ACHMEA BANK N.V. REPORTS SIGNIFICANT INCREASED RESULT DUE TO STRUCTURAL COST SAVINGS

Tilburg, 15 March 2019

- Achmea Bank N.V. reported a 2018 profit of EUR 39 million, EUR 29 million after tax (2017: EUR 24 million, after tax EUR 18 million)
- Interest Margin increased by EUR 7 million, operating expenses reduced by EUR 16 million
- The Common Equity Tier 1 Capital Ratio increased to 20.8 % (2017: 20.4%)
- Successful introduction of several niche mortgage propositions

Achmea Bank reported a profit before tax of EUR 39 million in 2018 (2017 EUR 24 million).

The operating profit, excluding exceptional items, increased from EUR 15 million in 2017 to EUR 39 million in 2018. The growth in the operating profit is mainly due to a higher interest margin of EUR 7 million and lower operating expenses of EUR 16 million. The structural lower operating expenses are mainly the result of the outsourcing of our mortgage servicing to Quion and the implementation of the new savings- and payment system. The 2017 result included the following exceptional items: release of the Acier loan loss provision of EUR 7 million and a positive fair value result of EUR 2 million.

In 2018 the implementation of a new system for the administration of payments and savings products and the implementation of the new reporting standard IFRS 9 were finalized. Furthermore the Bank integrated the client services desk of our two brands at Centraal Beheer. Centraal Beheer continues to focus on an excellent digital customer experience.

In line with Achmea Bank's strategy, Woonfonds has introduced several new niche mortgage propositions, among others a buy-to-let mortgage (2018) and a mortgage product for self-employed persons (end of 2017). Due to Achmea Bank's focus on niche propositions to achieve better interest margins over additional volume in the mainstream market, production of new mortgages decreased by EUR 0.1 billion to EUR 0.6 billion. In a strong competitive market the production for Achmea Pensioen- en Levensverzekeringen N.V. decreased to EUR 0.3 billion (2017 EUR 0.7 billion). The regular mortgage portfolio of Achmea Bank decreased by EUR 0.5 billion to EUR 9.8 billion with total prepayments stabilizing at EUR 1.1 billion.

The savings portfolio decreased, as expected, to EUR 5.7 billion (2017 EUR 6 billion), mainly driven by expiring term deposits. In 2018 Achmea Bank redeemed EUR 1.2 billion senior unsecured notes. The Bank retained its sound liquidity position with liquidity ratios well above internal and external limits.

The Total Capital ratio increased to 20.9% (2017: 20.5%). The Common Equity Tier 1 (CET1) Capital ratio increased to 20.8% as per December 2018 (20.4% at the end of 2017). The decline of the mortgage portfolio and 2017 result more than compensated the dividend pay-out of EUR 50 million in May 2018.

Achmea Bank currently applies the standardized approach to calculate the risk weighting of its assets. Achmea Bank is working towards the implementation of Advanced Internal Rating Based (AIRB) models which will have a positive effect on Achmea Bank's credit risk and data management capabilities. The latter will ultimately impact capital ratios in the future, depending upon approval of the DNB.

As of 1 January 2018, Achmea Bank applies the IFRS 9 reporting standards for financial instruments. The initial impact of IFRS 9 on equity amounts to EUR 13 million negative after tax, mainly related to a change in the classification and measurement of a small part of the mortgage portfolio. The negative impact on equity of the implementation of IFRS 9 per 1 January 2018 on the loan loss provision of the regular portfolio amounted to EUR 3 million (3 basis points). Achmea B.V. issued a capped guarantee to cover credit risk and legal claims related to the Acier portfolio. The impact on the Acier portfolio was largely compensated by this guarantee.

Achmea Bank proposes to pay out a total dividend which equals the net result of EUR 29 million.

In line with the simplified and more efficient organization, the responsibilities of the Director of Operations decreased and have been transferred to the other Board members. As of April 1 2018, the Board of Directors consists of Mr. Pierre Huurman and Mr. Pieter Emmen.

Since year-end 2017 Achmea Bank has retained its Issuer Default Rating of A/Stable (Fitch) and its A-/Negative Issuer Credit Rating from Standard and Poor's.

INTEREST MARGIN

The interest margin in 2018 increased by EUR 7 million compared to 2017. The impact of lower funding costs for both wholesale funding and the retail savings portfolio exceeded the lower interest income on the mortgage portfolio for an amount of EUR 11 million. To compensate for the expected future negative impact on interest margin due to early redemptions of mortgage loans, Achmea Bank prepayed a number of debt securities. The latter lowered the 2018 interest margin by EUR 6 million. Finally, the 2017 interest margin was negatively affected by the impact of the compensation for early redemption on mortgage loans of EUR 2 million.

FAIR VALUE EFFECTS

The fair value result amounted to a profit of EUR 0.3 million (2017: EUR 2 million). The fair value result is an accounting result that is compensated in other reporting periods, generally reflecting a pull to par as the underlying derivatives (used for hedging interest rate risk) approach maturity.

OPERATING EXPENSES

Compared to 2017, operating expenses decreased by EUR 16 million The number of employees decreased from 268 FTE to 203 FTE at the end of 2018, which resulted in a decrease of EUR 9 million for staff costs. The reduction is the result of structural cost savings achieved through the outsourcing of the servicing of our mortgage portfolio to Quion (2017), implementation of the new savings- and payment system (2018), a new system for arrears handling (2017), cease to offer mortgage advisory services (2017) and movement of the client services desks to Apeldoorn. Furthermore, project costs in 2018 decreased by EUR 3 million and the 2017 operating expenses included an one off contribution to Achmea B.V for implementation of the retirement benefit strategy (EUR 4 million). In line with 2017, operating expenses in 2018 includes an amount of EUR 9 million for bank-related levies for the resolution fund and the deposit guarantee scheme.

