ANNUAL REPORT 2022

ACHMEA BANK N.V.

achmea

Bank

Annual report

A WORD FROM THE CHAIRMAN OF THE MANAGING BOARD

2022: the story behind the figures

The war in Ukraine, which has led among other things to higher energy and food prices and thus high inflation, dominated 2022 in many respects. This uncertainty has not had a direct impact on the bank's business operations. The daily expenses of our customers have increased significantly, but thus far it has not led to an increase in number of defaults.
The rising interest rates has had a significant impact on the bank. It has led to a shift from mortgages with a long (20 to 30-year) fixed-interest periods to those with a shorter (10-year) fixed-interest period. Customer demand for shorter fixed-interest periods is in line with the Achmea Bank product range and has therefore had a positive impact on our portfolio.

Internally, during 2022 we sought the right balance between working from home and working together at the office. The popularity of hybrid working has increased rapidly in recent years, and staff at Achmea Bank have successfully embraced it. For the internal connection, it is important that we see each other regularly. To promote this, we hold interesting, accessible sessions and networking events at the office. These sessions are well attended; many of our colleagues appreciate being able to catch up and chat with each other in person. The results of the annual employee engagement survey prove that we have managed to stay connected. The scores for engagement (8.7) and employability (7.8) were even higher than last year, and the score for passionate (7.8) stayed at the same high level.

Our mortgage portfolio has grown considerably

The war in Ukraine, and all that it entails, has had an impact on the mortgage and savings market. Interest rates have risen and the size of the mortgage market contracted in the second half of the year. The savings market continued to grow non-stop.
At the end of 2021, we saw a cautious increase in the number of mortgage applications. This positive trend continued into 2022, despite a fluctuating market. The rise in interest rates results in a shift of the mortgage market to shorter fixed-interest periods (<10y) and is positive for Achmea Bank seen the offered interest periods. Mortgage production ultimately rose from EUR 0.8 billion in 2021 to EUR 2 billion in 2022. This represents a growth in the mortgage portfolio by EUR 1.3 billion to a portfolio size of EUR 12.4 billion. Returns on new mortgage production improved in 2022, which saw an improvement in the interest margin in the second half of the year.

The strategic partnership with a.s.r. real estate for mortgages remains crucial for Achmea Bank. We have acquired EUR 0.9 billion in mortgage portfolios in 2022.

Funding strategy: a shift in focus to retail savings

Driven by market opportunities in the second half of 2022, the bank redefined its medium-term funding strategy by shifting its focus to retail savings. During 2022, the savings volume increased by EUR 0.6 billion, mainly in on-demand savings. This high new inflow for savings was processed by fewer colleagues. In the wake of far-reaching automation of processes, the Straight Through Processing level rose significantly last year.

Covered bonds also remain an important pillar of Achmea Bank's funding strategy because they're relatively low cost instruments with the option of issuing tenors that are a good match with the long-term nature of our mortgage portfolio.

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

Achmea Bank is part of the Achmea Group's Retirement Services chain. As part of Achmea's 'Sustainable Living. Together' programme, Achmea's Retirement Services chain helps customers to have income for today and tomorrow. We work in close cooperation with Centraal Beheer, Syntrus Achmea and Achmea Investment Management to achieve our shared ambition: making the whole of the Netherlands financially fit and self-reliant.

Expanding our strategy to include retail investments

In February, Achmea Bank announced its intention to provide investment services to retail customers by 2023. By doing so, Achmea Bank will be expanding its strategy and product offerings, which currently consists of savings products and mortgages. Introducing investment services will allow customers to accrue future assets easily and at relatively low cost. It will be a good and logical expansion both for Achmea Bank and our customers.

Our advanced internal ratings-based model

Achmea Bank is working towards the implementation of Advanced Internal Rating-Based (AIRB) approach for its regular mortgage portfolio(s). This strengthens the bank's credit risk management and data driven strategy further and is expected, upon approval by DNB to result in lower capital requirements.

Investments in our data environment prove worthwhile

Achmea Bank profiles itself as a data-driven network bank. It goes without saying that investments in our data environment are an integral part of this. We reaped the benefits of these investments last year. Our data warehouse contains the integrated data of all our products. We assess data quality as close to the source as possible. Based on this integrated data monitoring, we increased the quality of our data (management) and have been able to create several valuable data applications, which have made it possible for us to deliver our reports to De Nederlandsche Bank electronically. We also use this data to set up smart customer due diligence solutions and manage our business using dashboards in PowerBI.

In 2022 we paid attention to the ESG strategic area

Achmea Bank started its journey in the field of ESG in 2021. This involved, among other things, joining the Partnership for Carbon Accounting Financials. In 2022, we dedicated more energy to the subject of ESG. In March, we signed the Principles for Responsible Banking, which is part of the United Nations' sustainability programme for the financial sector. In June, we published our first climate impact report, and our first climate transition plan in December. Part of this is the climate action plan for business operations, which is fully in line with Achmea's strategy. We also set out our plans for making the mortgage portfolio more sustainable and for risk management of the mortgage portfolio. We update this climate transition plan annually.

Achmea Bank invests in the growth and development of young professionals

For several years, Achmea Bank has proven to be an attractive organisation for talented young people. This is a development that we welcome wholeheartedly and are happy to facilitate by offering young people plenty of opportunities to work and gain experience with us. They can do so as working students, interns or trainees, and we also employ young people. Recent figures show that the number of colleagues in the youngest age categories (15 to 24 years and 25 to 34 years) has risen steadily from January 2020 to date. With the future and our ambition in mind, this growth is a great development and a win-win situation for both parties.

In summary, Achmea Bank can be proud of the transition we have gone through in recent years and the foundation we have laid with it. It is the basis for a bright future. We have strengthened our core competencies, invested heavily in our data competencies, built strategic partnerships and actively responded to the – for us – improved market conditions. Because of this, we can look forward to 2023 and beyond with confidence!
I would therefore like to take this opportunity to thank all our colleagues for their inspiration, commitment and engagement. It gives us a more than sound foundation on which to achieve our ambitions for 2023!

Chairman of the Managing Board of Achmea Bank
Pierre Huurman

ACHMEA BANK IN NUMBERS

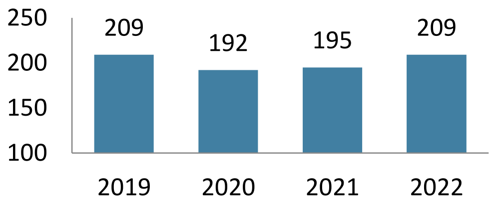
NON-FINANCIAL HIGHLIGHTS

MISSION | Achmea creates sustainable value for our customers, employees, company and society at large

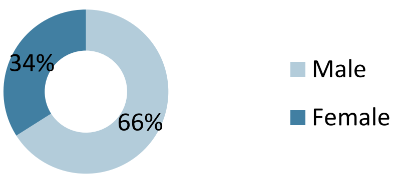
OUR BRANDS |

Centraal Beheer | Woonfonds de hypotheekuitvinders | acier Financieringen

FTE |



TOTAL MALE - FEMALE RATIO



MALE – FEMALE RATIO IN SENIOR LEADING POSITIONS

♀ 3

♂ 6

EMPLOYEE ENGAGEMENT

8,7 (8,6)	7,8 (7,8)	7,4 (7,4)	7,8 (7,4)
Engagement	Passionate	Customer	Employability

(2021)

FINANCIAL HIGHLIGHTS

OPERATING RESULT (EXCL FAIR VALUE RESULT)

EUR 11 million

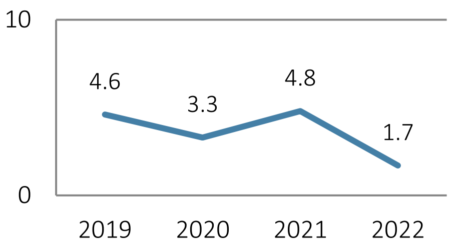
2021: EUR 47 million

OPERATING RESULT BEFORE TAX

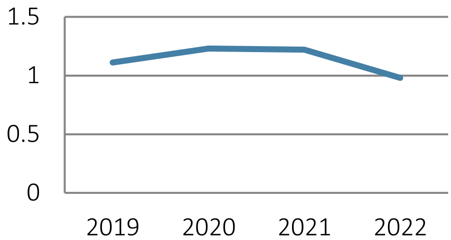
EUR 18 million

2021: EUR 52 million

RETURN ON AVERAGE EQUITY | %



NET INTEREST MARGIN (EXCL. CHANGES IN FAIR VALUE) | %



CORE EQUITY TIER 1 |

18.2%

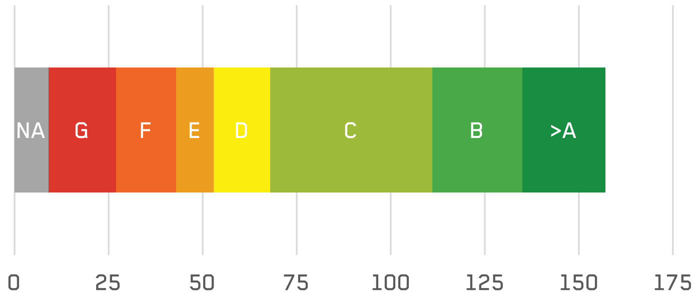
2021: 20.9%

EFFICIENCY RATIO (EXCL. CHANGES IN FAIR VALUE) |

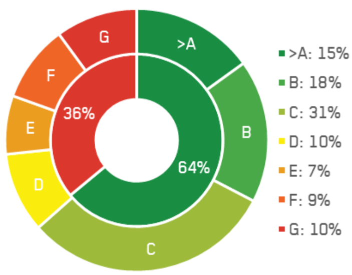
87.8%

2021: 72.6%

ATTRIBUTED CO2-EMISSIONS MORTGAGES



ENERGY LABELS MORTGAGES



MANAGING BOARD REPORT

The Managing Board
Mr Pierre Huurman, Mr Mark Geubbels

ABOUT US

Achmea Bank N.V. (hereinafter referred to as 'Achmea Bank') is a wholly owned subsidiary of Achmea B.V. Achmea B.V. is the ultimate parent company of the 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 mortgage and retail savings bank. We serve over 400,000 savings customers and approximately 70,000 mortgage customers through the Centraal Beheer and Woonfonds brands. We also manage and service a former Staalbankiers loan portfolio, better known as 'Acier Financieringen'.

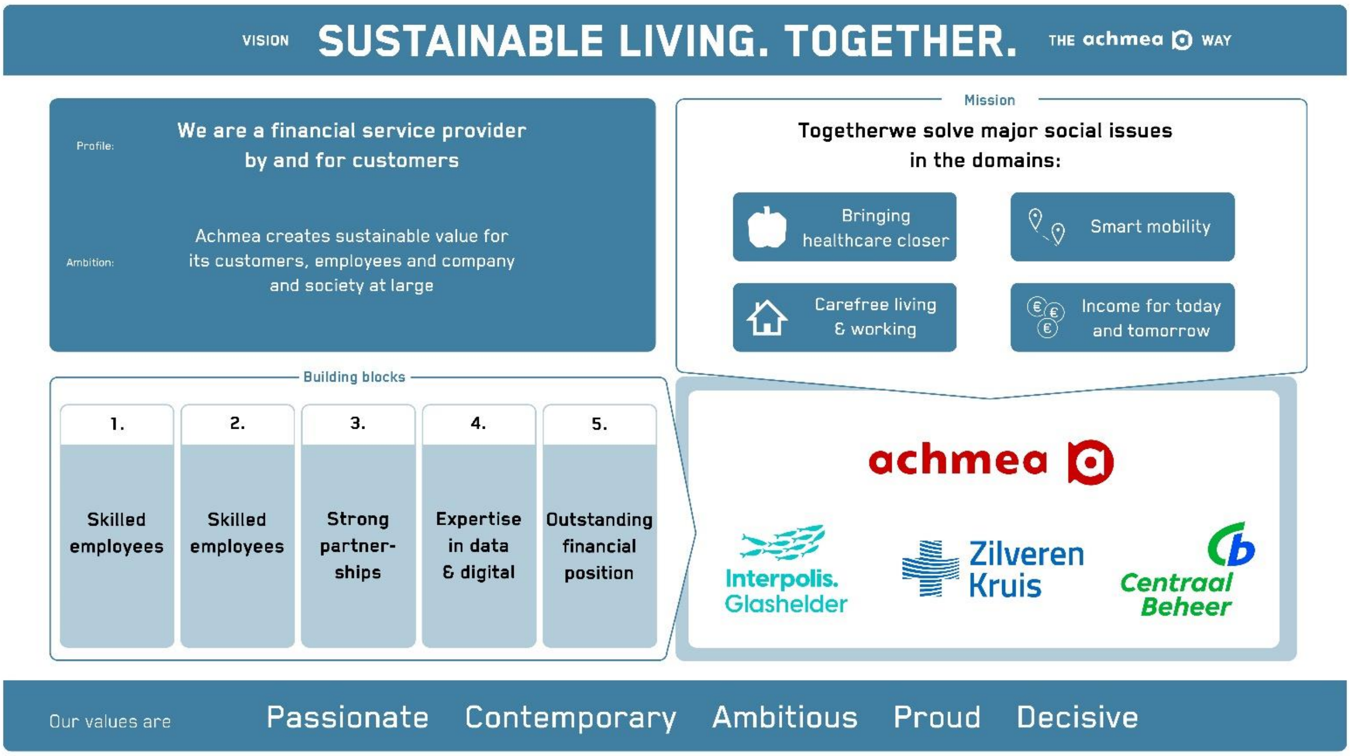
Achmea Bank is a well-established originator and funder of mortgages with over 40 years of experience with a high-quality mortgage portfolio, as evidenced by a relative low level of delinquencies. As a legal entity with a banking licence, Achmea Bank has a credit rating and direct access to the capital 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 the ambition to grow. Together with Centraal Beheer, we are striving to become the most popular 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 flexible bank with a sound 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 core values are passionate, contemporary, ambitious, proud and decisive. 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 based in Tilburg and employ around 200 people.

PURPOSE

Achmea Bank is part of the Achmea Group. Achmea is the largest insurer in the Netherlands and the market leader in Non-Life and Health insurance. Achmea has set out its vision: Sustainable Living. Together.



Achmea's ambition is to create sustainable value for its customers, its employees, its company and society as a whole.

Achmea does this based on its mission to solve major social issues together. In doing so, Achmea focuses on four domains:

- Bringing healthcare closer
- Smart mobility
- Carefree living and working
- Income for today and tomorrow

These domains are aligned with its activities and competencies. Within these domains Achmea periodically select a number of tangible social issues for closer scrutiny.

Achmea Bank contributes to the strategic impact areas, income for today and tomorrow and carefree living and working. We believe that everyone should have the financial opportunities to lead a comfortable life, now and in the future. Together with our business partners we offer financial solutions for retirement and for buying a house.

Our mission statement is in line with the mission statement of the Retirement Services chain, 'We create 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 because we are a network bank, we our focus is on joining forces with internal and external partners to reach our goals.

IDENTITY

In the recent years, Achmea Bank evolved from a traditional bank, where all activities were performed internally, to a bank that focuses on its core activities. Non-core activities have been outsourced to specialised organisations, 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 access the latest banking innovations more easily in the future.

Achmea Bank is a data-driven bank and leverages information in its day-to-day operations and decision-making processes. In recent 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 more results in the years to come.

We have skilled employees. In all our actions, integrity is considered as vital to securing confidence in the bank in the long term. 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.

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 anticipating a shift to more individualised needs for retirement solutions.
Achmea has positioned itself well in this market and offers consumers integrated propositions consisting of pension solutions, together with asset management, savings and mortgage products.

Achmea Bank plays a key role in Achmea's retirement services strategy by being
- the provider of CB wealth accumulation products
- the product innovator for wealth accumulation and mortgage products
- the back bone (back office) for retail savings and retail investment propositions
- a stable funder of the Achmea Mortgages Investment Platform (AMIP)
- the forerunner in the field of digital and data-driven work

Centraal Beheer is our main brand for these products. Centraal Beheer has transformed from a traditional insurer into a general financial services provider in the field of insurance, saving, retail and corporate investments and mortgages.
Achmea Bank's 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 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 invest in third-party mortgage portfolios. Apart from this, we are building partnerships that can contribute to our business model in the future and improve diversification through fee revenue.

Achmea Bank' strategy is based on four pillars.
- Wealth accumulation: Provider of and back office for retail savings and (from 2023) investment products
- Mortgages: Funder of mortgages
- Balance sheet: acquisition of mortgage portfolios, and liquidity provider and portfolio optimiser
- Partnerships: New (fee) business

Wealth accumulation
Achmea Bank develops and manages retail savings products in the third and fourth pillar. Achmea Bank is also the back office for the wealth accumulation products. We aim to provide tight customer processes and a broad and integrated range of products and services.
Saving products are an important part of the retirement services strategy and are essential for positioning Centraal Beheer as a general financial services provider.
Achmea Bank will also start providing investment services to retail customers as from 2023. As part of this, our sister company, Achmea Investment Management, will transfer its retail investment accounts to Achmea Bank. Achmea Investment Management will continue to manage the investment funds, which will still be offered under the Centraal Beheer brand.

In this way, Achmea Bank is broadening its strategy and its product range. The addition of investment services will enable customers to switch between saving and investing, while keeping the costs for the customer low. It also offers opportunities for launching innovative products and propositions.

Mortgages
Achmea as a group has created a separate account (Achmea Mortgage Investment Platform, (AMIP)) for mortgages. This allows institutional investors to build their own residential mortgage portfolio in the Netherlands 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, having skin in the game and creating opportunities for investors to optimise holdings in mortgages. Achmea Bank has a growth and diversification strategy (volume and margin based). So, besides mainstream growth via the AMIP, Achmea Bank focusses on niche propositions to achieve better interest margins and acquiring third-party mortgage portfolios.

Balance sheet
Acquiring portfolios both in 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 our financial position. Achmea Bank as a funder entails having a multiplatform strategy. The focus is on mortgages with a shorter fixed-interest period (<10y). In May, July and November 2022, Achmea Bank acquired a mortgage portfolio of EUR 0.9 billion from a.s.r. real estate. This is part of a strategic cooperation which started in 2021.

The acquisition of this portfolio underlines our ambition to expand our mortgage portfolio. Achmea Bank is also exploring other opportunities to expand our financial position, such as the role of portfolio optimiser and liquidity provider. This is aimed at creating flexibility for institutional investors and give them the opportunity to optimise their mortgage portfolio. In short, a mortgage portfolio might match the profile and targeted characteristics of an investor when the portfolio is being built. But over time, the maturity will shorten and with that may entail having a portfolio mix that might be less suited to the investor. Setting up a cooperation with Achmea Bank to periodically sell parts of the portfolio provides a way to optimise the portfolio in both of their consolidated financial statements.

Partnerships
Achmea Bank wants to diversify its revenue base and create additional value for Achmea and its brands in the rapidly changing financial world. That is why we also focus on developing new business models and partnerships.

New business models and partnerships are focused on three overall themes: wealth accumulation, balance sheet enhancement and cross-domain innovations. Our wealth accumulation programme concentrates on developing new financial products and services for Achmea and Centraal Beheer customers in particular. Balance sheet enhancement concentrates on further 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. Achmea Bank acquired a PSD2 licence in 2020 and has a partnership with Fintech Bittiq for offering PSD2 solutions to its customers. Customers can use PSD2 services to share their transaction data with other companies like Achmea.

Strategic priorities
Achmea Bank has formulated the following strategic priorities:
- Robust growth of the mortgage portfolio and profitability
- Growth in the mainstream mortgage market through Centraal Beheer
- Selected growth in niche markets
- Investments in third-party credit portfolios
- Growing savings portfolio and lowering capital requirements
- Integrating ESG into strategy, governance, risk metrics and targeting ESG goals in operational practices
- Lower capital charge and increase ROE by implementing the advanced IRB model
- Continuous investment in digitisation and data management capabilities
- Developing new business models (for instance PSD2)

Identity
At Achmea Bank, we pay a lot of attention to a culture in which the customers' interests are central. This not only concerns customer friendliness and customer satisfaction, but also offering simple products and excellent and reliable service.

Our employees are honest, knowledgeable and professional. The duty of care towards the customer is anchored in our culture and cooperative roots. This is an integral part of our identity, vision and daily business operations, where the interests of all stakeholders are taken into account.

Our core Achmea values are: passionate, contemporary, ambitious, proud and decisive. These values demonstrate how we work as Achmea Bank, how we treat each other, what we want to be and what we hold each other to account for. They form the foundations for all our actions.

We do 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. The impact we aim to make is in the interests of our stakeholders as well as society. We focus on activities that have impact on our strategic goals and Social Development Goals. The dialogue with our stakeholders guides our strategy and business model, and the impact we want to have on society.
Achmea Bank guards its reputation and integrity by ensuring that statutory requirements, regulations and ethical standards are adhered to. Compliance and risk management are strongly embedded in our operations. The Operational Risk and Compliance Department has an independent position at Achmea Bank. They continuously ensure that the products, processes and services we provide reflects what Achmea Bank aims to be: a reliable and trustworthy bank.

We ensure that we provide transparent information about our activities, services and products, and that there is transparent reporting with respect to our financial stability.

MARKET DEVELOPMENTS

Since Q4 2022 the Dutch housing market is in a downward spiral of fewer purchases, more homes for sale and falling prices. The market sentiment has changed because of the Russian invasion of Ukraine and the sharp rise of energy and food prices. Because of this, economic and financial uncertainty is growing, purchasing power is falling and mortgage rates are rising. As a result, the affordability of owner-occupied homes has worsened and selling houses has become more difficult.

Despite the rise in interest rates, with reduced borrowing capacity (clearly visible in the decline in the average loan-to-income ratio), the buyer's market has fallen by only 3.2%. This is partly caused by the shortage of housing. The buyer’s market was growing until Q3 2022. Applications for mortgages clearly fell in Q4 2022.
Residential real estate prices in the Netherlands continued to rise in 2022. The average selling price in 2022 was EUR 468,200, more than 4 per cent higher compared to 2021. Here too, however, a downward trend is visible at the end of the year. At the end of 2022, average house values were 3.5% lower than in 2021 Q4.

In 2022, 521,433 mortgage applications were originated, 7.3% fewer than in 2021. Of these, 256,963 applications were for the purchase of a home (-3.2%) and 264,470 applications for refinancing or second mortgages (-11%). As a result, there were more applications in the non-buyer's market than in the buyer's market in 2022. This was due to the high number of applications to refinance mortgages in Q1 due to a large demand in refinancing.

In the buyer's market, the average mortgage amount fell by approximately 1% to EUR 343,600 in the previous year. However, a downward trend in the average mortgage amount and the average value of homes on the market is evident at the end of 2022.
The non-buyer's market peaked early in the year; the number of submitted applications fell significantly from 119,300 in Q1 to 32,600 in Q4.

