated statement of financial position as a receivable on Achmea B.V. In 2021 there is nothing claimed on the guarantee.

CREDIT RISK MANAGEMENT

Credit Committees

Achmea Bank has two credit committees, one committee dedicated to the Acier loan portfolio and one committee for all portfolios. 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.

Overview credit cycle:



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.

Notes To The Consolidated Financial Statements

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 'explain' applications (in Dutch: 'buiten kader proces'). This procedure allows the Bank to approve 'explain' applications under increased scrutiny and by means of the so called 4-eye principle. This is part of the comply or explain process. Credit Risk Management monitors the 'explain' applications quarterly.
As of September 2021 Achmea uses also an application score card based on the A-IRB model for credit approvals. Based on internal and external data a score determines if there is an increased risk for a specific credit application. The outcome can be overruled via the special procedure for 'explain' applications.
With respect to Acier, the Credit Approval Committee chaired by the CFRO accepts refinancing applications, which are by the nature of the closed book character exceptional situations.

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 regular portfolio

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. The A-IRB model is used to identify customers with a high risk and 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. Within the Special Asset Management department the A-IRB model is also used to prioritize further treatment and determine viable measures to limit any expected losses.
In case of foreclosure or forced sale and a residual debt has arisen, the Special Asset Management department realises the collateral and any remainder debt will be written off. Any income residual debt is recognised in the income statement, as part of the other income.

Credit risk monitoring also takes place for the acquired portfolio's a.s.r. (including the 2021 acquired portfolio), Obvion and Dynamic Credit. 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. Some examples of the forbearance measures Achmea Bank applies:

- temporary payment holidays longer than 6 months;
- temporary lowering of interest rate;
- restructuring and/or extension of the loan; and/or
- interest or cost forgiveness;

As of January 2021, Achmea Bank implemented a new Definition of Default. In this new definition Non Performing exposures are classified as defaulted.

The registration of the forbearance measures and default triggers 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.

Notes To The Consolidated Financial Statements

Definition of default

In 2021 Achmea Bank updated the Definition of Default, Forbearance and Non-performing exposure policy and amended the definition of default. This definition is based on the 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 (more than EUR 100) past due for more than 90 days;
- The obligor of the facility is unlikely to pay.

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.

The frequency of assessing the default criteria will be done on a daily 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).

Achmea Bank applies the following unlikely to pay (UtP) indicators:
- Distressed restructuring;
- Bankruptcy;
- Fraud;
- Insufficient sources of recurring income;
- Seizure;
- Sale (by the Special Asset Management department or with a residual debt);
- A non performing forborne exposure in 12-month probation period.

A facility only recover from the default status once the arrears have been repaid in full or the UtP triggers have lapsed and a three-month probation period has expired.
All default exposures are also non performing exposures and are classified as credit impaired and included in stage 3.

CREDIT QUALITY BY FINANCIAL ASSET CLASS

The following table shows the credit quality of the mortgage loans based on Loan to Market Values for the Achmea Bank portfolio and Acier loan portfolio. The Loan to Market Value is the internally used classification of mortgages for the evaluation of credit quality. The tables below are based on gross carrying amount 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 2021, the credit quality of the financial assets of both portfolios slightly increased mainly due to increased house prices.

EXPECTED CREDIT LOSSES PER LOAN TO VALUE FOR THE REGULAR PORTFOLIO

AS AT 31 DECEMBER 2021								
IN THOUSANDS OF EUROS	STAGE 1					STAGE 3		
	GROSS CARRYING AMMOUNT	ECL	COVERAGE RATIO	ECL	COVERAGE RATIO	GROSS CARRYING AMMOUNT	ECL	**COVERAGE RATIO**
Less than 75%	8,555,886	317	0%	1,308	0%	54,024	721	1%
75% to 90%	972,397	43	0%	406	1%	11,424	140	1%
90% to 110%	286,231	13	0%	155	1%	2,680	198	7%
110% to 125%	21,044	2	0%	36	1%	–	–	0%
More than 125%	46,515	11	0%	154	1%	1,620	98	6%
Add-on	–	1,000	0%	800	0%	–	1,200	0%
Total	**9,882,073**	**1,387**		**2,859**		**69,748**	**2,356**	

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AS AT 31 DECEMBER 2020

IN THOUSANDS OF EUROS	STAGE 1					STAGE 3		
	GROSS CARRYING AMMOUNT	ECL	COVERAGE RATIO	ECL	COVERAGE RATIO	GROSS CARRYING AMMOUNT	ECL	**COVERAGE RATIO**
Less than 75%	8,139,493	1,175	0%	1,260	1%	46,773	1,655	4%
75% to 90%	1,589,830	785	0%	1,011	2%	30,354	1,533	5%
90% to 110%	722,164	504	0%	510	2%	9,689	560	6%
110% to 125%	44,832	36	0%	38	2%	321	20	6%
More than 125%	44,506	152	0%	817	11%	548	387	71%
Add-on	–	–	0%	600	0%	–	–	0%
Total	**10,540,825**	**2,652**		**4,236**		**87,685**	**4,155**	

Stage 3 includes purchased or credit impaired assets with a gross carrying amount of EUR 8 million and a related ECL of EUR 30 thousand, which are both not material and therefore not classified separately.

EXPECTED CREDIT LOSSES PER LOAN TO VALUE FOR THE ACIER PORTFOLIO

AS AT 31 DECEMBER 2021

IN THOUSANDS OF EUROS	STAGE 1			STAGE 2			STAGE 3		
	GROSS CARRYING AMMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMMOUNT	**ECL**	COVERAGE RATIO
Less than 75%	353,372	–	0%	21,960	–	0%	5,051	–	0%
75% to 90%	95,514	4	0%	12,122	3	0%	1,567	–	0%
90% to 110%	27,402	8	0%	62,047	1,469	2%	1,060	167	16%
110% to 125%	–	–	0%	45,316	710	2%	1,929	1,229	64%
More than 125%	10,169	149	1%	40,911	1,337	3%	2,539	1,114	44%
Add-on	–	1,250	0%	–	–	0%	–	–	0%
Total	**486,456**	**1,411**		**182,356**	**3,519**		**12,147**	**2,510**	

AS AT 31 DECEMBER 2020

IN THOUSANDS OF EUROS	STAGE 1			STAGE 2			STAGE 3		
	GROSS CARRYING AMMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMMOUNT	**ECL**	COVERAGE RATIO
Less than 75%	357,825	293	0%	39,533	13	0%	4,465	3,758	84%
75% to 90%	97,189	33	0%	27,395	188	1%	3,260	356	11%
90% to 110%	44,873	110	0%	47,913	1,082	2%	1,014	255	25%
110% to 125%	715	2	0%	53,129	3,252	6%	3,141	1,521	48%
More than 125%	–	–	0%	56,402	4,396	8%	5,701	2,001	35%
Add-on	–	–	0%	–	–	0%	–	–	0%
Total	**500,602**	**439**		**224,373**	**8,930**		**17,580**	**7,892**	

The fair value adjustment for macro hedge accounting and one day gains and losses are not included in the table above.

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) model 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. The ECL model is validated by Group Model Validation and approved by the Group Model Approval Committee. The latter chaired by the CRO of Achmea. The lifecycle of the ECL model is broken down in five generic key process stages (Origination, Design, Implementation,

Notes To The Consolidated Financial Statements

Operations, In-Depth review). During 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.

In 2021 Achmea Bank has implemented a 2nd generation ECL model for their regular mortgage portfolio. The 2nd generation ECL model is fully compliant with the new Definition of Default and contains different drivers for the ECL calculation and different stage criteria.
The calibration of the 2nd generation model has been based on historical figures of a complete lifecycle of the underlying product from January 2007 – December 2019, instead of the shorter data period January 2013 – January 2017 for the 1st generation model. The implementation of the new model result in a release of the loan loss provision of EUR 5.7 million for the regular portfolio.
In the past years The Loan-to-Market value has been decreased significantly because of the composition of the portfolio and rising house prices, resulting in an decrease of the LGD. The impact of the implementation of the new Definition of Default and the calibration of the ECL model of the Acier portfolio result in a release of the loan loss provision of EUR 1.5 million.

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 financial assets

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 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.

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 criteria: The relative increase in credit risk. This is the ratio of the (cumulative) lifetime PD calculated at the origination date for the period of reporting until the contractual maturity date and the (cumulative) lifetime PD calculated at the reporting date for the period of the reporting date until the contractual maturity date. If the ratio is higher than the quantitative trigger threshold of 6, then Stage 2 is assigned to the facility.

- Qualitative criteria, or backstop: the facility is allocated to Stage 2 if one or more of the following qualitative criteria are met at the reporting date:
    - 30 Days past due;
    - performing forborne status;
    - the management of the facility has been transferred from mortgage servicing to the special asset management department (arrears management).

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.

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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 similar 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. The maximum amount for the duration of the financial guarantee amounts to EUR 350 million. As a result of the reduction of the Acier portfolio, an evaluation of the size of the financial guarantee will take place in 2022. This evaluation may lead to a reduction of the maximum amount of the financial guarantee issued.

Other financial assets

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 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 2021 Achmea Bank acquired a mortgage portfolio of a.s.r. 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. 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 is used as best estimate values undue cost and effort.

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), defined as follows:

- 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.

Management overlay on the outcome of the ECL models

The ECL models of Achmea Bank has been calibrated with historical figures from January 2007 – December 2019. These historical figures didn't include the impact of Covid-19 and during this period didn't' include any increase of interest rate. The macro economic scenario's included scenario's for a decrease in house prices and increased interest rates. During 2021 Achmea Bank evaluates the need of management overlay on the outcome of the ECL models for risk such as expiration of interest-only loans, climate change and systemic risk in the housing market, which are not yet fully covered by the current ECL models. Achmea Bank will perform an assessment whether or not these risks are relevant. As per December 2021, a management overlay for the regular portfolio of EUR 3.0 million is included in the ECL figures. For the Acier portfolio a management overlay of EUR 1.3 million is included in the ECL figures, related to mortgages which will mature within 5 years and a relative high loan-to-value.

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. Forecasts 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 most significant period-end assumptions used for the ECL estimate as at 31 December 2021 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.

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BASE SCENARIO

SUBJECT	BASE 2022	BASE 2023	BASE 2024	BASE 2025
House price index (yoy%) (Regular mortgage portfolio)	9.0%	7.0%	5.0%	4.0%
House price index (yoy%) (Acier)	8.0%	6.0%	4.0%	3.0%
GDP (yoy%)	3.4%	1.8%	1.6%	1.4%
Unemployment rate (level)	3.6%	3.8%	4.0%	3.8%

DOWN SCENARIO (RELATIVE TO BASE SCENARIO)

SUBJECT	DOWN 2022	DOWN 2023	DOWN 2024	DOWN 2025
House price index (yoy%) (Regular mortgage portfolio)	−9.0%	−7.0%	−5.0%	−4.0%
House price index (yoy%) (Acier)	−9.0%	−7.0%	−5.0%	−4.0%
GDP (yoy%)	−1.4%	−1.4%	−1.4%	−1.4%
Unemployment (level)	1.0%	1.0%	1.0%	1.0%

UP SCENARIO (RELATIVE TO BASE SCENARIO)

SUBJECT	UP 2022	UP 2023	UP 2024	UP 2025
House price index (yoy%) (Regular mortgage portfolio)	2.0%	3.0%	4.5%	4.0%
House price index (yoy%) (Acier)	2.0%	3.0%	4.5%	4.0%
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 2021 the expert panel has decided to continue the current weighting of the up and down scenario.

