PILLAR III REPORT

ACHMEA BANK N.V.

2024

Contents

SUMMARY ANALYSIS

Common Equity Tier 1 Ratio (CET1-ratio) (2023: 16.9%) **16.6%**	Tier 1 Capital Ratio (2023: 16.9%) **16.6%**	Total Capital Ratio (2023: 16.9%) **19.1%**
Leverage Ratio (2023: 4.8%) **4.3%**	Total Risk Weighted Exposure Amount (2023: € 4,585M) **€ 5,043**	Write-offs (2023: € 0.1M) **€ 5.3M**
Liquidity Coverage Ratio (LCR) (2023: 164%) **191%**	Net Stable Funding Ratio (NSFR) (2023: 129%) **129%**	

Capital management

Achmea Bank is adequately capitalized, both from a strategy and diversification point of view. To ensure that the capital position also stays above limits in the near future, the bank frequently and consistently monitors projections of its capital position. Both in going concern as in stress for a horizon of at least 3 years. Achmea Bank has an increased (internal) focus on capital optimization, where capital size, composition and costs form important elements. Per the 31st of December 2024 the leverage ratio and all capital ratios (CET1, T1 and TCR) are well above the in– and external requirements.

Capital Requirements

In September 2023, Achmea Bank obtained permission from the Dutch Central Bank (DNB) to use the Advanced Internal Ratings Based (A-IRB) approach for calculating own funds requirements for credit risk for its most material portfolio[1]; the Retail- Secured by Residential Real Estate (non-SME) portfolio. For all other portfolios the Standardised Approach (SA) is used.

Following the remedial action plan that was shared with DNB in October 2023, Achmea Bank has worked on the remediation of identified areas for improvement. Successful remediation is expected to result in an improvement of the capital ratios of Achmea Bank in the medium term. Achmea Bank has submitted the application pack to DNB on February 14th 2025 as planned.

Liquidity management

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. Per the 31st of December 2024 the LCR, NSFR and Survival Period are well above the in– and external requirements.

[1] EUR 14.5 billion of the residential real estate portfolio is in scope of the A-IRB approach.

INTRODUCTION

This document presents the consolidated Capital Adequacy and Risk Management report (hereafter referred to as Pillar III report) of Achmea Bank N.V. as at 31 December 2024.

On October 1, 2024, Syntrus Achmea Hypotheekdiensten B.V. and its subsidiaries, Achmea Hypotheken B.V. and Attens Hypotheken B.V., became part of Achmea Bank. These entities are part of the consolidated figures in this Pillar III report.

Achmea Bank operates under the CRDIV capital framework which came into force in 2014. CRDIV constitutes the Basel framework which aligns regulatory requirements with the economic principles of risk management. CRDIV is implemented into Dutch law as amendments to the 'Financial Supervision Act' (Wet op het financieel toezicht, Wft) and further accompanying regulations. Pillar III requirements under CRDIV are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes. Achmea Bank's 2024 year end disclosures are prepared in accordance with the CRDIV requirements and associated guidelines of the European Banking Authority (EBA) technical standards that came into force.

In addition to the changes required under CRDIV, Achmea Bank monitors and assesses the impact of ongoing regulatory developments.

This report describes the Bank's:
- Company profile
- Risk management
- Capital management
- Liquidity management
- Credit Risk management
- Securitisations
- Operational Risk management
- Market risk management
- Remuneration principles and policy
- Climate-related risk

ACHMEA BANK

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. Achmea Bank is part of the Achmea Group’s Retirement Services. Achmea’s Retirement Services focuses on a financial carefree life for customers for today and tomorrow.

Achmea Bank offers mortgage and savings products, as well as investment services, to retail customers in the Netherlands, in close collaboration with Centraal Beheer and Achmea Investment Management. Additionally, Achmea Bank invests in mortgages provided by third parties. It holds a banking license and is authorized to provide financial services under the Financial Supervision Act (Wft). Achmea Bank has approximately EUR 17 billion in mortgages on its balance sheet and around EUR 10 billion in savings.

On October 1, 2024, Syntrus Achmea Hypotheekdiensten B.V. and its subsidiaries, Achmea Hypotheken B.V. and Attens Hypotheken B.V., became part of Achmea Bank. The subsidiary Syntrus Achmea Hypotheekdiensten B.V. manages the operational activities for the mortgage portfolios of the brands Centraal Beheer, Attens, Syntrus Achmea, Woonfonds and Tellius. Together, these brands represent a mortgage ‘assets under management’ volume of about EUR 33 billion. Achmea Hypotheken B.V. and Attens Hypotheken B.V., both subsidiaries of Syntrus Achmea Hypotheekdiensten B.V., originate mortgages for the Centraal Beheer (Leef Hypotheek) and Attens brands respectively.

Achmea Bank is headquartered in Tilburg and also has offices in Amsterdam and Apeldoorn, employing approximately 400 people.

STRATEGY

Achmea Bank plays a key role in Achmea’s retirement services strategy and functions as Achmea's retail bank, operating as a data-driven network bank with a clear growth ambition.

Mortgages
Profitable growth in mortgages is a crucial component of our strategy both from an interest margin perspective (on balance mortgage strategy) and from a fee perspective.

On balance mortgages strategy
The primary focus is on the Achmea Mortgages Investment Platform (Centraal Beheer Leef Hypotheek), which enables institutional investors to build their own residential mortgage portfolios in the Netherlands with their desired risk profiles. Additionally, Achmea Bank invests in mortgages on external platforms through strategic partnerships, increasing flexibility and enhancing the likelihood of achieving growth in the desired mortgage categories that align with our target balance sheet.

Furthermore, we drive growth through balance sheet transactions, which reduces our dependence on the primary mortgage market. Achmea Bank provides institutional investors with liquidity by acquiring mortgage portfolios that no longer optimally align with the desired characteristics of the institutional investors but fit well with Achmea Bank's target balance sheet. In this context, Achmea Bank prefers shorter fixed interest periods, while the selling institutional investors often favor longer fixed interest periods.

In addition to focusing on "mainstream mortgages," Achmea Bank also targets customers in specific market segments (niche markets). By addressing niche markets, we can achieve better returns and make a tangible contribution to social goals.

Fee strategy
Achmea Bank manages the servicing of all mortgages provided by Achmea. We focus on delivering high quality at the lowest possible costs through stable and digitized processes. Together with Achmea Mortgages, we focus on expansion of the number of external investors in our separate account (AMIP) and our mortgage fund (PVF Particuliere Hypothekenfonds) in order to achieve economies of scale and further strengthen Centraal Beheer's position in the mortgage market.

Finally applicable to both strategies, we contribute to social goals by assisting our customers in making their homes more sustainable through the development of accessible products and services, providing information, and raising awareness of climate risks and climate mitigation and adaptation. We do not exclude any energy labels in this process. Additionally, we help customers prevent payment difficulties with their mortgages and offer solutions.

Saving and investment
Achmea Bank develops and manages retail (savings and investments) products for the third and fourth pension pillars, which are offered by Centraal Beheer, addressing the growing need for individual financial solutions for Income for Today and Tomorrow. Savings of Centraal Beheer customers make a significant contribution to the funding of our on- balance mortgage portfolio and the offering of investment products is part of our fee strategy.
Savings and investment products also play a significant role in the retirement services strategy and are essential for Centraal Beheer in positioning itself as a broad financial service provider.

With our products, we provide sustainable returns on savings and investments, offering our customers control over their financial future throughout their life course. Additionally, Achmea Bank provides back-office services for the wealth-building products of Centraal Beheer. Our savings and investment solutions are offered within the same platform, allowing our customers to easily switch between savings and investment options while keeping costs low.

Development into a Data-Driven Network Bank
Smart, secure, and optimal use of data and technology is strategically important for Achmea Bank. As a data-driven organization, we strive to simplify and personalize the processes of our products for both customers and employees through the use of data and technology. To achieve these ambitions, we continuously invest in data, digitalization, and advanced technologies such as artificial intelligence (AI).

Our data warehouse already provides a solid foundation for the reliable and structured collection of data. Our data platform is designed to allow us to quickly onboard new partners. We ensure good data governance, clear ownership of data, proper usage of data, and maintain the quality of this data through agreements and controls, both internally and with our partners.

Where collaboration takes us further, we work with experts both within and outside Achmea. As a network organization, we have strategic partnerships with intermediaries and chain partners in the domains of mortgages, savings and investments, and we also collaborate with external mortgage providers. Thanks to these partnerships, we can optimally serve our customers, maintain flexibility, and create opportunities for further growth.

By joining forces with our partners, we not only realize customer-centric solutions but also create societal impact. We are committed to further strengthening our existing partnerships and establishing new, innovative collaborations. In this way, we can offer more customers the best: a financially carefree life, both now and in the future.

Strengthening the Positioning of Centraal Beheer as a Broad Financial Service Provider
Centraal Beheer has transformed from a traditional insurer into a broad financial service provider with a solid market position. Customer appreciation for our services is continuously increasing, demonstrating that we are increasingly meeting their needs at critical moments. Our focus on service and duty of care is key to our success.

Due to its strong market position, Centraal Beheer strengthens Achmea Bank's strategy, while our growth strategy enhances Centraal Beheer's positioning as a broad financial service provider. The growth of the mortgage portfolio creates a greater financing need, and the savings of Centraal Beheer's customers play an important role. Savings customers of Centraal Beheer can also access other products from Centraal Beheer.

Sustainable Organization
Our strategy aims to integrate ESG (Environmental, Social, and Governance) principles into the governance, risk management, and operational steering of our organization. Achmea Bank is committed to creating a sustainable impact and aims to achieve a 33% reduction in CO_2 emissions by 2030 compared to 2022.

We embrace Achmea's sustainable employment policy, train our employees in ESG matters, maintain transparency regarding governance and our CO_2 emissions, and identify climate risks as an integral part of our risk management.

