

Bulletin:

Achmea Bank's Planned Switch Producing Mortgage Loans Through Fellow Subsidiary Won't Change Group Status

September 4, 2020

PARIS (S&P Global Ratings) Sept. 4, 2020--S&P Global Ratings today said that Achmea Bank's (A-/Stable/A-2) planned switch to investing in mortgage loans through a fellow Achmea insurance group subsidiary rather than originating them itself will not change its importance for the group. We believe Achmea Bank's efficiency and profitability should benefit from this new set-up in the medium term, as well.

The Achmea group aims to increase scale and efficiency of the group's mortgage business by creating a single mortgage origination platform. With the platform, the group aims to better meet the needs of mortgage investors via separate account structures.

Achmea Bank, a fully owned bank subsidiary of the Achmea insurance group, has announced it will stop originating mortgage loans and instead will invest, alongside other Achmea insurance entities and third-party investors, in mortgage loans originated and serviced by Syntrus Achmea Real Estate & Finance. More generally, the bank will stop all mortgage-related operating activities it currently performs, including default management.

The reorganization highlights Achmea Group's commitment to its mortgage business, which includes Achmea Bank. Our view of the highly strategic importance of the bank within Achmea Group and our ratings on the bank are unchanged. This is because this reorganization merely affects the way mortgage loans will be sourced and doesn't change the need for Achmea Group to provide bank savings and investment solutions, which meet personal wealth accumulation needs under the Dutch pension system (third and fourth pillars).

The reorganization is complex, in our view, and therefore likely to span several years. It will notably involve transferring a significant part of the bank's staff to Amsterdam from Tilburg. That said, we view the execution risk as limited, considering that the main entities in the new set-up already exist and operate as part of the same group.

The reorganization is subject to regulatory approval, which we expect to be obtained in the third quarter of this year.

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