Detailed Expected Credit Losses

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 THOUSANDS OF EUROS	PER 31 DECEMBER 2021				PER 31 DECEMBER 2020			
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1	STAGE 2	STAGE 3	TOTAL
Loans and advances to banks	19	–	–	19	23	–	–	23
Loans and advances to customers	2,797	6,378	4,866	14,041	3,101	13,166	12,038	28,305

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

The following tables show the transfers between stages from the opening to the closing balance for Loans and advances to customers of both regular and Acier portfolio’s. 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
2021						
Loans and advances to customers	295.3	121.5	19.0	37.5	23.9	1.6
Total	**295.3**	**121.5**	**19.0**	**37.6**	**23.9**	**1.6**

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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**

The breakdown of gross carrying amount in stages, as per 31 December 2021, is EUR 10.3 billion for stage 1, EUR 0.6 billion in stage 2 and EUR 0.1 billion in stage 3. (31 December 2020: EUR 11.2 billion for stage 1, EUR 0.4 billion in stage 2 and EUR 0.1 billion in stage 3).

The following table show the summary of the reconciliation from the opening to the closing balance of the loss allowances.

MOVEMENT SCHEDULE EXPECTED CREDIT LOSSES

AS AT 31 DECEMBER 2021		
IN THOUSANDS OF EUROS	REGULIER	ACIER
1 January 2021	**11,044**	**17,260**
New assets originated	108	–
Asset derecognised	–1,535	–4,339
Credit quality changes	–21	–568
Changes to methodology	–5,712	–1,481
Amounts written off	–283	–4,682
Management overlay	3,000	1,250
31 December 2021	**6,601**	**7,440**

The following table show the reconciliation from the opening to the closing balance of the loss allowances, including the stage transfers.

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 2021	**2,657**	**4,237**	**4,151**	**11,044**
Movements with P&L impact				
Transfers:				
Of which, transfer from stage 1 to stage 2	–129	981	–	852
Of which, transfer from stage 1 to stage 3	–25	–	427	402
Of which, transfer from stage 2 to stage 1	57	–993	–	–937
Of which, transfer from stage 2 to stage 3	–	–465	348	–117
Of which, transfer from stage 3 to stage 1	4	–	–156	–151
Of which, transfer from stage 3 to stage 2	–	248	–1,526	–1,278
Movements due to recognition/derecognition	–46	–405	–976	–1,427
Other movements	–2,074	–1,549	–894	–4,517
Add-on	1,000	800	1,200	3,000
Total net P&L charge during the period	**–1,213**	**–1,383**	**–1,577**	**–4,173**
Movements with no P&L impact				
Acquired mortgage portfolios	7	5		12
Write-offs	–65	–	–218	–283
Loss allowance as at 31 December 2021	**1,387**	**2,859**	**2,356**	**6,601**
	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

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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**

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.
- Other movements: 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. In 2021 Achmea Bank has implemented new 2nd generation Expected Credit Loss models with more historical data input, as well as changes to the Definition of Default.

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 2021	**444**	**8,929**	**7,887**	**17,260**
Movements with P&L impact				
Transfers:				
Of which, transfer from stage 1 to stage 2	−21	231	–	210
Of which, transfer from stage 1 to stage 3	–	–	–	–
Of which, transfer from stage 2 to stage 1	7	−1,135	–	−1,128
Of which, transfer from stage 2 to stage 3	–	–	–	–
Of which, transfer from stage 3 to stage 1	–	–	–	–
Of which, transfer from stage 3 to stage 2	–	–	–	–
Movements due to recognition/derecognition	−46	−132	−4,160	−4,339
Other movements	−223	−4,374	3,465	−1,132
Add-on	1,250	–	–	1,250
Total net P&L charge during the period	**966**	**−5,410**	**−695**	**−5,138**
Movements with no P&L impact				
Write-offs	–	–	−4,682	−4,682
Loss allowance as at 31 December 2021	**1,410**	**3,519**	**2,510**	**7,440**

	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

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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**

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;
- Other movements: 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. In 2021 Achmea Bank has implemented changes to the Definition of Default for the Acier portfolio.

The following tables show gross carrying amount en expected credit losses of stage 3 loans with arrears.

ARREARS STAGE 3 REGULAR PORTFOLIO

AS AT 31 DECEMBER 2021			
IN THOUSANDS OF EUROS	GROSS CARRYING AMMOUNT	ECL	COVERAGE
Less than 90 dpd	45,954	543	1.2%
90 dpd or more	23,794	613	2.6%
Add-on	–	1,200	0.0%
Total	**69,748**	**2,356**	**3.4%**

AS AT 31 DECEMBER 2020			
IN THOUSANDS OF EUROS	GROSS CARRYING AMMOUNT	ECL	COVERAGE
Less than 90 dpd	39,905	1,918	4.8%
90 dpd or more	47,780	2,233	4.7%
Add-on	–	–	0.0%
Total	**87,685**	**4,151**	**4.7%**

ARREARS STAGE 3 ACIER PORTFOLIO

AS AT 31 DECEMBER 2021			
IN THOUSANDS OF EUROS	GROSS CARRYING AMMOUNT	ECL	COVERAGE
Less than 90 dpd	7,257	718	9.9%
90 dpd or more	4,890	1,792	36.7%
Total	**12,147**	**2,510**	**20.7%**

AS AT 31 DECEMBER 2020			
IN THOUSANDS OF EUROS	GROSS CARRYING AMMOUNT	ECL	COVERAGE
Less than 90 dpd	5,699	1,671	29.3%
90 dpd or more	11,881	6,216	52.4%
Total	**17,580**	**7,887**	**44.9%**

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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 2021, we have adjusted the scenario's in the light of the economic situation.

The main drivers for the regular mortgage portfolio are:

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

The scenario's for the sensitivity analysis for the regular portfolios as well as the Acier portfolio, as mentioned below, has been discussed in the expert panel of December 2021. The outcome of the scenario's are compared with the base scenario of the expected credit losses. For each individual scenario the ECL for each stage is disclosed as well as the total change of the ECL compared to the base scenario.

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

PER 31 DECEMBER 2021						
IN MILLIONS OF EUROS						
SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE ECL
Base	100%	0.4	2.1	1.1	3.6	
Unemployment rate 2,6%	3.6%	0.4	2.0	1.1	3.5	−0.1
House prices index -1%	9%	0.4	2.2	1.1	3.7	0.1
House prices index 14%	9%	0.4	2.1	1.1	3.6	−0.0
Consumer prices index 5%	3%	0.4	2.3	1.1	3.8	0.2
Original scenario ECL (excluding management overlay)	60%/20%/20%	0.4	2.1	1.1	3.6	
Base/Up/Down 33%/33%/33%	60%/20%/20%	0.4	2.2	1.1	3.7	0.1
Base/Up/Down 0%/100%/0%	60%/20%/20%	0.4	1.8	1.1	3.3	−0.3
Base/Up/Down 0%/0%/100%	60%/20%/20%	0.4	2.6	1.1	4.1	0.5

PER 31 DECEMBER 2020						
IN MILLIONS OF EUROS						
SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE
Base	100%	2.3	2.7	3.7	8.8	
Unemployment rate -5%	6%	1.9	2.6	3.7	8.3	−0.5
House prices index -10%	−1%	2.5	3.0	4.1	9.6	0.9
House prices index +2%	−1%	2.2	2.7	3.6	8.5	−0.3

The sensitivity figures includes the acquired portfolios, which has a limited impact on the sensitivity figures. Due to changes in ECL models, as well as new macro-economic scenarios, sensitivity analyses of 2021 are not comparable to 2020 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.

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- House price index: the ECL includes house price index predictions (%) for the coming three years separately and for the period > 3 years.
- CHF currency rate: the ECL includes CHF currency rate predictions (%) for the coming three years separately and for the period > 3 years.

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

PER 31 DECEMBER 2021						
IN MILLIONS OF EUROS						
SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE ECL
Base	100%	0.0	0.9	0.7	1.6	
PD driver weights Affordability/Credit rating/LTV: 75%/15%/10%	33%/33%/33%	0.0	0.4	0.7	1.1	−0.5
PD driver weights Affordability/Credit rating/LTV: 60%/25%/15%	33%/33%/33%	0.0	0.4	0.7	1.2	−0.4
Cure rate for >24 months in default/Enforcement/Other: 0%/0%/49%	0%/0%/59%	0.0	1.1	0.9	1.9	0.3
Cure rate for >24 months in default/Enforcement/Other: 0%/0%/69%	0%/0%/59%	0.0	0.6	0.6	1.2	−0.3
Haircut 10%	20%	0.0	0.6	0.6	1.2	−0.4
Haircut 30%	20%	0.0	1.2	1.1	2.3	0.7
House prices index 13%	8%	0.0	0.7	0.7	1.4	−0.2
House prices index 3%	8%	0.0	1.1	0.7	1.8	0.2
CHF 1,2	1.1	0.0	0.8	0.7	1.5	−0.1
CHF 1,0	1.1	0.0	0.9	0.7	1.7	0.1
Original scenario ECL for the homogeneous part of Acier portfolio	60%/20%/20%	0.0	1.1	0.7	1.9	
Base/Up/Down 0%/100%/0%	60%/20%/20%	0.0	0.4	0.7	1.2	−0.7
Base/Up/Down 0%/0%/100%	60%/20%/20%	0.0	2.7	0.7	3.4	1.6

PER 31 DECEMBER 2020						
IN MILLIONS OF EUROS						
SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE
Base	100%	0.1	5.6	1.4	7.1	
PD driver weights Affordability/Credit rating/LTV: 75%/15%/10%	33%/33%/33%	0.1	3.9	1.4	5.3	−1.8
PD driver weights Affordability/Credit rating/LTV: 50%/30%/20%	33%/33%/33%	0.1	4.4	1.4	5.9	−1.2
PD driver weights Affordability/Credit rating/LTV: 60%/25%/15%	33%/33%/33%	0.1	4.1	1.4	5.6	−1.5
Cure rate for LTV < 100%/Enforcement/Other: 100%/0%/50%	50%/0%/25%	0.0	3.8	1.4	5.3	−1.8
Cure rate for LTV < 100%/Enforcement/Other: 80%/0%/40%	50%/0%/25%	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 3%/4%/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 3%/4%/5%/0%	-2%/-1%/0%/0%	0.1	3.5	1.4	4.9	−2.2
Original scenario ECL for the homogeneous part of Acier portfolio	60%/20%/20%	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

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

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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:

- Based on the available information at the arrears management department, a borrower can be in financial difficulty. 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.

The Bank assumes that there is a substantial modification if the net present value of the contractual cash flows after modification, differs by more than 10% for the net present value of the contractual cash flows before modification.