In 2022, savings accounts held EUR 431 billion in the Netherlands, an increase of EUR 23 billion compared to last year. Savings has always been a popular way to accumulate wealth in the Netherlands. Furthermore, the current geopolitical circumstances have made people cautious in their spending.
The savings interest rose in 2022, due to the rise of the interest set by the European Central Bank. The European interest set by the ECB has risen form 0% in the beginning of the year to 2.5% om December. New savings customers were welcome again at Centraal Beheer and all the saving products of Centraal Beheer have positive rates.

FINANCIAL PERFORMANCE

IN MILLIONS OF EUROS	2022	2021	CHANGE
Interest Income	275	304	−10%
Interest expense	157	166	−5%
Interest margin	**118**	**138**	**−14%**
Changes in fair value of financial instruments	7	5	40%
Interest margin and changes in fair value of financial instruments	**125**	**143**	**−13%**

Other income	1	1	0%
Fees and commission income and expense	1	1	0%
Operating income	**127**	**145**	**−12%**
Impairment of financial assets	4	−9	n/a
Operating expenses	105	102	3%
Total expenses	**109**	**93**	**17%**
Operating profit before income taxes	**18**	**52**	**−65%**
Income tax expense	5	13	−62%
Net profit	**13**	**39**	**−67%**
Operating profit excluding fair value result	11	47	−77%

RATIOS	2022	2021	
Return on average equity	1.7%	4.8%	
Efficiency ratio (operating expenses/interest margin, fees and other income)	87.8%	72.6%	
Common Equity Tier 1 Capital Ratio	18.2%	20.9%	
Total Capital Ratio	18.2%	20.9%	
Leverage ratio	5.4%	6.6%	
Net Stable Funding Ratio	130%	133%	
Liquidity Coverage Ratio	211%	297%	

Achmea Bank reported an operating profit before income taxes of EUR 18 million in 2022 (2021 EUR 52 million). The operating profit declined mainly due to a lower interest margin of EUR 20 million and higher impairment charges of EUR 13 million. The latter due to an incidental release relating to the implementation of a second generation IFRS 9 model in 2021. The interest margin decreased from EUR 138 million to EUR 118 million as a result of lower compensation for early redemptions and a lower interest income for the mortgage portfolio. During 2022, more specifically the second half, the development of the interest margin is positive due to an increase of the mortgage production and higher margins on new and repricing mortgages compared to last year. The rise in interest rates resulted in a shift of the mortgage market to shorter fixed-interest periods (<=10y) which is positive for Achmea Bank, given our chosen strategy. In the 2nd half of 2022 the interest margin (EUR 63 million) increased compared to the 1st half of 2022 (EUR 55 million), which reflects this positive development.

The mortgage production of Centraal Beheer for Achmea Bank increased due to the shift of the mortgage market to shorter fixed-interest periods together with a strong price position production increased by EUR 1.2 billion (+ 250%) to EUR 2.0 billion in 2022 (2021: EUR 0.8 billion). Combined with prepayments of EUR 1.6 billion and the acquired portfolios from a.s.r. (EUR 0.9 billion), the Achmea Bank mortgage portfolio increased by EUR 1.3 billion (+11,7%) to EUR 12.4 billion. This increase reflects the effectiveness of the Bank's growth and diversification strategy.

The number of defaults remained at a low level, which reflects the inherent low credit risk profile of the mortgage portfolio of Achmea Bank, which results in a limited addition to the loan loss provision.

The fair value result of EUR 7 million (2021 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.

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 www.achmeabank.com.

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 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 2022 of its operational risk and Balance Sheet & Financial Risk management.

Capital position

The Common Equity Tier 1 Capital Ratio remains strong at 18.2% (2021: 20.9%). The decrease is mainly due to higher mortgage origination. In April 2022, Achmea Bank paid a dividend of EUR 42 million to its shareholder Achmea B.V., the 2021 net distributable profit plus a small amount (EUR 3 million) of released other reserves. Achmea Bank is working towards the implementation of Advanced Internal Rating-Based (AIRB) approach for its regular mortgage portfolio(s). This strengthens the bank’s credit risk management and data driven strategy further and is, after approval of DNB, 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 2022 of 3.5% and the (expected future) external minimum requirements; the LR at 31 December 2022 was 5.4% (2021: 6.6%).

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.

Achmea Bank issued a second EUR 0.5 billion tranche under its EUR 5 billion Soft Bullet Covered Bond Programme, which was established in 2021. Together with the EUR 1.5 billion already outstanding under its Conditional Pass-Through Covered Bond Programme, this issue brings the total outstanding covered bond volume issued by Achmea Bank to EUR 2.5 billion.

The Bank complies with all external and internal minimum liquidity requirements in 2022. At year-end 2022 the LCR was 211% (2021: 297%), the NSFR was 130% (2021: 133%) and the Survival Period (SP) was greater than 12 months (2021: greater than 12 months).

Tilburg, 9 March 2023

The Managing Board,

P.J. (Pierre) Huurman

M.J.M. (Mark) Geubbels

SUPERVISORY BOARD REPORT

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

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 seven occasions in 2022, four scheduled meetings and three extra meetings. Important items on the agenda included the full-year and half-year results, the strategy, duty of 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 implementation of retail investments at Achmea Bank and the future cooperation with Syntrus Achmea Real Estate & Finance.

One of the Supervisory Board's key duties is its involvement with Achmea Bank's strategy and monitoring its implementation. Achmea Bank's strategy focuses on strengthening its 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 the bank's staff members and managers to inform the board about relevant developments. Since 2021, the macro-economic environment has changed, resulting in high inflation, increases in interest rates and credit spreads. The Supervisory Board and the Managing Board discussed the impact of these changes on the bank's strategy of the Bank.

Achmea Bank is part of the Achmea Group's Retirement Services. The collective ambition is to make the whole of the Netherlands financially fit and self-reliant. That is a far-reaching ambition, which will take commitment, endurance, and faith. The Supervisory Board and the Managing Board discussed the intended optimisation with the group with respect to Retirement Services as part of Achmea's aim of Sustainable Living, Together ('Samen Duurzaam Leven volgens Achmea').

The Supervisory Board would like to thank the Managing Board and staff of Achmea Bank for their contribution, commitment and their engagement to the bank.

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 departments, Financial Risk Management and the external independent auditor. The Audit & Risk Committee convened on seven occasions in 2022, four regular meetings and three extra meetings. The following subjects were discussed at the scheduled meetings: advanced internal rate-based modelling (AIRB), customer due diligence and transaction monitoring, the systematic integrity risk analysis (SIRA), the risk appetite statement and risk policies with regards to financial risk, operational risk, cybersecurity, compliance risk and outsourcing risks.

The Audit & Risk Committee approved the internal and external audit plan and monitored 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 the DNB and AFM reports.

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 2021. 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.

Permanent education

Every year the members of the Supervisory Board and Managing Board attend a number of permanent education (PE) meetings. In 2022 several permanent education sessions were organized for Supervisory Board members. The main topics covered in 2022 in these sessions were cybersecurity, CDD, innovation and outsourcing, the competition policy (Mededinging), strategy and climate and environmental risks.

Composition of the Managing Board

The Managing Board of Achmea Bank consists 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 having 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 based on the appropriate mix of experience and expertise.

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, Daphne de Kluis did not participate in parts of the Supervisory Board meetings in case such a conflict of interest could 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	2025
Mr H.W. te Beest *(1950)*	Dutch	Male	Member	2015	Second	-
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 2022 assessment was conducted externally.

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 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 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. There dialogue with the Managing Board is open and transparent with room for in depth discussions.

Attendance rates
The table below 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%
M. van Dongen	100%	100%
D. de Kluis	100%	100%

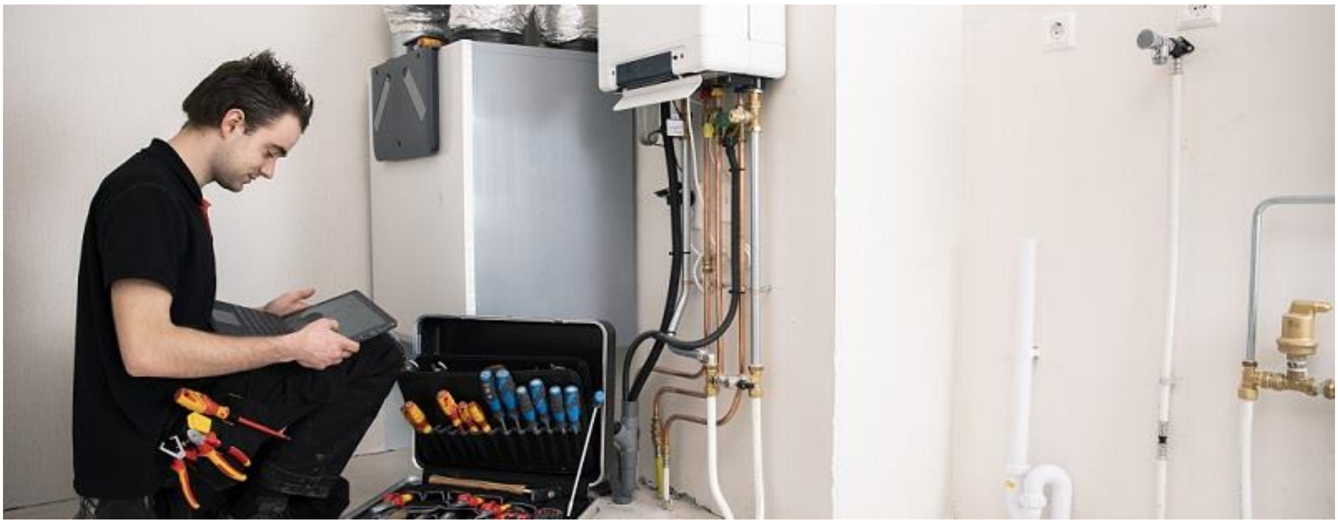
Remuneration
The Supervisory Board periodically evaluates remunerations in the context of the Achmea Group remuneration policy. Remuneration issues are discussed by the entire board rather than in a separate remuneration committee. The Supervisory Board gave opinion on the remuneration of the Managing 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, 9 March 2023

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

ENVIRONMENTAL, SOCIAL & GOVERNANCE



OUR VISION ON SUSTAINABILITY

Banks have an important societal role, which for Achmea Bank means managing savings and distributing credit and/or funding for mortgages. It is therefore important to have and hold a trustworthy position with our customers and Dutch society in general. As a partner in value creation, we accept our responsibility to be transparent about our ambitions and impact when it comes to environmental, social and governance issues. Together with our customers, employees and other strategic partners, we work on solutions to societal challenges in the areas of, living and working, mobility and income for today and tomorrow.

OUR ESG-STRATEGY AND THE SUSTAINABLE DEVELOPMENT GOALS

ESG strategy and Sustainable Development Goals

Our ESG strategy entails three target areas that describe our contribution to a sustainable living environment (Environmental), a contribution to accessibility for all in a participatory society (Social) and reliable banking with integrity (Governance). Within these three target areas, in which we have formulated our own contribution to these themes, we have also outlined our contribution for and with our four most important stakeholders: our customers,[1] our employees, our partners and our investors. We list a metric or target for each of these contributions that we use to measure our impact or successful deployment. We outline these metrics and targets in greater detail in this chapter.

Our aim with these activities and goals is to contribute to three sustainable development goals (SDGs) as described by the United Nations, namely:
10. Reduced inequalities
11. Sustainable cities and communities
13. Climate action

[1] In this section, the term 'customers' refers to Centraal Beheer and Woonfonds customers because Achmea Bank also holds mortgage portfolios formerly distributed under external brand names for which we do not provide customer services.

Commitment to and cooperation on ESG

In 2022 Achmea Bank signed the 'Principles for Responsible Banking' and joined UNEP FI; the United Nations Environment Programme for the financial sector. The Achmea Group also signed the relevant initiatives linked to insurance and investments business operations (Principles for Responsible Investments). The importance for public companies to disclose detailed non-financial information is increasing and influences public opinion more than ever. Green investments and sustainability are major drivers for economic recovery in the post-pandemic period. For this goal, frameworks are being created to identify and measure the impact of these initiatives on various stakeholders.

By signing the Principles for Responsible Banking, Achmea Bank demonstrates its commitment to the SDGs and to the Paris Climate Agreement. In addition to the fact that sustainability is a central theme at our organisation, we also ensure that this theme is central to our partners. This is laid down in our Sustainability Statement. Every year we publish a climate impact report, in which we report on the total carbon emissions and energy labels of our mortgage portfolio. We monitor the progress of our energy label targets. We do this by using science-based methods, like the Science-Based Target Initiative (SBTI). Finally, we report on our ESG ratings, which can be found on our website together with the climate impact reports. 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 is further explained in our environmental and social goals. The buttons to push are focusing on awareness, risk management, mitigation and adaptation. Our contribution to SDG 10 is further explained in the section on social impact. Our scope of ambition focuses on our contribution to financial wellbeing. Our ESG policy for the coming years is set out in greater detail on our website https://www.achmeabank.nl.

ENVIRONMENTAL

Task Force Climate-related Financial Disclosure (TCFD)

Combatting climate change has been high on Achmea's strategic agenda for many years. In 2019 Achmea Bank signed the Dutch Climate Agreement, thereby committing to report on the climate impact of our mortgages portfolio from 2020 onwards. In December we published our first climate transition plan. For the past years, we have published our Greenhouse Gas (GHG) Emissions 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 FOR INTEGRATION OF THE ESG VALUES

Achmea Bank firmly believes we have a social responsibility to contribute to the mitigation of climate change. The responsibility for climate-related risks and opportunities lies with Achmea Bank's Managing Board. We believe climate-related issues are most effectively managed when incorporated in existing processes. To that end, each department integrates sustainability in their operations and reports to the Managing Board on their efforts in climate-related issues frequently and consistently. To properly integrate ESG values into our policies, we also held a permanent education session for the Managing Board. Achmea Bank has appointed an ESG officer who plays a coordinating (aligning our efforts across teams), activating and guiding role in the field of ESG. The ESG officer is part of our ESG & Business Development Department. Within the organisation, we work closely with all disciplines that have ESG elements as part of their operations and we coordinate all ESG initiatives on a monthly basis.

Achmea Bank has also taken a pro-active role in collaborating with external stakeholders. In 2021 Achmea Bank joined the newly established Energy-Efficient Mortgages Netherlands Hub (EEM NL Hub), which aims to standardize practices in the Dutch mortgage and property market and is chaired by the CFRO of Achmea Bank. This year the EEM NL Hub published a first version of the Dutch framework for energy-efficient mortgages. On behalf of Achmea we have actively contributed to creating this framework. We are also member of the Partnership for Carbon Accounting Financials, where Achmea Bank will be at the forefront of developments involving measuring the carbon footprints of houses in our mortgage portfolio. We will continue to work with these renowned organisations to gain a better understanding of climate-related issues and align our methodologies with other major financial institutions in the Netherlands.

STRATEGY OF ACTIVE RISK MANAGEMENT AND MONITORING

To identify and assess risks and opportunities in terms of the climate and the environment, Achmea Bank applies several best-practice frameworks. Amongst other initiatives, we conducted a recurring self-assessment, as issued by DNB in 2021, based on the ECB guidelines for environmental and climate-related risks, to measure our current performance and further strengthen our approach. Additionally, in 2022 we signed the Principles for Responsible Banking, which gives us further guidance on how to assess and mitigate our own impact on the climate. When applying these frameworks, we take into account several developments in our business environment and competitive landscape, which produces a qualitative and quantitative analysis of the impacts of these developments on our risk categories as listed in our section on risk. The first steps of this assessment are explained below (in the 'Risk Management' section). We will continue to improve our analyses in the coming years. Furthermore, these risks are gradually being integrated into our organisation's strategic processes on two levels:

A. Adaptation – mainly through translating these risks as part of the risk management processes in place. In this effort, we work closely with the Achmea Group, since our frameworks and policies are interwoven.
B. Mitigation – through our efforts to reduce our impact on the climate (of our Scope 1, 2 and 3 emissions) and associated the climate risks, which are mainly described in our ESG policy. In this field, we also see opportunities for expanding our business model as a supporter of the Paris Agreement and financing the transition to a net-zero economy. We will update this policy if there are new developments and opportunities.

While deploying and updating these strategies, we take into account several scenarios concerning the acceleration of climate change and the climate risk (as outlined in the five IPCC scenarios for global warming varying from 1.5 to 4.4 °C rise in the temperature), as well as the orderly or disorderly introduction of climate policies, which will exacerbate transition risks.

CLIMATE RISK AS ACTUAL THEME FOR RISK MANAGEMENT

From a risk management perspective, the primary focus has been on the environmental aspects of ESG. In particular, we analysed climate-related risks for both financial risks and non-financial risk. During 2022, efforts were made for integration of climate risks in our risk management frameworks. In general, the risks are seen as a risk driver of existing risk types such as credit risk, market risk, operational risk, strategic risk and reputational risk, and the existing risk governance is applied.

For financial risk, we analysed both physical risk and transition risk. Based on data provided by Climate Adaptation Services, a concentration risk analyses on foundation problems, water logging and floods reveals that there is no material impact on the mortgage portfolio from a credit risk perspective in the near future. A similar conclusion holds for transition risk, which was analysed using scenario analyses and stress testing with energy-label-specific house price developments. While physical risks have been identified as long-term threats, transition risks may have an impact on the financial risk sooner. Efforts to improve analyses and monitoring activities regarding the climate and environmental aspects have been ongoing and this will continue in 2023. 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.

For non-financial risk, the focus of the analysis has been on assessing the extent to which physical climate risks could result in material disruptions to the services we provide our savings and mortgage customers. Critical and important functions are central to this, with Achmea Bank having outsourced various key operational activities to third parties. Preliminary results show that no major impact is expected in the short term. Furthermore, the transition to a sustainable economy may entail risks for Achmea Bank if it fails to transform in time. This may result in failure to comply with laws and regulations and could compromise our reputation, with consequences for attracting investors or entering into collaborations with existing and new partners. Further analyses in this area are in progress and may lead to adjustments to non-financial risk policies and actions to be taken, in line with our risk appetite.

METRICS AND TARGETS FOR FOUR CATEGORIES OF STAKEHOLDERS

The stakeholder groups and targets and metrics are:

- Customers – target medium energy label A in our mortgage portfolio by 2030. We will continue to inform and incentivise our clients to improve the energy efficiency of their homes. In 2022, the average energy label of collateral buildings in our portfolio was C (2021: average label C).
- Employees – target climate-neutral operational activities by 2030. We aim to operate as a net-zero emission work environment in collaboration with the Achmea Group. The Achmea Group reports annually on carbon emissions from business operations based on the GHG Protocol. In 2022 we attributed operational carbon emissions to Achmea Bank based on an FTE distribution key.

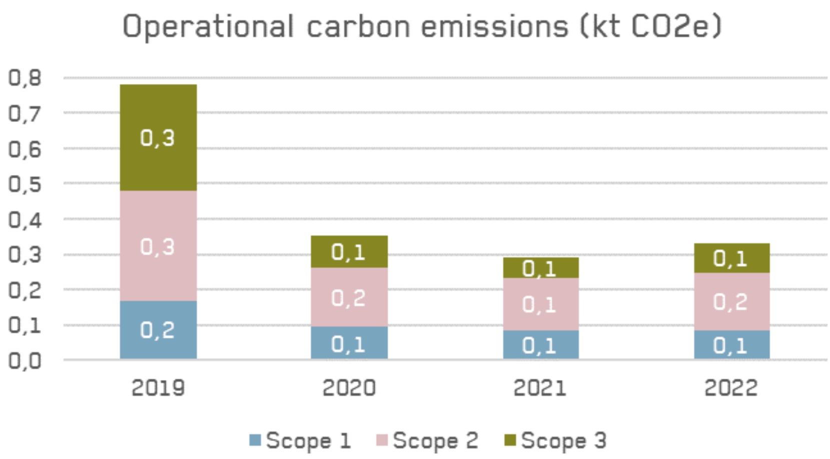
- Partners – we wish to select and engage with our partners on sustainability practices. Therefore we aim to implement a procurement policy based on which the climate ambition and risks of our existing and potential partners will be assessed. We will continue to openly engage in dialogue with our partners on our ESG policy.
- Investors – measuring and improving green assets in our portfolio. In 2022, Achmea was the insurance company leading the way in the Netherlands when it introduced its 'Green Financing Framework' (GFF). Achmea Bank offered support in setting up the GFF and is one of two units at the Achmea Group that can issue green bonds under the GFF. In addition, Achmea Bank is currently the main supplier of green assets eligible under the GFF.

Since the EU taxonomy has been applicable since 2021, Achmea Bank started to assess its eligible assets as first step to calculate the Green Asset Ratio (GAR). For more information on EU taxonomy eligibility, please see Achmea's annual report on https://www.achmea.nl.

OPERATIONAL AND FINANCED CARBON EMISSIONS

Operational Carbon Emissions

Achmea aims to achieve climate neutrality from internal business operations by 2030. We reduce our carbon emissions through reduction in and greening of our energy consumption, cutting paper consumption and reusing waste. In addition, Achmea has offset net carbon emissions by purchasing carbon emission certificates. Operational carbon emissions are calculated in accordance with the GHG protocol. Measured activities include energy use, mobility, refrigerants use, paper consumption, waste and outsourced servers and cloud services. Operational carbon emissions are measured excluding third-party companies at this time. Achmea Bank applies an FTE distribution key to derive our own operational emissions based on Achmea Group's measurements. In 2022 this amounted to an operational carbon footprint of 0.3 kt CO_2e (2021: 0.3 kt) or 1,538 kg CO_2 per FTE. For more information on operational carbon emissions, please see Achmea's annual report on https://www.achmea.nl.

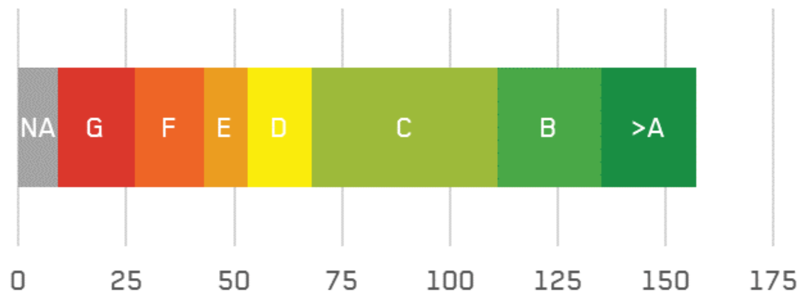


Financed Carbon Emissions

Achmea Bank has started monitoring carbon footprint of our mortgage portfolio since 2019 and in-depth reports are published annually on https://www.achmeabank.nl. 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. 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% to Achmea Bank, using to the calculated Attribution Factor based on a loan-to-value approach. In 2022 this amounted to a total of 158 kt CO_2e (2021: 164 kt) and an economic carbon intensity of 13.4 kt CO_2e/bn.

EUR outstanding loans based on nominal value (2021: 15.8 kt). The physical carbon intensity was 17.6 kg CO2e per m2 of collateral floor surface area (2021: 19.2 kg). The Acier portfolio is excluded, due to its unique characteristics.