RATINGS

Achmea bank has an implied public rating by S&P and Fitch. The ratings of both agencies are derived from Achmea's credit rating. The S&P rating is A-/A-2 Stable Outlook, the rating was reaffirmed in March 2023. Achmea Bank has a Fitch rating of A/F1 Stable Outlook; the rating was reaffirmed in April 2024. Both rating agencies use own methodologies for assessing Achmea Bank's capital and liquidity position. These assessments include the strategic position of the bank within Achmea, its competitive position and Dutch market conditions. The latest reports can be found on Achmea Bank's website: https://www.achmeabank.nl/investors/ratings.

RISK MANAGEMENT

INTRODUCTION

The Managing Board bears the ultimate responsibility to formulate and implement the bank's strategy. An important element of the bank's strategy is its policy concerning financial risk management and the resulting capital policy and funding plan. The Managing Board is responsible for the review, approval and execution of this plan. This also means that the Managing Board has the ultimate responsibility for the set up and effective operation of the processes that enables Achmea Bank to hold sufficient capital and liquidity, considering its objectives as well as the statutory and regulatory capital and liquidity adequacy requirements. Within this scope, the Managing Board has delegated specific tasks to committees, including the Asset & Liability Committee (ALCo).

The objective of the bank's risk management framework is identifying and analysing risks at an early stage and setting and monitoring limits. Adequate internal control procedures and reporting systems, including setting appropriate limits, are key elements in the bank's risk management.

In addition to strong prudential CRR/CRDIV requirements, there is also a need for a framework on recovery and resolution measures for banks to ensure that bank failures across the EU are managed in a way which avoids financial instability and minimizes costs for taxpayers. In April 2014, the European Parliament passed the Bank Recovery and Resolution Directive (BRRD)[2] effective January 1st 2016. Achmea Bank is compliant with this directive.

The Financial Stability Board (FSB) has published its final Total Loss Absorbing Capacity (TLAC) standard in November 2015 to be applied to global systemically important banks (G-SIB'-s). Hence TLAC does not apply for Achmea Bank.

[2] The BRRD provides that institutions established in the European Union (EU) should meet a minimum requirement for own funds and eligible liabilities ('MREL') to ensure an effective and credible application of the bail-in tool. On 12 November 2024, DNB, in its capacity as National Resolution Authority (NRA), decided to withdraw the MREL requirement for Achmea Bank with effect from 14 November 2024.

KEY METRICS SUMMARY

IN MILLIONS OF EUROS	2024	2023
Common Equity Tier 1 (CET1)	836	774
Tier 1	836	774
Total capital	962	774
Total risk-weighted assets (RWA)	5,043	4,585
Common Equity Tier 1 ratio	16.6%	16.9%
Tier 1 ratio	16.6%	16.9%
Total capital ratio	19.1%	16.9%
Additional CET1 buffers		
Capital conservation buffer	2.5%	2.5%
Countercyclical buffer	2.0%	1.0%
Total of bank CET1 specific buffer	0.0%	0.0%
Leverage ratio		
leverage ratio exposure	19,533	16,123
Leverage ratio	4.3%	4.8%
Liquidity Coverage Ratio		
Total HQLA	1,681	1.107
Total Net Cash Outflow	878	674
LCR ratio	191%	164%
Net Stable Funding Ratio		
Total Available Stable funding	16,530	13,539
Total Required Stable funding	12,807	10,503
NSFR ratio	129%	129%

Risk strategy

The Bank aims to maintain a sound balance between risk and return. Adequate risk management is key in order to ensure the bank effectively identifies, assesses, manages, and mitigates risks while supporting its overall business objectives. Achmea Bank's risk strategy establishes boundaries that protect the bank and ensure it operates within its risk appetite, while also facilitating business operations and supporting the achievement of the business strategy and goals.The risk strategy focuses on:

- ensuring financial and operational stability and continuity of Achmea Bank;
- sound balance sheet management to control financial risks;
- sound and controlled business operations;
- commitment to compliance and ethical conduct, and
- protection of Achmea Bank’s identity and reputation.

The Bank ensures to have a sound governance framework in place, alongside a strong risk culture. The Bank’s risk strategy is reflected in its Risk Appetite Statement. This is supported by a set of appropriate key risk indicators and watchlist indicators. Risk Management safeguards a continuous monitoring of the financial and non-financial risk profile and ensures that risk management instruments and techniques are implemented correctly and consistently, in line with legislation and market best practices.

Crisis Management Framework, Risk Appetite and Recovery Plan

Achmea Bank has a Crisis Management Framework in place, which comprises of multiple policy documents:

- Crisis Management Framework (CMF): Overarching document describing Achmea Banks’ CMF, which captures amongst others Achmea Bank’s strategy and the core business activities and key risks linked to those activities. In addition, the CMF describes the crisis management process, gives a comprehensive overview of the CMF-related policies and introduces the ‘slippery slope’.
- Risk Appetite (RA): The RA describes the risk policy principles and risk tolerance of Achmea Bank. Key Risk Indicators (KRIs) are set for financial and non-financial risks. The RA contains specific KRIs for significant risks such as solvency and liquidity & funding risk, for which limits -including early warning levels- are set based on the slippery slope. Besides KRI’s the bank also uses early warning signals (EWS) and watchlist indicators.
- Recovery Plan (RP): The RP captures the measures which can be taken to recover when (a) certain financial KRI(s) enter(s) a yellow or red zone of the risk appetite. The yellow and red zones are an indication of elevated risk. The primary goal of the RP is preventing a default of the bank. The focus is on tackling a (potential) liquidity and/or solvency crisis that poses a material threat to the financial viability of Achmea Bank.
- Operational Stability Plan (OSP): The OSP captures the measures which can be taken to recover when (a) non-financial KRI(s) enter(s) a yellow or red zone of the risk appetite.
- Fallback Plan (FP): Contrary to the RA, RP and OSP, the Fallback Plan is a stand-alone continuity plan, aimed at a specific event, namely the discontinuation of a critical benchmark, e.g. Euribor.

Significant risks and developments

Achmea Bank identifies the following types of material risks:

- Capital adequacy: the risk of an institution lacking the ability to absorb losses or decrease in earnings.
- Liquidity risk: the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Within liquidity risk a distinction is made between ‘market liquidity risk’ and ‘funding liquidity risk’. Market liquidity risk is the risk that the Bank cannot convert its assets into cash in a short period of time at acceptable costs. Funding liquidity risk is the risk that the Bank is not able to (re)finance itself in order to meet its obligations.
- Credit risk: the risk of losses by debtors or counterparties that are (permanently) unable to meet their obligations towards Achmea Bank. Within credit risk a distinction is made between ‘professional counterparty risk’ and ‘retail credit risk’. Professional counterparty risk is the risk of economic loss as a result of failure of a counterparty to fulfil its contractual obligations or due to deterioration of a counterparty’s credit standing. Retail credit risk is the risk of loss arising from customers not able to pay (in time) their interest and/or (fully) repay instalments on loans.

- Market risk: the risk of losses arising from movements in market prices. The risks subject to market risk include foreign exchange risk (FX), credit spread risk in the banking book (CSRBB) and interest rate risk in the banking book (IRRBB).
  - Interest rate risk in the banking book (IRRBB): the current or prospective risk to both the earnings and the economic value of an institution arising from adverse movements in interest rates that affect interest rate sensitive instruments.
  - Credit spread risk in the banking book (CSRBB): Risk driven by changes of the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework such as IRRBB or by expected credit/(jump-to-) default risk. CSRBB captures the risk of an instrument's changing spread while assuming the same level of creditworthiness, i.e. how the credit spread is moving within a certain rating/PD range.
  - Foreign exchange risk: the risk that the bank suffers losses due to adverse developments in the value of its assets, rights or liabilities in foreign currencies.
- Operational risk: the risk of loss arising from inadequate or failing internal processes, employees or systems, or from external events.
- Strategic risk: the risk that internal and external events may make it difficult for Achmea, or even impossible, to achieve the business objectives and strategic goals. A strategic risk may interfere with AB's business model in a way that it undermines the value proposition which attracts customers and generates profits.
- Sustainability risk: the risk of a negative impact on financial results, capital or reputation (including litigation risk) resulting from current or prospective impacts of environmental (E), social (S) or governance (G) events or conditions on Achmea Bank, its counterparties, assets, investments, liabilities and operations.
- Reputational risk: the risk of loss resulting from adverse publicity regarding a bank's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution.

The integral overview of the material risks, the changes in these risks and the measures taken are regularly discussed in the ALCo, Credit Committee, other subcommittees and the overarching Finance & Risk Committee (F&RC). To control the material risks, risk management processes are in place which ensure that the risks are taken within the boundaries set in the Risk Appetite of Achmea Bank.

RISK MANAGEMENT ORGANIZATION

Within Achmea Bank's risk governance framework, the Three Lines Model ensures a clear division of responsibilities. The Managing Board is overall responsible for the effectiveness of non-financial and financial risk management.

The first line (business departments, including finance and asset & liability management) owns and manages risks as part of day-to-day operations. These departments are responsible for managing the risks they incur in conducting their activities and for designing and executing effective and efficient controls. The second line (Risk Management) provides independent oversight, guidance, and challenge to ensure risks remain within the defined risk appetite. The third line (Internal Audit) conducts independent assurance, assessing the effectiveness of governance, risk management and controls. Together, these lines support sound and controlled business operations.

The Managing Board is overall accountable and responsible for defining and executing the Bank's strategy within the set boundaries that are formulated in the risk appetite. A crucial element of the Bank's strategy is the consistent control of operational risk, compliance risk, model risk, credit and counterparty risk, market risk, liquidity & funding risk, and the so-called transversal risks solvency risk, climate & environmental and other ESG risks and reputational 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 delegates specific tasks to different committees (such as F&RC, Credit Committee and ALCo).

The F&RC is the ultimate decision-making body for new and amended policies regarding financial and non-financial risks. The F&RC is chaired by the Director of Risk Management. The Credit Committee, the Technical Committee (model risk), the Data Quality Board and the ALCo are sub-committees of the F&RC.