During 2021 the Bank has no financial assets with lifetime expected credit losses whose cash flows were significantly modified.

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 total equity; 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.

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The Bank uses various methodologies to monitor the market value 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.

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	2021	2020
Duration of Equity	2.6	2.2

The table above shows that the duration of total equity of Achmea Bank has slightly increased from 2.2 years as at 31 December 2020 to 2.6 years as at 31 December 2021.

SENSITIVITY ANALYSIS – ECONOMIC VALUE OF EQUITY (EVE)

IN MILLIONS OF EUROS	2021	2020
Change in the interest rate of 200 basis points negative	−18.6	−1.5
Change in the interest rate of 200 basis points positive	−72.3	−44.3

The impact on the EVE of a 200 basis point upward shift of the yield curve is EUR -72 million at 31 December 2021, compared to EUR -44 million at 31 December 2020. The EVE impact is larger (more negative) than in 2020. This is mainly because AB introduced a new CPR model which is more sensitive to interest changes. In case of higher interest rates, the mortgages are assumed to remain longer on the consolidated statement of financial position (lower CPR), which is less beneficial in case the mortgages have a low coupon.

The impact on EVE of a minus 200 basis point downward shift of the yield curve is EUR -19 million at 31 December 2021, compared to EUR -2 million at 31 December 2020. The EVE impact is larger (more negative) than in 2020. This is mainly driven by the EBA-floor that caps the shock in interest rates. Per ultimo 2021 market interest rates have risen compared to ultimo 2021, leading to a larger shock and hence a larger (negative) impact on EVE.

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	2021	2020
Income at Risk	−8.9	−10.6

The effect of a minus 200 basis point shift of the yield curve on the IaR is EUR -9 million at 31 December 2021, compared to EUR -11 million at 31 December 2020. The decrease in Income at Risk (less negative) is mainly driven by a lower (DNB) cash position per ultimo 2021.

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 2021 is limited to the CHF mortgages in the Acier loan portfolio.

Part of the Acier loan portfolio is denominated in CHF (EUR 362 million at year-end 2021). This position is hedged by CHF 400 million (EUR 387 million) unsecured loans. The remaining CHF exposure is hedged on a monthly basis with foreign exchange derivatives. The net valuation effect over 2021 amounts to a EUR 0.1 million loss (2020: EUR 0.4 million gain) and is recognised in changes in fair value of financial instruments.

FOREIGN CURRENCY EXPOSURE

IN THOUSANDS OF EUROS	2021			2020		
	Total exposure	Hedging instruments	Net exposure	Total exposure	Hedging instruments	Net exposure
Assets						
Swiss Franc	362,465	362,511	−46	388,705	393,312	−4,607
	362,465	**362,511**	**−46**	**388,705**	**393,312**	**−4,607**

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. There were no CHF liability exposures in 2021 or 2020.

The following exchange rates have been used:

	CLOSING RATE		AVERAGE RATE	
	2021	2020	2021	2020
Swiss Franc	1.03	1.08	1.06	1.08

OPERATIONAL RISK MANAGEMENT

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. Compliance risk is in scope of operational risk from a classification perspective as this risk is not regarded as a separate event. However, as regulatory supervisors expect specific management and reporting on compliance risk, Achmea Bank ensures that identified compliance risks are earmarked as such.

Operational Risk Management Process

The Bank has a structured process for identifying, assessing, monitoring and reporting operational risks, including compliance risks and risks surrounding information security and business continuity. This process comprises the following key activities:

- Identification: identification of all (key) risks and related controls;
- Assessment and response: evaluation of risks and controls and formulation of appropriate actions;
- Monitoring: regular review of the risk profile and exposure in relation to risk appetite;
- Reporting: articulating the risk profile for internal governance and external reporting requirements.

Risk identification and assessment are the fundamental characteristics of Achmea Bank's Operational Risk Management Framework (ORMF), and these activities are supported by the following tools:

- Loss Event Management: analysis of events to identify new operational risks, understanding the underlying causes and control weaknesses, and formulating an appropriate response to prevent recurrence of similar events;
- Loss database: maintaining a risk event dataset that collects all material events experienced by Achmea Bank which serves as basis for Risk Self Assessments;
- Risk Self Assessments: performing self-assessments of operational risks and controls on various different levels;
- Control Framework (CFW): a structured approach to the evaluation, review and ongoing monitoring and testing of key controls in place to manage the risks;
- Metrics: monitoring of Key Risk Indicators and related trends through time against agreed thresholds or limits to provide early warning information;
- Issue Management: ongoing monitoring of the timely remediation of observed issues in the management and controlling of risks.

Operational Risk Governance and Policy

To manage operational risks Achmea Bank relies on three lines of defence. The first line of defence is business unit management which is responsible for identifying and managing the risks inherent in the products, activities, processes and systems for which it is accountable. Compliance & Operational Risk Management is the second line of defence and provides independent risk oversight over business processes and the proper implementation of the risk management policies and framework. The third line comprises the

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internal audit function which provides independent assurance to the board of the appropriateness of Achmea Bank's ORMF. At least every three months the risk management cycle is discussed in detail by the Finance & Risk Committee.
The Operational Risk Policy describes the objectives of operational risk management, the governance structure, roles and responsibilities and the overall design of the ORMF. The policy is reviewed every year and contains additional policies and procedures for specific risk events, such as for information security, business continuity, outsourcing and compliance/integrity:

- 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 CFW, 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 CFW, 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 CFW contains control measures aimed at contracting, compliance with Service Level Agreements and registration of outsourcing.
- Compliance/integrity: Management of compliance risks is based on compliance themes which ensure that all compliance risks can be promptly identified without delay and are accessible for management, regulators and other stakeholders. Specific policies are drafted for risk themes such as Integrity & fraud, Customer Due Diligence, Duty of Care and Privacy.

Important Operational Risks for Achmea Bank
The most important operational risks that could harm Achmea Bank are the risks related to information security / privacy and cybercrime, risks associated with the digitization and outsourcing of our services and liability claims from products and services. The risks for cybercrime 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.

Customer due diligence
Anti- money laundering and countering the financing of terrorism are high attention topics on the monitoring agenda of the supervising authorities. Achmea Bank is mitigating those risks by performing Customer Due Diligence, Sanction screening and Transaction Monitoring in her operational activities

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.

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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.

Outsourcing

In 2021 Achmea Bank has further developed her strategy of optimizing results by adding value with our business partner. On the one hand this aims at developing shared objectives and explore innovate ways of reaching those objectives. On the other hand the responsibility of being a prudent financial institutions sets strict obligations on how partnerships are to be managed. The partnerships of data driven network Bank are still strong and have been expanding in 2021 in number and in intensity. Simultaneously we have been improving on our control of risk management throughout the supply chain. The external outsourcing contract are being professionally managed in a controlled and proportionate way, as required by the EBA guidelines on outsourcing.

Security and fraud incidents in 2021

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

CLIMATE-RELATED RISK

Achmea Bank recognizes the potential impact that climate related risks can have on the risk profile of her mortgage portfolio. The responsibility for both the risks and opportunities that arise from climate change an environmental issues lie with the Board of Directors, and our are further integrated in all parts of our organization.

Noting that ESG-risks are drivers for all risk categories (credit risk, operational risk, etc.), we look at both how we can play a role in mitigating our impact on climate change by reducing emissions, as at how we can adapt our organization and strategy accordingly. In 2021 more steps were taken to further this approach. Qualitatively an ESG perspective was already embedded in the bank's ICLAAP macro-scenarios. In 2021, investigations have been initiated to understand the relevance of both physical risk and transition risk. Using datasets form CAS (Climate Adaption Services), the key physical risks in our mortgage portfolios were identified, serving as a basis for further analysis. Additionally, we continually monitor different transitional risks that arise from the transformation to a more sustainable economy.

As further explained in the ESG-paragraph of the annual report, we will continue to integrate these insights into our existing risk management structures. Our climate risk investigations will continue in 2022, including scenario analysis and stress testing. In line with the risk management cycle, further insights will be gathered that may lead to alterations of the risk appetite, credit risk policies and credit risk management practices. Additionally, we already set and monitor targets that relate to emission reduction and engagement with partners and investors on these issues, which can be found in mentioned paragraph.

FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

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 (an exit price).

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 2021	FAIR VALUE 2021	CARRYING AMOUNT 2020	FAIR VALUE 2020
Financial assets				
Loans and advances to banks	592,694	592,694	669,166	669,166
Loans and advances to customers and public sector	11,363,850	11,682,503	12,092,915	12,282,947
Financial liabilities				
Deposits from banks	55,535	55,494	377,234	377,719
Funds entrusted	7,515,211	7,720,453	7,447,114	7,677,189
Debt securities issued	4,050,709	4,071,092	4,651,080	4,670,854
Subordinated liabilities	1,191	1,336	1,191	1,413

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, which is a reasonable approximation of the fair value.

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.

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.

FAIR VALUE HIERARCHY

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

AS AT 31 DECEMBER 2021				
IN THOUSANDS OF EUROS				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Derivative assets held for risk management				
Interest rate swaps	–	55,357	–	55,357
Foreign exchange derivatives	–	188	–	188
Back-to-back swaps and interest caps	–	6,224	–	6,224
	–	**61,769**	**–**	**61,769**
Financial liabilities				
Derivative liabilities held for risk management				
Interest rate swaps	–	333,470	–	333,470
Foreign exchange derivatives	–	–	–	–
Back-to-back swaps and interest caps	–	6,224	–	6,224
	–	**339,694**	**–**	**339,693**

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	–	455,666	–	455,666
Foreign exchange derivatives	–	5	–	5
Back-to-back swaps and interest caps	–	804	–	804
	–	**456,475**	**–**	**456,474**

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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 consolidated statement of financial position.

Changes in the fair value hierarchy in 2021

During 2021 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. In 2021 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)

For DRMPII and SRMP I the Bank entered into a back-to-back interest cap. The pricing is based on current market data.

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6. LOANS AND ADVANCES TO CUSTOMERS

ACCOUNTING POLICIES LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are financial instruments with fixed or determinable payments that are not listed on an active market. These loans arise when the Bank lends funds or provides services directly to a debtor without the intention to trade the loans.
Consumer loans are included in the 'Loans and advances to customers' 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 J 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 after realisation of collateral, all or part of a loan or interest payment proves to be uncollectible, the amount identified as uncollectable is written off from the corresponding loss allowances for expected credit losses. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance and then the total amount to be written off is applied against the amount of the loss allowances for expected credit losses. Amounts that are subsequently collected are recognised as other income.