Financed emissions (kt CO2e)



	Total outstanding loans (bn. EUR)	Financed emissions (kt CO2e)	Economic carbon intensity (kt CO2e/bn. EUR)	Physical carbon intensity (kg CO2e /m2)
2021	10.3	164	15.8	19.2
2022	11.7	158	13.4	17.6

Financed Carbon Emissions Reduction Target (Science Based Target)

Achmea Bank will apply a Science Based Target approach to compile a CO2 reduction target. At this time Achmea Bank has opted to apply the method of the Science Based Targets initiative (SBTi) for this. These targets are part of Achmea Bank's Climate Transition Plan for mortgages, which was published at the end of 2022. Due to the various developments in measurement methods and the current lack of a harmonized, market-wide standard, we expect to reconsider our methods of setting a CO2 reduction target in 2023. In addition, new climate scenarios and benchmarks are expected to be released in 2023, which will provide us new insights to take into account of our target setting.

SOCIAL

Accessibility for all stakeholder groups

We believe that participation in society is the basis for a sustainable society, and therefore we strive to contribute to accessibility to basic resources and adequate living conditions for all. As part of this effort, we take responsibility for labour and human rights conditions in our processes and production chains. Additionally, we work towards improving the financial wellbeing and independence of the Dutch population. In the sections that follow, we outline our most important targets and results in 2022 for each stakeholder.

Customers

As a bank that focuses on issuing mortgages and opening savings accounts, together with our partners in Achmea, we play an important part in access to the Dutch housing market and wealth and wellbeing in Dutch society. As a bank, we play an important role as a mortgage lender. In this role, we aim to contribute to the financial wellbeing of our customers. Our products and services help to provide an 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 work with our customers when payment problems arise to find a solution that suits the customers' needs as well as our responsibility as a financial institution.

Together with the intermediary, we play an important role in raising consumer awareness that customers can make their homes more sustainable. That is why it is important that the options for making the home more sustainable are discussed in the consultations between the adviser and the customer. We encourage this discussion by drawing attention to the possibility of an energy-saving budget and energy-saving facilities in an interest rate proposal. In addition, we offer the sustainable living skills training course offered by Centraal Beheer's Advice Academy. This course teaches consultants how to actually apply sustainability during consultations.

Our most important role is the role of employer
We have several policies in place that contribute to the wellbeing and development of our employees, like our development budget, in which Achmea is a frontrunner. This year the company introduced an ‘all-you-can-learn’ concept, which enables employees to learn and develop as much as they want. We also have our internal networks for diversity, such as our LGBTQIA+ network ‘HolA!’ and our PoC network ‘Kleurrijk Achmea’. In 2023 Achmea will introduce a climate budget for all employees; the organisation provides a budget to spend on sustainability in housing or mobility. As we share these policies and facilities in the Achmea Group. More information is available on https://www.achmea.nl/. You can also find information about our gender diversity policies and targets on this website. Achmea Bank also provides transparency in the gender distribution of its employees. In 2021 65% were male and 35% were female. Our ambition on the social aspect of being employers extends to our central theme of financial fitness and wellbeing in Dutch society. As part of our HR policy, our employees have four extra days off for communal service. Our aim is to empower our employees to contribute to financial literacy and wellbeing. Our target is to host 50 guest lessons in primary schools each year for the ‘Bankers in the classroom’ initiative of the Dutch Banking Association. In 2022, we took part in 31 classes. Due to COVID-19, there were less opportunities to host these classes due to primary school lockdowns.

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 labour and human rights, including the prohibition of child labour. Our most important aim here is to continue working according to our policies on these issues in our procurement activities, which are outlined in the Achmea Group’s Sustainability Statement. In addition to this, we continuously monitor these norms in our engagement activities with our partners.

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

GOVERNANCE

A reliable bank for all stakeholders
Our governance reflects our position as a bank focusing on social and sustainable contributions to society. Together with our partners and employees, our intention is to anchor integrity in our management policies and sufficiently control our processes. Most importantly, we aim to take a customer-centred approach. Interaction with the customer and really knowing the customers wishes and requirements are central to our customer contact, services and customer information. We really bring in the voice of the customer and strive to improve it. We do this, for example, through customer arenas and co-development together with customers. Together with our partner Centraal Beheer, we have done this in the past year, for example for subjects like the use of the construction deposit, execution only, the mortgage check and the further development of the 'my Centraal Beheer environment' for mortgage customers.

In addition, we measure the CES scores: what do customers think of our online services. How easy is it to use and can they easily find what they are looking for? Our goal is to score at least a 4 on a scale of 5. We achieved this target in 2022. Twice a year we collect all customer feedback from various channels and compile them into a top 10 of points for improvement, which also includes points for improvement for both savings and mortgages. We actively keep developing our offer and improve it based on the feedback and top 10 points for improvement.

Constant dialogue with our customers for optimal connection
To be truly customer centric, we are in constant dialogue with our customers. This dialogue is constituted in our customer board, which has a role in the development of new services, products and communication efforts. To assess whether customer satisfaction reflects these efforts, we measure our net promotor scores (NPSs) for various processes. An important target for us is customer loyalty and the NPS of our savings and our mortgage processes, since these processes are conducted in-house at Achmea Bank and the Achmea Group. The loyalty and NPSs are measured by our distribution partner Centraal Beheer. Our aim is to have an NPS of 50 in 2030 and customer loyalty of 8.0, while our target for 2022 was an NPS of 13.8. In 2022 the measured NPS for mortgages and savings was 13 and customer loyalty 8.0 (Q3 2022).

We are only able to fulfil our ambition through the efforts and talents of our colleagues

Investing in their development is therefore important to us. For example, in the past few years we have made efforts to improve work-life balance by introducing and implementing a 34-hour working week. We want to help them to do their best work, and to be regarded as an employer where all can thrive. Therefore, we measure the involvement of our employees in our yearly employee engagement poll. We strive for a minimum score of 8/10 on the ‘involvement’ and ‘enthusiasm’ metrics. In 2022, the scores of these metrics were very high with an 8.7 (on involvement) and 7.8 (on enthusiasm).

We actively seek dialogue with our partners on ESG

Achmea Bank’ strategy entails outsourcing non-core activities to partners. So it is key that our partners share our vision and our aims to apply good governance and customer centricity. To this end, Achmea Bank continuously monitors the quality of the services provided by our partners. In regular engagement meetings, as agreed upon in each contract, we analyse the services concerned and optimise them where necessary. As a reference point, we aim to be fully compliant with all guidelines by the European Banking Authority on procurement and contract monitoring activities. By 2021, all necessary procedures and policies were in place to conclude that we are indeed fully compliant.

Transparency and balance in the interests of investors and other stakeholders

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

ACHMEA BANK N.V. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

IN THOUSANDS OF EUROS			
AS AT		31 DECEMBER 2022	31 DECEMBER 2021
	NOTE		
Assets			
Cash and balances with Central Banks	9	774,244	737,224
Loans and advances to banks	10	641,572	635,585
Derivative assets held for risk management	8	537,769	61,769
Loans and advances to public sector	11	606	629
Loans and advances to customers	4	11,870,599	11,363,221
Current tax assets	14	4,964	–
Prepayments and other receivables	12	99,271	47,684
Deferred tax assets	16	4,239	1,879
Total Assets		**13,933,264**	**12,847,990**
Liabilities			
Deposits from banks	13	1,137,916	55,535
Derivative liabilities held for risk management	8	410,529	339,695
Funds entrusted	5	8,086,409	7,515,211
Current tax liabilities	14	0	2,043
Accruals and other liabilities	15	73,782	65,040
Debt securities issued	6	3,433,534	4,050,709
Subordinated liabilities	18	1,191	1,191
Provisions	17	22	500
Total Liabilities		**13,143,383**	**12,029,924**
Share Capital		18,152	18,152
Share premium		505,609	505,609
Other reserves		252,705	255,036
Net profit for the period		13,415	39,269
Total Equity	**19**	**789,881**	**818,066**
Total Equity and Liabilities		**13,933,264**	**12,847,990**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF EUROS			
FOR THE YEAR ENDED 31 DECEMBER		2022	2021
	Note(s)		
Interest income calculated using the effective interest method	7	274,253	297,531
Other interest income	7	370	6,677
Interest expenses calculated using the effective interest method	7	101,599	102,017
Other interest expenses	7	55,488	64,664
Interest margin	**7**	**117,536**	**137,527**
Changes in fair value of financial instruments	8	7,414	4,748
Interest margin and changes in fair value of financial instruments		**124,950**	**142,275**
Other income	21	1,112	1,423
Fees and commission income	22	6,077	6,465
Fees and commission expense	22	5,370	5,722
Net fees and commission income	**22**	**707**	**743**
Operating income		**126,769**	**144,441**
Impairment of financial assets	4	4,080	−9,293
Staff costs	23/24/25	26,640	26,190
Other operating expenses	23/24/25	78,143	75,263
Total expenses		**108,863**	**92,160**
Operating profit before taxes		**17,906**	**52,281**
Income tax expense	26	4,491	13,012
Net profit for the period		**13,415**	**39,269**
Other comprehensive income/expense net of income tax		–	–
Total comprehensive income for the period		**13,415**	**39,269**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	NET PROFIT FOR THE PERIOD	TOTAL EQUITY
IN THOUSANDS OF EUROS					
Balance at 1 January 2022	**18,152**	**505,609**	**255,036**	**39,269**	**818,066**
Net profit for the period	–	–	–	13,415	13,415
Total comprehensive income for the period	**–**	**–**	**–**	**13,415**	**13,415**
Dividends paid	–	–	−2,331	-39,269	−41,600
Total contributions by and distributions to Shareholders	**–**	**–**	**−2,331**	**−39,269**	**−41,600**
Balance at 31 December 2022 (note 19)	**18,152**	**505,609**	**245,704**	**13,415**	**789,881**
Balance at 1 January 2021	**18,152**	**505,609**	**283,506**	**27,529**	**834,796**
Net profit for the period	–	–	–	39,269	39,269
Total comprehensive income for the period	**–**	**–**	**–**	**39,269**	**39,269**
Dividends paid	–	–	−56,000	–	−56,000
Appropriation of profit 2020	–	–	27,529	−27,529	–
Total contributions by and distributions to Shareholders	**–**	**–**	**−26,159**	**−27,529**	**−56,000**
Balance at 31 December 2021 (note 19)	**18,152**	**505,609**	**255,036**	**39,269**	**818,066**

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER			
IN THOUSANDS OF EUROS		2022	2021
Cash flow generated from operating activities	**Note(s)**		
Operating profit before taxes		**17,906**	**52,281**
Adjustments for non-cash items in the result:			
Impairment on financial instruments and other assets	4	4,080	−9,293
Changes in fair value of financial instruments	8	−7,414	−4,748
Other non-cash items		127,316	47,624
Income tax paid	26	−13,858	−15,620
Total Cash flow generated from operating activities		**128,030**	**70,244**
Changes in operating assets and liabilities:			
Loans and advances to banks*	10	136,868	12,658
Loans and advances to public sector	11	23	23
Loans and advances to customers	4	−394,730	1,113,069
Prepayments and other receivables	12	−52,556	−1,592
Deposits from banks	13	1,082,381	−321,699
Funds entrusted	5	530,988	26,968
Accruals and other liabilities	15	8,742	7,987
Derivatives	8	915	6,367
Provisions	17	−478	−700
Debt securities issued	6	−174	−17,625
Total Changes in operating assets and liabilities:		**1,311,979**	**825,455**
Net cash flow generated from operating activities (1)		**1,440,009**	**895,700**
Cash flow generated from investing activities			
Investments in mortgages	3	−881,929	−516,923
Net cash flow generated from/(used in) investing activities (2)		**−881,929**	**−516,923**
Cash flow generated from financing activities			
Repayments of Debt securities issued	6	−1,475,797	−2,218,240
Issues of Debt securities issued	6	1,139,207	1,673,059
Total cash flow from Debt securities issued		**−336,590**	**−545,181**
Dividend Payment		−41,600	−56,000
Net cash flow generated from/used in financing activities (3)		**−378,190**	**−601,181**
Net cash flow (1) + (2) + (3)		**179,890**	**−222,404**
Cash and cash equivalents as at 1 January		757,153	979,558
Cash and cash equivalents as at 31 December		937,043	757,153
Movements in cash and cash equivalents*		**179,890**	**−222,404**
Reconciliation of movement in Cash and cash equivalents			
Cash and balances with Central Banks	9	37,020	−201,483
Loans and advances to banks on demand	10	142,870	−20,920
		179,890	**−222,404**
Additional information on operational cash flows from interest and dividends			
interest received	7	228,606	258,147
Interest paid	7	−82,253	−99,734
		146,353	**158,413**

* Achmea Bank adjusted the presentation of the cash reserve from Cash and balances with Central Banks to Loans and advances to banks, comparative figures have been restated

GENERAL

A. 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 209 FTEs on 31 December 2022 (2021: 195 FTEs). The core products of Achmea Bank N.V. ('the Bank' or 'Achmea Bank') consist of savings and investment 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 2022 consist of the financial statements of all group companies in which the Bank has a controlling interest. Reference is made to paragraph 1G Basis of consolidation for an overview of the group companies.

1. 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.

B. AUTHORIZATION FINANCIAL STATEMENTS

The Bank´s consolidated financial statements (including standalone financial statements) for the year ended 31 December 2022 were prepared by the Managing Board and authorised for issue by the Supervisory Board on 9 March 2023. The Managing Board may decide to amend the financial statements as long as these have not been adopted by the General Meeting. The General Meeting may decide not to adopt the financial statements, but may not amend these.

C. BASIS OF PREPARATION

The Bank´s consolidated financial statements 2022 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.

The Bank's consolidated financial statements 2022 have been prepared on a going concern basis. Achmea Bank concludes that its capital and liquidity position is adequate to support the going concern assumption.

D. INITIAL APPLICATION OF ACCOUNTING POLICIES

In 2022, the following new Standards, amendments to Standards and Interpretations issued by the International Accounting Standards Board (IASB) were adopted: These have no significant impact on Total equity as per 31 December 2022, Net result for 2022 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 Amendments to IFRS 9 Financial Instruments, Annual Improvements 2018-2020 cycle: Fees in the '10 per cent' test for derecognition of financial liabilities

E. ALL CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

The following standards or amendments were issued in 2022 and endorsed by EU:
- Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies (implementation date 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (issued on 31 October 2022)
- 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).

The following standards or amendments were issued in 2022 or prior years but are not endorsed by EU. These standards are not early adopted by Achmea Bank in 2022:
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (issued on 31 October 2022)

All changes have no significant impact on Total equity as per 31 December 2022, Net result for 2022 and comparative figures of Achmea Bank N.V.

F. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND PRESENTATION

Change in presentation

In preparing the Consolidated Financial Statements 2022, Achmea Bank adjusted the presentation of the cash reserve from Cash and balances with Central Banks to Loans and advances to banks. The comparative figures of 2021 have been restated. The amount per 31 December 2021 was EUR 43 million. This change in presentation did not impact Total equity nor Net Result.

G. CONSOLIDATION

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 control is obtained by 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)[1]
- 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 Soft Bullet Covered Bond Company B.V. (shares are held by Stichting Achmea Soft Bullet Covered Bond Company)
- Stichting Trustee Achmea Bank
- Stichting Incasso Achmea Hypotheken

[1] The notes redeemed on first optional redemption date December 29 2022. This company will be liquidated in 2023

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

The Special Purpose Vehicles (‘SPV’) 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 and EUR 0.5 billion has been issued in May 2022. The shares of Achmea Soft Bullet Covered Bond Company B.V. are held by Stichting Achmea Soft Bullet 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 in accordance with the criteria of IFRS 10 Consolidated Financial Statements.

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.

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.

Segment information

In the internal reports used by the Managing Board to allocate resources and monitor performance targets to the operating segment, Achmea Bank is managed as a single operating segment.

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 (incl. overnight 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.

H. RECOGNITION, DERECOGNITION AND MEASUREMENT

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 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 marketplace. 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.

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 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 8, 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:

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

Amortised cost measurement

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

Fair value measurement

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

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

If a market for a financial instrument is not active, the Bank calculates fair values using valuation techniques (level 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.

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.

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 Bank'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 Bank'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 Bank changes its business model for managing financial assets.

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

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

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

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), lifetime expected credit losses for under-performing financial assets (stage 2) and lifetime expected credit losses for non-performing 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 non-performing, 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 as a stage 3 on a lifetime basis;

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 recognize 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, section Credit Risk.

Impairment off balance exposure

The provision for off balance exposures such as construction deposits and undrawn credit facilities of credit mortgages have been calculated based on the undrawn exposure and calculated based on the above mentioned three-stage model for impairments. The provision for loan commitments have been calculated by covering exposures with the same coverage ratio as the 12 month ECL from stage 1, as commitments have a maximum maturity of 12 months.

Use of estimates and assumptions

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

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

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

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.

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.

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

The Bank makes estimations, judgement and underlying assumptions which affect the value of assets and liabilities reported during the current financial year. These estimates have a significant impact on the reported amounts of assets and liabilities and the contingent assets and liabilities at the balance sheet date, and the reported income and expenses for the 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.

Judgements, estimations and underlying assumptions are reviewed on a regular basis. The impact of changes in estimates on the accounting outcome is recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods.

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. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further explained in the risk management paragraph, section credit risk. This paragraph includes the sensitivity analysis of the expected loss models for the 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 types 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.

Hedge accounting

The Bank uses derivatives as part of its risk management. Derivatives are for hedging instruments on the interest rate risk in its mortgage portfolio (macro hedge) as well as on the interest rate 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 (mortgage portfolio or debt securities issued) 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 which is included disclosure on the balance sheet 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.

Reference is made to note 20 of the Consolidated Financial Statements for the disclosure of the fair value of the other financial assets and liabilities.

2. RISK MANAGEMENT

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

This chapter describes the Bank's:
A. Risk management
B. Credit risk
C. Operational risk (including cyber security, compliance, fraud and privacy)
D. Market risk
E. Liquidity risk and funding strategy
F. Capital management
G. ESG (Environmental, Social and Governance) risk

A. RISK MANAGEMENT

Developments in 2022

This section provides an overview of the developments in 2022 in the area of risk management.

Each year, the management of Achmea Bank conducts an integral assessment of the most important risk themes using Strategic Risk Analysis. The composition of the risk profile, including the key risks identified in achieving the strategy remained largely unchanged in 2022. This section discusses current developments in the areas of inflation and Ukraine.

Inflation

The inflation in the European Economic Area ("EEA") has risen significantly. Potentially, additional inflation might be driven by, inter alia, further increase of energy prices caused by the Russian/Ukraine crisis (see below), disruption in production chains and depreciation of the Euro. The impact of inflationary developments on the Bank's balance sheet depends on inflation itself, but also on how other market factors move, amongst others driven by the response of central banks to rising inflation and market expectations of investors.

The increase in energy prices and heightened inflation did not have a negative impact on the mortgage portfolio of Achmea Bank yet. Loan ratios are still on a relative low level and arrears have not increased materially up to now. The rise in interest rate also did not have a negative impact on the affordability of the existing mortgage portfolio, which could be explained due to the relative long fixed interest periods of our customers. Achmea Bank closely monitors developments, not only by means of our dashboards, our risk models, but also at our special asset management department. Instead, the rise in interest rate has been an opportunity for Achmea Bank due to the shift from 20Y to 10Y fixed interest rates at origination.

Russian/Ukraine

The Russia/Ukraine war does not directly impact the Bank. Given the uncertainties and ongoing developments and related international response measures against Russia, including sanctions, capital controls, restrictions on access to international payment systems, such as SWIFT, and restrictions on central bank activity, the potential regional and global economic impact and potential impact on the Issuer's business, revenues, results of operations, financial condition and prospects remains uncertain.

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 and risk indicators

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 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 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.

The risk appetite is a general policy which is reviewed at least annually. Financial Risk Management 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 Managing Board and ultimately by the Supervisory Board.

Risk Governance

The CEO is responsible for the effectiveness of non-financial and 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 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 Managing Board is responsible for defining and executing the Bank's strategy. A crucial element of the Bank's strategy is the consistent control of credit risk, market risk, operational risk, liquidity & funding risk and solvency risk.

The Managing 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 Managing Board delegated specific tasks to different committees (such as F&RC and ALCo).

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 Management, Business Intelligence & Data Analytics, Control, Compliance & Operational Risk Management and Business & Operations. Control and Business Intelligence & Data Analytics have a standing invitation. The Credit Committee, the Technical Committee, the Data Quality Board and the ALCo are sub-committees of the Finance & Risk Committee (F&RC).

The Credit Committee focuses on the management of credit risk on its (residential) mortgage portfolios. This means that the Credit Committee has the responsibility for approving of and advising on credit policy frameworks and the implementation of it. For monitoring of the quality of the credit portfolio including taking actions to act upon developments. Credit risk reports and reports about compliancy to the credit risk policies are sources for undertaking actions if needed, e.g. in case risk appetite indicators are negatively impacted. Also, the Credit Committee is regularly informed by the Credit Risk Control Unit (CRCU) about the outcomes and performance of the AIRB model and its various uses. The Credit Committee is chaired by the CFRO, other members of the Credit Committee (not limited) are the following department's managers: Financial Risk Management, Balance Sheet Management (which includes the CRCU), Partner Management & Development, Business & Operations, Acier and Control.

The ALCo monitors and manages all financial risks except for retail credit risk which is the focus of the Credit Committee. This comprises interest rate risk, market risk, professional counterparty risk, 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 compliancy with the relevant regulatory guidelines. The ALCo is chaired by the CFRO of Achmea Bank. Other members of the ALCo are senior manager Balance Sheet Management and representatives of Financial Risk Management, Balance Sheet Management, 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 observations and/or 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 Management, Control, Business & Operations, IT and a representative of Compliance & Operational risk Management.

The Technical Committee (TC) is responsible for the correct and timely processing of the Model Lifecycle of predominantly risk models. The TC is chaired by the senior manager of Balance Sheet Management & Financial Risk Management. Other members are the senior-managers Control and Business Intelligence & Data Analytics and the team managers of the departments Reporting, Analytics & Modelling, Balance Sheet Management and Financial Risk Management.

B. 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, Achmea Bank applies forward looking IFRS9 Expected Credit Loss (ECL) models to calculate an impairment/loan-loss provision.