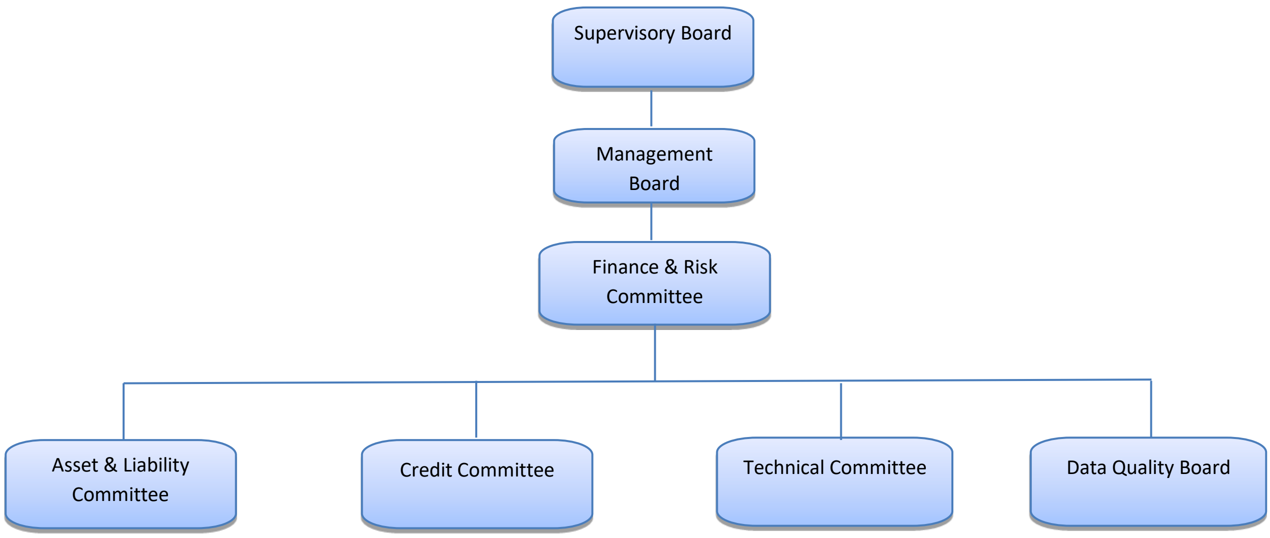
The Credit Committee focuses on the management of credit risk on its (residential) mortgage portfolios. This means that the Credit Committee has the responsibility for approving of and advising on credit policy frameworks and the implementation of it. In addition, the Credit Committee is responsible for monitoring 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. The Credit Committee is also 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 Director of Risk Management.

The ALCo monitors and manages all financial risks except for retail credit risk which is the focus of the Credit Committee. This comprises market risk (interest, credit spread & currency risk), professional counterparty risk, liquidity risk, funding risk and capital management. The

ALCo decision making process is amongst others based on reports in which actuals and forecasted figures with several (stress) scenarios are presented. The ALCo is chaired by the Director of Finance.

The Data Quality Board (DQB) is responsible for data governance within Achmea Bank. The DQB defines policies, roles and responsibilities regarding 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 use (data lineage). The DQB is chaired by the senior manager of Business Intelligence & Data Analytics.

The Technical Committee (TC) is responsible for the correct and timely processing of the model lifecycle of internal models within Achmea Bank. The TC is chaired by the Director of Risk Management.



Risk measurement

Achmea Bank applies the Basic Indicator Approach (BIA) to determine operational risk capital requirements, supplemented with scenario analysis to test the adequacy of the BIA. The Bank applies an internal model to determine interest rate risk in the banking book. For credit risk, Achmea Bank applies the Advanced Internal Rating-Based (A-IRB) approach for the Retail- Secured by Residential Real Estate (non-SME) portfolio and the Standardised approach for those portfolios that are immaterial in size and risk. The A-IRB approach strengthens the bank's governance, data driven strategy and credit risk management further and is expected to result in an improvement of the capital ratios.

Stress testing

Banks should have the capacity to fully understand their risks and the potential impact of stressful events and circumstances on their financial condition. Stress testing is one of the techniques used to manage the risks the Bank is exposed to. Stress testing can assist in highlighting unidentified or under-assessed risk concentrations, interrelationships and their potential impact on the bank during times of stress.

Stress testing is an integral part of risk management at Achmea Bank. Achmea Bank has a stress testing policy, design documents and multiple scenarios for stress testing solvency and liquidity in place. The stress testing policy describes the governance, the stress methodology and the application of stress testing (including sensitivity analysis and scenario planning) in the capital and liquidity planning process. The risk parameters for liquidity and capital are described in the corresponding design documents. The design documents also include the scenarios.

The purpose of the policy is to outline the framework for the identification, measurement, assessment, implementation and control of stress testing of Achmea Bank, which includes appropriate internal and external reporting and consistent safeguarding compliance to relevant regulation.

The stress testing framework consists of sensitivity analyses by risk type, scenario analysis and reverse stress testing. Through sensitivity analysis, Achmea Bank will gain and/or improve insight into the relevant risks that the Bank faces. The following subtypes of scenario analyses are applied by Achmea Bank: idiosyncratic and market-wide stress testing. Combining idiosyncratic and market-wide stress, provides the basis for enterprise-wide stress testing and reverse stress testing.

The results of the solvency stress scenarios are reported (at least) once a year and those of the liquidity stress scenarios are reported (at least) on a quarterly basis. The time horizon of the solvency scenarios is three years. Based on the outcomes, ALCo may have to take corrective measures, when necessary, so that the risk exposures remain within the boundaries of the Bank's risk appetite.

Capital management
For the purpose of stress testing its capital position Achmea Bank uses scenario planning to define a set of four scenarios, using input from multiple disciplines within the bank. After approval of the scenarios by the F&RC, these scenarios are used to calculate the impact on the capital position at least once a year. The outcome of the stress test is reported to and discussed in the ALCo.
Per 31 December 2024 the capital position remains well above the internal limit, as defined in the risk appetite, in all four scenarios.

Stress testing is also used to determine the pillar II capital charges for interest rate risk in banking book.

Liquidity management
On a quarterly basis Achmea Bank determines the impact of a severe market-wide stress scenario, a severe idiosyncratic stress scenario and a combined scenario. Market-wide stress focusses on the effects of changes in the yield curve, credit ratings of counterparties and a limited access to the unsecured wholesale markets. Idiosyncratic stress is the result of a (sudden) loss of trust in the creditworthiness of Achmea Bank. The effects of idiosyncratic stress are simulated by a sudden and material outflow of retail funding ('bank run' on customer savings) and a limited access to the wholesale markets for several months.

These stress scenarios are severe and lead to a substantial outflow of liquidity, but the available liquidity buffer of Achmea Bank is in all scenarios more than sufficient to ensure business continuity in times of stress.

Recovery plan
The Bank Recovery and Resolution Directive (BRRD) requires banks to have a Recovery Plan operational. The Recovery Plan is an important management tool for the early detection and averting of a (potential) crisis. Recovery and resolution planning is aimed for banks to better plan their responses to severe crises and avoid having to rely on government bailouts. Recovery plans ensure that banks, including Achmea Bank, are prepared to restore their viability in a timely manner even in periods of severe financial stress.

The Recovery Plan captures the measures which can be taken to recover when certain financial KRIs of the risk appetite enter a yellow or red zone. The primary goal of the Recovery Plan is preventing a default of the bank. The focus is on tackling (potential) liquidity and/or solvency crises. The Recovery Plan also provides a crisis governance and communication structure, which ensures that all relevant stakeholders are involved and/or are informed in a timely manner, as adequate communication is key to protect or restore the reputation of Achmea (Bank).

For the crisis management process a distinction is made between three main situations: business as usual, elevated risk & crisis and default. Business as usual corresponds with a situation that key risk (indicators) are in the green zone of the slippery slope. The situation of elevated risk and crisis corresponds with the yellow zone (elevated risk / early warning) and red zone (crisis / high risk) zone of the slippery slope.

The Bank distinguishes the following levels for its KRIs, based on the zoning of the 'slippery slope':

- Target level (**level 1**) – green zone;
- Early warning zone (**level 2A / 2B**) – yellow zone;
- High risk (**level 3**) – red zone.

The target, early warning and high risk levels are defined in the Risk Appetite statement of Achmea Bank. The Recovery Plan has a communication section which distinguishes between internal and external communication and includes sentiment monitoring.

The key risks are monitored by the risk committees and (senior) management on a regular basis via standard reports (see also paragraph 'Risk governance and risk management committee structure').

CRR3 (Basel IV)

As of 1 January 2025, CRR3 (Basel IV) is in force. CRR3 incorporates the latest standards for credit risk, operational risk and credit valuation adjustment. Among other things, CRR3 introduces a minimum of 72.5% (end state) for SA output, to be phased in over five years, starting with 50% in 2025.

Achmea Bank has assessed the potential impact on the risk weights of its assets of the earlier proposed Banking Package. The expected impact of the adjusted risk weights by application of the loan splitting method of Basel IV is a decrease of the average risk weight.

Countercyclical capital buffer

In May 2022, DNB announced that it was working towards a countercyclical capital buffer (CCyB) of 2% in the coming years for all banks that have credit exposures in the Netherlands. The purpose of the CCyB (as introduced under CRD IV) is to increase the resilience of banks when cyclical risks build up, and to release the buffer as soon as these risks materialize. This gives banks additional room to absorb losses in bad times and supports lending to Dutch businesses and consumers. The first step of this incremental build-up of the CCyB was 1% as of May 25, 2023. As of May 25 2024 the CCyB is set to 2%.

EBA Guidelines on IRRBB and CSRBB

The EBA Guidelines (2022) on interest rate risk from an institution's non-trading book business (IRRBB) and banking book credit spread risk (CSRBB) are mostly applicable from June 2023 and onwards. These guidelines specify the criteria for identification, management and mitigation by institutions of IRRBB. In addition, EBA has also published a Regulatory Technical Standards (RTS) specifying the criteria for assessing the risks arising from potential changes in interest rates that affect both the economic value of equity (EVE) and net interest income (NII) of a bank's non-trading book activities. Finally, EBA has published a RTS specifying the modelling and the assumptions regarding the supervisory scenarios for the Supervisory Outlier Test (SOT). Achmea Bank has implemented the guidelines and RTS in their market risk framework and calculates the SOT scenarios on a monthly basis.