LOANS AND ADVANCES TO CUSTOMERS

IN THOUSANDS OF EUROS	2021	2020
Loans and advances to customers at amortised cost	10,697,092	11,382,050
Less: loss allowances for expected credit losses	6,601	11,044
Total loans and advances to customers regular Achmea Bank portfolio	**10,690,491**	**11,371,006**
Loans and advances to customers Acier loan portfolio at amortised cost	680,170	738,517
Less: loss allowances for expected credit losses Acier loan portfolio	7,440	17,260
Total loans and advances to customers	**11,363,221**	**12,092,262**

As at December 2021 the allowance for losses on loans and advances related to the Acier loan portfolio amounts to EUR 7.4 million (2020 EUR 17.3 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. Further information regarding the guarantee is provided in the related parties section.
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 the loss allowances for expected credit losses, including an expected prepayment rate of 9.75% (2020: 9.5%) for both portfolios, is:

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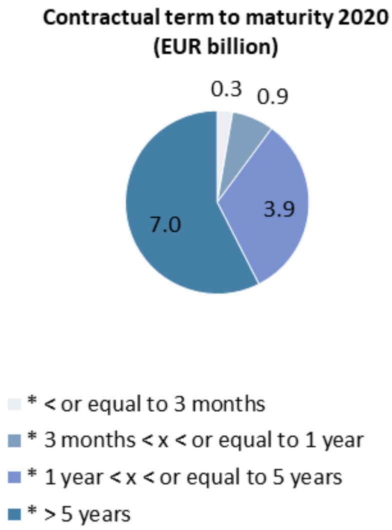

The Loans and advances to customers of the regular Achmea Bank portfolio consist of residential mortgage loans on properties in the Netherlands only. In 2021 Achmea Bank acquired a new mortgage portfolio. Reference is made to chapter 4 Acquisitions for more details regarding this portfolio. The calculation 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 differs in characteristics from the typical Achmea Bank mortgages. The majority consists of residential real estate mortgage loans secured by mainly Dutch residential real estate, a part is secured by commercial real estate and a small part is secured by other types of collateral. The portfolio includes also mortgages in CHF.

Achmea Bank has a residual claim after write-off of mortgage receivables of EUR 38 million (2020: EUR 41 million). The expected net recovery of this exposure is limited.

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

In thousands of euros			2021		2020
Balance as at 1 January			**11,371,006**		**11,864,287**
Changes nominal portfolio	Loans granted	759,445		739,865	
	Acquired portfolios	494,976		458,594	
	Repayments	−1,776,434		−1,695,597	
			−522,013		**−497,138**
Fair value hedge accounting	Revaluation basis adjustment mortgages	−125,935		−45,786	
	Amortisation basis adjustment mortgages	−27,944		55,957	
			−153,879		**10,171**
Allowances for losses on loans and advances	Initial recognition acquired portfolios	–		−133	
	Additions	−20,992		−19,765	
	Releases	25,152		16,845	
	Write-offs	283		733	
			4,443		**−2,320**
Amortised cost adjustment acquired portfolios					
	Initial recognition	21,947		12,751	

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	Amortisation	−36,219		−38,805	
			−14,272		−26,054
Other movements			**5,206**		**22,060**
Balance as at 31 December			**10,690,491**		**11,371,006**

The carrying amount of the fair value hedge adjustment is EUR 287 million (2020: EUR 440 million).

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

In thousands of euros			2021		2020
Balance as at 1 January			**721,257**		**768,114**
Changes nominal portfolio	Repayments	−77,522		−56,447	
			−77,522		**−56,447**
Allowances for losses on loans and advances	Additions	−4,921		−11,384	
	Releases	10,054		10,883	
	Write-offs	4,687		4,956	
			9,820		**4,455**
Other movements			**19,175**		**5,135**
Balance as at 31 December			**672,730**		**721,257**

The total amount of additions and releases for regular Achmea Bank portfolio and Acier portfolio EUR -9.3 million (2020 EUR 3.5 million) is recorded in the consolidated income statement under impairment of financial assets.

7. 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. Funds entrusted are removed from the consolidated statement of financial position when the obligation is extinguished, i.e. when the contractual commitment is fulfilled, dissolved or expires. 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.

IN THOUSANDS OF EUROS	2021	2020
* < or equal to 3 months	4,579,563	4,295,790
* 3 months < x < or equal to 1 year	361,875	434,680
* 1 year < x < or equal to 5 years	1,416,904	1,431,489
* > 5 years	1,156,869	1,285,155
	7,515,211	**7,447,114**

Funds entrusted include an amount of EUR 0.7 billion (2020: EUR 0.8 billion) related to liabilities to saving deposits linked to mortgages. At the end of 2021 EUR 4.5 billion (2020: EUR 4.1 billion) are on demand savings.

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8. 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. Debt securities are removed from the consolidated statement of financial position when the obligation is extinguished, i.e. when the contractual commitment is fulfilled, dissolved or expires. 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.

IN THOUSANDS OF EUROS	2021	2020
Residential Mortgage Backed Securities	190,357	259,848
CPTCB and SBCB	1,987,559	1,496,335
Senior Unsecured Loans	1,381,978	2,118,999
Commercial paper	470,296	681,153
	4,030,190	**4,556,336**
Accrued interest	11,443	29,068
Fair value adjustment	10,933	66,579
Transaction cost	−1,857	−903
Total carrying amount	**4,050,710**	**4,651,080**

The notes held by the Bank (EUR 1.9 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 2021. 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 2021 was 0.6% (2020: 1.0%).

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

IN THOUSANDS OF EUROS	2021	2020
* < or equal to 3 months	383,928	1,109,315
* 3 months < x < or equal to 1 year	1,042,754	377,547
* 1 year < x < or equal to 5 years	2,107,457	2,608,239
* > 5 years	516,570	555,979
	4,050,709	**4,651,080**

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

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9. INTEREST MARGIN

ACCOUNTING POLICIES INTEREST 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 expenses on derivatives that are classified at fair value through profit or loss are accounted for based on nominal interest rates.

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.

INTEREST MARGIN

IN THOUSANDS OF EUROS	2021	2020
Interest income	304,208	334,996
Interest expenses	166,681	194,235
Interest margin	**137,527**	**140,761**

Interest income

The total interest income can be specified as follows:

INTEREST INCOME

IN THOUSANDS OF EUROS	2021	2020
Interest income calculated using the effective interest method		
Loans and advances to customers	297,531	331,610
	297,531	**331,610**
Other interest income		
Other interest income	6,677	3,386
Total interest income	**304,208**	**334,996**

Interest income on Loans and advances to customers mainly includes interest income on mortgage loans. Other interest income mainly consists of commercial papers an repurchase agreements. Interest income included an amount of EUR 2.5 million of negative interest on repurchase agreements and negative interest on the Acier portfolio for an amount of EUR 0.2 million (2020: EUR 0.2 million).

Notes To The Consolidated Financial Statements

Interest expenses

The total interest expenses can be specified as follows:

INTEREST EXPENSES

IN THOUSANDS OF EUROS	2021	2020
Interest expenses calculated using the effective interest method		
Funds entrusted	71,326	74,572
Debt securities issued	30,691	54,683
	102,017	**129,255**
Other interest expenses		
Interest expenses related to derivatives	58,525	61,194
Other interest expenses	6,139	3,786
	64,664	**64,980**
Total interest expenses	**166,681**	**194,235**

As from mid August, the Bank charges negative interest on saving balances above EUR 100,000, following the general development of the saving rates in the Netherlands. The interest expenses Funds entrusted includes negative interest on saving accounts (2021 EUR 0.3 million, 2020 EUR 0.0 million).

Interest expenses related to derivatives includes al interest income and expenses of the derivatives of Achmea Bank.

Interest expenses included an amount of EUR 1.1 million of negative interest on short term deposits (2020: EUR 1.3 million).

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

ACCOUNTING POLICIES DERIVATIVES AND HEDGE ACCOUNTING

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 interest rate swaps 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.

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.

Notes To The Consolidated Financial Statements

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.

Achmea Bank has decided to continue to apply the EU carve out version of IAS 39 hedge accounting requirements.

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 has bilateral margining agreements (Credit Support Annexes /CSAs) to reduce its derivative counterparty risk exposure. As of 2017 for all new interest rate swaps central clearing (EMIR) is applicable.

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.

Back-to-back swaps and interest Caps

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 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%.

DERIVATIVES

AS AT 31 DECEMBER 2021

	Notional	Carrying amount
In thousands of euros	**amount**	**assets**
Derivatives in economic hedge relationships		
Interest rate swaps	7,157,478	55,357
Foreign exchange derivatives	24,673	188
Back-to-back swaps and interest caps		6,224
	7,182,151	**61,769**
Derivatives used as fair value hedges		
Interest rate swaps	6,213,838	42,348
	6,213,838	**42,348**
As at 31 December 2020		
	Notional	**Carrying amount**
In thousands of euros	**amount**	**assets**
Derivatives in economic hedge relationships		
Interest rate swaps	6,886,495	81,152

Notes To The Consolidated Financial Statements

Foreign exchange derivatives	23,011	80
Back-to-back swaps and interest caps		804
	6,909,506	**82,035**
Derivatives used as fair value hedges		
Interest rate swaps	6,112,252	54,186
	6,112,252	**54,186**

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

REMAINING CONTRACTUAL TERM TO MATURITY OF THE DERIVATIVES

AS AT 31 DECEMBER 2021						
	NOTIONAL		BETWEEN	BETWEEN		
IN THOUSANDS OF EUROS	AMOUNT	LESS THAN	THREE MONTHS	ONE YEAR AND	MORE THAN	TOTAL
ASSETS		THREE MONTHS	AND ONE YEAR	FIVE YEARS	FIVE YEARS	FAIR VALUE
Interest rate swaps	3,358,478		2,302	33,224	19,831	55,357
Foreign exchange derivatives	24,673	188				188
Back-to-back swaps and interest caps			1,397	4,827		6,224
Total derivative assets		**188**	**3,699**	**38,051**	**19,831**	**61,769**
Liabilities						
Interest rate swaps	3,799,000	2,272	4,385	113,898	212,916	333,471
Foreign exchange derivatives	–					–
Back-to-back swaps and interest caps			1,397	4,827		6,224
Total derivative liabilities		**2,272**	**5,782**	**118,725**	**212,916**	**339,695**

AS AT 31 DECEMBER 2020	NOTIONAL		BETWEEN	BETWEEN		
ASSETS	AMOUNT	LESS THAN	THREE MONTHS	ONE YEAR AND	MORE THAN	TOTAL
		THREE MONTHS	AND ONE YEAR	FIVE YEARS	FIVE YEARS	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**

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.

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	2021	2020
Effectiveness results of fair value hedge accounting	20,231	7,319
Amortisation effects	−15,262	−9,213
Other fair value effects	−221	−3,128
Changes in fair value of financial instruments	**4,748**	**−5,022**

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

Notes To The Consolidated Financial Statements

Ibor

Currently, a world-wide transition is taking place from interbank offered rates (IBORs) to alternative benchmarks: risk free rates (RFRs). From 1 January 2022, Swiss Libor has been replaced by SARON.
At 31 December 2021, an amount of CHF 0.4 billion derivatives are included in micro hedges. The Bank assumes that the transition to alternative benchmark rates won't have a material impact on the effectiveness results.