Risk Profile

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

RISK PROFILE

AS AT 31 DECEMBER 2022	GROSS CARRYING AMOUNT	ECL			CARRYING AMOUNT
IN THOUSANDS OF EUROS		STAGE 1	STAGE 2	STAGE 3	
Assets					
Cash and balances with Central Banks	774,244	–	–	–	774,244
Loans and advances to banks	641,605	33	–	–	641,572
Derivative assets held for risk management	537,769	–	–	–	537,769
Loans and advances to public sector	606	–	–	–	606
Loans and advances to customers	11,892,224	4,086	9,855	7,684	11,870,599
Current tax assets	4,964				4,964
Prepayments and other receivables	99,312	41	–	–	99,271
Deferred tax assets	4,239	–	–	–	4,239
Total Assets	**13,954,963**	**4,160**	**9,855**	**7,684**	**13,933,264**
Off-balance exposures	**Exposure Amount**				**Provisions**
Total off-balance	801,217	18	5	–	22

AS AT 31 DECEMBER 2021	GROSS CARRYING AMOUNT	ECL			CARRYING AMOUNT
IN THOUSANDS OF EUROS		STAGE 1	STAGE 2	STAGE 3	
Assets					
Cash and balances with Central Banks	737,224	–	–	–	737,224
Loans and advances to banks	635,604	19	–	–	635,585
Derivative assets held for risk management	61,769	–	–	–	61,769
Loans and advances to public sector	629	–	–	–	629
Loans and advances to customers	11,377,263	2,798	6,378	4,866	11,363,221
Prepayments and other receivables	47,704	20	–	–	47,684
Deferred tax assets	1,879	–	–	–	1,879

Total Assets	**12,862,071**	**2,837**	**6,378**	**4,866**	**12,847,990**
Off-balance exposures	**Exposure Amount**				**Provisions**
Total off-balance	327,295	–	–	–	–

In 2022, as a result of the increased mortgage production, the amount of outstanding loan commitments increased compared to 2021. The Bank calculated an ECL for all off-balance exposures of EUR 22 thousand (2021: EUR 0), which is included in the provisions.

Achmea Bank's mortgages and consumer credits activities are concentrated in the Netherlands. Achmea Bank's exposures to banks, e.g. derivatives, are both to domestic and foreign counterparties. No geographical segmentation is applied. Achmea Bank currently applies the standardized approach to calculate the risk weighting of its assets. Achmea Bank is working towards a stepwise implementation of Advanced Internal Rating Based (AIRB) models for its residential mortgage portfolio(s).

Credit risk consists of risks relating to professional counterparties (counterparty credit risk) in funding transactions (e.g. swaps), retail mortgage lending (retail credit risk) and consumer credits.

The retail mortgage lending portfolio consists of the regular mortgages portfolio and the Acier loan portfolio.

Regular mortgage portfolio
The Regular 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.

Acier loan portfolio
The Acier loan portfolio is a run-off portfolio and differs in characteristics from the Regular mortgage portfolio. The principal amount of Acier loans is significantly higher than average mortgage loans in the Netherlands, making the exposure risk on a single client higher. Also, the mortgages securing the mortgage loans may be vested on residential and/or commercial properties with higher collateral values and/or properties that may be more price sensitive and less marketable. A large number of loans have a variable interest rate and part of the loans is denominated in Swiss Francs (CHF). All loans denominated in Swiss Francs have a variable interest rate. A rise in the CHF/EUR exchange rate negatively impacts the LTV ratio of the mortgage loans.

Achmea B.V. issued a capped guarantee to Achmea Bank to cover credit risk and legal claims related to this portfolio. In 2022 the maximum guarantee amount has been adjusted from EUR 350 million to EUR 280 million. The total amount of claims submitted to this guarantee is recognised in the consolidated statement of financial position as a receivable on Achmea B.V. In 2022 there is EUR 4.8 million claimed on the guarantee (2021: EUR 0) consisting of ECL additions exceeding the threshold of 20 basis points of the average gross carrying amount of the Acier portfolio.

Management and Control

Counterparty Credit Risk
The counterparty credit 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 exposure and for investments also on maturity. These limits are approved by the ALCo. The ALCo has delegated daily managing and monitoring of counterparty credit risk exposure to Achmea Treasury and Balance Sheet Management (1st line).

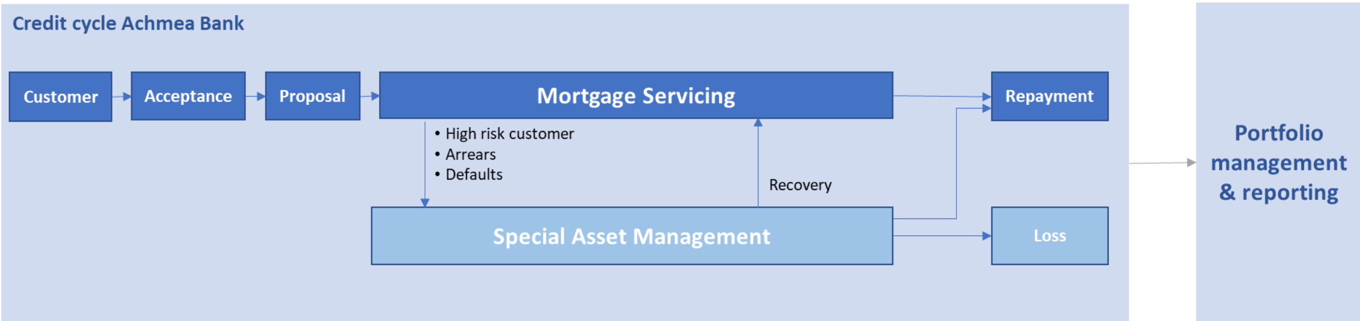
To reduce the counterparty risk on derivatives contracts the bank has Credit Support Annexes (CSA) in place with all counterparties and all exposure is fully collateralised with cash. In line with the European Market Infrastructure Regulation (EMIR) the bank only enters into new contracts via Central Clearing Parties (CCP).

No write offs on counterparty positions occurred in 2022 (2021: EUR 0 million).

Retail Credit Risk

Credit Committees

The Credit Committee monitors the risk profile (policies, procedures, products) and the mortgage portfolios' credit risk by means of the credit cycle. The credit cycle, as illustrated below, is the foundation on which credit risk management forms its objective and independent judgement about the overall credit risk profile.



Credit policy

Achmea Bank's policy on credit risk is mainly focussed on 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 based on legislation, Risk Appetite and credit risk monitoring. Financial 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.

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. 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. Financial Risk Management monitors the 'explain' applications quarterly.

As of 2021 Achmea also uses an application score card based on the AIRB model for credit approvals (excluding acquired mortgages from third parties). 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.

The Financial Risk Management department monitors the credit risk of the portfolio as part of their 2nd line of defence role. When actions are needed, the Financial 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 AIRB 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, Special Asset Management treatment is started at 2 months in arrears at latest. Within the Special Asset Management department the AIRB 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 sale and any remainder debt will be written off. Any income from residual debt is recognised in the income statement, as part of the other income.

Credit risk monitoring also takes place for the acquired portfolios. These mortgages portfolios 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.

Due to the specific nature of the Acier portfolio a specialized account team and special asset management team is in place for the treatment and foreclosures.

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, minimise the risk of default and maximise the probability of cure. 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;

If the modification of the terms is 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 2022 the Bank has no financial assets with lifetime ECL whose cash flows were significantly modified.

The registration of the forbearance measures and default triggers of the acquired portfolios takes place at the issuing party. The relevant information of the portfolios is added to the data warehouse of Achmea Bank.

Definition of default
As of 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 European Banking Authority (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 recovers from the default status once the arrears have been repaid in full or the UtP triggers have lapsed and at least three-month probation period has expired. In case of defaults with forbearance measures the probation period is 12 months from the start of the measure. All default exposures are also non performing exposures and are classified as credit impaired and included in stage 3.

Portfolio information

Counterparty Credit Risk

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 517 million (2021: EUR 338 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 2022 the net exposure for the derivative exposures amounted to EUR 182 million (2021: EUR 19 million) and consisted of the total fair value of the derivatives versus the collateral position and initial margin for central clearing.

The credit risk on the other financial assets of the Bank is 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 2022
IN THOUSANDS OF EUROS
FINANCIAL ASSETS CATEGORISED PER MIDDLE RATING

	> A	≤ A	not rated	Total
Cash and balances with Central Banks	774,244	–	–	774,244
Derivative assets held for risk management	–	28,719	509,050	537,769
Loans and advances to banks	322,990	171,737	146,846	641,572
Loans and advances to public sector	–	606	–	606
	1,097,234	**201,062**	**655,896**	**1,954,192**

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	737,224	–	–	737,224
Derivative assets held for risk management	–	25,011	36,758	61,769
Loans and advances to banks	303,593	291,418	40,574	635,585
Loans and advances to public sector	–	629	–	629
	1,040,817	**317,058**	**77,332**	**1,435,207**

The lowest rating at year-end 2022 was BBB (EUR 5.4 million) (year-end 2021: rating BBB, EUR 12.3 million). The unrated exposure consists of the exposure to London Clearing House Limited and Eurex. Most of the collateral positions are included in the category loans and advances to banks. At year-end 2022 part of the collateral position (EUR 196 million) (2021: EUR 6 million) is reported as liability and recognised under deposits from banks.

Retail Credit Risk

The following tables shows the credit quality of the mortgage loans based on Loan to Market Values for the Regular and Acier loan portfolio. For the Regular portfolio there is a split in NHG and Non NHG guaranteed loans. The Acier portfolio contains no NHG guaranteed loans. 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 and Expected Credit Loss. The carrying amount of loans and advances to customers is disclosed in note 4. More details about the calculation of the expected credit loss and provisioning methodology are disclosed in Risk Management paragraph under "Provisioning methodology". For the valuation of the underlying collateral in the residential mortgage portfolio Achmea Bank uses Calcasa for the Regular portfolio and indexation method for the

Acier portfolio. Achmea Bank also applies a management overlay on the ECL provision, to cover risks from external developments that are not fully covered by the ECL model at this time. The management overlay is also explained in the Risk Management paragraph under "Provisioning methodology".

The table below shows the breakdown of the portfolios by redemption type for both Regular and Acier portfolios.

MORTGAGES BY REDEMPTION TYPE

IN THOUSANDS OF EUROS	2022		2021	
Regular				
Interest-only	5,013,758	43%	4,729,107	46%
Annuity	4,698,301	40%	3,484,016	34%
Linear	330,202	3%	276,693	3%
(Bank) savings	923,000	8%	1,053,363	10%
Life insurance	587,823	5%	695,342	7%
Investment	69,615	1%	82,984	1%
Total Gross Carrying Amount Regular	**11,622,699**		**10,321,505**	
Acier				
Interest-only	620,012	96%	653,148	96%
Annuity	1,556	0%	262	0%
Linear	141	0%	179	0%
(Bank) savings	–	0%	–	0%
Life insurance	–	0%	–	0%
Investment	24,573	4%	27,371	4%
Total Gross Carrying Amount Acier	**646,282**		**680,960**	
ECL	−21,625		−14,042	
Fair value hedge adjustment	−416,978		286,617	
Other	40,221		88,181	
Total Loans and advances to customers	**11,870,599**		**11,363,221**	

The amount presented as 'fair value hedge adjustment' is resulted by applying macro hedge accounting. Other consists mainly of notarized, but not yet finalized mortgage contracts.

Interest payments on mortgage loans provided after 1 January 2013 are only tax deductible if the mortgage is paid off through an annuity or linear scheme over a maximum period of thirty years. This rule does not apply to the interest-only mortgages originated before 1 January 2013 and that were renegotiated after this date. For these mortgage loans, tax benefits remain applicable on certain conditions. The Bank only finances interest-only mortgages up to a maximum of 50% of the value of the collateral. The remainder of the loan must consist of a type of mortgage under which the debt is repaid during the term of the mortgage.

The table below shows the gross carrying amount of the interest-only mortgages per Loan to value (LTV) bucket for the Regular and Acier loan portfolio.

INTEREST ONLY MORTGAGES BY LTV BUCKET

AS AT 31 DECEMBER 2022				
IN THOUSANDS OF EUROS				
	REGULAR		ACIER	
Less than 75%	4,505,718	90%	388,520	63%
75% to 90%	305,101	6%	79,323	13%
90% to 110%	103,523	2%	43,579	7%
110% to 125%	4,849	0%	39,961	6%
More than 125%	31,750	1%	59,262	10%
Other	62,817	1%	9,368	2%
Total Gross Carrying Amount	**5,013,758**		**620,012**	

AS AT 31 DECEMBER 2021				
IN THOUSANDS OF EUROS				
	REGULAR		ACIER	
Less than 75%	4,225,737	89%	359,116	55%
75% to 90%	346,746	7%	107,872	17%
90% to 110%	88,726	2%	86,639	13%
110% to 125%	9,734	0%	46,304	7%
More than 125%	38,540	1%	42,532	7%
Other	19,624	0%	10,685	2%
Total Gross Carrying Amount	**4,729,107**		**653,148**	

The table below shows the fixed term maturities for the Regular and Acier loan portfolio.

MORTGAGES BY FIXED-TERM MATURITY

IN THOUSANDS OF EUROS				
	2022		2021	
Regular				
< 1-year fixed-rate and floating rate	1,001,244	9%	1,053,697	10%
> 1 and < 5-year fixed-rate	3,828,360	33%	3,595,208	35%
> 5 and < 10-year fixed-rate	5,039,974	43%	4,316,877	42%
> 10 and < 15-year fixed-rate	689,158	6%	409,102	4%
< 15-year fixed-rate	1,063,963	9%	946,621	9%
Total Gross Carrying Amount Regular	**11,622,699**		**10,321,505**	
Acier				
< 1-year fixed-rate and floating rate	614,273	95%	650,976	96%
> 1 and < 5-year fixed-rate	23,515	4%	20,017	3%
> 5 and < 10-year fixed-rate	8,494	1%	9,966	1%
> 10 and < 15-year fixed-rate				
< 15-year fixed-rate				
Total Gross Carrying Amount Acier	**646,282**		**680,959**	
ECL	−21,625		−14,042	
Fair value hedge adjustment	−416,978		286,617	
Other	40,221		88,181	
Total Loans and advances to customers	**11,870,599**		**11,363,221**	

Provisioning methodology

The impairment calculation of Achmea Bank is based on several ECL models which will be explained in the paragraph below.

Provisioning models

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

- Regular mortgage portfolio (including acquired portfolios)
- Acier portfolio
- Other financial assets

The ECL models for the mortgage portfolio are validated by Group Model Validation and approved by the Technical Committee of Achmea Bank and Group Model Approval Committee chaired by the CRO of Achmea. The lifecycle of the ECL model is broken down in five generic key process stages (Origination, Design, Implementation, Operations, In-Depth review). During the Operations phase an In-Depth review is performed 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.

Regular mortgage portfolio

IFRS 9 impairment requirements for the Regular mortgage portfolio are implemented in Achmea Bank as an ECL based methodology and approach. The ECL model consists 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 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 the expected amount to be claimed by the bank at the time of default The LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per exposure.

The calculation of the ECL for the acquired portfolios is based on the same assumptions as for the Regular portfolio. For these portfolios Achmea Bank conducted a representativeness analysis. Based on this analysis Achmea Bank concludes that the new portfolios are 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 ECL model for the Regular portfolio is used as best estimate values.

In line with the IFRS 9 requirements, the total Regular portfolio (including acquired portfolios) 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 or non-performing mortgages (Lifetime ECL)

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 performed on facility level.

Two criteria are considered 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 price index (HPI), consumer price index (CPI), yield curve, income and inflation.

Acier portfolio

The ECL model for the Acier portfolio is based on the same general principles and model building blocks as described above for the Regular portfolio. However, the Acier loan portfolio differs in characteristics from the regular Achmea Bank mortgage portfolio. Therefore, a different model design and calibration is used for Acier. The impairment approach for this portfolio is a combination of the results of the ECL for the homogenous parts of the portfolio via the ECL model and an individual assessment for a number of large exposures. The homogenous part of the Acier portfolio consists of mortgages with 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. As a result of the reduction of the Acier portfolio, an evaluation of the financial guarantee has taken place in 2022, which result in a decrease of the financial guarantee amounts to EUR 280 million (2021: EUR 350 million).

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.

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

The provision for loan commitments have been calculated by covering exposures with the same coverage ratio as the 12 month ECL from stage 1, as commitments have a maximum maturity of 12 months.

Changes to methodology

In 2022 several recalibrations have been performed for the Regular and Acier models as part of our model management cycle and yearly in depth review. The Regular model has been recalibrated to expand the historic database as well as changes to macro-economic sub-models to improve performance of back testing. Due to recalibration of the ECL model, macro-economic Probability of Default sub-model no longer includes Unemployment Rate (UR), but instead uses House Price Index (HPI). The macro-economic Loss Given Default sub-model no longer uses Gross Domestic Product (GDP) in its calculation. For the Acier model, changes were made to the LGD model to improve the performance of the ECL model. Due to migration of mortgage servicer, ship- and credit mortgages have been transferred to the Acier portfolio. Therefore it was also decided to use the Acier model to calculate the ECL for these loans.

Management overlay

The ECL models of Achmea Bank have been calibrated with historical figures from January 2007 – September 2021. These historical figures did not include any periods of high inflation and increase of interest rate. In addition to this, several risks are not yet fully covered by the ECL models such as rising interest rates, climate change and systemic risks. Current external developments, such as high inflation and possible recession due to the war in Ukraine, monetary policy of increasing interest rates and descending house prices have further increased risk exposure. For this reason, as per December 2022, the management overlay on de ECL provision has been increased to EUR 6.0 million (2021: EUR 3.0 million) for the Regular portfolio. For the Acier portfolio a management overlay amounts to EUR 3.3 million (2021: EUR 1.3 million), related to several risks which are not yet fully covered by the ECL models, such as expiration of mortgages which will mature within 5 years and a relative high loan-to-value.

Detailed ECL regular mortgage and Acier loan portfolio

The tables below show the gross carry amount and ECL provisions for Achmea Bank mortgages by LTV and NHG status. Loans qualified in the LTV bucket ‘Other’, mainly consist of bridge loans in the Regular portfolio and non-collateralized loans in the Acier portfolio. For the Regular portfolio, the ECL coverage ratio mostly decreased due to recalibration of the model, however an slight increase can be seen due to the management overlay. For the Acier portfolio the ECL coverage ratio mostly increased due changes in macro-economic scenarios and the management overlay.

ECL PER LTV

AS AT 31 DECEMBER 2022 IN THOUSANDS OF EUROS	NHG			NON NHG			ACIER		
	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO
Less than 75%	2,202,281	246	0.01%	7,313,682	940	0.01%	398,123	617	0.15%
75% to 90%	161,115	31	0.02%	998,341	499	0.05%	90,543	23	0.03%
90% to 110%	179,959	15	0.01%	636,706	384	0.06%	44,375	102	0.23%
110% to 125%	2,317	2	0.07%	14,222	63	0.44%	40,993	2,724	6.64%
More than 125%	657	5	0.71%	49,853	615	1.23%	62,853	5,263	8.37%
Other	260	–	0.00%	63,306	5	0.01%	9,396	842	8.96%
Management overlay					6,000			3,250	
Total	**2,546,589**	**298**	**0.01%**	**9,076,110**	**8,507**	**0.09%**	**646,282**	**12,820**	**1.98%**

AS AT 31 DECEMBER 2021 IN THOUSANDS OF EUROS				NON NHG			ACIER		
	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO
Less than 75%	2,190,849	433	0.02%	6,535,997	1,701	0.03%	370,999	–	0.00%
75% to 90%	113,658	52	0.05%	1,040,900	548	0.05%	114,951	5	0.00%
90% to 110%	16,166	22	0.14%	314,171	434	0.14%	91,002	1,630	1.79%
110% to 125%	1,048	1	0.11%	22,665	41	0.18%	49,501	1,945	3.93%
More than 125%	1,744	5	0.29%	63,703	353	0.55%	43,775	1,883	4.30%
Other	289	–	0.00%	20,315	12	0.06%	10,731	727	6.77%
Management overlay					3,000			1,250	
Total	**2,323,754**	**513**	**0.02%**	**7,997,751**	**6,089**	**0.08%**	**680,959**	**7,440**	**1.09%**

The breakdown of the carrying amount of the loans and advances to customers in stages can be specified as follows:

BREAKDOWN LOANS AND ADVANCES TO CUSTOMERS

AS AT 31 DECEMBER 2022 IN THOUSANDS OF EUROS	STAGE 1	STAGE 2	STAGE 3	
Gross carrying amount Regular mortgages	10,728,376	838,251	56,072	11,622,699
ECL model	211	2,173	421	2,805
Management overlay	2,000	2,000	2,000	6,000
Fair value hedge adjustment				−416,978
Other				40,221
Total carrying amount Regular mortgages	**10,726,165**	**834,078**	**53,651**	**11,237,137**
Gross carrying amount Acier mortgages	458,452	165,992	21,839	646,282
ECL model	325	4,582	4,663	9,570
Management overlay	1,550	1,100	600	3,250
Total carrying amount Acier mortgages	**456,577**	**160,309**	**16,576**	**633,462**
Total Loans and advances to customers	**11,182,742**	**994,387**	**70,227**	**11,870,599**

AS AT 31 DECEMBER 2021 IN THOUSANDS OF EUROS	STAGE 1	STAGE 2	STAGE 3	
Gross carrying amount Regular mortgages	9,870,269	381,487	69,748	10,321,505
ECL model	387	2,059	1,156	3,601
Management overlay	1,000	800	1,200	3,000
Fair value hedge adjustment				286,617
Other				88,181
Total carrying amount Regular mortgages	**9,868,883**	**378,628**	**67,392**	**10,689,701**
Gross Carrying Amount Acier Mortgages	486,456	182,356	12,147	680,959
ECL model	176	3,505	2,510	6,190
Management overlay	1,250	–	–	1,250
Total carrying amount Acier mortgages	**485,031**	**178,851**	**9,637**	**673,519**
Total Loans and advances to customers	**10,353,913**	**557,480**	**77,030**	**11,363,221**

Stage 3 includes purchased or credit impaired assets with a gross carrying amount of EUR 8.9 million and a related ECL of EUR 49 thousand, which are both not material and therefore not classified separately.

The following tables show the transfers of gross carrying amounts between stages from the opening to the closing balance for Loans and advances to customers.

TRANSFERS BETWEEN IMPAIRMENT STAGES (GROSS BASIS PRESENTATION)

GROSS CARRYING AMOUNT	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
IN THOUSANDS OF EUROS	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
2022						
Loans and advances to customers	601,124	93,162	28,475	31,888	15,739	614
Total	**601,124**	**93,162**	**28,475**	**31,888**	**15,739**	**614**
2021						
Loans and advances to customers	295,283	121,483	18,958	37,547	23,859	1,641
Total	**295,283**	**121,483**	**18,958**	**37,547**	**23,859**	**1,641**

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

MOVEMENT SCHEDULE ECL

AS AT 31 DECEMBER 2022 IN THOUSANDS OF EUROS	REGULAR	ACIER
1 January 2022	**6,601**	**7,440**
Transfer from Regular to Acier	−1,162	1,162
New assets originated or acquisition	955	7
Asset derecognised	−379	−356
Credit quality changes	3,785	6,081
Changes to methodology	−3,995	−2,286
Amounts written off	–	−1,228
Management overlay	3,000	2,000
31 December 2022	**8,805**	**12,820**

AS AT 31 DECEMBER 2021 IN THOUSANDS OF EUROS	REGULAR	ACIER
1 January 2021	**11,044**	**17,260**
New assets originated or acquisition	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 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Loss allowance as at 1 January 2022	**1,387**	**2,859**	**2,356**	**6,601**
Movements with P&L impact				
Transfers:				
Transfer to Acier	−160	−548	−454	−1,162
Of which, transfer from stage 1 to stage 2	−35	1916	–	1,881
Of which, transfer from stage 1 to stage 3	−1	–	100	99
Of which, transfer from stage 2 to stage 1	134	−216	–	−81
Of which, transfer from stage 2 to stage 3	–	−104	138	34
Of which, transfer from stage 3 to stage 1	3	–	−5	−2
Of which, transfer from stage 3 to stage 2	–	260	−321	−60
Movements due to recognition/derecognition	500	194	−119	575
Other movements	−617	−1389	−73	−2,079
Management overlay	1000	1200	800	3,000
Total net P&L charge during the period	**824**	**1,313**	**65**	**2,204**
Movements with no P&L impact				
Acquired mortgage portfolios	–	–	–	–
Write-offs	–	–	–	–
Loss allowance as at 31 December 2022	**2,211**	**4,172**	**2,421**	**8,805**

	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
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	−39	−400	−976	−1,415
Other movements	−2,074	−1,549	−894	−4,517
Management overlay	1,000	800	1,200	3,000

Total net P&L charge during the period	**–1,205**	**–1,379**	**–1,577**	**–4,161**
Movements with no P&L impact				
Acquired mortgage portfolios				
Write-offs	–65	–	–218	–283
Loss allowance as at 31 December 2021	**1,387**	**2,859**	**2,356**	**6,601**

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.