Advanced Internal Rating Based (A-IRB)

In 2023, the bank received the Advanced IRB status from DNB which allows the Bank to use advanced internal models to determine credit risk, further strengthening the bank’s governance, data driven strategy and credit risk management. Until Achmea Bank has fully addressed the obligations related to identified areas for improvement, Achmea Bank must apply the Standardised Approach (SA) floor, which is at least equal to SA calculated risk weighting of its assets (RWA). Achmea Bank has submitted the application pack related to the fulfilled obligations to DNB on February 14th 2025 as planned. Approval of the fulfilment of the remediation is expected to result in an improvement of the capital ratios of Achmea Bank in the medium term.

CAPITAL MANAGEMENT

Achmea Bank holds sufficient buffer capital to cover the (unexpected) 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’. In September 2023 the Bank received the A-IRB status from DNB which allows the Bank to use advanced internal models to determine credit risk, strengthening the bank’s governance, data driven strategy and credit risk management further. The approval did not yet result in a lower capital requirement. The risk weighted assets for the exposures are determined according to the Standardised Approach (SA) or a RWA floor which is at least equal to SA. Achmea Bank uses the standardized approach to calculate the credit risk weightings for the non-AIRB portfolio and the basic indicator approach to calculate the capital requirement for operational risk. Achmea Bank applies the CRR netting rules for its derivative positions (CRR art. 327). Applying CRR articles 351 and 352 our net FX position is below the threshold of 2% of equity, which means that capital charge for pillar I market risk is nil. The Bank’s policy is to maintain a strong capital base to ensure investor, creditor and market confidence in order to sustain the future development of the business.

The Dutch Central Bank (DNB) sets overall (capital) limits based on the outcomes of its annual 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 16.6%, a Total Capital Ratio of 19.1% and a leverage ratio of 4.3% as at 31 December 2024, which are well above the internally applied target for the minimum capital ratio level and leverage ratio level. For 2024 the Managing Board has set the internal target for the minimum capital ratio level at SREP requirement plus the combined buffer requirement plus a management buffer of at least 0.5%.

AVAILABLE CAPITAL AND CAPITAL RATIO

IN MILLIONS OF EUROS	2024	2023
Share capital	18	18
Share premium reserve	506	506
Reserves	280	251
Net profit for the period	68	60
Total Equity	872	835
Non-eligible result and other comprehensive income	−35	−60
Common Equity Tier 1 capital before regulatory adjustments	837	775
Prudential valuation	−1	−1
IRB excess/shortfall	–	1
Other regulatory adjustments	–	−1
Total regulatory adjustments to CET1	−1	−1
Common Equity Tier 1 Capital	836	774
Lower Tier 2	125	–
Adjustments	1	–
Tier 2 Capital	126	–
Total own funds	962	774
Total risk exposure amount	5,043	4,585
Common Equity Tier 1 Capital Ratio	16.6%	16.9%
Total Capital Ratio	19.1%	16.9%
Total SREP Capital Requirement (TSCR)	12.1%	12.1%

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 31 million was paid out to its shareholder Achmea B.V. This amount includes the 2023 net distributable profit plus a small amount of the other reserves (EUR 1 million).

Achmea Bank has received approval from DNB to add the remaining portion of the net result for 2024 (EUR 34 million) to its Common Equity Tier 1 Capital.

Until 2023 Achmea Bank's methodology was to pay out 100% of net distributable profits generated in the previous year. In 2024 Achmea Bank introduced a bank specific capital policy to manage (excess) capital in a more efficient manner. This policy is aligned with Achmea Group's Capital Adequacy Policy (CAP) which is applicable to Achmea Bank. Achmea Bank needs to have sufficient capital to cover its risks and to comply with internal and external requirements, on the other hand the bank aims to limit the amount of unused freely available capital for reasons of costs efficiency. The dividend upstream methodology as of 2024 can therefore deviate from the previous methodology.

Internal capital adequacy requirements

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

Capital contingency

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

REGULATORY CAPITAL REQUIREMENTS

Achmea Bank applies the standardized and basic indicator approaches for calculating the Regulatory Capital requirements under Basel II and CRR (CRD IV) for credit risk (non-A-IRB) and operational risk. The risk weighted assets for the A-IRB exposures are determined according to the Standardised Approach (SA) or a RWA floor which is at least equal to SA. Achmea Bank's market risk is related to currency risk. Articles 351 and 352 of the CRR include the capital requirements for currency risk. Article 351 contains the provision for the materiality threshold and the weighting for the pillar 1 capital requirement: if the total net position exceeds 2% of the total equity, the bank must hold capital of 8% of the net position. Since the net position does not exceed the 2% threshold, regulatory capital required for market risk is set at zero.

QUALIFYING CAPITAL

Achmea Bank's capital consists of tier 1 and tier 2. Tier 1 capital consists of three components: paid-up capital, reserves and hybrid capital. Achmea Bank currently does not hold any hybrid tier 1 capital. The reserves consist of the share premium reserve and the retained profits. The deductions mainly relate to fair value gains and losses arising from the institution's own credit risk related to derivative liabilities and prudential valuation.

The available qualifying capital of EUR 962 million that the Bank retains to compensate for potential unexpected losses, is well above the level of the total external and internal capital requirements. This underlines the financial solidity of Achmea Bank.

Common equity tier 1 capital

In 2024 Common Equity Tier 1 capital increased by EUR 63 million from EUR 774 million to EUR 836 million. The increase is mainly due to addition of the 2023 (EUR 30 million) and 2024 (EUR 34 million) results excluding dividend. Achmea Bank has received approval from DNB to add the remaining portion of the net result for 2024. As Achmea Bank does not hold any additional tier 1 instruments, Tier 1 capital equals its Common Equity Tier 1 capital.

Tier 2 Capital
In 2024, Achmea Bank issued a subordinated security of EUR 125 million that qualifies as tier 2 capital.

Risk weighted assets
Achmea Bank reports the risk weighted exposure amounts in line with the CRRII and CRDV. In 2024 the total risk exposure amount (TREA) increased with EUR 458 million from EUR 4,585 million to EUR 5,043 million, mainly due to the increase in the mortgage portfolio.

The risk weight exposure deriving from the Advanced Internal Rating Based (A-IRB) model amounts to EUR 1.683 million (2023: EUR 1.714 million). The overall risk exposure as per 31 December 2024 of EUR 5.043 million includes, besides the risk exposure for the mortgages under the Standardized Approach, Other balance sheet exposures and Operational Risk exposure, an add-on of EUR 1.958 (2023: EUR 1.919) risk weight exposure for the conditional application of the AIRB due to the floor based on Standardized Approach (SA).

CAPITAL RATIOS

Total capital ratio (TCR) and Common Equity Tier I Capital Ratio (CET-1)
The TCR increased to 19.1% (2022: 16.9%). The increase is mainly due to the addition of the 2023 (EUR 30 million) and 2024 (EUR 34 million) result and the issuance of the subordinated bond of EUR 125 million.

Total SREP capital ratio (TSCR)
The TSCR is the minimum capital level that the Bank has to maintain, which is determined by DNB and results from the Supervisory Review and Evaluation Process (SREP). The TSCR is a measure of the Bank's minimum required capital expressed as a percentage of its risk exposure amount. The minimum required capital consists of pillar I and pillar II capital charges and any add-ons imposed by DNB. DNB has set the total SREP capital ratio in 2024 on 16.6% (2023: 12.1%). The current (fully phased in) capital ratios and targets are higher than the minimum capital requirements. Achmea Bank’s goal is to maintain a strong capital position.

Leverage ratio
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 the institution's total non-risk weighted exposures, expressed as a percentage. Achmea Bank complies with the internal minimum requirement for 2023 of 3.0% and the (expected future) external minimum requirements; the LR at 31 December 2024 was 4.3% (2023: 4.8%). The LR decreased during 2024 due to higher mortgage origination.

To manage the risk of excessive leverage the LR is reported monthly to the ALCo and includes a three year forecast. This ensures that a potential decline in the LR is detected early and corrective management actions can be taken in a timely manner.

Minimum requirement for own funds and Eligible Liabilities (MREL)
On 12 November 2024, DNB, in its capacity as National Resolution Authority (NRA), decided to withdraw the MREL requirement for Achmea Bank with effect from 14 November 2024. The reason for withdrawal is that an amendment to the SRMR and BRRD has entered into force on 14 November 2024 by Directive (EU) 2024/1174 (Daisy Chain Act). In order to reduce procedural obligations, DNB will in principle no longer have to establish MREL requirements for liquidation entities.

LIQUIDITY MANAGEMENT

Liquidity risk includes both the risk that Achmea Bank is not able to attract funding with appropriate maturities or at appropriate rates and the risk that Achmea Bank fails to liquidate assets at a reasonable price or within a reasonable period of time. Controlling the maturity mismatch of assets and liabilities is a fundamental element of Achmea Bank's liquidity risk management.

Liquidity risk consists of two basic types of risk:

- Market liquidity risk: The risk that, due to a crisis in the financial markets, Achmea Bank cannot liquidate its assets in a short period of time and at acceptable costs.
- Funding liquidity risk: The possibility that, over a specific horizon, Achmea Bank will be unable to (re)finance itself in order to meet its obligations. A typical example of this type of risk is a 'bank run'.

Internal liquidity adequacy process and requirements

The day-to-day cash management is executed through Achmea's central Treasury department, which monitors the Bank's daily cash position. In the Risk Appetite Achmea Bank has defined a dynamic limit and early warning for the cash position linked to the DNB cash reserve requirement. Liquidity risk monitoring and reporting, which includes actual and forecasted figures, is the responsibility of Balance Sheet Management. Furthermore, the ALCo monitors Achmea Bank's liquidity risks on a monthly basis.

The Bank has implemented internal processes to monitor and manage the liquidity risk of the Bank. The objective is to manage liquidity risk to prevent that the Bank can no longer meet its obligations. These processes are included in the Internal Liquidity Adequacy Assessment Process (ILAAP) manual. Amongst others, this manual describes the governance structure, the procedures, the assumptions and the methods used to determine the minimum level of liquidity. The objective of ILAAP is to assess liquidity risks and maintain an adequate level of current and future liquidity on a continuous basis.