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 following table provides information about the hedged items included the Bank's consolidated statement of financial position:

DERIVATES INCLUDED IN FAIR VALUE HEDGES

AS AT 31 DECEMBER 2021 IN THOUSANDS OF EUROS	NOTIONAL AMOUNT	CARRYING AMOUNT ASSETS	CARRYING AMOUNT LIABILITIES
Micro fair value hedges			
Interest rate swaps	2,415,388	21,500	20,599
Macro fair value hedges			
Interest rate swaps	3,798,450	20,848	297,406
Total	**6,213,838**	**42,348**	**318,005**

AS AT 31 DECEMBER 2020 IN THOUSANDS OF EUROS	NOTIONAL AMOUNT	CARRYING AMOUNT ASSETS	CARRYING AMOUNT LIABILITIES
Micro fair value hedges			
Interest rate swaps	2,320,302	53,968	–
Macro fair value hedges			
Interest rate swaps	3,791,950	217	432,182
Total	**6,112,252**	**54,186**	**432,182**

The following table provides information about the hedging instruments included in the Bank's consolidated statement of financial position:

Notes To The Consolidated Financial Statements

FAIR VALUE HEDGES

AS AT 31 DECEMBER 2021	CARRYING AMOUNT	CARRYING AMOUNT	CARRYING AMOUNT	ACCUMULATED AMOUNT OF FAIR VALUE ADJUSTMENTS ON THE HEDGED ITEMS	ACCUMULATED AMOUNT OF FAIR VALUE ADJUSTMENTS ON THE HEDGED ITEMS
IN THOUSANDS OF EUROS	ASSETS	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Micro fair value hedges					
Fixed rate bonds	–	–	2,407,483	–	10,933
Macro fair value hedges					
Fixed rate mortgages	3,808,450	3,808,450	–	286,617	–
Total	**3,808,450**	**3,808,450**	**2,407,483**	**286,617**	**10,933**

AS AT 31 DECEMBER 2020	CARRYING AMOUNT	CARRYING AMOUNT	CARRYING AMOUNT	ACCUMULATED AMOUNT OF FAIR VALUE ADJUSTMENTS ON THE HEDGED ITEMS	
IN THOUSANDS OF EUROS	ASSETS	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Micro fair value hedges					
Fixed rate bonds	–	–	2,322,519	–	66,579
Macro fair value hedges					
Fixed rate mortgages	3,896,950	3,896,950	–	440,496	–
Total	**3,896,950**	**3,896,950**	**2,322,519**	**440,496**	**66,579**

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

INEFFECTIVINESS HEDGE ACCOUNTING

IN THOUSANDS OF EUROS	GAIN	LOSS	NET 2021	NET 2020
Macro hedge				
Fair value changes in hedged items	46,133	183,272	−137,139	26,801
Fair value changes in hedging instruments	201,310	47,482	153,828	−17,790
	247,443	**230,754**	**16,689**	**9,011**
Micro hedge				
Fair value changes in hedged items	81,918	27,750	54,168	−18,532
Fair value changes in hedging instruments	28,599	79,225	−50,626	16,840
	110,517	**106,975**	**3,542**	**−1,692**
Total hedge				
Fair value changes in hedged items	128,051	211,022	−82,971	8,269
Fair value changes in hedging instruments	229,909	126,707	103,202	−950
	357,960	**337,729**	**20,231**	**7,319**

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. All Cash and cash equivalents are classified in stage 1.

IN THOUSANDS OF EUROS	2021	2020
Cash and balances with Central Banks	**780,114**	**938,708**

At the end of 2021 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 42 million (2020: EUR 39.4 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. All Loans and advances to Banks are classified in stage 1.

IN THOUSANDS OF EUROS	2021	2020
Loans and advances to banks	592,694	669,166

IN THOUSANDS OF EUROS	2021	2020
* Not available on demand	572,765	628,315
* On demand	19,929	40,851
	592,694	**669,166**

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.

IN THOUSANDS OF EUROS	2021	2020
Loans and advances to public sector	**629**	**652**

At December 2021 the total outstanding amount is non-current (2020: total amount is non-current).

14. PREPAYMENTS AND OTHER RECEIVABLES

ACCOUNTING POLICIES INTEREST – PREPAYMENTS AND OTHER RECEIVABLES

Other receivables are recognised at amortised cost. Other receivables are classified in stage 1.

IN THOUSANDS OF EUROS	2021	2020
Prepayments and other receivables	47,684	46,092
	47,684	**46,092**

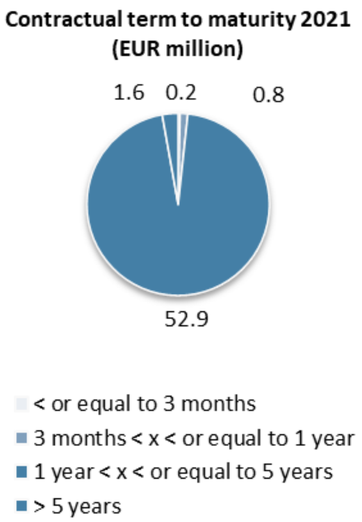
Prepayments and other receivables mainly consist of amounts related to production and repayments of mortgages. In 2021 an amount of EUR 4.3 million (2020: EUR 13 million) relates to the production for Achmea Pensioen- en Levensverzekeringen N.V. For an analysis of receivables within Achmea, we refer to the separate related-parties disclosure (note 29). In 2021 an amount of EUR 0.2 million is non-current (2020: EUR 0.5 million).

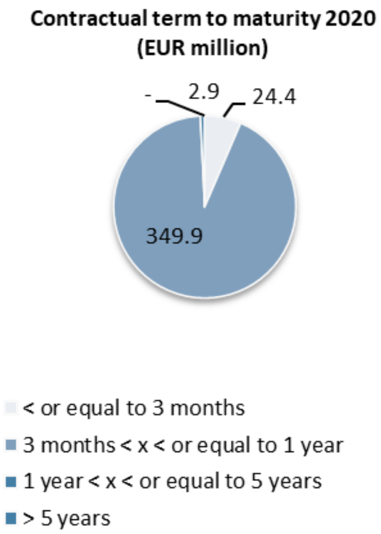
15. DEPOSITS FROM BANKS

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.

Total deposits from banks amounts to EUR 55,535 (2020: EUR 377,234). The remaining contractual term to maturity of the Deposits from banks is:





At the end of 2020 Achmea Bank participated in the Pandemic Emergency LTRO (PELTRO), borrowing EUR 350 million from the ECB to mid-2021.

16. 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 current tax position are determined on the same basis as if Achmea bank was tax liable on a stand-alone basis.

The net current corporate tax liabilities of EUR 2.0 million (2020: tax liabilities EUR 7.5 million) refers to the tax payable for the reporting period and for previous periods.

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.

17. ACCRUALS AND OTHER LIABILITIES

ACCOUNTING POLICIES ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities are recognised at amortised cost.

IN THOUSANDS OF EUROS	2021	2020
Accruals	9,068	10,464
Other liabilities	55,972	46,588
	65,040	**57,053**

Accruals and other liabilities include an amount of EUR 49.4 million (2020: EUR 36.5 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.

18. 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. The deferred tax position are determined on the same basis as if Achmea bank was tax liable on a stand-alone basis.

Deferred tax is calculated for all temporary differences at an effective tax rate of 25.8% for 2022 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	2021	2020	2021	2020	2021	2020
Valuation differences due to differences in tax base	7,283	19,039	–	–	7,283	19,039
Tax position asset/liability	**7,283**	**19,039**	**–**	**–**	**7,283**	**19,039**
TAX RATE	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net deferred tax	**1,821**	**4,760**	**–**	**–**	**1,821**	**4,760**
Correction on corporation tax due to change in tax rate	58	–	–	–	58	–
Net deferred tax	**1,879**	**4,760**	**–**	**–**	**1,879**	**4,760**

SPECIFICATION VALUATION DIFFERENCES BETWEEN COMMERCIAL AND FISCAL ACCOUNTING TREATMENT

IN THOUSANDS OF EUROS	2021	2020	2021	2020	2021	2020
Derivative assets held for risk management	255,249	358,130	–	–	255,249	358,130
Debt securities issued	4,246	70,893	–	–	4,246	70,893
Accrued interest	–	–	–	–	–	–
Loans and advances to customers	−252,212	−409,984	–	–	−252,212	−409,984
Tax position asset/liability	**7,283**	**19,039**	**–**	**–**	**7,283**	**19,039**
TAX RATE	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

Net deferred tax	1,821	4,760	–	–	1,821	4,760
Correction on corporation tax due to change in tax rate	58	–	–	–	58	–
Net deferred tax	**1,879**	**4,760**	**–**	**–**	**1,879**	**4,760**

From deferred tax assets and liabilities an amount of EUR 0.5 million is current (2020: EUR 0.8 million), the remainder is non-current.

CHANGES TO TEMPORARY DIFFERENCES

IN THOUSANDS OF EUROS	BALANCE AS AT 01-01-2021	RECOGNISED IN RESULT	RECOGNISED IN EQUITY	BALANCE AS AT 31-12-2021
2021				
Valuation differences due to differences in tax base	19,039	−11,756	–	7,283
Tax position asset/liability	**19,039**	**−11,756**	**–**	**7,283**
TAX RATE	25.0%	25.0%	25.0%	25.0%
Net deferred tax	**4,760**	**−2,939**	**–**	**1,821**
Correction on corporation tax due to change in tax rate	–	58	–	58
Net deferred tax	**4,760**	**−2,881**	**–**	**1,879**

IN THOUSANDS OF EUROS	BALANCE AS AT 01-01-2020	RECOGNISED IN RESULT	RECOGNISED IN EQUITY	BALANCE AS AT 31-12-2020
2020				
Interest-bearing securities	–	–	–	–
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**

19. 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	2021	2020
Balance as at 1 January	1,200	3,600
Addition	320	–
Releases	–	−1,546
Amounts used	−1,020	−854
Balance as at 31 December	**500**	**1,200**

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. The provision for compliance related costs pursuant to its voluntary retroactive adjustment of its risk premium policy related to mortgages for 2021 amounted to EUR 0.5 million (2020: EUR 1.2 million). The total amount of the provisions is non-current.

20. 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 (%)	2021	2020
Loan 1999/2024	5.68	1,191	1,191
		1,191	**1,191**

The interest expenses for 2021 amounted to EUR 0.1 million (2020: EUR 0.1 million). The total amount of the subordinated liabilities is non-current.

21. TOTAL EQUITY

As 31 December 2021 Total Equity amounts to EUR 818.1 million (2020: EUR 834.8 million). As at 31 December 2021 the authorised share capital amounted to EUR 90 million (2020: EUR 90 million), divided into 90 million shares (2020: 90 million) each with a nominal value of EUR 1 (2020: EUR 1). As at 31 December 2021 18,151,663 shares had been issued and paid up in full (2020: 18,151,663 shares).

In October 2021 a dividend amount of EUR 56 million was paid out (from other reserves) to Achmea B.V., representing the 2019 (EUR 23 million) and 2020 (EUR 28 million) distributable net profits plus a small amount of the other reserves (EUR 5 million).

The profit for the year consists of the 2021 net profit.

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	2021	2020
Other Income	1,423	1,676

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. (AP&L) with regard to mortgages originated and serviced for AP&L. The Bank paid origination and servicing fees to Syntrus Real Estate with regards to the AP&L mortgage portfolio.

