S&P Global Ratings

RatingsDirect®

Achmea Bank N.V.

Primary Credit Analyst:
Clement Collard, Paris +33 144207213; clement.collard@spglobal.com

Secondary Contact:
Anastasia Turdyeva, Dublin + (353)1 568 0622; anastasia.turdyeva@spglobal.com

Table Of Contents

Achmea Bank N.V.

Credit Highlights

Issuer Credit Rating
A-/Stable/A-2

Overview	
Key strengths	**Key risks**
Fully owned, highly strategic subsidiary of the Achmea insurance group.	Concentrated exposure to Dutch mortgage loans.
Strong operational ties to the group thanks to complementary customer, product, and asset-liability management.	Economies of scale limited by small size.
Low-risk loan book consisting of mortgage loans.	Profitability set to decline after exceptional net interest margin (NIM) level in 2023.

Achmea Bank N.V.'s main rating driver is its highly strategic importance to Achmea B.V. (Achmea). We think Achmea Bank (A-/Stable/A-2) has deep operational ties to the group and its savings business compliments Achmea's products. Achmea Bank's total assets accounted for 21% of the group at end-2023 (up from 18% in pro forma 2022), alongside 9% of the group's equity. Our long-term issuer credit rating on the bank is therefore based on its highly strategic status to Achmea, this reflects our view that the group will likely support the bank under almost all foreseeable circumstances. We therefore utilize the top-down approach, without assessing Achmea Bank's stand-alone credit profile, and thus the long-term rating on Achmea Bank is one notch lower than the 'a' group credit profile of the parent.

Achmea Bank has transformed from a traditional bank to a network business model. As such, the bank funds part of Achmea's mortgage portfolio through savings accounts and wholesale funding. Mortgages are served by Syntrus Achmea Real Estate & Finance, a real-estate and mortgages investment manager fully owned by Achmea, which also originates new mortgages, mainly under the Centraal Beheer brand. Achmea Bank is the orchestrator of Achmea's mortgage value chain and is responsible for concluding partnerships, which are consequential to this business model, and acquiring mortgage portfolios. The bank aims to expand its balance sheet to €20 billion over the next years, with an intermediary target of exceeding €16 billion by late 2025. While this target is ambitious, in our view Achmea Bank is on track to reach its 2025 goal.

Achmea Bank greatly expanded its customer loans portfolio in 2023 thanks to portfolio acquisition and prepayment. Achmea Bank's gross customer loans portfolio declined by a compound annual growth rate of 1.6% between 2015 and 2022. This is contrasts with other Dutch insurance groups' banking subsidiaries, NN Bank had a positive compound annual growth rate of 9.7% and Aegon Bank had 8% in the same period. As a result, Achmea Bank is the smallest of the three Dutch insurance group banking subsidiaries we rate, with total assets of €15.9 billion in 2023. This is despite several acquisitions, including part of ASR Bank's operations in 2019 (encompassing €1.5 billion of mortgage loans) and a €470 million residential mortgage loans portfolio from BinckBank in 2020.

However, we acknowledge a strong pick up in Achmea Bank's loan book volume in 2023 with net customers loans increasing by 19% to €14.1 billion. This is mainly thanks to origination outside of Centraal Beheer's brand and to portfolio acquisition from ASR. We view the deepening of Achmea Bank and ASR's business relationship as positive, it was announced in October 2023 that Achmea will be able to acquire up to €1 billion of newly originated mortgage from ASR. In our view, portfolio acquisition is key to Achmea Bank's loan book growth and achieving its targeted domestic mortgage market share increase. Over 2020-2022, Achmea Bank acquired €2.1 billion of mortgages from ASR. Achmea Bank might pursue a more aggressive mortgage underwriting strategy to increase its market share in the Dutch housing market. We therefore consider the (slightly) rising proportion of mortgage loans with loans to value above 90% reaching about 11% of total mortgage lending in 2023, up from 7% in 2022. However, we think that the Dutch mortgage market will support Achmea Bank's lending portfolio growth in 2024-2025 with the interest rate cooling down and mortgage volume picking up.

Despite structural low profitability, the higher rate environment carried Achmea Bank's exceptional 2023 performance. Achmea Bank's return on equity averaged 3.6% over 2018-2022, never exceeding 5% in a full year, and rose to 7.4% in 2023. NIM backed this very strong performance. We estimate that NIM peaked at approximately 1.5% in 2023 from an average of 1.0% over 2018-2022. We forecast that Achmea Bank's NIM will decrease from its 2023 peak in 2024-2025 on the back of lower customer deposits interest rates and expected continued pressure on general and funding cost. Nonetheless, the European Central Bank's main rates are expected to remain above the preCovid level thus supporting banks' NIM over the coming years.