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 2022	**1,410**	**3,519**	**2,510**	**7,440**
Movements with P&L impact				
Transfers:				
Transfer from Regular	160	548	454	1,162
Of which, transfer from stage 1 to stage 2	–25	313	–	289
Of which, transfer from stage 1 to stage 3	–	–	–	–
Of which, transfer from stage 2 to stage 1	236	–404	–	–167
Of which, transfer from stage 2 to stage 3	–	–654	3,123	2,469
Of which, transfer from stage 3 to stage 1	–	–	–	–
Of which, transfer from stage 3 to stage 2	–	62	–61	1
Movements due to recognition/derecognition	–24	–166	–159	–349
Other movements	–198	1,379	23	1,203
Management overlay	300	1,100	600	2,000
Total net P&L charge during the period	**450**	**2,178**	**3,981**	**6,608**
Movements with no P&L impact				
Write-offs	–	–	–1,228	–1,228
Loss allowance as at 31 December 2022	**1,860**	**5,697**	**5,263**	**12,820**

	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
Management overlay	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**

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 2022 Achmea Bank has amended the methodology for a small credit portfolio (EUR 7 million) due to migration of legacy system, resulting in a release of the provision of EUR 0.8 million.

The table below shows gross carry amount in buckets of days-past-due for the Regular and Acier portfolio. More than 30 days indicates loans with a significant increase in credit risk. More than 90 days indicates loans in default.

ARREARS

AS AT 31 DECEMBER	2022	2021
IN THOUSANDS OF EUROS		
Regular Achmea Bank portfolio		
0 days	11,570,344	10,267,948
1 - 30 days	6,841	8,965
31 - 60 days	20,898	15,096
61 - 90 days	5,875	5,701
> 90 days	18,740	23,794
Total gross carrying amount	**11,622,700**	**10,321,504**
Acier loan portfolio		
0 days	644,123	677,258
1 - 30 days	109	–
31 - 60 days	2	–
61 - 90 days	–	–
> 90 days	2,049	3,701
Total gross carrying amount	**646,282**	**680,960**

Macro-economic variables

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 ECL 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 important assumptions used for the ECL estimate as at 31 December 2022 are set out below. These scenarios are approved by the ALCo of the Bank. The scenarios base, up and down are used for the Regular mortgage portfolio as well as the Acier portfolio.

The expert panel has thoroughly discussed deterioration of economic environment in 2022. Therefore it was decided to lower forward looking expectations as compared to the scenarios from 2021 and to leave weightings unchanged at this time. The table below, as well as tables from the sensitivity analysis show the impact of various scenarios on the ECL provision. Due to recalibration of the ECL model, macro-economic variables in the PD and LGD calculation no longer include Unemployment Rate and Gross Domestic Product in 2022 for the Regular portfolio. The recalibration is further explained in the 'Provisioning methods' paragraph under 'Changes to methodology'.

REGULAR MACRO ECONOMIC SCENARIOS (EXCL. MANAGEMENT OVERLAY)

AS AT 31 DECEMBER 2022

IN THOUSANDS OF EUROS

Scenario	Macroeconomic Parameter	2023	2024	2025	2026	Weight	Unweighted ECL	Reported (weighted) ECL
Up	**House Price Index (yoy%)**	**2.5%**	**4.0%**	**5.0%**	**5.0%**	**20%**	**1,729**	**2,805**
	Consumer Price Index (yoy%)	2.7%	1.8%	1.5%	1.5%			
Base	**House Price Index (yoy%)**	**−2.5%**	**−0.5%**	**1.0%**	**1.0%**	**60%**	**2,459**	
	Consumer Price Index (yoy%)	4.7%	3.3%	2.5%	2.5%			
Down	**House Price Index (yoy%)**	**−9.5%**	**−2.5%**	**−1.0%**	**−1.0%**	**20%**	**4,917**	
	Consumer Price Index (yoy%)	8.7%	9.3%	5.5%	5.5%			

AS AT 31 DECEMBER 2021

IN THOUSANDS OF EUROS

Scenario	Macroeconomic Parameter	2022	2023	2024	2025	Weight	Unweighted ECL	Reported (weighted) ECL
Up	**House Price Index (yoy%)**	**11.0%**	**10.0%**	**9.5%**	**8.0%**	**20%**	**3,312**	**3,601**
	Gross Domestic Product (yoy%)	3.9%	2.3%	2.1%	1.9%			
	Unemployment Rate (level)	2.6%	2.8%	3.0%	2.8%			
	Consumer Price Index (yoy%)	2.0%	0.9%	0.9%	0.7%			
Base	**House Price Index (yoy%)**	**9.0%**	**7.0%**	**5.0%**	**4.0%**	**60%**	**3,553**	
	Gross Domestic Product (yoy%)	3.4%	1.8%	1.6%	1.4%			
	Unemployment Rate (level)	3.6%	3.8%	4.0%	3.8%			
	Consumer Price Index (yoy%)	3.0%	1.9%	1.9%	1.7%			
Down	**House Price Index (yoy%)**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**20%**	**4,037**	
	Gross Domestic Product (yoy%)	2.0%	0.4%	0.2%	0.0%			
	Unemployment Rate (level)	4.6%	4.8%	5.0%	4.8%			
	Consumer Price Index (yoy%)	4.5%	3.4%	3.4%	3.2%			

ACIER MACRO ECONOMIC SCENARIOS (EXCL. MANAGEMENT OVERLAY)

AS AT 31 DECEMBER 2022

IN THOUSANDS OF EUROS

Scenario	Macroeconomic Parameter	2023	2024	2025	2026	Weight	Unweighted ECL	Reported (weighted) ECL
Up	**House Price Index (yoy%)**	**1.5%**	**3.0%**	**4.0%**	**4.5%**	**20%**	**8,325**	**9,570**
	EURIBOR 3M (level)	2.0%	2.0%	1.5%	1.0%			
	EUR/CHF (level)	1.10	1.15	1.15	1.15			
Base	**House Price Index (yoy%)**	**−3.5%**	**−1.5%**	**0.0%**	**0.5%**	**60%**	**9,392**	
	EURIBOR 3M (level)	2.5%	2.5%	2.0%	1.5%			
	EUR/CHF (level)	1.00	1.05	1.05	1.05			
Down	**House Price Index (yoy%)**	**−10.5%**	**−3.5%**	**−2.0%**	**−1.5%**	**20%**	**11,351**	
	EURIBOR 3M (level)	3.0%	3.0%	2.5%	2.0%			
	EUR/CHF (level)	0.93	0.95	0.95	0.95			

AS AT 31 DECEMBER 2021 IN THOUSANDS OF EUROS								
Scenario	**Macroeconomic Parameter**	**2022**	**2023**	**2024**	**2025**	**Weight**	**Unweighted ECL**	**Reported (weighted) ECL**
Up	**House Price Index (yoy%)**	**10.0%**	**9.0%**	**8.5%**	**7.0%**	**20%**	**5,441**	**6,190**
	EURIBOR 3M (level)	–0.7%	–0.7%	–0.7%	–0.7%			
	EUR/CHF (level)	1.20	1.20	1.20	1.20			
Base	**House Price Index (yoy%)**	**8.0%**	**6.0%**	**4.0%**	**3.0%**	**60%**	**5,869**	
	EURIBOR 3M (level)	–0.5%	–0.3%	–0.2%	–0.1%			
	EUR/CHF (level)	1.10	1.10	1.10	1.10			
Down	**House Price Index (yoy%)**	**–1.0%**	**–1.0%**	**–1.0%**	**–1.0%**	**20%**	**7,904**	
	EURIBOR 3M (level)	0.1%	0.2%	0.3%	0.4%			
	EUR/CHF (level)	1.00	1.00	1.00	1.00			

Sensitivity analysis on ECL

For the Regular 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 2022, we have adjusted the scenarios in the light of the economic situation.

The main drivers for the Regular mortgage portfolio are:
- House price index: the ECL includes house price index predictions for the coming three years separately and for the period > 3 years;
- Consumer price index: the ECL includes consumer price index predictions for the coming three years separately and for the period > 3 years.

The scenarios for the sensitivity analysis for the regular portfolios as well as the Acier portfolio, as mentioned below, have been discussed in the expert panel of December 2022. The outcome of the scenarios is compared with the base scenario of the ECL. 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 2022 IN MILLIONS OF EUROS						
SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	**STAGE 3**	TOTAL	CHANGE COMPARED TO ORIGINAL
Original scenario ECL for the Regular mortgage portfolio	Base/Up/Down 60%/20%/20%	0.2	2.2	0.4	2.8	
Base 100%		0.2	1.8	0.4	2.5	–0.3
Up 100%		0.2	1.1	0.4	1.7	–1.1
Down 100%		0.2	4.2	0.4	4.9	2.1
	ORIGINAL SCENARIO	STAGE 1	STAGE 2	**STAGE 3**	TOTAL	CHANGE COMPARED TO BASE
HPI (yoy%) -12,5%	HPI (yoy%) -2,5%	0.2	2.9	0.4	3.6	1.2
HPI (yoy%) +2,5%	HPI (yoy%) -2,5%	0.2	1.5	0.4	2.1	–0.3
CPI (yoy%) +9,7%	CPI (yoy%) +4,7%	0.2	2.6	0.4	3.2	0.7

PER 31 DECEMBER 2021 IN MILLIONS OF EUROS						
SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO ORIGINAL
ORIGINAL SCENARIO ECL REGULAR MORTGAGE PORTFOLIO	BASE/UP/DOWN 60%/20%/20%	0.4	2.1	1.1	3.6	
Base 100%		0.4	2.1	1.1	3.6	–
Up 100%		0.4	1.8	1.1	3.3	–0.3
Down 100%		0.4	2.6	1.1	4.1	0.5
	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO BASE
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	–
Consumer prices index 5%	3%	0.4	2.3	1.1	3.8	0.2

The sensitivity figures include the acquired portfolios, which have a limited impact on the sensitivity figures. Due to changes in new macro-economic scenarios, sensitivity analyses of 2022 are not comparable to 2021 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.
- 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.
- EURIBOR interest rate: the ECL includes EURIBOR interest rate predictions (basis points) for the coming three years separately and for the period > 3 years.

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

PER 31 DECEMBER 2022 IN MILLIONS OF EUROS						
SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO ORIGINAL
Original scenario ECL for the Acier portfolio	Base/Up/Down 60%/20%/20%	0.3	4.6	4.7	9.6	
Base 100%		0.3	4.5	4.7	9.4	–0.2
Up 100%		0.3	3.4	4.7	8.3	–1.2
Down 100%		0.5	6.1	4.7	11.4	1.8
	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO BASE
PD driver weights Affordability/Credit rating/LTV: 75%/15%/10%	PD driver weights Affordability/Credit rating/LTV: 75%/15%/10%	0.1	3.4	4.7	8.2	–1.2
PD driver weights Affordability/Credit rating/LTV: 60%/25%/15%	PD driver weights Affordability/Credit rating/LTV: 60%/25%/15%	0.1	3.5	4.7	8.3	–1.1
Cure rate 49%	Cure rate 59%	0.3	4.9	4.8	10.0	0.6
Cure rate 69%	Cure rate 59%	0.2	4.0	4.6	8.8	–0.6
HPI (yoy%) +1,5%	HPI (yoy%) -3,5%	0.3	4.1	4.7	9.0	–0.4
HPI (yoy%) -13,5%	HPI (yoy%) -3,5%	0.3	5.3	4.7	10.3	0.9
CHF (level) 1,2	CHF (level) 1,0	0.3	4.3	4.7	9.2	–0.2
CHF (level) 0,8	CHF (level) 1,0	0.3	4.8	4.7	9.7	0.3
Euribor (level) 400 bp	Euribor (level) 250 bp	0.6	4.5	4.7	9.8	0.4
Euribor (level) 200 bp	Euribor (level) 250 bp	0.3	4.4	4.7	9.4	–0.0

PER 31 DECEMBER 2021 IN MILLIONS OF EUROS SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO ORIGINAL
Original scenario ECL for the homogeneous part of Acier portfolio	Base/Up/Down 60%/20%/20%	0.0	1.1	0.7	1.9	
Base 100%		0.0	0.9	0.7	1.6	−0.3
Up 100%		0.0	0.4	0.7	1.2	−0.7
Down 100%		0.0	2.7	0.7	3.4	1.6

	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO BASE
PD driver weights Affordability/Credit rating/LTV: 75%/15%/10%	PD driver weights Affordability/Credit rating/LTV: 75%/15%/10%	0.0	0.4	0.7	1.1	−0.5
PD driver weights Affordability/Credit rating/LTV: 60%/25%/15%	PD driver weights Affordability/Credit rating/LTV: 60%/25%/15%	0.0	0.4	0.7	1.2	−0.4
Cure rate 49%	Cure rate 59%	0.0	1.1	0.9	1.9	0.3
Cure rate 69%	Cure rate 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
HPI (yoy%) 13%	8%	0.0	0.7	0.7	1.4	−0.2
HPI (yoy%) 3%	8%	0.0	1.1	0.7	1.8	0.2
CHF (level) 1,2	1.1	0.0	0.8	0.7	1.5	−0.1
CHF (level) 0,8	1.1	0.0	0.9	0.7	1.7	0.1

C. OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failing internal processes, employees or systems, or from external events. 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 events can lead to a financial loss for Achmea Bank and our customers and may also harm our reputation. Therefore, it is important to have a timely and adequate understanding of the risks we run, respond to these risks and implement effective control measures.

Risk Profile

Achmea Bank has categorised operational risk into four main categories, i.e. business/process risk, compliance risk, IT risk and reporting risk. The main categories are divided further into risk themes which are also mapped to the operational risk categories as defined in the Basel regulations. In the section below, we describe the various subcategories of operational risk and the way they are dealt with within Achmea Bank.

Information security and cybercrime
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. Information security management within Achmea Bank focusses 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 and reputational damage and to comply with laws and regulations. Control measures have been included for this in the Control Framework (CFW), focusing on cyber security, IT architecture, data centre facilities, IT operations, logical access security and change management.

External and internal fraud
Mutual trust is an essential condition in the relationship between employees, customers and other relations and Achmea Bank. Fraud has negative consequences in this relationship and for the reputation of Achmea Bank and the industry. Prevention of, and action against, fraud is therefore necessary. Achmea Bank never accepts fraud ('zero tolerance'). We therefore pursue an active fraud policy and consistently take measures against any form of fraud. We are also obliged to do this by law and regulations. The fraud management policy focuses on both internal fraud (employees and directors) and external fraud (customers, suppliers and other relations).

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 and the (timely) reporting of data breaches. The policy has been translated into the CFW, based on which the privacy risks within Achmea Bank are managed and monitored and compliance with the Dutch privacy law is ensured. Furthermore, 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.

Data risk management
Data plays a significant role in organizations. This is certainly true for Achmea Bank, which aims to be a data driven network bank. In addition to increasingly stringent legal requirements, there is also a growing need to manage data from a commercial and operational perspective: by translating data into information and transforming it into knowledge, it can be used to create business value; e.g. more sales, insight into customer needs and/or lower costs. Data management is an absolute precondition for this. Achmea Bank has a robust Data Governance framework, in which we take care of the assurance of data quality throughout the chain. For a solid data management organization, clear roles, decision making bodies, rules and procedures are essential. In this way Achmea Bank can ensure that data is correctly defined, monitored and used throughout the data life cycle.

Outsourcing/Third-party risk

Achmea Bank is a data driven network bank and has further developed her strategy of optimizing results by adding value with our business partners. 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. Simultaneously we have been improving on our management of outsourcing risk throughout the supply chain. Outsourcing risk is the risk that the continuity, integrity and/or quality of the outsourced activities are harmed. Achmea Bank follows a tight process when entering into and managing outsourcing arrangements. The external outsourcing contracts are being professionally managed in a controlled and proportionate way, as required by the EBA guidelines on outsourcing. In 2022 efforts have been made to also manage the internal outsourcing contracts as required by EBA. As part of the CFW Achmea Bank has set up key controls to periodically test compliance with the outsourcing process and the outsourcing policy.

Business Continuity Management

Achmea Bank is expected to adopt all necessary measures to safeguard business continuity and ensure a timely disaster recovery, both in terms of policies and the functioning of physical assets, including IT systems. 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.

Model risk

Achmea Bank uses several internal models in conducting its business. The use of such models invariably presents model risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Model risk can lead to financial loss, poor business and strategic decision making, or damage to the bank's reputation. To mitigate model risk Achmea Bank has a structured model risk management process in place. Individual models are subjected to different controls and model validations across their lifecycle depending on their impact and complexity. It is therefore required to perform a model risk assessment which results in an overview of categorized models. Reassessment takes place on a yearly basis. The assessment consists of an inventory of all models, risk assessment, mitigating measures (e.g. documentation, testing, 4-eyes etc.), and additional measures to be taken.

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 has a function as a gatekeeper for the financial system and in this role helps to detect and prevent financial crime. Risks in this respect are mitigated by performing Customer Due Diligence, Sanction screening and Transaction Monitoring in her operational activities. Achmea Bank continues to increase investments in this domain, both in personnel and in systems, and the compliance function (1st and 2nd line) is continuously working to improve the CDD framework. This involves looking at ways to improve efficiency within Achmea Group.

Duty of care

Achmea Bank offers savings and mortgage products. Achmea Bank considers it important to enable its customers to make informed choices based on information that meets legal requirements and that is understandable to an average customer. To do so Achmea Bank has implemented a duty of care policy, based on several guiding principles and compliant with laws and regulations. Effective application of the policy by the business is tested as part of the CFW.

Integrity risk

For customers to have confidence in financial institutions, it is essential that institutions have operate with integrity. The purpose of this is to manage the integrity risks and thus the integrity of both the institution itself and the financial sector as a whole. Integrity is a precondition for a healthy financial system. Achmea Bank attaches great value to conducting business with integrity. To contribute to these objectives, Achmea Bank conducts an annual Systematic Integrity Risk Analysis (SIRA), in line with requirements of law and regulations. For each integrity risk relevant scenarios are described, indicating how risks may arise through factors such as customers, employees, third parties, products and services or countries. Integrity risks in scope of the SIRA, in line with DNB guidance, are: money laundering, fiscal fraud, corruption, circumvention of sanctions, financing of terrorism, conflict of interest, internal fraud, external fraud, cybercrime, market manipulation and misconduct.

Management and Control

Operational Risk Management Process

Achmea Bank has a structured process for identifying, assessing, monitoring and reporting operational risks as described above. 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.

Achmea Bank's Operational Risk Management Framework (ORMF) is supported by the following tools:

- Loss Event Management and loss database: 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; Risk events are registered in a central database;
- Risk Self Assessments: performing self-assessments of operational risks and controls on different levels. These include Strategic Risk Assessments, Project Risk Assessments, Operational Risk Assessments and specific variants of the latter, e.g. Model Risk Assessments, Systematic Integrity Risk Analysis, Privacy Impact Assessments;
- CFW: a structured approach to evaluate, review, test and monitor the key controls in place;
- 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 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.

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.

D. MARKET RISK

Market risk may arise because the Bank concludes contracts and enters into obligations with customers and professional counterparties. Market risk occurs in the banking book.

Risk Profile

The Bank's market risk results from interest rate risk in its banking book and foreign currency risk. 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 Bank does not engage in proprietary trading.

Management and Control

The Bank's market risk exposure is discussed during ALCo meetings at least monthly, so timely and appropriate action is taken if necessary. Balance Sheet Management is responsible for reporting current and expected future market risk exposure and advising the ALCo on appropriate action. All advises are accompanied by a 2nd line opinion from Financial Risk Management. Transactions on the financial markets are executed by the Achmea Treasury or Corporate Finance department.

Interest Rate Risk in the banking book

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 (retail) funding operations mainly by means of interest rate derivatives (swaps).,

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).

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

The Bank uses various methodologies to monitor 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 equity in several different shock scenario's, i.e. large changes in the height and/or shape of the interest rate curve e.g. a sudden, parallel shift of the interest rate curve or a steepening of the curve.
- Income at Risk: measures the impact on interest income in the next 12 months for several different shock scenarios.

The outcomes are input for the ALCo to decide if adjustment of the interest rate risk position is required.

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 2022 is limited to the CHF mortgages in the Acier loan portfolio.

Figures

Interest Rate Risk in the banking book

The table below shows that the duration of equity of Achmea Bank has decreased from 2.6 years at 31 December 2021 to 0.7 years at 31 December 2022.

DURATION OF EQUITY

IN YEARS	2022	2021
Duration of Equity	0.7	2.6

Income at Risk

Income at Risk measures the sensitivity of the net interest income to several interest rates shock scenario's and has a time horizon of one year, in line with EBA guidelines.

The most adverse scenario at 31 December 2022 is a 200 basis points downward shift of the yield curve. In this scenario the Income at Risk amounts to EUR -56 million, compared to EUR -9 million at 31 December 2021. This increase is mainly caused by the strong increase in market interest rates during 2022. At 31 December 2021 the downward shifted interest rates were still cut off because of the EBA floor. Because of the higher interest rate environment at 31 December 2022, the downward shifted interest rates are no longer floored. Therefore, the Income at Risk is subject to the full downward shift in interest rates.

In addition, the volume of payer swaps increased significantly, because of steering towards a lower duration of equity, a growing mortgage portfolio and because of hedging the impact of client behaviour effects on the mortgage portfolio. The floating legs of these payer swaps, on which the Bank receives a variable interest rate, negatively impact the Income at Risk in a 200 basis points downward shift scenario. The sensitivity of the Income at Risk is closely monitored by ALCo and is expected to be lower in the near future.

SENSITIVITY ANALYSIS - INTEREST INCOME

IN MILLIONS OF EUROS	2022	2021
Income at Risk	−56	−9

Economic value of Equity

Sensitivity analysis illustrates the market interest rate risk. The table shows the impact of an immediate (shock) 200 basis points downward parallel shift of the yield curve.