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	2021	2020
Fees and commission income	6,465	9,403
Fees and commission expense	5,722	87
	743	**9,316**

In 2021 Bank received originating and servicing fees from AP&L. Bank paid originating and servicing fees to Quion which were reported in operating expenses.

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	2021	2020
Staff costs	26,190	25,036
Administrative expenses	75,263	81,078
	101,453	**106,114**

Compared to 2020, operating expenses decreased with EUR 4 million to EUR 102 million (2020: EUR 106 million). The servicing costs increased by EUR 1.4 million due to acquired portfolios. The bank-related levies for the resolution fund and the deposit guarantee scheme increased by EUR 3.6 million. This is due to increased saving deposits. The internal allocations decreased with EUR 8 million from EUR 32 million to EUR 24 million in 2020 mainly due to organizational restructuring end 2020. The number of employees decreased from 203 FTE to 195 FTE at the end of 2021.

25. STAFF COSTS

ACCOUNTING POLICIES EMPLOYEE BENEFITS

All staff, including the Managing Board, is employed by Achmea Interne Diensten N.V., a subsidiary of Achmea B.V. Achmea Interne Diensten N.V. allocates the staff costs to the various entities of Achmea Group. Allocation is based on the pensionable salary of employees currently working for Achmea Bank.

IN THOUSANDS OF EUROS	2021	2020
Wages and salaries	13,407	12,999
Pension costs	4,221	3,962
Compulsory social security obligations	1,442	1,510
Other staff costs	7,120	6,565
	26,190	**25,036**

The average number of employees during 2021 was 201 FTEs (2020: 215 FTEs). Achmea Interne Diensten N.V. employs all personnel including the Management Board of Achmea Bank. All the employees work in the Netherlands. In 2021 there were no adjustments or claw backs in connection with (past) remuneration to members of the Management 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, Ernst & Young Accountants LLP, 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, Stichting Trustee Achmea Bank, Achmea Conditional Pass Through Covered Bond Company B.V. and Achmea SB Covered Bond Company B.V.;
- 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 cost price models saving products Centraal Beheer;
- Several comfort letters related to funding programmes.

27. INCOME TAX EXPENSES

RECONCILIATION OF THE EFFECTIVE TAX RATE

IN THOUSANDS OF EUROS	2021	2020
Operating profit before taxes	52,281	37,129
Nominal tax rate	25.0%	25.0%
Nominal tax expenses	13,070	9,282
Non-deductable amounts	–	−125
Correction on corporation tax due to change in tax rate	−58	443
Effective tax expenses	**13,012**	**9,600**
Effective tax rate	**24.9%**	**25.9%**

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 15.9 million current tax and EUR -2.9 million deferred tax.

28. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

In the course of 2021 several instances of legal proceedings are pending against the bank. However, based on legal advice, the Management Board does not expect the outcome of the various proceedings to have a material effect on the company's financial position.

Contractual obligations

At year-end 2021 the Bank had contractual obligations for the coming year with Achmea Group companies amounting to EUR 51.4 million (2020: EUR 48.3 million), primarily in connection with outsourcing of the servicing of the regular mortgage portfolio by Syntrus Achmea Real Estate & Finance B.V., ICT-related contracts and with Centraal Beheer for distribution.

The Bank had external contractual obligations for the coming year amounting to EUR 2.6 million (2020: EUR 2.5 million) for the servicing of the saving portfolio, EUR 4.3 million in contractual obligations for the servicing of the a.s.r. mortgage portfolio (2020: EUR 2.3 million), EUR 1.8 million in contractual obligations for the servicing of the Obvion mortgage portfolio (2020: EUR 2.4 million) and EUR 0.8 million in contractual obligations for the servicing of the Dynamic Credit mortgage portfolio. (2020: EUR 1.0 million)

Irrevocable facilities

This refers to all liabilities relating to irrevocable undertakings which could lead to credit losses, including mortgage loan proposals for EUR 270 million (2020: EUR 321 million), EUR 75 million related of newly originated mortgages from a.s.r., construction accounts of EUR 41 million (2020: EUR 31 million) and undrawn credit facilities of credit mortgages of EUR 16 million (2020: EUR 14 million).

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 Managing 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 (2020: EUR 0.8 billion) is included under Funds entrusted for liabilities to non-banking institutions within Achmea B.V.

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 amounts to EUR 350 million. As a result of the reduction of the Acier portfolio, an evaluation of the size of the financial guarantee will take place in 2022. This evaluation may lead to a reduction of the maximum amount of the financial guarantee issued. The contract for the financial guarantee will end in line with the maturity of the related loans. As at year-end 2021, the total amount claimed by Achmea Bank is EUR 20 million (2020: 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. with an original maturity date in March 2024, which was terminated early per 7 March 2022.

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	2021	2020
Assets		
Prepayments and other receivables	8,839	17,926
	8,839	**17,926**
Liabilities		
Funds entrusted	738,361	771,244
Accruals and other liabilities	57,929	46,577
	796,290	**817,822**

PREPAYMENTS AND OTHER RECEIVABLES FROM RELATED PARTIES

IN THOUSANDS OF EUROS	2021	2020
Achmea B.V.	188	201
Achmea Pensioen- en Levensverzekeringen N.V.	4,321	13,396
Achmea Interne Diensten N.V.	4,330	4,330
	8,839	**17,926**

INTEREST INCOME ON RECEIVABLES TO RELATED PARTIES

IN THOUSANDS OF EUROS	2021	2020
Interamerican Assistance General Insurance Company Single Member SA	27	23
Interamerican Property & Casualty Insurance Company Single Member SA	61	57
Interassistance Road Assistance Services SA	2	1
Zilveren Kruis Zorgverzekeringen N.V.	111	–
Athinaiki General Clinic SA	7	4
	209	**85**

FUNDS ENTRUSTED AND SECURED BANK LOANS

IN THOUSANDS OF EUROS	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	720,650	753,438
Interamerican Property & Casualty Insurance Company Single Member SA	11,059	11,120
Interassistance Road Assistance Services SA	397	399
Interamerican Assistance General Insurance Company Single Member SA	4,930	4,958
Athinaiki General Clinic SA	1,325	1,332
	738,361	**771,247**

DEPOSITS FROM BANKS AND OTHER LIABILITIES

IN THOUSANDS OF EUROS	2021	2020
Syntrus Achmea Real Estate & Finance B.V.	2,101	2,540
Staal Beheer N.V.	−281	−281
Achmea Interne Diensten N.V.	8,789	10,347
Achmea Pensioen- en Levensverzekeringen N.V.	47,320	33,971
	57,929	**46,577**

INTEREST EXPENSES ON LOANS AND ADVANCES TO RELATED PARTIES

IN THOUSANDS OF EUROS	2021	2020
Achmea B.V.	222	200
Achmea Pensioen- en Levensverzekeringen N.V.	29,183	30,400
	29,405	**30,600**

COMMISSION INCOME RELATED PARTIES

IN THOUSANDS OF EUROS	2021	2020
Staal Beheer N.V.	281	281
Achmea Pensioen- en Levensverzekeringen N.V.	5,680	8,484
	5,961	**8,765**

30. REMUNERATION MANAGING BOARD AND SUPERVISORY BOARD

REMUNERATION OF SUPERVISORY BOARD MEMBERS

IN THOUSANDS OF EUROS	2021	2020
Short term remuneration	115	141
	115	**141**

REMUNERATION OF MANAGING BOARD MEMBERS

IN THOUSANDS OF EUROS	2021	2020
Short-term employee benefits	675	655
Post-employment benefits	101	95
	776	**750**

The members of Management Board and Supervisory Board are classified as key management personnel. There is no key management personnel that held a mortgage loan during 2021 at Achmea Bank.

31. EVENTS AFTER REPORTING PERIOD

The course of events in Ukraine, international measures and the economic impact of these on financial markets and inflation are closely monitored. Please note that Achmea Bank has no direct exposure to Ukraine and Russia. Next to the situation in Ukraine we are of course also closely monitoring other uncertain situations. Managing uncertainty is an inherent part of our line of business. Our capital and liquidity position, together with our risk management system, are safeguards to possible second order effects.

AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

Tilburg, 11 March 2022

The Management 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
Mrs. D. (Daphne) de Kluis (as from 12 October 2021)

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 31 DECEMBER		2021	2020
Assets	**notes**		
Cash and balances with Central Banks	1	780,114	938,708
Loans and advances to banks	2	321,837	445,663
Loans and advances to public sector	3	629	652
Loans and advances to customers	4	11,363,221	12,092,263
Derivative assets held for risk management	5	55,545	81,231
Receivables from subsidiaries	6	–	4,715
Deferred tax assets	7	1,879	4,760
Prepayments and other receivables	8	245,852	243,562
Total Assets		**12,769,077**	**13,811,554**
Liabilities			
Deposits from banks	9	55,535	377,234
Funds entrusted	10	7,400,157	7,371,786
Borrowings	11	4,069,100	4,704,287
Derivative liabilities held for risk management	5	339,695	456,475
Current tax liabilities	12	2,043	7,533
Accruals and other liabilities	13	65,040	57,052
Payables to subsidiaries	6	17,750	–
Provisions	14	500	1,200
Subordinated liabilities	15	1,191	1,191
Total Liabilities		**11,951,011**	**12,976,758**
Equity			
Share Capital		18,152	18,152
Share premium		505,609	505,609
Other reserves		246,055	272,213
Legal reserves		8,981	11,293
Net profit for the period		39,269	27,529
Total Equity		**818,066**	**834,796**
Total Equity and Liabilities		**12,769,077**	**13,811,554**

Company Income Statement of Achmea Bank N.V.

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER	NOTES	2021	2020
IN THOUSANDS OF EUROS			
Interest income and expenses			
Interest income	16	304,208	334,996
Interest expenses	16	166,681	194,235
Net interest income	**16**	**137,527**	**140,761**
Changes in fair value of financial instruments	17	4,748	−5,022
Fees and commission income and expense	18	743	9,316
Other income	19	1,423	1,676
Total income		**144,441**	**146,732**
Operating expenses	20	101,453	106,114
Impairment of financial assets	4	9,293	−3,488
Operating profit before taxes		**52,281**	**37,129**
Income tax expenses	21	13,012	9,600
Net profit for the period		**39,269**	**27,529**

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

STATEMENT OF CHANGES IN COMPANY EQUITY

BEFORE APPROPRIATION OF RESULT	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	LEGAL RESERVE	NET PROFIT	TOTAL EQUITY
IN THOUSANDS OF EUROS						
Balance at 1 January 2021	**18,152**	**505,609**	**272,213**	**11,293**	**27,529**	**834,796**
Total comprehensive income for the period						
Net profit	–	–	–	–	39,269	39,269
Fair value reserve:						
Change in fair value net of income tax (will be fully recycled through P&L)	–	–	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**39,269**	**39,269**
Transaction with owners, recognised directly in equity						
Contributions by and distributions to Shareholders						
Appropriation of profit 2020	–	–	27,529	–	−27,529	–
Dividends paid	–	–	−56,000	–	–	−56,000
Release legal reserve	–	–	2,312	−2,312	–	–
Total contributions by and distributions to Shareholders	**–**	**–**	**−26,159**	**−2,312**	**−27,529**	**−56,000**
Balance at 31 December 2021	**18,152**	**505,609**	**246,055**	**8,981**	**39,269**	**818,066**
Balance at 1 January 2020	**18,152**	**505,609**	**231,720**	**14,657**	**37,129**	**807,267**
Total comprehensive income for the period						
Net profit	–	–	–	–	–	–
Other comprehensive income/expense, net of income tax	–	–	–	–	27,529	27,529
Fair value reserve:						
Release legal reserve	–	–	–	–	–	–
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	**–**	**–**	**40,493**	**−3,364**	**−37,129**	**–**
Balance at 31 December 2020	**18,152**	**505,609**	**272,213**	**11,293**	**27,529**	**834,796**

As at 31 December 2021 the authorised share capital amounted to EUR 90 million (2020: EUR 90 million), divided into 90 million shares (2020: 90 million) each with a nominal value of EUR 1 (2020: EUR 1). As at 31 December 2021 18,151,663 shares had been issued and paid up in full (2020: 18,151,663 shares).