Liquidity and funding contingency

Achmea 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, which includes its Recovery Plan. The Recovery Plan provides solutions to ensure the survival of Achmea 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.

RISK MEASUREMENT

Liquidity buffer and liquidity ratios

As part of adequate liquidity management, it is necessary for banks to maintain 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 liquidity buffer of Achmea Bank 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 1,191 million cash available on demand at the Dutch Central Bank (excluding the mandatory cash reserve). Furthermore, the Bank had a portfolio of liquid debt securities amounting to EUR 2,512 million at year-end 2024 (2023: EUR 1,311 million), comprising of unencumbered retained covered bonds and government bonds. The latter are part of an Asset Switch agreement with Achmea Pensioen- en Levensverzekeringen N.V. in which the Bank transfers the legal ownership of a portfolio of Dutch mortgages to Achmea Pensioen- en Levensverzekeringen N.V. in exchange for a portfolio of government bonds at a market value ratio of 110:100. These debt securities can easily be used as collateral or sold. The favourable liquidity treatment of government bonds enhances the liquidity position of the Bank and provides more flexibility in the timing of new funding transactions in connection with managing the liquidity and its survival period. The maximum amount of the Asset Switch is EUR 1.0 billion, with a current target amount of EUR 0.5 billion. At year-end 2024 EUR 649 million (2023: EUR 668 million) of mortgages at nominal value were exchanged for EUR 485 million (2023: EUR 504 million) of government bonds (market value).

The bank manages the LCR in the form of an LCR surplus (i.e. HQLA minus net cash outflow) and the internal limit is set at a surplus of EUR 70 million for 2024. The NSFR aims to ensure that long-term assets are financed with stable, longer term funding. Achmea Bank has set its internal minimum target for the NSFR at 110% for 2024. Both limits are higher than the minimum external requirements. The Bank complies with all external and internal minimum requirements in 2024. At year-end 2024 the LCR was 191% (2023: 164%) and the NSFR was 129% (2023: 129%).

FUNDING STRATEGY

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

Unsecured wholesale funding

Unsecured EMTN Programme

Since 2012 the Bank has a EUR 10 billion Unsecured European Medium Term Note programme. The total outstanding amount under the Programme was EUR 1.3 billion at year-end 2024 (2023: EUR 0.7 billion), including CHF denominated loans for an amount of CHF 0.2 billion (2023: CHF 0.3 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 1.0 billion as at year-end 2024 (2023: EUR 0.8 billion).

Other Unsecured wholesale funding

The Bank has deposits with financial and non-financial institutions. Total outstanding amount was EUR 0.2 billion at year-end 2024 (2023: 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 5.6 billion (2023: EUR 5.2 billion), deposits with agreed maturity of EUR 1.9 billion (2023: EUR 1.1 billion), saving deposits linked to mortgages of EUR 0.6 billion (2023: EUR 0.6 billion) and pension savings of EUR 2.5 billion (2023: 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. This risk is 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 at December 2024 the total amount of transferred mortgages is EUR 0.3 billion (2023: EUR 0.3 billion).

Deposits from Banks, including Central Bank

This category consists of cash collateral received on derivative exposures of EUR 52 million (2023: EUR 25 million), cash collateral SPV is redeemed in 2024 because of the liquidation of the SPV’s (2023: EUR 5 million), money market loans of EUR 35 million (2023: EUR 30 million), ECB main refinancing operations of EUR 300 million (2023: EUR 300 million).

Secured wholesale funding

Covered Bond

Achmea Bank has a EUR 10 billion Soft Bullet Covered Bond (SBCB) Programme.

In January 2024 this programme was expanded from EUR 5 billion to EUR 10 billion. In 2024 the Bank issued three tranches under the SBCB Programme, In February a EUR 0.5 billion 10 years tenor, in June a EUR 0.5 billion 12 years tenor and in October EUR 0.6 billion 3 years tenor.

The bonds issued under this programme 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 programme is UCITS eligible and Dutch Central Bank (DNB) registered. All issuances under the SBCB programme are compliant with article 129 of CRR and AAA-rated.

Achmea Bank also has a EUR 5 billion Retained Soft Bullet Covered Bond Programme (SBCB2). The shares of Achmea SB Covered Bond Company II B.V. are held by Stichting Achmea SB Covered Bond Company II. In 2024 Achmea Bank issued 4 notes under this programme. The total outstanding amount of retained covered bond was EUR 2 billion at year-end 2024. If desired the volume can be increased at short notice.

Securitisations

As at 31 December 2023, Achmea Bank had two retained RMBS notes outstanding with a total notional of EUR 1.1 billion. Due to the set-up of the retained covered bond programme and the issuance of EUR 2 billion retained covered bond the Bank no longer requires retained RMBS for its liquidity buffer. In 2024, the Bank called SRMPI and early terminated SRMPII. As at 31 December 2024 Achmea Bank has no active RMBS programme.

Trustee

Achmea 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. Achmea Bank intends to terminate the Trust structure and is actively repurchasing loans. As a result, the outstanding volume of private loans covered by the Trustee guarantee has decreased to EUR 2 million (2023: EUR 8 million).

ASSET ENCUMBRANCE (RATIO)

EBA states that an asset should be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balancesheet or off-balancesheet transaction from which it cannot be freely withdrawn (for instance, to be pledged for funding purposes). Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, should be considered encumbered. At year-end 2024, EUR 6.4 billion of total assets were encumbered, resulting in an asset encumbrance ratio per year-end 2024 of 32.1%[3] (2023: 32.6%).

[3] Note that as a result of regulatory reporting requirements the Asset Switch has a strong negative impact on the asset encumbrance ratio due to nominator/denominator effects, whereas in practice the bank only swaps illiquid collateral for highly liquid collateral. Without the Asset Switch the asset encumbrance ratio would amount to 30.4% per year end 2024.

CREDIT RISK

CREDIT RISK MANAGEMENT

The scope of this chapter includes all positions subject to the credit risk framework, excluding all positions subject to the securitisation framework (Securitisation chapter).

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 and A-IRB models to calculate own funds requirements for credit risk.

CREDIT PORTFOLIO

The credit portfolio consists of loans and advances to banks, public sector, retail customers, in the banking book and derivatives.

Achmea Bank's mortgages and loan activities included in the Loans and advances to customers are concentrated in the Netherlands. Achmea Bank's Loans and advances to banks, e.g. derivatives, are both to domestic and foreign counterparties. No geographical segmentation is applied.

The Loans and advances to customers consists of the Regular mortgage portfolio and the Acier loan portfolio.

Regular mortgage portfolio
The Regular mortgage portfolio, including the acquired portfolios and mortgages originated by external platforms, consists of residential, owner-occupied property loans and niche propositions such as buy-to-let. Collateral for these loans consists mainly of residential property. For a limited part of the portfolio the collateral also consists of pledged life insurance policies or saving 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 higher than average mortgage loans in the Netherlands, resulting in higher exposure risk on a single client. Also, the collateral may be residential and/or commercial properties with higher values and/or properties that may be more volatile in value and less marketable. The majority of the loans have a variable interest rate and part of the loans are denominated in Swiss Francs (CHF). All loans denominated in Swiss Francs have a variable interest rate (EUR 305 million at year-end 2024).

Achmea B.V. issued a capped guarantee to Achmea Bank to cover credit risk and legal claims related to this acquired portfolio (2015 and 2016). In 2024 EUR 0.7 million is claimed on the guarantee (2023: EUR 4.7 million) consisting of legal costs. For 2023 the claimed amount constating of ECL additions exceeding the threshold of 20 bps of the average gross carrying amount of the Acier portfolio. The total amount claimed by Achmea Bank up to year end 2024 is EUR 30.4 million (2023: EUR 29.7 million). At year- end 2024, the remaining maximum guaranteed amount is EUR 265 million.

Professional counterparties
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 also complies with the relevant Achmea group policy. To manage counterparty risk, Achmea 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 Balance Sheet Management and Achmea Treasury.

Contingent liabilities, commitments and other risks
Liabilities due to off balance irrevocable facilities which may lead to an actual credit risk exposure, are construction deposits, undrawn credit facilities of credit mortgages and loan commitments. Irrevocable facilities consist mainly of available credit under revolving credit facilities. No credit risk is incurred on revocable facilities. Other credit risks include other receivables.

Legal proceedings

In October 2023, Achmea Bank N.V. received a summons for a class-action lawsuit from Stichting Compensatie Zwitserse Frank Leningen (CZFL). This summons relates to mortgage loans denominated in Swiss Franc (CHF), provided by Staalbankiers N.V. (which loans have been transferred to Achmea Bank N.V.) to several of its private banking clients.

In the summons, Stichting CZFL, acting as a claims foundation, holds Achmea Bank N.V. liable for potential damages that clients with a CHF loan have suffered or may suffer as a result of (unforeseen) CHF/EUR exchange rate developments. Achmea Bank N.V. defends itself against this claim. In previous proceedings against Staalbankiers N.V. and Achmea Bank N.V., initiated by individual clients, the judge ruled in favour of Achmea Bank N.V.

In view of the assessment of the complaints and claims on the grounds stated in CZFL's summons, no collective claims provision has been made. The legal procedure started at the court in The Hague in early 2024 and is expected to take several years. A first court hearing will take place in March 2025. Unclear is which further developments in these proceedings may follow after the hearing.

Contractual obligations

At year-end 2024 the Bank had contractual obligations for the coming year with Achmea Group companies amounting to EUR 70.8 million (2023: EUR 68.3 million), primarily in connection with ICT-related contracts, Know Your Customer activities and with Centraal Beheer for distribution.
The Bank had external contractual obligations for the coming year amounting to EUR 4.3 million (2023: EUR 3.8 million) for the servicing of the saving and investment portfolio, EUR 18.2 million in contractual obligations for the servicing of the mortgage portfolio (2023: EUR 12.8 million). Syntrus Achmea Hypotheekdiensten B.V. has an contractual obligation of EUR 14.2 million with Quion for servicing the mortgage portfolios.