SENSITIVITY ANALYSIS – ECONOMIC VALUE OF EQUITY (EVE)

IN MILLIONS OF EUROS	2022	2021
Impact of 200 basis points downward shift of the yield curve	−9	−19
Impact of 200 basis points upward shift of the yield curve	−25	−72

The impact on the EVE of a 200 basis point upward shift of the yield curve is EUR -25 million at 31 December 2022, compared to EUR -72 million at 31 December 2021. The EVE impact is smaller (less negative) than in 2021. This is mainly because of a lower duration of equity.

The impact on EVE of a minus 200 basis point downward shift of the yield curve is EUR -9 million at 31 December 2022, compared to EUR -19 million at 31 December 2021.

Currency Risk

Part of the Acier loan portfolio is denominated in CHF (EUR 361 million at year-end 2022). This position is hedged by CHF unsecured bonds (EUR 305 million). The remaining CHF exposure is hedged on a monthly basis with foreign exchange derivatives (EUR 54 million). The net valuation effect over 2022 amounts to a EUR 0.1 million loss (2021: EUR 0.1 million loss) and is recognised in changes in fair value of financial instruments.

FOREIGN CURRENCY EXPOSURE

IN THOUSANDS OF EUROS	2022			2021		
	Total exposure	**Hedging instruments**	**Net exposure**	**Total exposure**	**Hedging instruments**	**Net exposure**
CHF	364,510	362,547	1,963	362,465	362,511	−46
	364,510	**362,547**	**1,963**	**362,465**	**362,511**	**−46**

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

The following exchange rates have been used:

	CLOSING RATE		AVERAGE RATE	
	2022	2021	2022	2021
CHF	0.98	1.03	1.01	1.06

E. LIQUIDITY RISK AND FUNDING STRATEGY

Liquidity risk is the risk that the Bank, under normal circumstances as well as in times of stress, has insufficient liquid assets available in the short, medium or long term to meet its financial obligations without incurring unacceptable costs or losses. Liquidity risk also includes the situation in which the balance sheet structure develops in such a way that the bank suffers excessive exposure to a disruption of its funding sources. Liquidity management supports the bank's strategy within our risk appetite.

Risk Profile

Achmea Bank strives towards a liquidity position that allows the bank to meet all its current and future financial obligations both under normal circumstances as well as in times of stress. Furthermore, the bank has a diversified funding mix and to ensure continued access to funding, the bank is active in the retail savings market and maintains several short and long term wholesale funding programs, including covered bonds.

Management and Control

The Bank's liquidity & funding risk exposure is discussed during Alco meetings at least monthly, so timely and appropriate action is taken if necessary. The most important metrics used to monitor liquidity & funding risks are the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the Asset Encumbrance Ratio (AE ratio) 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.

Balance Sheet Management is responsible for reporting current and future expected exposure, stress testing and advising the ALCo on the funding planning and the size and composition of the liquidity buffer. All advises are accompanied by a 2nd line opinion from Financial Risk Management. Transactions on the financial markets are executed by Achmea Treasury and the Corporate Finance department.

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. Key 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 774 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 1.038 million at year-end 2022 (2021: EUR 2.135 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. The Bank continued the economic ownership and therefore the related mortgages are not derecognised. 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 maximum amount of the Asset Switch is EUR 1.0 billion, with a current target amount of EUR 0.5 billion. At year-end 2022 EUR 682 million (2021: EUR 590 million) of mortgages at nominal value were exchanged for EUR 458 million (2021: EUR 479 million) of government bonds (market value).

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

Liquidity Contingency

The Bank has a Liquidity Contingency Plan (LCP) available in case of a liquidity stress event. The LCP is part of Achmea Bank's Crisis Management Framework and 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 2022	← 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	774,244	–	–	–	774,244
Derivative assets held for risk management	2	17,675	227,940	292,152	537,769
Loans and advances to banks	383,980	38,781	50,672	168,140	641,572
Loans and advances to public sector	6	19	91	490	606
Loans and advances to customers	162,541	481,730	2,195,324	9,031,004	11,870,599
Other assets	99,288	4,832	1,880	2,473	108,473
Total cashflows assets	**1,420,061**	**543,037**	**2,475,907**	**9,494,259**	**13,933,264**
Derivative liabilities held for risk management	3,119	21,924	165,023	220,463	410,529
Deposits from banks	809,955	168,155	158,225	1,580	1,137,916
Funds entrusted	5,344,129	432,395	1,338,167	971,719	8,086,409
Debt securities issued	339,862	401,364	1,758,883	933,425	3,433,534
Subordinated liabilities	57	–	1,134	–	1,191
Other liabilities	73,804	–	–	–	73,804
Total cashflows liabilities	**6,570,926**	**1,023,838**	**3,421,432**	**2,127,188**	**13,143,383**
Net liquidity gap	**–5,150,865**	**–480,802**	**–945,525**	**7,367,071**	**789,881**

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	737,224	–	–	–	737,224
Derivative assets held for risk management	188	3,699	38,051	19,831	61,769
Loans and advances to banks	316,020	51,847	153,778	113,940	635,585
Loans and advances to public sector	15	41	179	394	628
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**	**12,847,989**
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	**5,024,369**	**1,419,885**	**3,697,657**	**1,888,014**	**12,029,924**
Net liquidity gap	**–3,601,056**	**–464,472**	**315,046**	**4,568,546**	**818,065**

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

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

UNDISCOUNTED CONTRACTUAL CASH FLOWS OF THE LIABILITIES

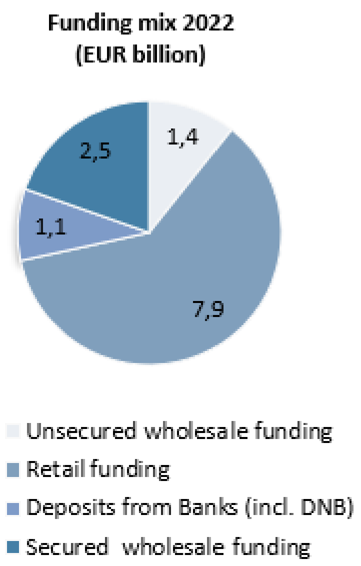
AS AT 31 DECEMBER 2022	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS						
Deposits from banks	809,112	171,654	158,225	1,580	1,140,570	1,137,916
Funds entrusted	5,324,114	448,366	1,450,558	1,212,774	8,435,812	8,086,409
Debt securities issued	340,303	412,091	1,823,161	962,427	3,537,982	3,433,534
Subordinated liabilities	64	–	1,199	–	1,263	1,191
Derivative liabilities held for risk management	14,027	78,393	195,637	156,477	444,534	410,529
Total cashflows	**6,487,620**	**1,110,504**	**3,628,780**	**2,333,258**	**13,560,162**	**13,069,580**

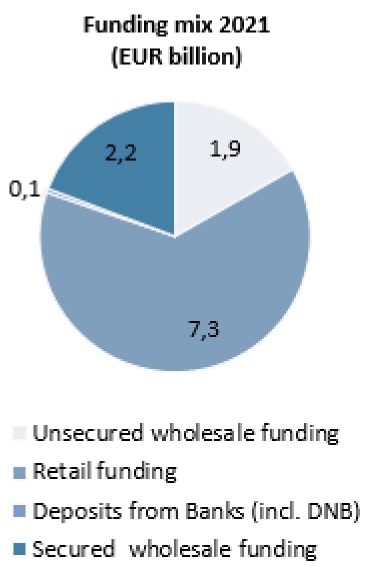
AS AT 31 DECEMBER 2021	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS						
Deposits from banks	292	755	52,772	1,659	55,477	55,535
Funds entrusted	4,555,771	380,060	1,538,954	1,473,372	7,948,158	7,515,211
Debt securities issued	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**

Funding Strategy

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

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





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 0.6 billion at year-end 2022 (2021: EUR 1.4 billion), including CHF denominated loans for an amount of CHF 0.3 billion (2021: CHF 0.4 billion).

French commercial paper programme

As of 2013 the Bank has 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 0.6 billion as at year-end 2022 (2021: EUR 0.5 billion).

Other Unsecured wholesale funding

The Bank has deposits with financial and non-financial institutions. Total outstanding amount EUR 0.2 billion (2021: EUR 0.1 billion).

Retail funding

Achmea Bank attracts consumer savings under Achmea's Centraal Beheer label. The total savings portfolio consists of available on demand accounts of EUR 4.4 billion (2021: EUR 3.7 billion), deposits with agreed maturity of EUR 0.6 billion (2021: EUR 0.7 billion), saving deposits linked to mortgages of EUR 0.7 billion (2021: EUR 0.7 billion) and pension savings of EUR 2.2 billion (2021: EUR 2.2 billion).

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 2022 the total amount of transferred mortgages is EUR 0.1 billion (2021: EUR 0.3 billion).

Deposits from Banks, including Central Bank

This category consists of cash collateral received on derivative exposures (EUR 0.2 billion), money market loans (EUR 0.2 billion), ECB main refinancing operations (EUR 0.3 billion) and repos (EUR 0.4 billion).

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 May 2022 the Bank issued a EUR 0.5 billion 7 years SBCB. The total outstanding amount of covered bond at year-end 2022 was EUR 2.5 billion (2021: EUR 2.0 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

After the redemption of DRMP II on the first optional redemption date in December 2022 the Bank no longer has any securitisations of residential mortgages (RMBS) outstanding externally. This excludes retained notes for an amount of EUR 1.5 billion (2021: EUR 1.9 billion). There are no RMBS notes held by other Achmea entities. The director of these companies is Intertrust Management B.V.

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.

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 41 million (2021: EUR 48 million).

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 2022				
IN MILLIONS OF EUROS	ENCUMBERED ASSETS	UNENCUMBERED ASSETS	UNENCUMBERED RECEIVED COLLATERAL ASSETS (OFF BALANCE)	ENCUMBERED RECEIVED COLLATERAL ASSETS (OFF BALANCE)
	CARRYING AMOUNT	CARRYING AMOUNT		
Loans on demand	–	982,834		
Loans and advances other than loans on demand	4,262,897	8,456,352		
of which: mortgage loans	3,990,574	8,152,809		
Other assets	–	231,181		
Assets of the reporting institution	**4,262,897**	**9,670,367**	**37,268**	**420,926**

AS AT 31 DECEMBER 2021				
IN MILLIONS OF EUROS	ENCUMBERED ASSETS	UNENCUMBERED ASSETS	UNENCUMBERED RECEIVED COLLATERAL ASSETS (OFF BALANCE)	ENCUMBERED RECEIVED COLLATERAL ASSETS (OFF BALANCE)
	CARRYING AMOUNT	CARRYING AMOUNT		
Loans on demand	–	799,050		
Loans and advances other than loans on demand	3,539,468	8,111,530		
of which: mortgage loans	3,221,024	7,840,704		
Other assets	–	397,942		
Assets of the reporting institution	**3,539,468**	**9,308,522**	**479,174**	**–**

Encumbered Assets

At year-end 2022, EUR 4.3 billion of the assets was encumbered (2021: EUR 3.5 billion), on account of:

- outstanding covered bonds;
- outstanding funding guaranteed by the trustee;
- asset switch;
- ECB main refinancing operations;
- collateral posted in relation to outstanding derivative positions.

The increase of the encumbered assets in 2022 is due to pledged mortgages related to bonds issued under the covered bond programme and the encumbrance of the SRMPI notes related to a EUR 250 million secured DNB loan. 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 3.8 billion (2021: EUR 3.0 billion). Covered bonds and securitisations involve overcollateralization, 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 9.7 billion (2021: EUR 9.3 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 assets consists of the unencumbered part of the government bonds from the asset switch.

Encumbered received collateral assets (off balance)

The encumbered received collateral consist of the government bonds from the asset switch with a fair value of EUR 421 million. These bonds are used as collateral in repurchase transactions. At year-end 2022 there are outstanding repurchase transactions amounted to EUR 450 million (2021: EUR 0).

F. CAPITAL MANAGEMENT

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. This strengthens the bank's credit risk management and data driven strategy further and is expected to result in lower capital requirements. The application has taken place and DNB reviewed the AIRB models of the Bank in 2nd half of 2022. Results are expected in the course of 2023. 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.

Risk Profile

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 18.2 % and a Total Capital Ratio of 18.2 % at 31 December 2022.

Management and Control

The Bank's capital position is discussed during ALCo meetings at least quarterly, so timely and appropriate action is taken if necessary. Balance Sheet Management is responsible for reporting the current and expected future capital positions and advising the ALCo on capital planning and composition. All advises are accompanied by a 2nd line opinion from Financial Risk Management. Transactions on the financial markets are executed by Achmea Treasury department and Corporate Finance department.

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.

Developments in capital requirements

According to DNB the recent COVID-19 crisis underlines the desirability of bank capital for immediate release and as a result DNB aims to build-up a 2% countercyclical capital buffer (CCyB) in a standard risk environment. Therefore, DNB will increase the CCyB from 0% to 1% in May 2023 and from 1% to 2%, in May 2024.

Basel 4 is the informal name for a set of proposed international banking reforms, scheduled to go into effect on 1 January 2025. Basel 4 includes new standards for credit risk, operational risk and credit valuation adjustment. Basel 4 introduces an SA-output floor of 72.5% (end-state) which will be gradually phased-in in 5 years starting from 50% in 2025.

Figures

AVAILABLE CAPITAL AND CAPITAL RATIO

IN MILLIONS OF EUROS	2022	2021
Share capital	18	18
Share premium reserve	506	506
Reserves	253	255
Deductions	–1	–
Common Equity Tier 1 Capital	**776**	**779**
Lower Tier 2	–	–
Total own funds	**776**	**779**
Total risk exposure amount	**4,264**	**3,726**
Common Equity Tier 1 Capital Ratio	**18.2%**	**20.9%**
Total Capital Ratio	**18.2%**	**20.9%**
Total SREP Capital Requirement (TSCR)	**10.9%**	**10.9%**

Common Equity Tier 1 Capital
In 2022 Common Equity Tier 1 capital decreased by EUR 3 million from EUR 779 million to EUR 776 million, mainly due to the release of a small amount of other reserves. As the Bank does not hold any additional tier 1 instruments, tier 1 capital equals its core equity tier 1 capital.

Total risk exposure amount
The Bank reports the risk weighted exposure amounts in line with the CRR II and CRD V. In 2022 the total risk exposure amount (TREA) increased with EUR 538 million from EUR 3.726 million to EUR 4.264 million, mainly due to an increase in the mortgage portfolio and outstanding mortgage offers.

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 2022 the amount of available own funds was EUR 776 million, which adequately covers both requirements of EUR 405 million (MREL-TREA) and EUR 357 million (MREL-TEM).

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 42 million was paid out to its shareholder Achmea B.V. This amount includes the 2021 net distributable profit plus a small amount of the other reserves (EUR 2 million).

AIRB

Achmea Bank is working towards the implementation of Advanced Internal Rating-Based (AIRB) approach for its Regular mortgage portfolio(s). This strengthens the bank’s credit risk management and data driven strategy further and is expected to result in lower capital requirements. The implementation of AIRB approach for the regular mortgage portfolios is on track.

G. ESG RISK

Achmea Bank recognizes the potential risks that might follow from environmental, social and governance aspects. Until now, focus has been on the environmental aspect, including climate risks. At this stage, this is deemed most relevant for our customers and business model as well as from a supervisory and reporting perspective. Generally, ESG risks consist of new features and dynamics within the risk domain. Within Achmea Bank, we are continuously improving our knowledge and understanding of these aspects.

Risk profile

While ESG risks are treated as a separate topic, it is seen as a driver of existing risk types, like credit risk, operational risk and strategic risk. During 2022, progress has been made on the risk identification and risk assessment. In particular, from a credit risk perspective several analyses have been performed. Both physical risk, based on risk scores provided by CAS (Climate Adaptation Services) and transition risk, primarily based on energy label information and transition scenarios, were considered. A concentration risk analyses on vulnerabilities within the mortgage portfolio as well as a stress test exercise with climate risk specific scenarios (in line with the ECB Climate Stress Test) showed that Achmea Bank's balance sheet is well able to withstand climate risk related adverse circumstances in the near future. Furthermore, monitoring activities on the relationship between climate and environmental aspects and credit risk have been extended and improved, amongst others by using dashboards.

Management and Control

The Managing Board is responsible for ESG aspects and proper integration within all parts of the organisation. Amongst others, this means that existing committees deal with the ESG related topics that have an impact on the respective risk types. As such, these committees perform a management and control function with respect to ESG risks. Furthermore, a multidisciplinary team reports on a periodic basis to the Management Team of Achmea Bank on progress with respect to ESG risks and other ESG related activities.

As Achmea Bank is continuously improving her knowledge and understanding of ESG risks, developments will be in line with updated insights. This could include strategic developments, as well as updated policies and procedures. Furthermore, ongoing activities with respect to structural monitoring of ESG risks will improve risk management practice. In general, this should lead to improved alignment with the ECB expectations on the integration of climate and environmental risks.

NOTES TO SIGNIFICANT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT ITEMS

3. ACQUISITION

ACCOUNTING POLICIES ACQUISITIONS

In 2022 Achmea Bank acquired three Dutch residential mortgage portfolios from a.s.r. These acquired portfolios have been treated as an acquisition of assets and not as a business combination according to the IFRS guidelines (IFRS 3). Achmea Bank identified and recognised the individual identifiable assets acquired. The cost of the portfolios is allocated to the individual identifiable assets based on their relative fair values at the date of purchase.

Initial recognition of the mortgage portfolios 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 prices were determined at signing date with a.s.r. which were close to settlement date.

ACQUISITION DUTCH MORTGAGE PORTFOLIOS OF A.S.R.

In 2022 Achmea Bank acquired three portfolios of Dutch residential mortgages from a.s.r. The acquisition amounts to a total size of approximately EUR 0.9 billion notional amount. A.s.r. will continue to manage these mortgages for Achmea Bank. In 2021 the two organisations have expressed the intention to conduct additional transactions in 2022 and 2023 including the acquisition of EUR 0.2 billion newly originated mortgages from a.s.r. annually for the next three years. These are mainly mortgages with a short fixed-interest period. These acquisitions are in line with Achmea Bank’s strategy and focus on growth and scale.

The total impact on statement of financial position at transaction date (EUR 0.9 billion notional) 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	
Notional amount of the portfolio	938,507
Differences between fair value and notional at initial recognition	−56,578
Fair value at acquisition date	**881,929**
Cash and balances with Central Banks	
Cash balances	−881,929
Total Assets	**–**

4. 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.

The Loans and advances to customers are predominantly mortgages.

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 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 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 ECL for performing loans (stage 1), lifetime ECL for under-performing financial assets (stage 2) and lifetime ECL for non-performing 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 ECL. 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 ECL. Amounts that are subsequently collected are recognised as other income.

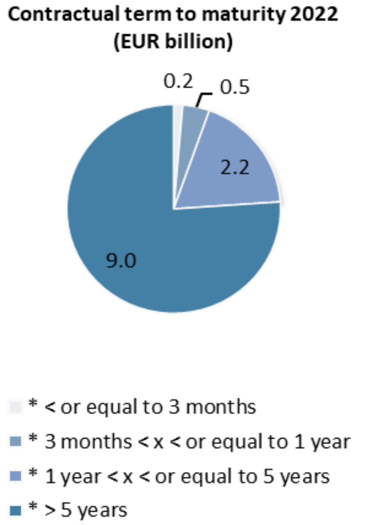
LOANS AND ADVANCES TO CUSTOMERS

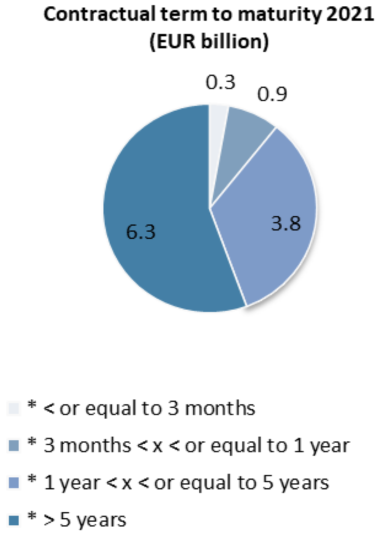
IN THOUSANDS OF EUROS	2022	2021
Loans and advances to customers regular Achmea Bank portfolio at amortised cost	11,246,830	10,697,092
Less: loss allowances ECL	8,805	6,601
Total loans and advances to customers regular Achmea Bank portfolio	**11,238,025**	**10,690,491**
Loans and advances to customers Acier loan portfolio at amortised cost	645,394	680,170
Less: loss allowances ECL	12,820	7,440
Total loans and advances to customers Acier loan portfolio	**632,574**	**672,730**
Total loans and advances to customers	**11,870,599**	**11,363,221**

Achmea B.V. issued a capped guarantee to Achmea Bank to cover credit risk and legal claims related to the Acier 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 portfolios are reported as part of the regular Achmea Bank portfolio.

The remaining contractual term to maturity of the Loans and advances to customers net of the loss allowances for ECL, including an expected prepayment rate of 4.33% (2021: 9.75%) for both portfolios, is:





The Loans and advances to customers of the regular Achmea Bank portfolio consist of residential mortgage loans on properties in the Netherlands only. In 2022 Achmea Bank acquired new mortgage portfolios. Reference is made to chapter Acquisitions for more details regarding these portfolios. The calculation of the ECL for these portfolios is based on the same assumptions as for the regular portfolio. For the new portfolios Achmea Bank carried out representativeness analysis on a number of important characteristics of these portfolios. Based on this analysis Achmea Bank conclude that these portfolios are 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 ECL model for the regular portfolio could be used as best estimate values. 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 35 million (2021: EUR 38 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		2022		2021	
Balance as at 1 January			**10,690,491**		**11,371,006**
Changes nominal portfolio	Transfer from Regular to Acier	−9,482			
	Loans granted	2,033,267		759,445	
	Acquired portfolios	938,508		494,976	
	Repayments	−1,656,454		−1,776,434	
			1,305,839		**−522,013**
Fair value hedge accounting	Revaluation basis adjustment mortgages	−699,062		−125,935	
	Amortisation basis adjustment mortgages	−4,534		−27,944	
			−703,596		**−153,879**
Allowances for losses on loans and advances	Transfer from Regular to Acier	1,162		–	
	Additions	−12,936		−20,992	
	Releases	9,571		25,152	
	Write-offs	–		283	
			−2,203		**4,443**
Amortised cost adjustment acquired portfolios	Initial recognition	−56,578		21,947	
	Amortisation	−30,435		−36,219	
			−87,013		**−14,272**
Other movements	Other changes	34,508		5,206	
			34,507		**5,206**
Balance as at 31 December			**11,238,025**		**10,690,491**

The carrying amount of the fair value hedge adjustment is EUR - 417 million (2021: EUR 287 million).

In 2022 Achmea Bank has amended the methodology for a small portfolio due to the migration of a legacy system. Resulting in a transfer of EUR 8.3 million from the regular portfolio to the Acier portfolio.