In October 2021 a dividend amount of EUR 56 million was paid out (from other reserves) to Achmea B.V., representing the 2019 (EUR 23 million) and 2020 (EUR 28 million) distributable net profits plus a small amount of released legal reserves (EUR 5 million).

As at 31 December 2021, the total legal reserve amounts to EUR 9.0 million (2020: EUR 11.3 million). Furthermore, the remainder part of the other reserves consist of retained earnings. The profit for the year consist of the 2021 net profit.

Notes to the company financial statements

ACCOUNTING POLICIES

General

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 195 FTEs on 31 December 2021 (2020: 203 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 company financial statements form part of the consolidated financial statements of Achmea B.V. Concerning the Company cash flow statement of Achmea Bank N.V. , the exemption as defined in the Guidelines of the Dutch Council for Annual Reporting (RJ) Section 360.106 was used.

Principles for the measurement of assets and liabilities and the determination of the result

Achmea Bank N.V. makes use of the option provided in Section 362, Paragraph 8, Book 2 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of Net result applied in the Company Financial Statements of Achmea Bank N.V. are the same as those applied in the Consolidated Financial Statements. By making use of this option the Equity attributable to holders of equity instruments is the same in the Consolidated Financial Statements and the Company Financial Statements.

The Company Financial Statements have been prepared in accordance with Book 2, Title 9 of the Dutch Civil Code.

Reference is made to Note 2 Summary of significant Accounting policies and the accounting policy for the specific items in the Consolidated Financial Statements for a description of the accounting principles used.
For additional information on items not explained further in the notes to the company financial statements, reference is made to the notes to the Consolidated Financial Statements.

PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

There are no prior period corrections and changes in presentation.

1. CASH AND BALANCES WITH CENTRAL BANKS

CASH AND BALANCES WITH CENTRAL BANKS

IN THOUSANDS OF EUROS	2021	2020
Cash and balances with Central Banks	**780,114**	**938,708**

At the end of 2021 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 42 million (2020: EUR 39.4 million).

2. LOANS AND ADVANCES TO BANK

LOANS AND ADVANCES TO BANKS

AS AT 31 DECEMBER 2021	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS					
Loans and advances to banks	**34,319**	**41,547**	**133,223**	**112,748**	**321,837**

AS AT 31 DECEMBER 2020	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS					
Loans and advances to banks	**56,142**	**69,495**	**151,612**	**168,414**	**445,663**

Notes to the company financial statements

3. LOANS AND ADVANCES TO PUBLIC SECTOR

LOANS AND ADVANCES TO PUBLIC SECTOR

IN THOUSANDS OF EUROS	2021	2020
Loans and advances to public sector	**629**	**652**

4. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS

IN THOUSANDS OF EUROS	2021	2020
* < or equal to 3 months	322,630	326,434
* 3 months < x < or equal to 1 year	899,588	894,177
* 1 year < x < or equal to 5 years	3,819,956	3,919,676
* > 5 years	6,321,047	6,951,976
	11,363,221	**12,092,263**

LOANS AND ADVANCES TO CUSTOMERS MOVEMENTS

IN THOUSANDS OF EUROS	2021	2020
Balance as at 1 January	**12,092,263**	**12,632,401**
Changes nominal portfolio	−599,534	−553,585
Fair value hedge accounting	−153,879	10,171
Allowances for losses on loans and advances	14,263	2,135
Amortised cost adjustment acquired portfolios	−14,272	−26,054
Other movements	24,381	27,195
Balance as at 31 December	**11,363,221**	**12,092,263**

The total amount of additions and releases for regular Achmea Bank portfolio and Acier portfolio EUR -9.3 million (2020 EUR 3.5 million) is recorded in the consolidated income statement under impairment of financial assets.

5. DERIVATIVES

DERIVATIVES

AS AT 31 DECEMBER 2021

IN THOUSANDS OF EUROS	NOTIONAL AMOUNT	CARRYING AMOUNT ASSETS	CARRYING AMOUNT LIABILITIES
Derivatives in economic hedge relationships			
Interest rate swaps	7,157,478	55,357	339,695
Foreign exchange derivatives	24,673	188	
	7,182,151	55,545	339,695
Derivatives used as fair value hedges			
Interest rate swaps	6,213,838	42,348	318,084

AS AT 31 DECEMBER 2020			
IN THOUSANDS OF EUROS	NOTIONAL AMOUNT	CARRYING AMOUNT ASSETS	CARRYING AMOUNT LIABILITIES
	6,213,838	42,348	318,084
Derivatives in economic hedge relationships			
Interest rate swaps	6,886,495	81,151	455,670
Foreign exchange derivatives	23,011	80	5
	6,909,506	**81,231**	**455,675**
Derivatives used as fair value hedges			
Interest rate swaps	6,112,252	54,186	432,182
	6,112,252	**54,186**	**432,182**

6. RECEIVALBES AND PAYABLES FROM SUBSIDIARIES

RECEIVABLES FROM SUBSIDIARIES

IN THOUSANDS OF EUROS	2021	2020
Receivables from subsidiaries	**–**	**4,715**

PAYABLES FROM SUBSIDIARIES

IN THOUSANDS OF EUROS	2021	2020
Payables from subsidiaries	**17,750**	**–**

7. DEFERRED TAX ASSETS

DEFERRED TAX ASSETS

IN THOUSANDS OF EUROS	2021	2020
Deferred tax assets	**1,879**	**4,760**

For more information about the deferred tax assets, reference is made to note 18 of the notes of the consolidated statement of financial positions.

8. PREPAYMENTS AND OTHER RECEIVABLES

PREPAYMENTS AND OTHER RECEIVABLES

IN THOUSANDS OF EUROS	2021	2020
Prepayments and other receivables	**245,852**	**243,562**

For more information about the prepayments and other receivables, reference is made to note 14 of the notes of the consolidated statement of financial positions.

Notes to the company financial statements

9. DEPOSITS FROM BANKS

DEPOSITS FROM BANKS

IN THOUSANDS OF EUROS	2021	2020
< or equal to 3 months	184	24,400
3 months < x < or equal to 1 year	755	349,936
1 year < x < or equal to 5 years	52,937	2,898
> 5 years	1,659	–
	55,535	**377,234**

10. FUNDS ENTRUSTED

FUNDS ENTRUSTED

IN THOUSANDS OF EUROS	2021	2020
* < or equal to 3 months	4,576,457	4,293,987
* 3 months < x < or equal to 1 year	356,301	431,854
* 1 year < x < or equal to 5 years	1,371,790	1,405,379
* > 5 years	1,095,608	1,240,566
	7,400,157	**7,371,786**

The saving deposits (2021: EUR 115 million, 2020: EUR 75 million) related to mortgages in the SPV entities are excluded from the company statement of financial position.

11. BORROWINGS

BORROWINGS

IN THOUSANDS OF EUROS	2021	2020
* < or equal to 3 months	383,928	1,109,315
* 3 months < x < or equal to 1 year	1,053,049	377,547
* 1 year < x < or equal to 5 years	2,115,553	2,661,446
* > 5 years	516,570	555,978
	4,069,100	**4,704,287**

12. CURRENT TAX LIABILITIES

CURRENT TAX LIABILITIES

IN THOUSANDS OF EUROS	2021	2020
Current tax liabilities	**2,043**	**7,533**

Notes to the company financial statements

13. ACCRUALS AND OTHER LIABILITIES

ACCRUALS AND OTHER LIABILITIES

IN THOUSANDS OF EUROS	2021	2020
Accruals	9,068	10,464
Other liabilities	55,972	46,588
	65,040	**57,053**

14. PROVISIONS

PROVISIONS

IN THOUSANDS OF EUROS	2021	2020
Balance as at 1 January	**1,200**	**3,600**
Addition	320	–
Releases	–	−1,546
Amounts used	−1,020	−854
Balance as at 31 December	**500**	**1,200**

For more information about provisions, reference is made to note 19 of the notes of the consolidated statement of financial positions.

15. SUBORDINATED LIABILITIES

SUBORDINATED LIABILITIES

IN THOUSANDS OF EUROS	INTEREST RATE (%)	2021	2020
Loan 1999/2024	5.68	1,191	1,191
		1,191	**1,191**

16. INTEREST INCOME AND EXPENSES

INTEREST INCOME AND EXPENSES

IN THOUSANDS OF EUROS	2021	2020
Interest income	304,208	334,996
Interest expenses	166,681	194,235
	137,527	**140,761**

17. CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

IN THOUSANDS OF EUROS	2021	2020
Changes in fair value of financial instruments	**4,748**	**−5,022**

Notes to the company financial statements

18. FEES AND COMMISSION INCOME AND EXPENSES

FEES AND COMMISSION INCOME AND EXPENSES

IN THOUSANDS OF EUROS	2021	2020
Fees and commission income	6,465	9,403
Fees and commission expense	5,722	87
	743	**9,316**

19. OTHER INCOME

OTHER INCOME

IN THOUSANDS OF EUROS	2021	2020
Other Income	**1,423**	**1,676**

20. OPERATING EXPENSES

OPERATING EXPENSES

IN THOUSANDS OF EUROS	2021	2020
Staff costs	26,190	25,036
Administrative expenses	75,263	81,078
	101,453	**106,114**

STAFF COSTS

IN THOUSANDS OF EUROS	2021	2020
Wages and salaries	13,407	12,999
Pension costs	4,221	3,962
Compulsory social security obligations	1,442	1,510
Other staff costs	7,120	6,565
	26,190	**25,036**

21. TAX EXPENSES

INCOME TAX EXPENSES

IN THOUSANDS OF EUROS	2021	2020
Income tax expenses	**13,012**	**9,600**

Notes to the company financial statements

22. AUDIT FEES

For more information about the audit fees, reference is made to the note 26 of the notes of the consolidated statement of financial positions.

23. CONTINGENT LIABILITIES AND COMMITMENTS

For more information about the contingent liabilities and commitments, reference is made to the note 28 of the notes of the consolidated statement of financial positions.