Irrevocable facilities

This refers to all liabilities relating to irrevocable undertakings which could lead to credit losses, including mortgage loan proposals for EUR 1.018 million (2023: EUR 981 million), construction accounts of EUR 184 million (2023: EUR 123 million) and undrawn credit facilities of credit mortgages of EUR 19 million (2023: EUR 21 million).

Offer pipeline Attens

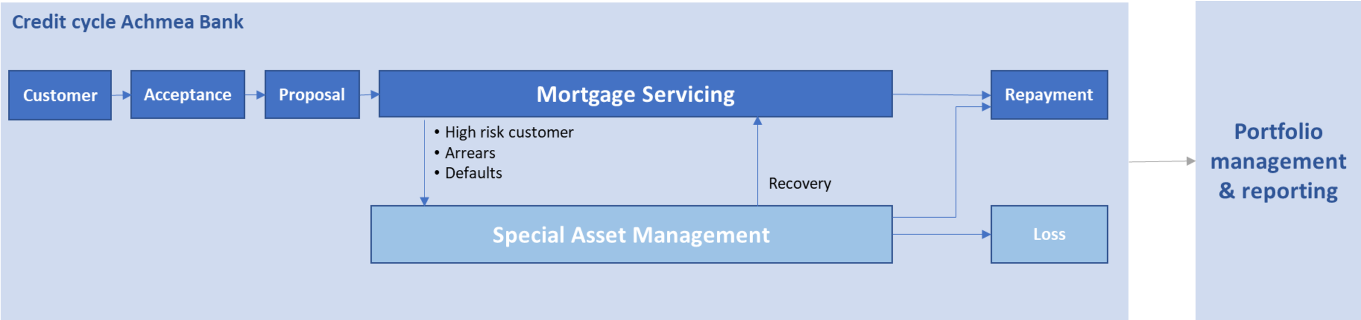
Attens Hypotheken B.V. is part of the Consolidated Financial Statements of Achmea Bank N.V. Attens Hypotheken B.V. provides mortgage loans and unconditional mortgage offers to mortgage lenders. This creates an obligation to grant mortgage loans until the mortgage has been executed. As a result, Attens Hypotheken B.V. has a financial obligation to its customers. At year-end 2024 the outstanding offer pipeline amounted to EUR 289 million (2023: EUR 219 million). In return, the founder of the label Attens has provided a guarantee to Attens Hypotheken B.V. for the outstanding mortgage offers with a maximum of EUR 350 million (2023: EUR 350 million).

Offer pipeline Achmea Hypotheken

Achmea Hypotheken B.V. is part of the Consolidated Financial Statements of Achmea Bank N.V. Achmea Hypotheken B.V. provides mortgage loans and unconditional mortgage offers to mortgage lenders under the Centraal Beheer label. This creates an obligation to grant mortgage loans until the mortgage has been executed. As a result, Achmea Hypotheken B.V. has a financial obligation to its customers. At year-end 2024 the outstanding offer pipeline amounted to EUR 691 million (2023: EUR 541 million), of which EUR 558 million is offered for Achmea Bank and is also reported above within the mortgage offer proposals. The funders for which these offers have been made (via the Achmea Mortgages Investment Platform) are obligated to accept the offer pipeline.

Credit committee

The Credit Committee monitors the credit risk profile of the mortgage portfolios throughout the credit cycle. The credit cycle, as illustrated below, is the foundation on which the 2nd line department Financial Risk Management forms its objective and independent judgement about the overall credit risk profile using portfolio management reporting.



Credit policy

Achmea Bank's policy on credit risk is mainly focused 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 policy frameworks based on legislation, the defined 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 role. Credit risk is monitored by the Credit Committee.

Credit approval

The underwriting policy sets the parameters to approve mortgage applications. In highly exceptional cases loan applications which do not meet the underwriting criteria can be discussed via the procedure for 'explain' applications. This is part of the comply or explain process. Both the underwriting policy and the comply or explain process are 1st Line responsibility. Financial Risk Management monitors the level of 'explain' applications on a quarterly basis, based on the set Risk Appetite limits.

Achmea uses an application score card based on the AIRB model for credit approvals (excluding acquired portfolios and external platforms). With this application score card for each mortgage application a score is calculated to determine if there is an increased risk for the specific application. This score is used in the approval process for the application.

The Financial Risk Management department monitors the credit risk of the portfolio as part of their 2nd line role. When actions are needed, the Financial Risk Management department will advise the Credit Committee and propose possible action(s). Example of a possible action is adjustment/ review of the policies, such as the 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 the Special Asset Management department. Special Asset Management treatment starts from the first month of arrears. The customer treatment is aimed at customer retention and minimizing losses for the customer and bank.

In case of foreclosure or forced sale, the Special Asset Management department realises the collateral sale and any remainder debt will be written off. Any income from the residual debt is recognised in the income statement, as part of other income.

Credit risk monitoring also takes place for the acquired portfolios and mortgage production via external platforms. These mortgage portfolios are highly comparable with Achmea bank's own portfolio in terms of credit risk. Special Asset Management treatment of the acquired portfolios is outsourced to the parties that have issued the mortgages. Achmea Bank receives ISAE 3402 reports from all respective organisations with regard to the soundness and robustness of internal controls in place for operational and financial processes.

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 Achmea 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, the Special Asset Management department may decide to modify the terms and conditions of the contract to maximise the probability of cure, maximise collection opportunities and minimise the risk of default. Forbearance is the temporary or structural modification of the terms and conditions of the mortgage. Some examples of the forbearance measures Achmea Bank applies:

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

The registration of the forbearance measures and default events of the acquired portfolios and external platforms takes place at the issuing party. The relevant information of the portfolios is added to the data warehouse of Achmea Bank. The default determination and reporting are performed by Achmea Bank for all portfolios, including external platforms.

If the modification of the terms is substantially different, Achmea 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.

Achmea 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% of the net present value of the contractual cash flows before modification.

During 2024 Achmea Bank has no financial assets with lifetime Expected Credit Loss (ECL) with significantly modified cashflows.

Definition of default

Achmea Bank has a Definition of Default, Forbearance and Non-performing exposure policy in place. The definitions included in the policy are based on the standards as laid down in the relevant Guideline of the European Banking Authority. The 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.
- Examples of unlikely to pay (UtP) indicators applied by Achmea Bank are:
- Distressed restructuring;
- Bankruptcy;
- Fraud;
- Insufficient sources of recurring income;
- Seizure;
- Sale (by the Special Asset Management department or with a residual debt).

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 (Lifetime ECL).

CREDIT RISK REPORTING

Financial Risk Management compiles monthly and quarterly reports for both the regular and the Acier portfolios. The reports focus on the developments in the credit portfolio and are discussed in the Credit Committee. The report provides insight into the origination of new mortgages, the portfolio as a whole, collections and write-off and links these subjects to policy.

The Control department compiles a monthly financial report that includes impairments and provisions. This report is discussed in meetings of the management board.

Advanced Internal Rating Based (A-IRB) approach
Achmea Bank aims to apply the A-IRB approach for substantial credit portfolios. In September 2023, Achmea Bank obtained permission from the Dutch Central Bank (DNB) to use advanced internal models to calculate its credit risks for its most material portfolio; the Retail - Secured by Residential Real Estate (non-SME) portfolio. Internal credit models are used to estimate Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) parameters. The three credit risk parameters are used by Achmea Bank for the calculation of the capital requirements and for a wide range of other purposes, such as improving risk management and customer service, both in origination and servicing of mortgages.

MODEL	EXPLANATION	METHOD
PD	The Probability of Default (PD) indicates the likelihood that a facility defaults within a one-year time horizon	A statistical model developed using internal data. Key risk drivers are based on arrears information (both internal and external) and loan-to-value. A regulatory floor of 3bps applies.
LGD	Loss Given Default (LGD) models estimate the amount the bank would lose if the counterparty were to default. LGD is estimated differently for facilities that are not in default and facilities that are already in default.	A statistical model developed using internal data. Important components are the probability of cure, probability of refinance and the estimated losses in each of these scenarios. Key risk drivers are based on arrears information (internal), workout information and loan-to-value. The downturn methodology reflects the potential decrease of house prices reflecting those observed in previous downturns.
EAD	Exposure at Default (EAD) models estimate the expected exposure at the time a counterparty defaults.	A model which makes a distinction between products which have only on-balance exposure and products which also have off-balance exposure. For the latter, a conservative Credit Conversion Factor (CCF) of 100% applies.

Standardized Approach (SA)
Achmea Bank applies the Standardized Approach (SA) for those portfolios that are immaterial in size and risk. DNB has granted Achmea Bank permission to use Permanent Partial Use of the Standardized Approach for the following portfolios:

- Exposures to central governments or central banks;
- Exposures to institutions;
- Exposures to corporates;
- Retail exposures in the sub-portfolios of Acier, Orange Credit, DCH and Obvion (Residential Real Estate).

SPECIFIC COUNTERPARTY CREDIT RISK

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

Credit risk measurement
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 2024 (2023: EUR 0). Furthermore, as at 31 December there are no concentrations of counterparty credit risk above the internally applied concentration limit.

The total net exposure mainly consists of the exposures on the top 10 professional counterparties (financial institutions). As at year-end the total net exposure for the top 10 amounted to EUR 351 million (2023: EUR 524 million) and mainly concern direct debit accounts related to mortgage repayments and the total fair value of the derivatives versus the collateral positions. At year-end of 2024 the net exposure for the derivative exposures amounted to EUR 121 million (2023: EUR 157 million) and consisted of the total fair value of the derivatives versus the collateral position and initial margin for central clearing.

The credit risk of retail exposures (Loans and advances to customers) is managed with the methodology described in the chapter Credit Risk. 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).

Qualifying central counterparties

Following regulatory requirements, Achmea Bank clears all new derivatives (IRS) through a qualifying central counterparty (QCCP), via its clearing members LCH Clearnet and Eurex. For the calculation of the capital requirements netting is applied on an individual legal entity (CRR: netting set) level. The net exposure on CCP’s is € 113 million, which mainly consist of € 131 million of initial margin (or: independent amount). CCP exposures are weighted at 2%. The bank still has a couple of older bilateral, fully collateralised, contracts with European Banks, with a limited net exposure of -/- € 12 million.