The amount under other movements consists of accounts receivable and amortisation of activated fees.

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

In thousands of euros			2022		2021
Balance as at 1 January			**672,730**		**721,257**
Changes nominal portfolio	Transfer from Regular to Acier	9,482			
	Repayments	−61,981		–	
			−52,499		**−77,522**
Allowances for losses on loans and advances	Transfer from Regular to Acier	−1,162		–	
	Additions	−10,426		−4,921	
	Releases	4,980		10,054	
	Write-offs	1,228		4,687	
			−5,380		**9,820**
Other movements	Other changes	17,723		19,175	
			17,723		**19,175**
Balance as at 31 December			**632,574**		**672,730**

EUR 4.1 million addition (2021: EUR 9.3 million release) is recorded in the consolidated income statement under impairment of financial assets, this is the net impact after the claim on the guarantee of EUR 4.8 million (2021: EUR 0.0 million). The table above shows the movement from the balance sheet and doesn't take the guarantee into account.

The amount under other movements consists of foreign exchange rate effects concerning the CHF Acier loan portfolio.

5. 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 are 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.

FUNDS ENTRUSTED

IN THOUSANDS OF EUROS	2022	2021
* < or equal to 3 months	5,344,129	4,579,563
* 3 months < x < or equal to 1 year	432,395	361,875
* 1 year < x < or equal to 5 years	1,338,167	1,416,904
* > 5 years	971,718	1,156,869
	8,086,409	**7,515,211**

Funds entrusted include an amount of EUR 0.7 billion (2021: EUR 0.7 billion) related to liabilities to saving deposits linked to mortgages. At the end of 2022 EUR 4.3 billion (2021: EUR 3.6 billion) are on demand savings.

6. 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 are 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.

DEBT SECURITIES ISSUED

IN THOUSANDS OF EUROS	2022	2021
Residential Mortgage Backed Securities	–	190,357
CPTCB and SBCB	2,486,917	1,987,559
Senior Unsecured Loans	645,751	1,381,978
Commercial paper	584,835	470,296
	3,717,503	**4,030,190**
Accrued interest	11,268	11,443
Fair value adjustment	−293,699	10,933
Amortised cost	−1,538	−1,857
Total carrying amount	**3,433,534**	**4,050,709**

The retained notes (EUR 1.5 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 2022. 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 2022 was 0.4% (2021: 0.6%).

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

DEBT SECURITIES ISSUED

IN THOUSANDS OF EUROS	2022	2021
* < or equal to 3 months	339,862	383,928
* 3 months < x < or equal to 1 year	401,364	1,042,754
* 1 year < x < or equal to 5 years	1,758,883	2,107,457
* > 5 years	933,425	516,570
	3,433,534	**4,050,709**

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

7. INTEREST MARGIN

ACCOUNTING POLICIES NTEREST MARGIN

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

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

Interest 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 ECL 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	2022	2021
Interest income calculated using the effective interest method	274,253	297,531
Interest income (other)	370	6,677
Interest expenses calculated using the effective interest method	101,599	102,017
Interest expenses (other)	55,488	64,664
Interest margin	**117,536**	**137,527**

Interest income

The total interest income can be specified as follows:

INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

IN THOUSANDS OF EUROS	2022	2021
Interest income calculated using the effective interest method		
Loans and advances to customers	270,220	297,531
Debt securities issued	824	–
Loans and advances to banks and public sector	3,209	–
	274,253	**297,531**
Other interest income	**370**	**6,677**
Total interest income	**274,622**	**304,208**

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

Interest expenses

The total interest expenses can be specified as follows:

INTEREST EXPENSES CALCULATED USING THE EFFECTIVE INTEREST METHOD

IN THOUSANDS OF EUROS	2022	2021
Interest expenses calculated using the effective interest method		
Deposits from banks	3,713	–
Funds entrusted	67,377	71,326
Debt securities issued	30,509	30,691
	101,599	**102,017**
Other interest expenses		
Interest expenses related to derivatives	55,487	58,525
Other interest expenses	1	6,139
	55,488	**64,664**
Total interest expenses	**157,087**	**166,681**

Till June 2022, the Bank charged negative interest on saving balances above EUR 100,000. The interest expenses Funds entrusted includes negative interest on saving accounts (2022 EUR 0.3 million, 2021 EUR 0.3 million).

Interest expenses related to derivatives includes all interest income and expenses of the derivatives of Achmea Bank. Other interest expenses mainly include funding costs other than interest and negative interest on loans and advances to banks (2022 EUR 0.0 million, 2021 EUR 0.5 million).

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

ACCOUNTING POLICIES DERIVATIVES AND HEDGE ACCOUNTING

Derivatives

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

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

Micro hedging

The Bank periodically assesses the fair value change of the micro hedge in the hedged part of the Debt securities issued attributable to the hedged risk, based on 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, considering 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.

Interest Caps

An interest rate cap has been used in the securitisation transaction 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 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 2022 IN THOUSANDS OF EUROS	NOTIONAL AMOUNT	CARRYING AMOUNT ASSETS	CARRYING AMOUNT LIABILITIES
Derivatives in economic hedge relationships			
Interest rate swaps	8,912,148	521,116	393,816
Foreign exchange derivatives	61,109	2	62
Interest caps	–	16,651	16,651
	8,973,257	**537,769**	**410,529**
Derivatives used as fair value hedges			
Interest rate swaps	8,398,911	503,925	349,185
	8,398,911	**503,925**	**349,185**

AS AT 31 DECEMBER 2021	NOTIONAL	CARRYING AMOUNT	CARRYING AMOUNT
IN THOUSANDS OF EUROS	AMOUNT	ASSETS	LIABILITIES
Derivatives in economic hedge relationships			
Interest rate swaps	7,157,478	55,357	333,472
Foreign exchange derivatives	24,673	188	
Interest caps		6,224	6,224
	7,182,151	**61,769**	**339,695**
Derivatives used as fair value hedges			
Interest rate swaps	6,213,838	42,348	318,084
	6,213,838	**42,348**	**318,084**

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 2022	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	4,985,487	–	1,024	227,940	292,152	521,116
Foreign exchange derivatives	609	2	–	–	–	2
Interest caps		–	16,651	–	–	16,651
Total derivative assets		**2**	**17,675**	**227,940**	**292,152**	**537,769**
Liabilities						
Interest rate swaps	3,926,661	3,056	5,274	165,023	220,463	393,816
Foreign exchange derivatives	60,500	62	–	–	–	62
Interest caps		–	16,651	–	–	16,651
Total derivative liabilities		**3,119**	**21,925**	**165,023**	**220,463**	**410,529**

AS AT 31 DECEMBER 2021	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	3,358,478	–	2,302	33,224	19,831	55,357
Foreign exchange derivatives	24,673	188	–	–	–	188
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	–	–	–	–	–	–
Interest caps		–	1,397	4,827	–	6,224
Total derivative liabilities		**2,272**	**5,782**	**118,724**	**212,916**	**339,695**

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	2022	2021
Effectiveness results of fair value hedge accounting	24,972	20,231
Amortisation effects	−16,741	−15,262
Other fair value effects	−816	−221
Changes in fair value of financial instruments	**7,414**	**4,748**

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

Fair value hedge accounting

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 HEDGE ACCOUNTING

AS AT 31 DECEMBER 2022	NOTIONAL	CARRYING AMOUNT	CARRYING AMOUNT
IN THOUSANDS OF EUROS	AMOUNT	ASSETS	LIABILITIES
Micro fair value hedges			
Interest rate swaps	2,449,661	–	282,087
Macro fair value hedges			
Interest rate swaps	5,949,250	503,925	67,098
Total	**8,398,911**	**503,925**	**349,185**

AS AT 31 DECEMBER 2021	NOTIONAL	CARRYING AMOUNT	CARRYING AMOUNT
IN THOUSANDS OF EUROS	AMOUNT	ASSETS	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**

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

FAIR VALUE HEDGES

AS AT 31 DECEMBER 2022	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	LIABILITIES	ASSETS	LIABILITIES
Micro fair value hedges				
Fixed rate bonds	–	2,445,009	–	−273,655
Macro fair value hedges				
Fixed rate mortgages	5,959,250	–	−416,978	–
Total	**5,959,250**	**2,445,009**	**−416,978**	**−273,655**

AS AT 31 DECEMBER 2021	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	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	–	286,617	–
Total	**3,808,450**	**2,407,483**	**286,617**	**10,933**

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

INEFFECTIVINESS HEDGE ACCOUNTING

IN THOUSANDS OF EUROS	GAIN	LOSS	NET 2022	NET 2021
Macro hedge				
Fair value changes in hedged items	231,211	917,738	−686,527	−137,139
Fair value changes in hedging instruments	942,945	233,625	709,320	153,828
	1,174,156	**1,151,363**	**22,793**	**16,689**
Micro hedge				
Fair value changes in hedged items	383,690	78,984	304,706	54,168
Fair value changes in hedging instruments	79,341	381,868	−302,527	−50,626
	463,031	**460,852**	**2,179**	**3,542**
Total hedge				
Fair value changes in hedged items	614,901	996,722	−381,821	−82,971
Fair value changes in hedging instruments	1,022,286	615,493	406,793	103,202
	1,637,187	**1,612,216**	**24,972**	**20,231**

NOTES TO OTHER ITEMS

9. 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 (including overnight 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.

CASH AND BALANCES WITH CENTRAL BANKS

IN THOUSANDS OF EUROS	2022	2021
Cash and balances with Central Banks	774,244	737,224

In 2022 the DNB cash reserve and the amount pledged as collateral to DNB has been reclassified from Cash and balances with Central Banks to Loans and advances to banks EUR 46.8m (2021: EUR 43.0 million).

10. 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 net of transaction costs and subsequently measured at amortised cost using the effective interest method.

LOANS AND ADVANCES TO BANKS

IN THOUSANDS OF EUROS	2022	2021
Loans and advances to banks	641,572	635,585

IN THOUSANDS OF EUROS	2022	2021
* Not available on demand	478,773	615,656
* On demand	162,799	19,929
	641,572	**635,585**

In 2022 the DNB cash reserve and the amount pledged as collateral to DNB has been reclassified from Cash and balances with Central Banks to Loans and advances to banks (2021: EUR 43.0 million). At the end of 2022 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 46.8 million.

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.

11. 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 net of transaction costs and subsequently measured at amortised cost using the effective interest method.

This item comprises funds lent to public authorities.

LOANS AND ADVANCES TO PUBLIC SECTOR

IN THOUSANDS OF EUROS	2022	2021
Loans and advances to public sector	606	629

At December 2022 the total outstanding amount is non-current (2021: total amount is non-current).

12. PREPAYMENTS AND OTHER RECEIVABLES

ACCOUNTING POLICIES INTEREST – PREPAYMENTS AND OTHER RECEIVABLES

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

PREPAYMENTS AND OTHER RECEIVABLES

IN THOUSANDS OF EUROS	2022	2021
Prepayments and other receivables	99,271	47,684

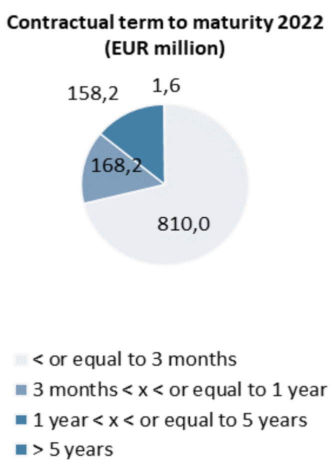
Prepayments and other receivables mainly consist of amounts related to production and repayments of mortgages. In 2022 an amount of EUR 43.6 million (2021: EUR 4.3 million) relates to the production for Achmea Pensioen- en Levensverzekeringen N.V. For an analysis of receivables within Achmea, we refer to the separate related-parties disclosure (note 28). In 2022 an amount of EUR 0 million is non-current (2021: EUR 0.2 million).

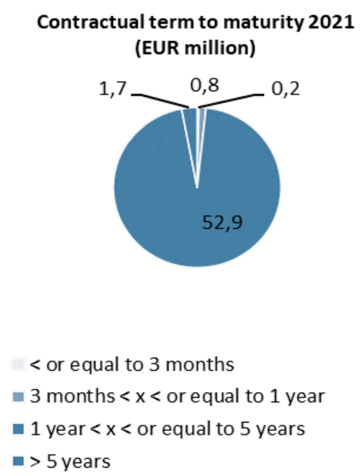
13. DEPOSITS FROM BANKS

ACCOUNTING POLICIES DEPOSITS FROM BANKS

Deposits from banks are initially measured at fair value net of 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 bank amounts to EUR 1.1 billion. (2021: EUR 55.5 million). The remaining contractual term to maturity of the Depositis is:





The increased amount of deposits from banks is due to an outstanding repo of EUR 450 million and weekly tenders of EUR 250 million.

14. 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 is determined on the same basis as if Achmea bank was tax liable on a stand-alone basis.

The net current corporate tax assets of EUR 5.0 million (2021: tax liabilities EUR 2.0 million) refers to the tax receivable 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.

15. ACCRUALS AND OTHER LIABILITIES

ACCOUNTING POLICIES ACCRUALS AND OTHER LIABILITIES

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

ACCRUALS AND OTHER LIABILITIES

IN THOUSANDS OF EUROS	2022	2021
Accruals	11,195	9,068
Other liabilities	62,587	55,972
	73,782	**65,040**

Accruals and other liabilities include an amount of EUR 63.9 million (2021: EUR 57.9 million), relating to liabilities to Achmea Group companies. For an analysis of these liabilities within Achmea Group, we refer to the separate related-parties disclosure (note 28). The total amount of Accruals and other liabilities is current.

16. 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 way 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 is 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 2023 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	2022	2021	2022	2021	2022	2021
Valuation differences due to differences in tax base	16,432	7,283	–	–	16,432	7,283
Tax position asset/liability	**16,432**	**7,283**	**–**	**–**	**16,432**	**7,283**
TAX RATE	25.8%	25.0%	25.0%	25.0%	25.8%	25.0%
Net deferred tax	**4,239**	**1,821**	**–**	**–**	**4,239**	**1,821**
Correction on corporation tax due to change in tax rate	–	58	–	–	–	58
Net deferred tax	**4,239**	**1,879**	**–**	**–**	**4,239**	**1,879**

SPECIFICATION VALUATION DIFFERENCES BETWEEN COMMERCIAL AND FISCAL ACCOUNTING TREATMENT

IN THOUSANDS OF EUROS	2022	2021	2022	2021	2022	2021
Derivative assets held for risk management	−150,832	255,249	–	–	−150,832	255,249
Debt securities issued	−293,699	4,246	–	–	−293,699	4,246
Accrued interest	–	–	–	–	–	–
Loans and advances to customers	460,963	−252,212	–	–	460,963	−252,212
Tax position asset/liability	**16,432**	**7,283**	**–**	**–**	**16,432**	**7,283**
TAX RATE	25.8%	25.0%	25.8%	25.0%	25.8%	25.0%
Net deferred tax	4,239	1,821	–	–	4,239	1,821
Correction on corporation tax due to change in tax rate	–	58	–	–	–	58
Net deferred tax	**4,239**	**1,879**	**–**	**–**	**4,239**	**1,879**

From deferred tax assets and liabilities an amount of EUR 1.0 million is current (2021: EUR 0.5 million), the remainder is non-current.

CHANGES TO TEMPORARY DIFFERENCES

IN THOUSANDS OF EUROS	BALANCE AS AT 01-01-2022	RECOGNISED IN RESULT	RECOGNISED IN EQUITY	BALANCE AS AT 31-12-2022
2022				
Valuation differences due to differences in tax base	7,283	9,149	–	16,432
Tax position asset/liability	**7,283**	**9,149**	**–**	**16,432**
TAX RATE	25.8%	25.8%	25.8%	25.8%
Net deferred tax	**1,879**	**2,360**	**–**	**4,239**
Correction on corporation tax due to change in tax rate	–	–	–	–
Net deferred tax	**1,879**	**2,360**	**–**	**4,239**

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**

17. PROVISIONS

ACCOUNTING POLICIES PROVISIONS

Provisions are recognised when Achmea Bank has a present legal or constructive obligation arising from events in the past and to which it is more likely than not that the settlement of the obligation requires an outflow of assets and a reliable estimate of the size of the obligation can be made.

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.

PROVISIONS

IN THOUSANDS OF EUROS	2022	2021
Balance as at 1 January	500	1,200
Addition	22	320
Releases	−500	–
Amounts used	–	−1,020
Balance as at 31 December	**22**	**500**

The Provisions per December 2022 consist of the calculated expected credit loss for off-balance exposures such as construction deposits, undrawn credit facilities of credit mortgages and loan commitments. The total amount of the provisions is non-current.

The provision (EUR 0.5 million) for compliance related costs pursuant to its voluntary retroactive adjustment of its risk premium policy related to mortgages was released in 2022.

18. 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 difference 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.

SUBORDINATED LIABILITIES

	INTEREST RATE (%)		
IN THOUSANDS OF EUROS		2022	2021
Loan 1999/2024	5.68	1,191	1,191
		1,191	**1,191**

The interest expenses for 2022 amounted to EUR 0.1 million (2021: EUR 0.1 million). The total amount of the subordinated liabilities is non-current.

19. TOTAL EQUITY

As 31 December 2022 Total Equity amounts to EUR 789.8 million (2021: EUR 818.1 million).

As at 31 December 2022 the authorised share capital amounted to EUR 90 million (2021: EUR 90 million), divided into 90 million shares (2021: 90 million) each with a nominal value of EUR 1 (2021: EUR 1). As at 31 December 2022 18,151,663 shares had been issued and paid up in full (2021: 18,151,663 shares).

In April 2022 a dividend amount of EUR 41.6 million was paid out (from other reserves) to Achmea B.V., the shareholder of Achmea Bank N.V., representing the 2021 (EUR 39.3 million) distributable net profits plus a small amount of the other reserves (EUR 2.3 million).

As at 31 December 2022, the total legal reserve amounts to EUR 7.0 million (2021: EUR 9.0 million) and is included as part of the other reserves. Furthermore, the remainder part of the other reserves consists of retained earnings.

The profit for the year includes the 2022 net profit.

20. FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

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 based on 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.

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

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.

Interest caps (level 2)

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

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 2022	FAIR VALUE 2022	CARRYING AMOUNT 2021	FAIR VALUE 2021
Financial assets				
Loans and advances to banks	641,572	641,572	635,585	635,585
Loans and advances to customers and public sector	11,871,205	11,501,428	11,363,850	11,682,503
Financial liabilities				
Deposits from banks	1,137,916	1,137,814	55,535	55,494
Funds entrusted	8,086,409	8,071,098	7,515,211	7,720,453
Debt securities issued	3,433,534	3,393,385	4,050,709	4,071,092
Subordinated liabilities	1,191	1,222	1,191	1,336

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.

Explanation of the levels

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

AS AT 31 DECEMBER 2022				
IN THOUSANDS OF EUROS				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Derivative assets held for risk management				
Interest rate swaps	–	521,116	–	521,116
Foreign exchange derivatives	–	2	–	2
Back-to-back swaps and interest caps	–	16,651	–	16,651
	–	**537,769**	**–**	**537,769**
Financial liabilities				
Derivative liabilities held for risk management				
Interest rate swaps	–	393,816	–	393,816
Foreign exchange derivatives	–	62	–	62
Back-to-back swaps and interest caps	–	16,651	–	16,651
	–	**410,529**	**–**	**410,529**

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	–	55,356	–	55,356
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
	–	**339,695**	**–**	**339,695**

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 instrument's 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 2022

During 2022 no changes were made in classification of fair value hierarchy.

21. OTHER INCOME

ACCOUNTING POLICIES OTHER INCOME

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

OTHER INCOME

IN THOUSANDS OF EUROS	2022	2021
Other Income	1,112	1,423

22. 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) regarding 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 are recognised as the related service is performed. These fees are recognised in the income statement in the same period.

FEES AND COMMISSION INCOME AND EXPENSE

IN THOUSANDS OF EUROS	2022	2021
Fees and commission income	6,077	6,465
Fees and commission expense	5,370	5,722
	706	**743**

23. OPERATING EXPENSES

ACCOUNTING POLICIES OPERATING EXPENSES

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

OPERATING EXPENSES

IN THOUSANDS OF EUROS	2022	2021
Staff costs	26,640	26,190
Administrative expenses	78,143	75,263
	104,783	**101,453**

Compared to 2021, operating expenses increased with EUR 3 million to EUR 105 million (2021: EUR 102 million). The servicing costs increased by EUR 1 million due to acquired portfolios and increased mortgage production. The bank-related levies for the resolution fund and the deposit guarantee scheme increased by EUR 0.4 million, due to increased saving deposits. The number of employees increased from 195 FTE to 209 FTE at the end of 2022.

24. 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 pension expenses to the various entities of Achmea Group. Allocation is based on the pensionable salary of employees currently working for Achmea Bank.

STAFF COSTS

IN THOUSANDS OF EUROS	2022	2021
Wages and salaries	14,620	13,407
Pension costs	3,660	4,221
Compulsory social security obligations	1,630	1,442
Other staff costs	6,730	7,120
	26,640	**26,190**

The average number of employees during 2022 was 204 FTEs (2021: 201 FTEs).

25. 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 and Achmea Soft Bullet Covered Bond Company;
- Pool audits;
- 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 programs.

26. INCOME TAX EXPENSES

RECONCILIATION OF THE EFFECTIVE TAX RATE

IN THOUSANDS OF EUROS	2022	2021
Operating profit before taxes	17,906	52,281
Nominal tax rate	25.8%	25.0%
Nominal tax expenses	4,620	13,070
Correction on corporation tax due to change in tax rate	–	−58
Tax concerning previous years	−129	–
Effective tax expenses	**4,491**	**13,012**
Effective tax rate	**25.1%**	**24.9%**

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 2.1 million current tax and EUR 2.4 million deferred tax.

27. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

In the course of 2022 several instances of legal proceedings are pending or initiated against the bank. However, based on legal advice, the Managing Board does not expect the outcome of the various proceedings to have a material effect on the company's financial position.

On 14 June 2022, Achmea Bank N.V., like several other Dutch banks, received a letter from "Stichting Compensatie Zwitserse Frank Leningen" (CZFL) in which the latter stated that the foundation wants to initiate legal proceedings on behalf of several clients with regard to the mortgages provided in Swiss Francs and breach of the duty of care. According to our internal assessment, there is no breach of the duty of care. Achmea feels supported by previous rulings by judges and Kifid. To date, no formal claim has been made and given our assessment of any potential complaint or claim on the grounds stated in CZFL's letter, no provision has been made.

Contractual obligations

At year-end 2022 the Bank had contractual obligations for the coming year with Achmea Group companies amounting to EUR 55.9 million (2021: EUR 51.4 million), primarily in connection with outsourcing of the servicing of the regular mortgage portfolio by Syntrus Achmea Real Estate & Finance, ICT-related contracts and with Centraal Beheer for distribution.