24. EVENTS AFTER REPORTING PERIOD

The course of events in Ukraine, international measures and the economic impact of these on financial markets and inflation are closely monitored. Please note that Achmea Bank has no direct exposure to Ukraine and Russia. Next to the situation in Ukraine we are of course also closely monitoring other uncertain situations. Managing uncertainty is an inherent part of our line of business. Our capital and liquidity position, together with our risk management system, are safeguards to possible second order effects.

PROFIT APPROPRIATION

The Management Board of Achmea Bank proposes to pay an EUR 42 million dividend to its shareholder Achmea B.V. This amount includes the 2021 net distributable profit plus a small amount (EUR 3 million) of released other reserves.

Authorization of company financial statements

Tilburg, 11 March 2022

The Management 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
Mrs. D. (Daphne) de Kluis (as from 12 October 2021)

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.

Independent auditor's report

To: the shareholder and Supervisory Board of Achmea Bank N.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of Achmea Bank N.V. based in The Hague. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Achmea Bank N.V. as at 31 December 2021 and of its result and its cash flows for 2021 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 accompanying company financial statements give a true and fair view of the financial position of Achmea Bank N.V. as at 31 December 2021 and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021
- the following statements for 2021: the consolidated statements of comprehensive income, changes in equity and cash flows
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2021;
- the company income statement for 2021;
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Achmea Bank N.V. ('the company') in accordance with the EU 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 assurance-opdrachten" (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).

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Achmea Bank N.V. is a bank with a focus on residential mortgage loans and savings as its most important products for Dutch retail clients. Besides savings, the company obtains a substantial part of its funding in the form of unsecured and secured notes issued on the capital markets. We paid specific attention in our audit to a number of areas driven by the operations and our risk assessment.

References to departments and functions in this section concern the departments and functions from Achmea Bank N.V. and/or Achmea B.V.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain 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 override of internal control.

Materiality

Materiality	EUR 8 million
Benchmark applied	1% of shareholder's equity
Explanation	Based on our professional judgment, a benchmark of 1% of shareholder's equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of Achmea Bank N.V.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.4 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the audit and use of service organizations

In order to obtain sufficient and appropriate audit evidence to provide an opinion on the consolidated financial statements, we have performed a full-scope audit on the consolidated financial information of Achmea Bank N.V. as a whole (no components) and by one audit team.

As Achmea Bank N.V. uses several service organisations, both within Achmea B.V. as well as externally, for its day-to-day operations, including the outsourcing of its mortgage administration services, we obtained evidence over the controls performed by the various service organisations through obtaining and assessing ISAE 3402 type 2 assurance reports and leveraging on work performed by the auditors of the service providers. Because we are ultimately responsible for the opinion on the financial statements, we have been involved in planning of the work by the auditors and we assessed their independence, capability and objectivity. We evaluated the ISAE 3402 type 2 assurance reports, 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 and we have been able to obtain sufficient and appropriate audit evidence about Achmea Bank N.V.'s financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists and internal audit

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a mortgage bank. We included specialists in the areas of IT audit, forensics, legal and income tax. Furthermore, we have made use of our own experts in the areas of the loan loss provisioning, valuations of derivatives, hedge accounting, fair value disclosures and capital requirements.

We performed our audit in cooperation with Internal Audit of Achmea B.V., leveraging their in-depth knowledge of Achmea Bank N.V. and work performed. We agreed on the joint coordination of the audit planning, the nature and scope of the work to be performed, reporting and documentation. We evaluated and tested the relevant work performed by Internal Audit to satisfy ourselves that the work was adequate for our purposes and established what work had to be performed by our own professionals.

Our focus on climate risks and the energy transition

Climate change and the energy transition are emerging topics and lead to significant change for many businesses and society. The Managing Board has reported in section Environment, Social & Governance (ESG) factors directly and indirectly impacting Achmea Bank N.V.'s business, and its consideration of the impact of climate change including the potential impact of climate-related risks and taking into account related regulatory and supervisory guidance and recommendations.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are materially impacting judgements, accounting estimates and significant assumptions applied by Achmea Bank N.V., including those related to the estimation of expected credit losses. Furthermore, we read the other information included in the annual report and considered whether there is any material inconsistency between the non-financial information in section Environment, Social & Governance and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, accounting estimates or significant assumptions per 31 December 2021.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the managing board's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes. We refer to section 5 Risk management of the notes to the consolidated financial statements for the managing board's risk assessment, that includes the considerations for the potential for fraud.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We also considered whether the Covid-19 pandemic gives rise to specific fraud risk factors with remote working or illness possibly diluting the effectiveness of internal controls. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls, and used data analysis procedures to identify and address high-risk journal entries. We also performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in notes to the consolidated financial statements under '3. Critical estimates and judgments used in applying the accounting policies', that include measurement of expected credit losses. We refer to the description of our audit approach in the key audit matter 'Estimation of expected credit losses on residential mortgages'.

We considered available information and made enquiries of relevant executives, directors (including risk, compliance, internal audit and legal) and the Supervisory Board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the Managing Board, inspection of the integrity risk analysis (SIRA), reading minutes, inspection of reports from risk, compliance and internal audit and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit, in particular relating to indications for (possible) deficiencies relating to compliance with the Dutch Act on the prevention of money laundering and financing of terrorism. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

The Managing Board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months.

We discussed and evaluated the specific assessment with the Managing Board exercising professional judgment and maintaining professional skepticism. We considered whether the managing board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern and whether the company will continue to comply with prudential requirements. 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.

Based on our procedures performed, we did not identify serious doubts about the company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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 discussed.

Estimation of expected credit losses on loans and advances to customers	
Risk	Consumer loans included in the 'Loans and advances to customers' are predominantly residential mortgages. The Acier loan portfolio included in the 'Loans and advances to customers' is also secured by commercial real estate and other collateral. Residential mortgages are measured at amortized cost, less loss allowances for expected credit losses. At 31 December 2021 the total loans and advances to customers amounts to EUR 11.4 billion (2020: EUR 12.1 billion) and expected credit loss provisions of EUR 14 million (2020: EUR 28 million) are reported and disclosed in note 6 to the financial statements. The notes to the financial statement also disclose the 'Changes in accounting policies, estimates and presentation' related to the implementation of new definition of default, the implementation of a 2nd generation expected credit loss model in 2021 and recalibration of the expected credit loss model for the Acier portfolio. The loss allowances for expected credit losses is based on assumptions such as the probability of default, the loss given default, the exposure at default, the allocation of loans to stages and the use of macro-

	economic scenarios and forward looking information. In response to the higher estimation uncertainties under the current economic situation a number of management overlays have been recognized. The appropriateness of loss allowances for expected credit losses is a key area of judgment for the Managing Board. The identification of expected credit losses and the determination of the recoverability of residential mortgage, are inherently uncertain processes involving assumptions and factors including scenarios for unemployment, GDP and housing prices. The use of alternative modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. Given the relative size of the loans and advances to customers of Achmea Bank N.V., the complex accounting requirements with respect to calculating loss allowances for expected credit losses, the subjectivity involved in the judgments made and the potential risk of management override of controls, we considered this to be a key audit matter.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of Achmea Bank N.V.'s accounting policies related to expected credit losses according to IFRS 9 "Financial Instruments". We have obtained an understanding of the loan loss provisioning process and evaluated the design and tested operating effectiveness of internal controls across the processes relevant to the expected credit loss calculations, and performed substantive procedures, such as individual credit file review, based on a risk-based sample testing, for the Acier portfolio. The substantive procedures also included the allocation of loans into stages, model governance, data accuracy and completeness, arrears management, multiple economic scenarios, post model adjustments, journal entry testing and disclosures. With the support of our internal modelling specialists, we assessed the adequacy of the provisioning models used by Achmea Bank N.V. and verified whether the models were adequately designed and implemented. We performed an overall assessment of the provision levels by stage to determine if they were reasonable considering the risk profile of the mortgage portfolio, arrears management and credit risk management practices and the macroeconomic environment. We challenged the criteria used to allocate loans to stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of loans on appropriate staging. We tested the data used in the ECL calculation by reconciliation to source systems. Finally, we evaluated the completeness and accuracy of the disclosures relating to the allowances for expected credit losses, as disclosed in note 6. 'Loans and advances to customers' and in note 5. 'risk management' in the notes to the financial statements, to evaluate compliance with disclosure requirements included in EU-IFRS. In particular we evaluated that these disclosures adequately convey the degree of estimation uncertainty and the range of possible outcomes under the different economic scenarios.
Key observations	Based on our procedures performed we consider the loss allowances for expected credit losses on loans and advances to customers to be reasonable and in compliance with EU-IFRS. The disclosures relating to the provision for expected credit losses meet the requirements of EU-IFRS.

Use of hedge accounting	
Risk	Achmea Bank N.V. has designated derivatives held for risk management purposes in two hedging strategies: 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 € 62 million of assets and € 340 million liabilities. The application of hedge accounting enables the synchronization of the reported results for the hedging

	instrument and the hedged position, insofar the hedge is effective and the hedge relation is formally documented. Achmea Bank N.V. has developed specific models to calculate hedge effectiveness. Both the fair value adjustments of the hedged position related to the hedged risk and the fair value adjustments of the derivatives are recorded in the statement of comprehensive income as changes in fair value of financial instruments including any resulting ineffectiveness. For the year ended 31 December 2021 Achmea Bank N.V. recorded a hedge accounting ineffectiveness as disclosed in note 10 'Changes in fair value of financial instruments, derivatives and hedge accounting' of € 20 million positive (2020: € 7 million positive). The hedge accounting models used by Achmea Bank to determine the effectiveness of the hedges required significant auditor's attention and is considered a key audit matter. The process, including the technical requirements that are applicable to the application of hedge accounting, is complex, highly subjective and based on assumptions.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of Achmea Bank's hedge accounting policies in accordance with the EU carve out version of IAS 39 hedge accounting requirements and whether the interest rate swaps, foreign exchange derivatives and back-to-back swaps and interest caps are eligible for hedge accounting. We evaluated the design and tested operating effectiveness of the controls over the hedge accounting process. In our audit we have tested, on a sample basis, whether the hedge documentation meets requirements of EU-IFRS. Furthermore, our hedge specialists have been involved to assess whether the hedge relationships are effective and the hedge effectiveness has been calculated accordingly. Finally, we evaluated the completeness and accuracy of the disclosures relating to derivatives and hedge accounting to assess compliance with disclosure requirements included in EU-IFRS.
Key observations	Based on our procedures performed no material findings were noted with respect to the adequacy of the hedge documentation and the hedge effectiveness tests. We found the disclosure on hedge accounting in accordance with EU-IFRS.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the shareholder as auditor of Achmea Bank N.V. on 16 December 2019, as of the audit for the year 2021.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing 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 Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Managing 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 objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- 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 Managing Board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

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 findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit & risk committee of the Supervisory Board 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 safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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.

Amsterdam, 11 March 2022

Ernst & Young Accountants LLP

Signed by R. Koekkoek

Colophon and contact information

Colophon

This is the English version of our 2021 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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