Credit risk reporting

Exposures to professional counterparties are monitored by the Treasury Department (1st line), Balance Sheet Management (1st line) and Financial Risk Management (2nd line). Balance Sheet Management is responsible for daily exposure reports to stakeholders and senior management of Achmea Bank. The daily report covers e.g. the net exposures and the corresponding limits of the individual professional counterparties.

Additional contractual obligations in case of a rating downgrade

In the event of a rating downgrade of a specific counterparty, Achmea bank could be required to post additional collateral.

SECURITISATIONS

As at 31 December 2023, Achmea Bank had two retained RMBS notes outstanding with a total notional of EUR 1.1 billion. Due to the set-up of the retained covered bond programme and the issuance of EUR 2 billion retained covered bond the Bank no longer requires retained RMBS for its liquidity buffer. In 2024, the Bank called SRMPI and early terminated SRMPII. As at 31 December 2024 Achmea Bank has no active RMBS programme.

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. This definition is in line with the definition applied by the Basel Committee on Banking Supervision (BCBS). 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 the reputation of Achmea Bank. Therefore, it is important to have a timely and adequate understanding of the risks, respond to these risks and implement effective control measures.

OPERATIONAL RISK AREAS

Achmea Bank has categorised operational risk into risk themes which are mapped to the operational risk categories as defined in the Basel regulations. In the section below, the various subcategories of operational risk and the way they are dealt with are described.

Information security and cybercrime

The risks for cybercrime are high, due to risk of 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 in particular due to the high degree of digitalization of our services. Information security management within Achmea Bank focusses on the permanent realisation 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 regulations and laws. To further strengthen the digital operational resilience Achmea Bank has implemented the Digital Operational Resilience Act (DORA), an EU regulation that is applicable from 17 January 2025. The regulation aims to strengthen the IT security of financial entities such as banks and ensure that the financial sector in Europe remains resilient in the event of a serious operational disruption. Although Achmea Bank was already required to comply with certain ICT risk governance, management, resolution and outsourcing obligations, there are differences between these former obligations and the standards as laid down in DORA (e.g. DORA extends to all contracts with ICT services, not only contracts that are considered outsourcing). Achmea Bank has committed to full compliance with DORA in design, existence and operation. There are minor deviations for compliance regarding operational effectiveness and therefore the implementation of the DORA is still ongoing. The aim is to have as much of the aftercare completed as possible in the first six months of 2025 (be it via a dedicated program or the line organization). The program facilitates the warm transfer of aftercare to the line organization.

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 harms the reputation of Achmea Bank and the banking industry. Furthermore, it can lead to financial loss and regulatory fines. Prevention of, and action against, fraud is therefore necessary. Achmea Bank pursues an active fraud policy and consistently takes measures against any form of fraud. The fraud management policy focuses on both internal fraud (employees and management) and external fraud (customers, suppliers and other relations). At the end of 2023 Achmea Bank became aware of potential fraudulent mortgage applications in the portfolio. An investigation into these applications was set up early 2024. In the first half of 2024, it became clear that mortgage fraud within the Dutch housing market has been taking place on a larger scale amongst mortgage lenders. Achmea Bank identified several mortgage loans that may have been provided on a fraudulent basis. Throughout 2024 Achmea Bank conducted thorough research into size, causes and impact of this incident, with support from external experts. This research continues into 2025. Based on the results, Achmea Bank has and will further strengthen its internal processes and controls where necessary. No credit losses were identified as a result of the frauds, but the incident resulted in an operational loss that materialised in 2024 (see below).

Privacy

Personal data are processed within Achmea Bank on a daily basis. In order to protect the privacy of all those involved, it is important that the processing of personal data is performed with care and in compliance with regulations and laws. Achmea Group has a privacy policy in place, 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. Furthermore, Achmea Bank has appointed a Privacy Officer, who acts as the point of contact for all privacy-related matters within the organisation and towards partners. In doing so, the Privacy Officer works closely with the Records Official, among others, who oversees the retention and destruction of archive-worthy information and data of Achmea Bank, in compliance with the legal retention periods. Privacy risks are classified as high and are therefore an important point of attention for management. Where deemed necessary measures have been taken and improvements have been implemented (or are in progress) to adequately manage privacy risks. In 2024, data retention in particular, continued to be an important area of focus.

Data risk

Data plays a significant role within Achmea Bank as 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 information to knowledge, it can be used to create business value; e.g. increased insight in customer needs, -sales or service opportunities and/or lower costs. Data management is a precondition to achieve this. Achmea Bank has a robust Data Governance framework, in which assurance of data quality throughout the chain is managed. For a solid data management organisation, clear roles, decision making bodies, rules and procedures are essential. Based on this framework Achmea Bank ensures that data is correctly defined, monitored and used throughout the data life cycle.

Outsourcing risk

Achmea Bank is a data driven network bank and has a strategy of optimizing results by adding value together with our business partners. The responsibility of being a prudent financial institution sets strict obligations on how these partnerships are managed. Outsourcing risk is the risk that the continuity, integrity and quality of the outsourced activities are harmed. Achmea Bank applies a strict process when entering into and managing outsourcing arrangements, to ensure compliance with internal policies, regulations and laws. These processes were further strengthened in 2024 for all internal and external outsourcing arrangements.

Business Continuity Management

Achmea Bank has 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 to ensure that the impact of the disruptions is limited to an acceptable proportion. The procedures for business continuity management are regularly updated and periodically tested.

Model risk

Achmea Bank uses several internal models in conducting its business. The use of such models invariably presents model risk. 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 model risk framework in place. Individual models are subjected to different controls and model validations across their lifecycle depending on their impact and complexity. Model risk assessments are required which result in an overview of categorized models. Reassessment takes place on an annual basis. The assessment consists of an inventory of all models, risk assessment and mitigating measures.

Customer due diligence

Anti-money laundering and combating the financing of terrorism are critical responsibilities for the bank, emphasizing our commitment to society, in addition to being key focus areas on the monitoring agenda of supervisory authorities. In this respect, Achmea Bank functions as a gatekeeper for the financial system and in this role helps to detect and prevent financial crime and terrorism financing. Risks in this areas are mitigated by performing Customer Due Diligence, Sanction and Politically Exposed Person (PEP) screening and Transaction Monitoring in operational activities. Achmea Bank continues to strengthen capabilities 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 includes improving efficiency and effectiveness within Achmea Group by means of outsourcing and centralizing the CDD activities, while maintaining a clear oversight and overall accountability of the functioning thereof.

Duty of care

Achmea Bank considers it important to enable clients to make informed choices based on information that meets legal requirements and is understandable to an average customer. Achmea Bank has implemented a duty of care policy, based on guiding principles and compliant with regulations and laws. A sound Product Approval and Review Process is in place to ensure the effective evaluation, compliance, and alignment of products with regulatory requirements and customer needs, thereby enhancing overall quality and mitigating risks associated with new product offerings.

Integrity risk

For customers to have confidence in financial institutions, it is essential that institutions operate with integrity. For Achmea Bank, integrity is a precondition for a healthy financial system. To contribute to these objectives, Achmea Bank conducts an annual Systematic Integrity Risk Analysis (SIRA). For each integrity risk relevant scenarios are described, indicating how risks may arise through factors such as customers, employees, third parties, products and services, distribution channels or countries. Integrity risks in scope of the SIRA 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 (risk management cycle) for identifying, assessing, monitoring and reporting operational risks as described above. This process is supported by the following instruments and techniques:

- 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;
- Scenario Analysis: focus on risks with a low likelihood, but a potentially high (financial) impact. Scenario analysis provides management with a quantitative understanding of the magnitude of the risk and supports decision-making. The outcomes are used to assess the adequacy of operational risk capital as part of the ICLAAP process.
- Control Framework (CFW) testing and monitoring: a structured approach to evaluate, review, test and monitor the key controls in place;
- Metrics/ boundaries: 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 applies the three lines model. The first line 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. The 2nd line for the management of operational risk consists of the Compliance and Non-Financial Risk Management (NFRM) teams, both of which are part of Achmea Bank's Risk Office. Compliance and NFRM provide 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 the Finance & Risk Committee.

Achmea Bank follows the Achmea Integrated Governance, Risk and Compliance (IGRC) policy for its risk management, including operational risk. The policy describes the objectives and principles for operational risk management, including governance, roles and responsibilities. The policy is updated periodically. Where necessary, Achmea Bank describes specific policy principles, for example for certain sub-risks within operational risk, in addenda to the IGRC policy.

RESULTS 2024

Losses related to operational risks

Operational losses related to operational risks include direct losses, as well as provisions for legal claims. Operational losses are recorded in the internal loss database and reported according to the risk categories as mentioned before. A net operational loss of EUR 1.067.894,- was recorded in 2024 (2023: EUR 145 thousand). This was mainly attributable to the aforementioned incident regarding mortgage fraud. The incident results in an operational loss, of which EUR 1.064.394,-, materialized in 2024. These costs consist mainly of incident response costs (internal and external research cost). No security incidents occurred in 2024 which significantly harmed or affected the provision of services to our clients.

Effectiveness of the Control Framework

Achmea Bank has in place a robust internal Control Framework (CFW). This framework is adapted continuously to changes in both the internal and external environment, to ensure controls are well-designed and effective. Key controls are assessed quarterly and action is taken if deficiencies are identified. Throughout 2024, Achmea Bank has focused on improving the control environment in high-priority areas such as Outsourcing, Cyber security, Privacy and CDD. Although improvements were recorded, challenges remain in these areas. Based on testing and monitoring results of the effectiveness of the CFW, the Managing Board has concluded that the control environment of Achmea Bank has been sufficiently effective during 2024.

Capital Calculation

The Bank applies the basic indicator approach (BIA) for calculating its operational risk capital charge under Pillar I of the Basel framework, , supplemented with scenario analysis to test the adequacy of the BIA.