Although fully integrated within the group, Achmea Bank is self-funded. Unlike most savings banks, the bank heavily relies on wholesale funding, which accounted for 36% of total funding at year-end 2023, according to our metrics. This wholesale funding included covered bonds (€3.5 billion), senior unsecured loans (€660 million), and short-term debts (€822 million). While the share of customer deposits in the funding base slightly decreased in 2023 due to a stronger lending portfolio, our measure of core deposits to total funding base remained comfortably above 60% thanks to a 16% growth of the deposits base. We also view the growing importance of covered bonds in Achmea Bank's wholesale funding strategy as positive. Deposits and covered bonds-focused funding is positive for both funding stability and the NIM. This is because savings are a more attractive source of funding compared with the pre-interest rate rise, and Achmea Bank does not have minimum requirements for own funds and eligible liabilities.

The bank's common equity tier 1 capital ratio decreased to 16.9% at year-end 2023, which we consider solid given strong lending growth, partly thanks to new risk model implementation. We view positively the bank exposures to the low-risk asset class of Dutch mortgages--about 29% of which benefits from a Dutch government-supported guarantee (Nationale Hypotheek Garantie). This business focus supports the almost null cost of risk over the years. The bank adopted the advanced internal rating-based approach to determine regulatory risk-weighted assets in September 2023, which allowed the bank to release about €100 million in common equity Tier 1 (CET1) capital supporting the bank's portfolio acquisition in 2023. Additionally, the current capital base remains exclusively composed by CET1 capital leaving Achmea Bank with capacity for subordinated debt issuances to finance future growth.

Achmea's position as the market leader in Dutch non-life and health insurance alongside its leadership ambitions in retirement services in our view strongly incentivize the group to own a bank in the country. As such, we think Achmea will retain and expand its Dutch banking activities. This is in contrast with the relatively recent cases of insurance groups exiting or starting to exit banking activities, notably ASR currently selling the recently acquired Aegon Bank. We are however monitoring legal changes that reduce the attractiveness of bank savings products and, therefore, the attractiveness of in-house banking activities for insurance groups.

Key Metrics

Table 1

Achmea Bank N.V.--Key figures						
	--Year ended Dec. 31--					
(Mil. €)	2023	2022	2021	2020	2019	2018
Adjusted assets	15,935.0	13,933.3	12,848.0	13,834.0	13,665.0	12,286.0
Customer loans (gross)*	14,161.0	11,893.0	11,378.0	12,120.6	12,672.0	11,100.0
Nonperforming loans*	76.0	78.0	82.0	133.0	115.0	129.0
Adjusted common equity	835.0	789.8	776.0	779.0	791.0	777.0
Operating revenue	198.0	127.0	144.0	147.0	150.0	116.0
Noninterest expense	115.0	105.0	101.0	106.0	105.0	79.0
Core earnings	60.0	13.0	39.0	28.0	37.0	29.0
%						
Return on average common equity	7.4	1.7	4.8	3.3	4.6	3.6
Tier 1 capital ratio	16.9	18.2	20.9	20.4	19.2	20.8
Net interest income/operating revenue	103.0	92.9	95.2	96.0	83.0	95.0
Noninterest income/operating revenues	(3.0)	7.3	4.8	4.1	17.1	5.0
Cost to income ratio	58.1	82.7	70.2	72.3	69.8	68.0
Growth in customer loans	19.5	4.34	(6.1)	(4.4)	14.2	(5.4)
Gross nonperforming assets/customer loans + other real estate owned*	0.5	0.7	0.7	1.1	0.9	1.2
New loan loss provisions/average customer loans	0.0	0.0	(0.1)	0.0	(0.0)	(0.0)
Customer loans (net)/customer deposits	150.7	146.8	151.2	162.4	168.4	188.7

*We no longer consider performing restructured loans as part of our nonperforming assets, data restated for 2018-2022.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (As Of May 22, 2024)*	
Achmea Bank N.V.	
Issuer Credit Rating	A-/Stable/A-2
Senior Secured	AAA/Stable

Ratings Detail (As Of May 22, 2024)*(cont.)	
Senior Unsecured	A-
Subordinated	BBB
Issuer Credit Ratings History	
26-Apr-2019	A-/Stable/A-2
11-Apr-2019	A-/Stable/A-1
13-Apr-2017	A-/Negative/A-1
Sovereign Rating	
Netherlands	AAA/Stable/A-1+
Related Entities	
Achmea B.V.	
Issuer Credit Rating	
Local Currency	BBB+/Stable/--
Junior Subordinated	BB+
Junior Subordinated	BBB-
Senior Unsecured	BBB+
Subordinated	BBB
Achmea Pensioen & Levensverzekeringen N.V.	
Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--
Achmea Reinsurance Co. N.V.	
Financial Strength Rating	
Local Currency	A-/Stable/--
Achmea Schadeverzekeringen N.V.	
Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--
Achmea Zorgverzekeringen N.V.	
Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.