RESULT OF THE ACIER PORTFOLIO

The result of the Acier portfolio, excluding releases of the loan loss provision and fair value effects, amounted to a profit of EUR 0.1 million (2017: EUR 0.2 million). The interest margin of this portfolio amounted to EUR 3 million which was almost equal to the total operating expenses which mainly consisted of personnel expenses. The Acier loan portfolio differs in characteristics from the regular Achmea Bank mortgage portfolio. 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 large part of the credit losses and legal claims on the Acier portfolio with Achmea B.V.

PORTFOLIO PERFORMANCE

As of 2018 onwards, impairment charges are based on the IFRS 9 reporting standards. The net release of the loan loss provision amounted to EUR 7.7 million of which EUR 6 million related to the Acier portfolio. The release of the Acier portfolio has been deducted on the receivable on Achmea B.V. related to the first time adoption of IFRS 9. The 2017 net release of EUR 6.8 million was almost completely related to the Acier portfolio.
The provision for the regular mortgage portfolio, decreased from 11 basis points as per 1 January 2018 to 8 basis points as per December 2018, reflecting better economic circumstances and increased housing prices. The number of defaults in the regular portfolio continues to be low. The provision for the Acier portfolio decreased from EUR 46 million as per 1 January 2018 to EUR 35 million per 31 December 2018.

OUTLOOK

Despite the pressure on interest margin in the current low interest environment, we expect to be able to further improve interest margin by further decreasing funding costs and continued focus on niche propositions. Because of a policy change by Achmea B.V. with respect to cost allocation , Achmea Bank will be charged higher costs from 2019 onwards (increase of approximately 15%). We expect the number of defaults in the regular portfolio to continue to be low. Given the specific nature of the Acier portfolio, coupled with the macro-economic uncertainty, we are unable to make any predictions regarding loan impairments in the Acier portfolio and fair value effects.

Tilburg, 15 March 2019
The Executive Board
P.J. Huurman, Chief Executive Officer
P.C.A.M. Emmen, Chief Financial & Risk Officer

BEFORE APPROPRIATION OF RESULT IN THOUSANDS OF EUROS AS AT	31 DECEMBER 2018	1 JANUARY 2018	31 DECEMBER 2017
Assets			
Cash and balances with Central Banks	115,781	890,063	890,063
Derivative assets held for risk management	82,575	118,635	118,635
Loans and advances to banks	758,361	993,056	993,221
Loans and advances to public sector	699	722	722
Loans and advances to customers	11,056,321	11,700,018	11,730,641
Interest-bearing securities	201,168	403,561	403,561
Prepayments and other receivables	70,912	75,786	62,512
Total Assets	**12,285,817**	**14,181,841**	**14,199,355**
Liabilities			
Derivative liabilities held for risk management	470,479	573,427	573,427
Deposits from banks	202,148	144,635	144,635
Funds entrusted	5,859,866	6,171,584	6,171,584
Debt securities issued	4,858,361	6,362,719	6,362,719
Provisions	150	1,600	1,600
Current tax liabilities	34,102	26,004	25,857
Deferred tax liabilities	1,632	4,994	9,519
Accruals and other liabilities	45,562	61,203	61,203
Subordinated liabilities	8,336	8,336	8,336
Total Liabilities	**11,480,636**	**13,354,502**	**13,358,880**
Share Capital	18,152	18,152	18,152
Share premium	505,609	505,609	505,609
Reserves	251,948	298,990	298,990
Impact of adopting IFRS 9 at 1 January 2018	-	−13,136	–
Net profit	29,472	17,724	17,724
Total Equity	**805,181**	**827,339**	**840,475**
Total Equity and Liabilities	**12,285,817**	**14,181,841**	**14,199,355**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN MILLIONS OF EUROS	2018	2017	CHANGE
Interest Income	382	426	−10%
Interest expense	272	323	−16%
Interest margin	**110**	**103**	**7%**
Changes in fair value of financial instruments	–	2	−100%
Interest margin and changes in fair value of financial instruments	**110**	**105**	**5%**
Other income	2	2	0%
Fees and commission income and expense	4	5	−20%
Operating income	**116**	**112**	**4%**
Impairment of financial instruments and other assets	−2	−7	−71%
Operating expenses	79	95	−17%
Total expenses	**77**	**88**	**−13%**
Operating profit before income taxes	**39**	**24**	**63%**
Income tax expense	10	6	67%
Net profit	**29**	**18**	**61%**
Operating profit excluding exceptional items	39	15	160%
Operating profit before income taxes regular Achmea Bank portfolio	38	17	124%
Operating profit before income taxes Acier loan portfolio	1	7	−86%
Operating profit before income taxes Achmea Bank	**39**	**24**	**63%**

RATIOS	2018	2017	
Return on average equity	3.6%	2.1%	
Efficiency ratio	67.8%	86.2%	
Common Equity Tier 1 Capital Ratio	20.8%	20.4%	
Total Capital Ratio	20.9%	20.5%	
Leverage ratio	6.5%	6.0%	
Net Stable Funding Ratio	121%	119%	
Liquidity Coverage Ratio	364%	255%	

The financial statements of Achmea Bank N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed for use in the European Union. The primary statements included in this press release are based on the audited Financial Statements of Achmea Bank.

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