The Bank had external contractual obligations for the coming year amounting to EUR 3.2 million (2021: EUR 2.6 million) for the servicing of the saving portfolio, EUR 4.8 million in contractual obligations for the servicing of the a.s.r. mortgage portfolio (2021: EUR 4.3 million), EUR 1.5 million in contractual obligations for the servicing of the Obvion mortgage portfolio (2021: EUR 1.8 million) and EUR 0.7 million in contractual obligations for the servicing of the Dynamic Credit mortgage portfolio. (2021: EUR 0.8 million).

Irrevocable facilities

This refers to all liabilities relating to irrevocable undertakings which could lead to credit losses, including mortgage loan proposals for EUR 663 million (2021: EUR 270 million), EUR 75 million related to newly originated mortgages from a.s.r. (2021: EUR 75 million), construction accounts of EUR 119 million (2021: EUR 41 million) and undrawn credit facilities of credit mortgages of EUR 20 million (2021: EUR 16 million).

CONTRACTUAL EXPIRY BY MATURITY CONTINGENT LIABILITIES AND COMMITMENTS

AS AT 31 DECEMBER 2022	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL
IN THOUSANDS OF EUROS					
Mortgage loan proposals	633,714	28,418	795	–	662,926
Construction deposits	118,970	–	–	–	118,970
Undrawn credit line	19,613	–	–	–	19,613
Commitment ASR	75,000	–	–	–	75,000
Total	**847,296**	**28,418**	**795**	**–**	**876,509**

AS AT 31 DECEMBER 2021	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL
IN THOUSANDS OF EUROS					
Mortgage loan proposals	266,291	4,112	–	–	270,403
Construction deposits	41,034	–	–	–	41,034
Undrawn credit line	15,858	–	–	–	15,858
Commitment ASR	75,000	–	–	–	75,000
Total	**398,183**	**4,112**	**–**	**–**	**402,295**

28. 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 is a major shareholder of Achmea B.V. and is also deemed to be a related party. Within the scope of ordinary business operations, several banking transactions take place with related parties.

A sum of EUR 0.7 billion (2021: 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). As of February 2022, the maximum amount for the duration of the financial guarantee has been decreased from EUR 350 million to EUR 280 million. This decrease is in line with the lower risk profile of the Acier portfolio. The contract for the financial guarantee will end in line with the maturity of the related loans. As at year-end 2022, the total amount claimed by Achmea Bank is EUR 25 million (2021: 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. The movements in Loans and advances from and to related parties are a result of repayments and additional borrowings.

Analysis of intercompany positions on the consolidated statement of financial position.

INTERCOMPANY POSITIONS

IN THOUSANDS OF EUROS	2022	2021
Assets		
Prepayments and other receivables	53,149	8,839
Total assets	**53,149**	**8,839**
Liabilities		
Funds entrusted	680,905	738,361
Accruals and other liabilities	63,898	57,929
Total liabilities	**744,803**	**796,290**
Income		
Interest income on receivables	350	209
Commission income	5,623	5,961
Total income	**5,973**	**6,169**
Expenses		
Interest expenses	25,546	29,405
Commission expenses	29,829	25,679
Total expenses	**55,375**	**55,084**

PREPAYMENTS AND OTHER RECEIVABLES

IN THOUSANDS OF EUROS	2022	2021
Parent		
Achmea B.V.	5,191	188
Other related parties		
Achmea Pensioen- en Levensverzekeringen N.V.	43,628	4,321

Achmea Interne Diensten N.V.	4,330	4,330
Total prepayments and other receivables	**53,149**	**8,839**

FUNDS ENTRUSTED

IN THOUSANDS OF EUROS	2022	2021
Other related parties		
Achmea Pensioen- en Levensverzekeringen N.V.	666,992	720,650
Interamerican Property and Casualty Insurance Company SA	9,609	11,059
Interassistance Road Assistance Services SA	397	397
Interamerican Assistance Gen Ins Company	2,943	4,930
Athinaiki General Clinic SA	965	1,325
Total funds entrusted	**680,906**	**738,361**

ACCRUALS AND OTHER LIABILITIES

IN THOUSANDS OF EUROS	2022	2021
Other related parties		
Syntrus Achmea Real Estate & Finance B.V.	3,024	2,101
Staal Beheer N.V.	−281	−281
Achmea Interne Diensten N.V.	11,645	8,789
Achmea Pensioen- en Levensverzekeringen N.V.	49,510	47,320
Total accruals and other liabilities	**63,898**	**57,929**

INTEREST INCOME

IN THOUSANDS OF EUROS	2022	2021
Parent		
Achmea B.V.	14	–
Other related parties		
Achmea Schadeverzekeringen NV	36	–
Achmea Pensioen- en Levensverzekeringen N.V.	75	–
Interamerican Health General Insurance Company of Health and Assistance SA	6	27
Interamerican Hellenic Life Insurance Company SA	10	–
Interamerican Property and Casualty Insurance Company SA	1	61
Interassistance Road Assistance Services SA	–	2
Zilveren Kruis Zorgverzekeringen N.V.	208	111
Athinaiki General Clinic SA	–	7
Total interest income	**350**	**209**

COMMISSION INCOME

IN THOUSANDS OF EUROS	2022	2021
Other related parties		
Staal Beheer N.V.	281	281
Achmea Pensioen- en Levensverzekeringen N.V.	5,342	5,680
Total commission income	**5,623**	**5,961**

INTEREST EXPENSES

IN THOUSANDS OF EUROS	2022	2021
Parent		
Achmea B.V.	44	222

Other related parties		
Achmea Pensioen- en Levensverzekeringen N.V.	25,503	29,183
Total interest expenses	**25,546**	**29,405**

COMMISSION EXPENSES

IN THOUSANDS OF EUROS	2022	2021
Other related parties		
Syntrus Achmea Real Estate & Finance B.V.	29,829	25,679
Total commission expenses	**29,829**	**25,679**

29. REMUNERATION MANAGING BOARD AND SUPERVISORY BOARD

REMUNERATION OF SUPERVISORY BOARD MEMBERS

IN THOUSANDS OF EUROS	2022	2021
Short term remuneration	157	115
	157	**115**

REMUNERATION OF MANAGING BOARD MEMBERS

IN THOUSANDS OF EUROS	2022	2021
Short-term employee benefits	706	675
Post-employment benefits	82	101
	788	**776**

The remuneration of the Supervisory Board members of 2022 included an amount of EUR 42 thousand related to 2021. The 2022 remuneration of the Supervisory Board members consist of 5 periods instead of 4 in 2021.

The members of Managing Board and Supervisory Board are classified as key management personnel. There are no key management personnel that held a mortgage loan during 2022 at Achmea Bank.

In 2022 there were no adjustments or claw backs in connection with (past) remuneration to members of the Managing Board.

30. EVENTS AFTER REPORTING PERIOD

At 31 January 2023 Achmea Bank N.V. issued a third EUR 500 million tranche under its EUR 5 billion Soft Bullet Covered Bond Programme, which was established in 2021. The third issue brings the current total outstanding covered bond volume issued by Achmea Bank to EUR 3 billion. The bonds have a tenor of 7 years, a maturity date of 31 January 2030. Achmea Bank will use the proceeds to (re)finance parts of its Dutch mortgage portfolio.

AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

Tilburg, 9 March 2023

The Managing 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

ACHMEA BANK N.V. COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION

COMPANY STATEMENT OF FINANCIAL POSITION

IN THOUSANDS OF EUROS			
AS AT THE YEAR ENDED 31 DECEMBER		2022	2021
Assets	**notes**		
Cash and balances with Central Banks	1	774,244	737,223
Loans and advances to banks	2	461,109	364,728
Derivative assets held for risk management	6	521,118	55,545
Loans and advances to public sector	3	606	629
Loans and advances to customers	4	11,870,599	11,363,221
Receivables from subsidiaries	5	27,378	–
Current tax assets	12	4,964	–
Prepayments and other receivables	8	223,581	245,852
Deferred tax assets	7	4,239	1,879
Total Assets		**13,887,838**	**12,769,077**
Liabilities			
Deposits from banks	9	1,137,916	55,535
Derivative liabilities held for risk management	6	410,529	339,695
Funds entrusted	10	7,997,577	7,400,157
Borrowings	11	3,476,940	4,069,100
Current tax liabilities	12	–	2,043
Payables to subsidiaries	5	–	17,750
Accruals and other liabilities	15	73,782	65,040
Subordinated liabilities	14	1,191	1,191
Provisions	13	22	500
Total Liabilities		**13,097,957**	**11,951,011**
Equity			
Share Capital		18,152	18,152
Share premium		505,609	505,609
Other reserves		252,705	255,036
Net profit for the period		13,415	39,269
Total Equity		**789,881**	**818,066**
Total Equity and Liabilities		**13,887,838**	**12,769,077**

COMPANY INCOME STATEMENT

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER	NOTES	2022	2021
IN THOUSANDS OF EUROS			
Interest income and expenses			
Interest income calculated using the effective interest method	16	274,253	297,531
Other interest income	16	370	6,677
Interest expenses calculated using the effective interest method	16	101,599	102,017
Other interest expenses	16	55,488	64,664
Net interest income	**16**	**117,536**	**137,527**
Changes in fair value of financial instruments	17	7,414	4,748
Fees and commission income	18	6,077	6,465
Fees and commission expense	18	5,370	5,722
Net fees and commission income	**18**	**707**	**743**
Other income	19	1,113	1,423
Total income		**126,769**	**144,441**
Wages and salaries	20	14,620	13,407
Compulsory social security obligations and pension costs	20	5,290	5,663
Other staff costs	20	6,730	7,120
Staff costs	**20**	**26,640**	**26,190**
Other Operating expenses	20	78,143	75,263
Impairment of financial assets	4	4,080	−9,293
Total expenses		**108,863**	**92,160**
Operating profit before taxes		**17,906**	**52,281**
Income tax expenses	21	4,491	13,012
Net profit for the period		**13,415**	**39,269**
Other comprehensive income/expense net of income tax		-	-
Total comprehensive income for the period		**13,415**	**39,269**

STATEMENT OF CHANGES IN COMPANY EQUITY

STATEMENT OF CHANGES IN COMPANY EQUITY

BEFORE PROFIT PROPORATION

IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	LEGAL RESERVE	NET PROFIT	TOTAL EQUITY
Balance at 1 January 2022	**18,152**	**505,609**	**246,055**	**8,981**	**39,269**	**818,066**
Net profit for the period	–	–	–	–	13,415	13,415
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**13,415**	**13,415**
Dividends paid	–	–	−2,331	–	−39,269	−41,600
Release legal reserve	–	–	1,980	−1,980	–	–
Total contributions by and distributions to Shareholders	**–**	**–**	**−351**	**−1,980**	**−39,269**	**−41,600**
Balance at 31 December 2022	**18,152**	**505,609**	**245,704**	**7,001**	**13,415**	**789,881**
Balance at 1 January 2021	**18,152**	**505,609**	**272,213**	**11,293**	**27,529**	**834,796**
Net profit	–	–	–	–	39,269	39,269
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**39,269**	**39,269**
Dividends paid	–	–	−56,000	–	–	−56,000
Appropriation of profit 2020	–	–	27,529	–	−27,529	–
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**

As at 31 December 2022 the authorised share capital amounted to EUR 90 million (2021: EUR 90 million), divided into 90 million shares (2021: 90 million) each with a nominal value of EUR 1 (2021: EUR 1). As at 31 December 2022 18,151,663 shares had been issued and paid up in full (2021: 18,151,663 shares).

In April 2022 a dividend amount of EUR 41.6 million was paid out to Achmea B.V., representing the 2021 distributable net profits (EUR 39.3 million) plus a small amount of released legal reserves (EUR 2.3 million).

As at 31 December 2022, the total legal reserve amounts to EUR 7.0 million (2021: EUR 9.0 million) and is included as part of the other reserves. Furthermore, the remainder part of the other reserves consists of retained earnings.

The profit for the year includes the 2022 net profit.

NOTES TO THE COMPANY STATEMENT

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 209 FTEs on 31 December 2022 (2021: 195 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.

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 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.

CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND PRESENTATION

Changes in presentation

In preparing the Consolidated Financial Statements 2022, Achmea Bank adjusted the presentation of the cash reserve from Cash and balances with Central Banks to Loans and advances to banks. The comparative figures of 2021 have been restated. The amount per 31 December 2021 was EUR 43.0 million. This change in presentation did not impact Total equity nor Net Result.

1. CASH AND BALANCES WITH CENTRAL BANKS

CASH AND BALANCES WITH CENTRAL BANKS

IN THOUSANDS OF EUROS	2022	2021
Cash and balances with Central Banks	**774,244**	**737,224**

2. LOANS AND ADVANCES TO BANK

LOANS AND ADVANCES TO BANKS

AS AT 31 DECEMBER 2022	← 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	**225,769**	**–**	**–**	**235,340**	**461,109**

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	**76,210**	**41,547**	**133,223**	**113,748**	**364,728**

At the end of 2022 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 46.8 million.

3. LOANS AND ADVANCES TO PUBLIC SECTOR

LOANS AND ADVANCES TO PUBLIC SECTOR

IN THOUSANDS OF EUROS	2022	2021
Loans and advances to public sector	**606**	**629**

4. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS

IN THOUSANDS OF EUROS	2022	2021
* < or equal to 3 months	162,541	322,630
* 3 months < x < or equal to 1 year	481,730	899,588
* 1 year < x < or equal to 5 years	2,195,324	3,819,956
* > 5 years	9,031,004	6,321,047
	11,870,599	**11,363,221**

5. RECEIVABLES AND PAYABLES FROM SUBSIDIARIES

RECEIVABLES FROM SUBSIDIARIES

IN THOUSANDS OF EUROS	2022	2021
Receivables from subsidiaries	**27,378**	**–**

The short-term receivables consist of the net position of the monthly interest on mortgages and the payable of the deferred purchase price (DPP).

6. DERIVATIVES

DERIVATIVES

AS AT 31 DECEMBER 2022 IN THOUSANDS OF EUROS	NOTIONAL AMOUNT	CARRYING AMOUNT ASSETS	CARRYING AMOUNT LIABILITIES
Derivatives in economic hedge relationships			
Interest rate swaps	8,912,148	521,116	410,467
Foreign exchange derivatives	61,109	2	62
	8,973,257	**521,118**	**410,529**
Derivatives used as fair value hedges			
Interest rate swaps	8,398,911	503,925	349,185
	8,398,911	**503,925**	**349,185**

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
	6,213,838	**42,348**	**318,084**

7. DEFERRED TAX ASSETS

DEFERRED TAX ASSETS

IN THOUSANDS OF EUROS	2022	2021
Deferred tax assets	**4,239**	**1,879**

For more information about the deferred tax assets, reference is made to note 16 of the notes of the consolidated statement of financial positions.

8. PREPAYMENTS AND OTHER RECEIVABLES

PREPAYMENTS AND OTHER RECEIVABLES

IN THOUSANDS OF EUROS	2022	2021
Prepayments and other receivables	**223,581**	**245,852**

For more information about the prepayments and other receivables, reference is made to note 12 of the notes of the consolidated statement of financial positions.

9. DEPOSITS FROM BANKS

DEPOSITS FROM BANKS

IN THOUSANDS OF EUROS	2022	2021
* < or equal to 3 months	809,955	184
* 3 months < x < or equal to 1 year	168,155	755
* 1 year < x < or equal to 5 years	158,225	52,937
* > 5 years	1,580	1,659
	1,137,916	**55,535**

10. FUNDS ENTRUSTED

FUNDS ENTRUSTED

IN THOUSANDS OF EUROS	2022	2021
* < or equal to 3 months	5,341,240	4,576,457
* 3 months < x < or equal to 1 year	424,413	356,301
* 1 year < x < or equal to 5 years	1,302,517	1,371,790
* > 5 years	929,408	1,095,608
	7,997,577	**7,400,157**

The saving deposits (2022: EUR 89 million, 2021: EUR 115 million) related to mortgages in the SPV entities are excluded from the company statement of financial position.

11. BORROWINGS

BORROWINGS

IN THOUSANDS OF EUROS	2022	2021
* < or equal to 3 months	339,860	383,928
* 3 months < x < or equal to 1 year	442,778	1,053,049
* 1 year < x < or equal to 5 years	1,760,878	2,115,553
* > 5 years	933,425	516,570
	3,476,940	**4,069,100**

12. CURRENT TAX ASSETS AND LIABILITIES

The net current corporate tax assets of EUR 5.0 million (2021: tax liabilities EUR 2.0 million) refers to the tax receivable 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.

13. PROVISIONS

PROVISIONS

IN THOUSANDS OF EUROS	2022	2021
Balance as at 1 January	**500**	**1,200**
Addition	22	320
Releases	−500	–
Amounts used	–	−1,020
Balance as at 31 December	**22**	**500**

For more information about provisions, reference is made to note 17 of the notes of the consolidated statement of financial positions.

14. SUBORDINATED LIABILITIES

SUBORDINATED LIABILITIES

IN THOUSANDS OF EUROS	INTEREST RATE (%)	2022	2021
Loan 1999/2024	5.68	1,191	1,191
		1,191	**1,191**

15. ACCRUALS AND OTHER LIABILITIES

ACCRUALS AND OTHER LIABILITIES

IN THOUSANDS OF EUROS	2022	2021
Accruals	11,195	9,068
Other liabilities	62,587	55,972
	73,782	**65,040**

16. INTEREST INCOME AND EXPENSES

INTEREST INCOME AND EXPENSES

IN THOUSANDS OF EUROS	2022	2021
Interest income calculated using the effective interest method	274,253	297,531
Other interest income	370	6,677
Interest expenses calculated using the effective interest method	101,599	102,017
Other interest expenses	55,488	64,664
	117,535	**137,527**

17. CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

IN THOUSANDS OF EUROS	2022	2021
Changes in fair value of financial instruments	**7,414**	**4,748**

18. FEES AND COMMISSION INCOME AND EXPENSES

FEES AND COMMISSION INCOME AND EXPENSE

IN THOUSANDS OF EUROS	2022	2021
Fees and commission income	6,077	6,465
Fees and commission expense	5,370	5,722
	706	**743**

19. OTHER INCOME

OTHER INCOME

IN THOUSANDS OF EUROS	2022	2021
Other Income	**1,113**	**1,423**

20. STAFF COSTS AND OPERATING EXPENSES

OPERATING EXPENSES

IN THOUSANDS OF EUROS	2022	2021
Staff costs	26,640	26,190
Administrative expenses	78,143	75,263
	104,783	**101,453**

21. TAX EXPENSES

INCOME TAX EXPENSES

IN THOUSANDS OF EUROS	2022	2021
Income tax expenses	**4,491**	**13,012**

22. AUDIT FEES

For more information about the audit fees, reference is made to the note 25 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 27 of the notes of the consolidated statement of financial positions.

24. PROFIT APPROPRIATION

The Managing Board of Achmea Bank proposes to pay a dividend of EUR 15.4 million to its shareholder Achmea B.V. This amount includes the 2022 net distributable profit plus a small amount (EUR 2 million) of released other reserves.

AUTHORIZATION OF COMPANY FINANCIAL STATEMENTS

Tilburg, 9 March 2023

The Managing 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

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

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 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 2022 and of its result and its cash flows for 2022 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 2022 and of its result for 2022 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 2022
- The following statements for 2022: 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 2022
- The company income statement for 2022
- 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.

Materiality

We determined materiality and identified and assessed 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.

Materiality	€ 8 million (2021: € 8 million)
Benchmark applied	1% of shareholder’s equity (2021: 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 determined materiality consistent with previous year.

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 € 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 the 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 credit risk modelling, macro-economic forecasting, valuations of derivatives, hedge accounting and regulatory reporting.

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 high on the public agenda and lead to significant change for many businesses and society. The managing board has reported in section Environment, Social & Governance (ESG) of the annual report how the company is addressing risks related to climate change, energy transition and the environment, thereby taking into account related regulatory and supervisory guidance and recommendations. In this section Achmea Bank N.V. also discloses that they published their first climate transition plan in the end of 2022. As part of our audit of the financial statements, we evaluated the extent to which climate-related and environmental risks and the possible effects of the energy transition and Achmea Bank N.V.'s climate transition plan are taken into account in estimates and significant assumptions underlying the valuation of certain account balances of 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 as at 31 December 2022.

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. 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.

Our audit response related to fraud risks

We identified and assessed 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 2 Risk management of 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 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 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. We 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 ''Critical estimates and judgments used in applying the accounting policies''. We have also used data analysis procedures to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.
As described in our key audit matter ''Estimation of expected credit losses on residential mortgages'',
we specifically considered whether the judgments and assumptions in the determination of this allowance indicate a management bias that may represent a risk of material misstatement due to fraud.
We did not identify a risk of fraud in revenue recognition.

We considered available information and made enquiries of relevant executives, directors, compliance and operational risk management, internal audit and legal and the audit & risk committee of 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 performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, 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 and compliance, inspection of the integrity risk analysis (SIRA), reading minutes, inspection of reports from compliance and operational risk management 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
As disclosed in the ''Basis of preparation'' section of note 1 to the consolidated financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the managing board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

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 relevant 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 material uncertainties about going concern.
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.

In comparison with previous year, the nature of our key audit matters remained unchanged.

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 impairment allowances for expected credit losses. At 31 December 2022 the total loans and advances to customers amounts to € 11.9 billion (2021: € 11.4 billion) and expected credit loss provisions of € 21.6 million (2021: € 14 million) are reported and disclosed in note 6 to the financial statements. The impairment allowances for expected credit losses are 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 impairment 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 inflation 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 impairment allowances for expected credit losses, the subjectivity involved in the judgments made and our consideration of the potential risk of management override of controls or other inappropriate influence over the estimation process, 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” and whether the accounting policies have been applied consistently. 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 own model 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 calculation of expected credit losses by reconciliation to source systems.

	Finally, we evaluated the completeness and accuracy of the disclosures relating to the impairment allowances for expected credit losses, as disclosed in note 4. ''Loans and advances to customers'' and in note 2. ''risk management'' in the notes to the financial statements, in accordance with the 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 impairment allowances for expected credit losses on loans and advances to customers to be reasonable and in accordance with EU-IFRS. The disclosures relating to the provision for expected credit losses in accordance with the requirements of EU-IFRS.

Application 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 € 538 million (2021: € 62 million) of assets and € 411 million (2021: € 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 2022 Achmea Bank N.V. recorded a hedge accounting ineffectiveness as disclosed in note 8 ''Changes in fair value of financial instruments, derivatives and hedge accounting'' of € 25 million positive (2021: € 20 million positive). The hedge accounting models used by Achmea Bank to determine the effectiveness of the hedges required significant auditor's attention and the application of hedge accounting is considered a key audit matter. The process, including the technical requirements for 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 N.V.'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 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 the requirements of EU-IFRS. Furthermore, our hedge specialists have been involved to evaluate 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 in accordance with the disclosure requirements included in EU-IFRS.

Application of hedge accounting	
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 of the Dutch Civil Code 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 and have operated as statutory auditor ever since that date.

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, 9 March 2023

Ernst & Young Accountants LLP

Signed by R. Koekkoek

Colophon and contact information

Colophon
This is the English version of our 2022 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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