MARKET RISK

INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk framework

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

Balance Sheet Management (1st line) is responsible for monitoring and managing the Bank's market risk. Financial Risk Management (2nd line) is responsible for the Bank's market risk policy. Transactions on the financial markets are supported and executed by Achmea Treasury and Corporate Finance. The Bank's risk exposure is reported, analysed and discussed in the monthly ALCo meetings and appropriate action is taken if necessary.

Achmea Bank does not engage in proprietary trading activities on financial markets and therefore does not calculate a pillar 1 market risk capital charge.

Governance

Interest rate risk in the banking book (IRRBB) 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) within a hedge accounting framework.

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).

Several objectives and limits have been set on the bank's interest positions under the Market risk policy and Risk Appetite. ALCo uses duration of equity, EVE-at-risk and Income-at-Risk as the main metrics to manage interest rate risk. Treasury is responsible for executing the decisions of ALCo.

RISK MEASUREMENT

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

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

- Duration of equity: measures the sensitivity of the market value of equity due to a parallel shift (shock) of the interest rates of one basis point;
- Economic value of Equity (EVE) at Risk: measures the effect on the market value of equity in several different shock scenarios, i.e. large gradual changes in the height and/or shape of the interest rate curve e.g. a parallel shift or steepening shift. The cashflows used for calculating EVE are excluding the commercial spread (so-called coupon stripping);
- Net interest Income (NII) at Risk: measures the impact on interest income in the next 12 to 36 months for several different shock scenarios.

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

Duration of Equity

The table below shows that the duration of equity of Achmea Bank has increased from -1.3 years at 31 December 2023 to 1.1 years at 31 December 2024.

DURATION OF EQUITY

IN YEARS	2024	2023
Duration of Equity	1.1	−1.3

Economic value of Equity (EVE) at Risk

EVE at Risk measures the sensitivity of the EVE to several interest rate shock scenarios. The table below shows the impact of a 200 basis points overnight parallel shift of the yield curve, both up and down.

SENSITIVITY ANALYSIS – ECONOMIC VALUE OF EQUITY (EVE)

IN MILLIONS OF EUROS	2024	2023
Impact of 200 basis points downward shift of the yield curve	−173	−153
Impact of 200 basis points upward shift of the yield curve	−96	−40

In the minus 200 basis points overnight shock scenario, mortgage prepayments are expected to increase significantly resulting in an EVE decrease of EUR 173 million (2023: EUR 153 million). The increased (negative) impact compared to 2023 is mainly caused by a decrease in interest rates, which have led to a higher market value of mortgages resulting in a higher (modelled) market value loss in the case of increased prepayments.

In the plus 200 basis points overnight shock scenario EVE decreases by EUR 96 million (2023: EUR 40 million). The increased (negative) impact compared to 2023 is predominantly driven by the higher duration of equity.

In practice, compared to the scenarios described above, the Bank will adjust its interest rate risk position in response to changes in interest rates and client behaviour as part of its regular IRRBB management process. This is not possible in a scenario with an overnight shock. In December 2024 the bank revised its stress scenarios and decided to use gradual shocks of ±200 basis points to calculate the EVE at risk and the NII at risk going forward. This allows for intermediate steering with interest rate swaps. Per the end of December the EVE at risk for the gradual -200 basis points scenario results in EUR -89 million and the gradual +200 basis points scenario results in an EVE at risk of EUR -51 million.

Net Interest Income (NII) at Risk

NII at risk measures the sensitivity of the net interest income to several interest rates shock scenarios and has a time horizon of one year, in line with EBA guidelines. The table below shows the impact of a 200 basis points overnight parallel downward shift of the yield curve.

SENSITIVITY ANALYSIS - NET INTEREST INCOME

IN MILLIONS OF EUROS	2024	2023
NII at Risk	−19	−36

The NII at risk amounts to EUR -19 million (2023: EUR -36 million). In 2024, Achmea Bank improved the methodology for the NII at Risk taking into account prepayment penalties and Non Maturing Deposit (NMD) migration. This is the main driver for the decrease in NII at Risk compared to 2023. For the gradual -200 basis points scenario the NII at risk amounts to EUR -9 million.

FOREIGN CURRENCY RISK

Part of the Acier loan portfolio is denominated in CHF (EUR 305 million at year-end 2024). This position is funded by CHF unsecured bonds (EUR 320 million). The remaining net CHF exposure is hedged on a monthly basis with foreign exchange derivatives (EUR 8 million net amount). The net valuation effect over 2024 amounts to a EUR 0.3 million loss (2023: EUR 0.4 million loss) and is recognised in changes in fair value of financial instruments.

FOREIGN CURRENCY EXPOSURE

IN THOUSANDS OF EUROS	2024			2023		
	Total exposure	**Hedging instruments**	**Net exposure**	**Total exposure**	**Hedging instruments**	**Net exposure**
CHF	314,070	319,676	−5,606	357,037	361,771	−4,734
	314,070	**319,676**	**−5,606**	**357,037**	**361,771**	**−4,734**

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. Given the limited exposure, the financial impact of fluctuations in exchange rates is limited.

The following exchange rates have been used:

	CLOSING RATE		AVERAGE RATE	
	2024	2023	2024	2023
CHF	0.94	0.97	0.95	0.98

REMUNERATION PRINCIPLES AND POLICY

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

CLIMATE & ENVIRONMENTAL RISK

Climate and environmental (C&E) risk is a relatively new area of attention within risk management that requires the fullest attention from all disciplines throughout the Bank. Sustainability risks (ESG), which include C&E risks, are also progressively attracting greater attention from the Banks' stakeholders (i.e. regulators, supervisors, customers, investors and from society at large). Consequently, the Bank is actively improving its understanding of these risks in order to ensure the future-proofing its business model and also align our strategy, governance, risk management frameworks and disclosures with supervisory expectations and guidances.

Risk Management

Achmea Bank views physical and transition C&E risks as drivers of traditional risk types, e.g. credit risk, operational risk, reputational risk and strategic risk. Achmea Bank is integrating C&E risk drivers in its risk management framework. The Bank recently approved the C&E risk framework (CERF), which also captures the risk governance and risk management practices related to C&E risks.

The CERF includes an overview which illustrates how physical and transition climate risk drivers affect the banks' financial and non-financial risks via micro- and macroeconomic transmission channels. Furthermore, in 2024 Achmea Bank performed a comprehensive materiality risk assessment of the impact of C&E drivers on the traditional risk types, following the 2023 initial materiality assessment. The C&E events that were assessed include physical risk events such as floods and drought and transition risk events such as policy and technological developments and market sentiment. The assessments include both qualitative and quantitative elements and with different time horizons up to 10 years. Where risks have been assessed as material, mitigating measures have been or will be taken, to the extent that these risks can be (directly) influenced by Achmea Bank. In future, the main risks will be further investigated and a long-term (> 10 years) horizon will also be added. We expect to gain valuable insights from these analyses. For CSRD purposes, the results of the C&E materiality risk assessment are also used as input for Achmea Bank's double materiality assessment.

Financial risks

Within the financial risk domain, the focus for the (potential) material impact of C&E drivers is on retail credit risk as residential mortgages are the core assets of Achmea Bank. In 2024 the effect of energy efficiency on the property value in the Dutch housing market was investigated and follow-up research on flood risk was conducted. In addition, the macro-economic scenarios were updated with one of the key components being the climate policy of the Dutch government. Furthermore, for funding liquidity risk, Achmea Bank investigated longer term C&E-driven impact on its wholesale funding.

The performed actions and analyses suggest that the financial impact of C&E risks on Achmea Bank's is not material for the short-term scenarios. The impact of C&E risks on long term risk will be further investigated considering a longer time horizon (> 10 years).

Non-financial risks

Achmea Bank has performed a (qualitative) analysis of C&E risks in order to identify the most important consequences for the bank's strategic (business model) and operational risk. The analysis assessed the ways in which physical and transition factors can cause or amplify strategic and operational risks. For operational risk, the impact of physical risks (e.g. floods, drought) on the continuity of the mortgage, savings and investment customer chains (including outsourced activities and IT) and reputation risk and liability risk are particularly relevant. Based on current insights, the impact of C&E risks on Achmea Bank's operational risk is assessed as not material for the time horizons considered in the analysis (< 5 years and < 10 years). For strategic risk the analysis performed covers all relevant businesses of Achmea Bank (mortgages, savings and retail investments). In this case, transition risk is particularly relevant. The analysis carried out suggests that the impact of C&E risks on Achmea Bank's strategic risk is not material for the time horizons currently considered. As mentioned above however, the impact of C&E risks on operational risk and strategic risk will be further investigated considering a longer time horizon (> 10 years).

Risk Governance

The Managing Board is accountable for the proper integration of sustainability (risk) within all parts of the organisation and the bank's strategy. This includes expanding the areas of attention of existing risk committees with C&E-related risks as these have an impact on the bank's traditional risk types. The Management Team Sustainability (MTS) consists of senior management representatives of the key domains and is chaired by the CEO. The MTS approves implementation plans for key sustainability topics based on the ESG strategy of Achmea Bank and ensures the implementation thereof across the Bank and in related domains that are necessary for execution. The MTS is mandated to guide and align the different sustainability activities within Achmea Bank according to the principles and boundaries set in the sustainability policies that are approved via the regular governance, e.g. Finance & Risk Committee.

As Achmea Bank is continuously improving knowledge and understanding of ESG risks and further guidance and regulations from supervisory authorities is being published, developments of risk management practices will be enhanced in line with updated insights. This could lead to strategic developments, as well as updated policies and procedures. Furthermore, ongoing activities with respect to structural monitoring of ESG risks will improve risk management practices and improved alignment with e.g. expectations of the Dutch Central Bank (DNB) and relevant EBA guidelines on the integration of C&E risks in strategy, governance and risk management frameworks across the Bank.

APPENDIX: PILLAR III DISCLOSURE TEMPLATE TABLES

The Pillar III tables with quantitative data can be found in the MS Excel document ‘*Pillar III disclosure templates 2024*’.

Colophon

This is the English version of our 2024 pillar III report. There is no Dutch version of this report. The pillar III report can be downloaded from our website achmeabank.com.

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